Shawnee Retail Leakage Study

February 3, 2015

Shawnee, KS

Prepared For:

Shawnee Economic Development Council
Attn: Mr. Andrew Nave, CEcD
15100 W. 67th Street, Suite 202
Shawnee, KS 66217

IRR Corporate & Public Finance, LLC
File Number: 199-2014-0018

IRR Corporate & Public Finance

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Mr. Andrew Nave, CEcD
Shawnee Economic Development Council
15100 W. 67th Street, Suite 202
Shawnee, KS 66217

RE: **Shawnee Retail Leakage Study**
File No. 119-2014-0018

Dear Mr. Nave:

Pursuant to your request, we have completed a report evaluating the retail sales leakage within the City of Shawnee, Kansas. This summary report evaluated the economic conditions and demographics of the surrounding area and quantitatively analyzed the retail supply and the retail demand within the city limits from an overall perspective and then further analyzed the detailed categories and sub-categories within retail supply and demand to describe the conclusions regarding retail leakage.

We appreciate the opportunity to be of service.

Very truly yours,

IRR CORPORATE & PUBLIC FINANCE, LLC

John K. Hansen
Managing Director

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General Information

Purpose and Effective Date

The purpose of this report is to evaluate and analyze the retail sales leakage within the City of Shawnee. As the economic recovery continues the City of Shawnee, Kansas wants to maximize opportunities for high quality retail development within the City in order to provide residents with shopping and dining services locally as well as reduce retail sales tax leakage.

Sales tax revenue is an important revenue source for the proper funding of governmental services in all Kansas municipalities. Sales tax revenue has been eroded over time through a number of factors including the prevalence of ecommerce. Progressive municipalities are taking note and actively evaluating the opportunities and threats to growth in this important revenue source.

This summary report evaluated the economic conditions and demographics of the surrounding area and quantitatively analyzed the retail supply and the retail demand within the city limits from an overall perspective and then further analyzed the detailed categories and sub-categories within retail supply and demand to describe the conclusions regarding retail sales leakage.

Intended Use And Intended User

This consulting report is prepared for the Shawnee Economic Development Council (the “Client”), and its intended use is for furthering the understanding of retail sales tax leakage in Shawnee. Approval is hereby granted to provide the final report in its entirety with no modification to the City of Shawnee. The report is not intended for any other use or user unless specified in the assumptions/limiting conditions.

Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the analysis, the needs of the intended user, the nature of the subject area, and other pertinent factors. Our concluded scope of work is described below.

- Provide quantitative data on a both a macro-level for retail supply and demand in the subject area and category-specific level of detail;
- Analyze and dissect the data in various way to draw out major conclusions about the area's retail leakage;
- Present data with various charts, graphs and illustrations to further the understanding of the data;
- Draft and deliver a report describing the economic conditions and related factors, providing quantitative analysis of retail supply and demand and detailing the rationale for the conclusions of the report.

Excluded Scope

- This report is not a retail market study, retail demand study or feasibility analysis;
- The retail supply and demand described will be applicable to the subject area as a whole, not focused on dissecting sub-markets of supply and demand within the subject area;
- Some discussion of retail competition will be included but an in depth competition analysis will not be included in this study;
- This report will not be retailer specific in any way but rather will focus on retail category supply and demand within the subject area;
- This report will utilize industry standard retail categories and sub-categories and further customization is not included as part of this report's scope.
- Additional meeting time, travel or appearance at public hearings.

Other Research and Analysis

Additional steps taken to gather, confirm, and analyze relevant data, are detailed in individual sections of the report.

Economic Analysis

The following economic analysis covers, in large part, the overall Johnson County area. A broader set of economic data is available on the county level rather than limiting the analysis to the City of Shawnee, solely.

Johnson County Area Analysis

Johnson County is located in Kansas approximately and is 473 square miles in size and has a population density of 1,204 persons per square mile. Johnson County is part of the Kansas City, MO-KS Metropolitan Statistical Area, hereinafter called the Kansas City MSA, as defined by the U.S. Office of Management and Budget.

Population

Johnson County has an estimated 2014 population of 570,036, which represents an average annual 1.2% increase over the 2010 census of 544,179. Johnson County added an average of 6,464 residents per year over the 2010-2014 period, and its annual growth rate exceeded the Kansas City MSA rate of 0.6%.

Looking forward, Johnson County's population is projected to increase at a 1.0% annual rate from 2014-2019, equivalent to the addition of an average of 5,718 residents per year. Johnson County's growth rate is expected to exceed that of the Kansas City MSA, which is projected to be 0.5%.

Population Trends

	Population			Compound Ann. % Chng	
	2010 Census	2014 Est.	2019 Est.	2010 - 2014	2014 - 2019
Johnson County, KS	544,179	570,036	598,627	1.2%	1.0%
Kansas City MSA	2,009,342	2,057,706	2,113,584	0.6%	0.5%

Source: Claritas

Employment

Total employment in Johnson County is currently estimated at 322,396 jobs. Between year-end 2003 and the present, employment rose by 28,373 jobs, equivalent to a 9.6% increase over the entire period. There were gains in employment in eight out of the past ten years despite the national economic downturn and slow recovery. Johnson County's rate of employment growth over the last decade surpassed that of the Kansas City MSA, which experienced an increase in employment of 3.0% or 27,981 jobs over this period.

A comparison of unemployment rates is another way of gauging an area's economic health. Over the past decade, the Johnson County unemployment rate has been consistently lower than that of the Kansas City MSA, with an average unemployment rate of 5.1% in comparison to a 6.6% rate for the Kansas City MSA. A lower unemployment rate is a positive indicator.

Recent data shows that the Johnson County unemployment rate is 4.0% in comparison to a 6.0% rate for the Kansas City MSA, a positive sign that is consistent with the fact that Johnson County has outperformed the Kansas City MSA in the rate of job growth over the past two years.

Employment Trends

	Total Employment (Year End)				Unemployment Rate (Ann. Avg.)	
Year	Johnson County	% Change	Kansas City MSA	% Change	Johnson County	Kansas City MSA
2003	294,023		942,978		5.2%	6.0%
2004	299,828	2.0%	952,289	1.0%	5.0%	6.1%
2005	305,904	2.0%	963,656	1.2%	4.6%	5.7%
2006	314,953	3.0%	982,873	2.0%	4.1%	5.1%
2007	320,840	1.9%	991,332	0.9%	3.9%	5.0%
2008	316,110	-1.5%	980,778	-1.1%	4.4%	5.7%
2009	298,511	-5.6%	938,960	-4.3%	6.8%	8.9%
2010	300,571	0.7%	936,548	-0.3%	6.4%	8.8%
2011	307,865	2.4%	947,265	1.1%	5.8%	8.0%
2012	315,888	2.6%	963,035	1.7%	5.0%	6.7%
2013*	322,396	2.1%	970,959	0.8%	4.7%	6.4%
Overall Change 2003-2013	28,373	9.6%	27,981	3.0%		
Avg Unemp. Rate 2003-2013					5.1%	6.6%
Unemployment Rate - September 2014					4.0%	6.0%

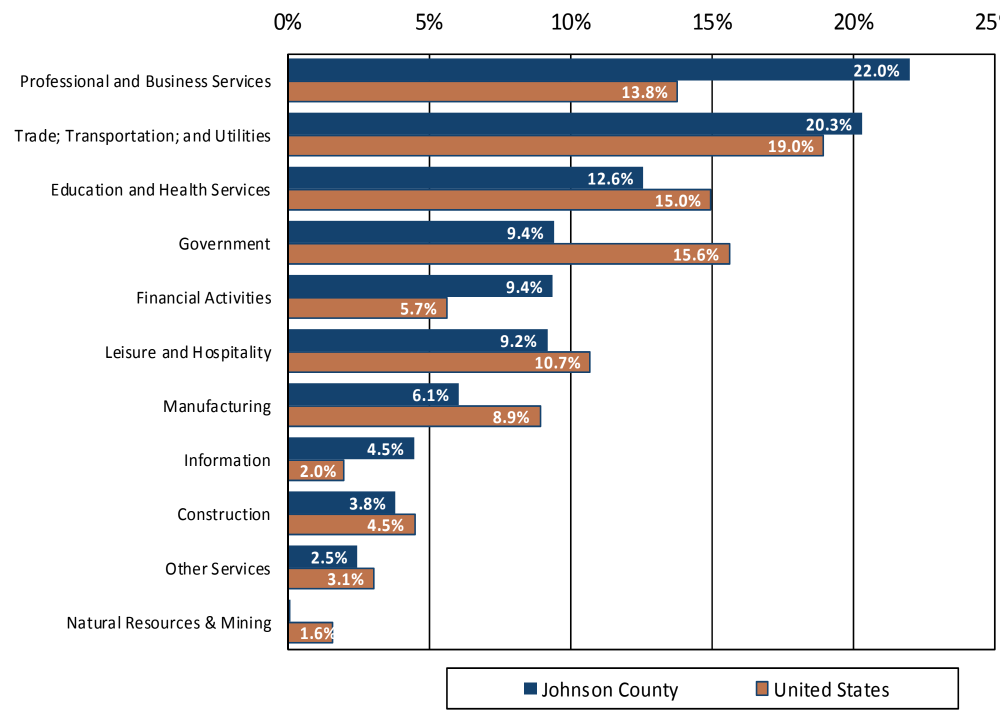
*Total employment data is as of September 2013; unemployment rate data reflects the average of 12 months of 2013.

Source: Bureau of Labor Statistics and Economy.com. Employment figures are from the Quarterly Census of Employment and Wages (QCEW). Unemployment rates are from the Current Population Survey (CPS). The figures are not seasonally adjusted.

Employment Sectors

The composition of the Johnson County job market is depicted in the chart below. A complete data set is not available for the Kansas City MSA, so we will compare Johnson County to the United States. Total employment for the two areas is broken down by major employment sector, and the sectors are ranked from largest to smallest based on the percentage of Johnson County jobs in each category.

Employment Sectors - 2013



Source: Bureau of Labor Statistics and Economy.com

Johnson County has greater concentrations than the United States in the following employment sectors:

1. Professional and Business Services, representing 22.0% of Johnson County payroll employment compared to 13.8% for the nation overall. This sector includes legal, accounting, and engineering firms, as well as management of holding companies.
2. Trade; Transportation; and Utilities, representing 20.3% of Johnson County payroll employment compared to 19.0% for the nation overall. This sector includes jobs in retail trade, wholesale trade, trucking, warehousing, and electric, gas, and water utilities.
3. Financial Activities, representing 9.4% of Johnson County payroll employment compared to 5.7% for the nation overall. Banking, insurance, and investment firms are included in this sector, as are real estate owners, managers, and brokers.

4. Information, representing 4.5% of Johnson County payroll employment compared to 2.0% for the nation overall. Publishing, broadcasting, data processing, telecommunications, and software publishing are included in this sector.

Johnson County is underrepresented in the following sectors:

1. Education and Health Services, representing 12.6% of Johnson County payroll employment compared to 15.0% for the nation overall. This sector includes employment in public and private schools, colleges, hospitals, and social service agencies.
2. Government, representing 9.4% of Johnson County payroll employment compared to 15.6% for the nation overall. This sector includes employment in local, state, and federal government agencies.
3. Leisure and Hospitality, representing 9.2% of Johnson County payroll employment compared to 10.7% for the nation overall. This sector includes employment in hotels, restaurants, recreation facilities, and arts and cultural institutions.
4. Manufacturing, representing 6.1% of Johnson County payroll employment compared to 8.9% for the nation overall. This sector includes all establishments engaged in the manufacturing of durable and nondurable goods.

Gross Domestic Product

Gross Domestic Product (GDP) is a measure of economic activity based on the total value of goods and services produced in a defined geographic area. Although GDP figures are not available at the county level, data reported for the Kansas City MSA is considered meaningful when compared to the nation overall, as Johnson County is part of the MSA and subject to its influence.

Economic growth, as measured by annual changes in GDP, has been similar in the Kansas City MSA and the United States overall during the past eight years. The Kansas City MSA has grown at a 1.1% average annual rate while the United States has grown at a 1.0% rate. As the national economy improves, the Kansas City MSA continues to perform similarly to the United States. GDP for the Kansas City MSA rose by 2.5% in 2012 while the United States GDP rose by 2.5%.

The Kansas City MSA has a per capita GDP of $48,311, which is 13% greater than the United States GDP of $42,784. This means that Kansas City MSA industries and employers are adding relatively more value to the economy than their counterparts in the United States overall.

Gross Domestic Product

Year	($ Mil) Kansas City MSA	% Change	($ Mil) United States	% Change
2005	91,107		12,539,116	
2006	92,124	1.1%	12,875,816	2.7%
2007	94,798	2.9%	13,103,341	1.8%
2008	96,046	1.3%	13,016,791	-0.7%
2009	92,035	-4.2%	12,592,668	-3.3%
2010	94,964	3.2%	12,897,088	2.4%
2011	96,087	1.2%	13,108,318	1.6%
2012	98,492	2.5%	13,430,576	2.5%
Compound % Chg (2005-2012)		1.1%		1.0%
GDP Per Capita 2012	$48,311		$42,784	

Source: Bureau of Economic Analysis and Economy.com; data released February 2014. The release of state and local GDP data has a longer lag time than national data. The data represents inflation-adjusted "real" GDP stated in 2005 dollars.

Household Income

Johnson County is more affluent than the Kansas City MSA. Median household income for Johnson County is $71,092, which is 27.5% greater than the corresponding figure for the Kansas City MSA.

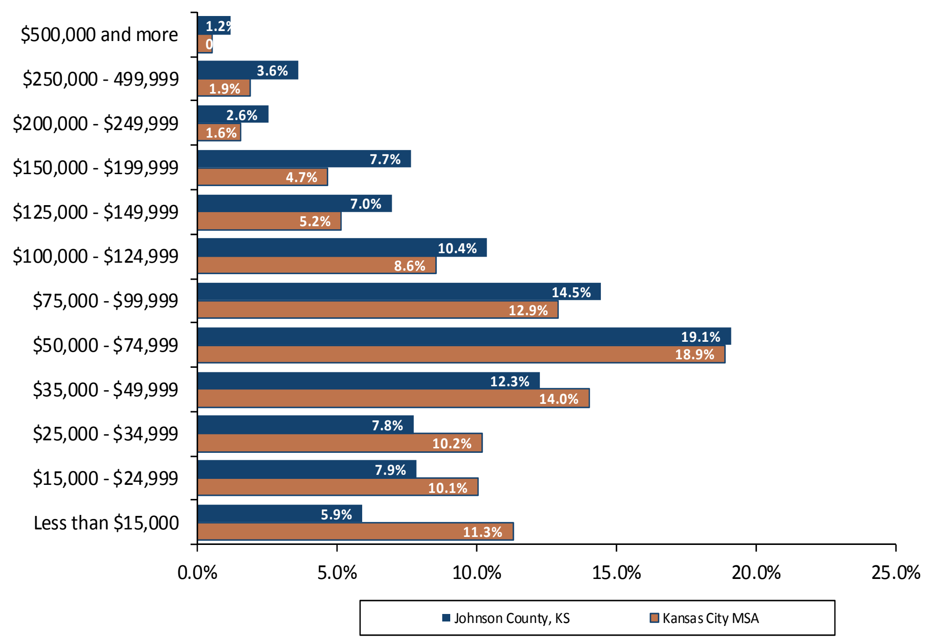
Median Household Income - 2014

	Median
Johnson County, KS	$71,092
Kansas City MSA	$55,763
Comparison of Johnson County, KS to Kansas City MSA	+ 27.5%

Source: Claritas

The following chart shows the distribution of households across twelve income levels. Johnson County has a greater concentration of households in the higher income levels than the Kansas City MSA. Specifically, 47% of Johnson County households are at the $75,000 or greater levels in household income as compared to 35% of Kansas City MSA households. A lesser concentration of households is apparent in the lower income levels, as 22% of Johnson County households are below the $35,000 level in household income versus 32% of Kansas City MSA households.

Household Income Distribution - 2014

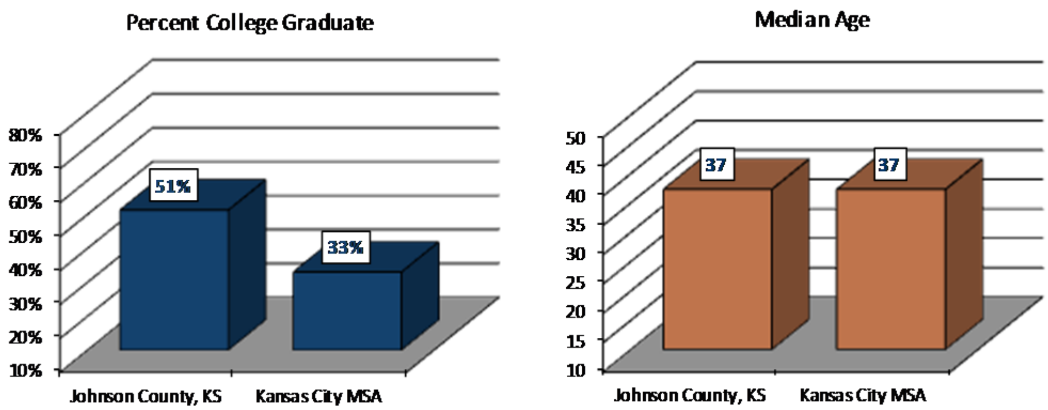


Source: Claritas

Education and Age

Residents of Johnson County have a higher level of educational attainment than those of the Kansas City MSA. An estimated 51% of Johnson County residents are college graduates with four-year degrees, versus 33% of Kansas City MSA residents. People in Johnson County are similar in age to their Kansas City MSA counterparts. The median age of both Johnson County and the Kansas City MSA is 37 years.

Education & Age - 2014



Source: Claritas

Conclusion – Johnson County

The Johnson County economy will benefit from a growing population base and higher income and education levels. Johnson County experienced growth in the number of jobs and has maintained a consistently lower unemployment rate than the Kansas City MSA over the past decade. Moreover, Johnson County benefits from being part of the Kansas City MSA, which exhibits both a higher rate of GDP growth and a higher level of GDP per capita than the nation overall. We anticipate that the Johnson County economy will improve and employment will grow, strengthening the demand for goods and services.

City of Shawnee

Demographics Summary

	Population	Households	Income
2019 Projection	68,920	26,137	
2014 Estimate	65,303	24,804	
2010 Census	62,209	23,679	
2000 Census	48,313	18,594	
Growth 2000 - 2010	28.76%	27.35%	
Growth 2010 - 2014	4.97%	4.75%	
Growth 2014 - 2019	5.54%	5.37%	
2014 Est. Average Household Income			$86,045
2014 Est. Median Household Income			$71,769

Source: Claritas

Retail Sales Leakage

A retail sales leakage analysis is designed to quantify the difference between the retail sales demand generated in an area and the supply of retail within a given area. This report utilizes the City of Shawnee as the boundary for the study area. Supply of retail sales equals the estimated retail sales within the study area while the retail sales demand is equal to the estimated retail sale purchases from the population residing within the study area.

A positive difference between demand and supply means the population is leaving the study area to make retail purchases. This is also known as an Opportunity Gap and means there is Retail Sales Leakage. A negative difference between demand and supply means the area captures more retail sales than the area population demands. This is also known as Surplus and means that Displaced Sales are occurring within the study area.

Demand	>	Supply	=	Sales Leakage / Opportunity Gap
Demand	<	Supply	=	Displaced Sales / Surplus

Retail Supply & Demand Data

The quantitative information described in this report has been obtained through The Nielson Company. Nielsen (NYSE: NLSN) is a global information and measurement company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence and mobile measurement. Nielsen has a presence in approximately 100 countries, with headquarters in New York, USA, and Diemen, the Netherlands.

According to Nielsen, the supply and demand data is derived from two major sources. The demand data is derived from the Consumer Expenditure Survey (CE Survey), which is fielded by the U.S. Bureau of Labor Statistics (BLS). The supply data is derived from the Census of Retail Trade (CRT), which is made available by the U.S. Census. Additional data sources are incorporated to create both supply and demand estimate.

The CE Survey and CRT are then utilized in conjunction with the demographic information from the study area, which for this report includes the city limits of Shawnee, Kansas.

Taxability of Sales

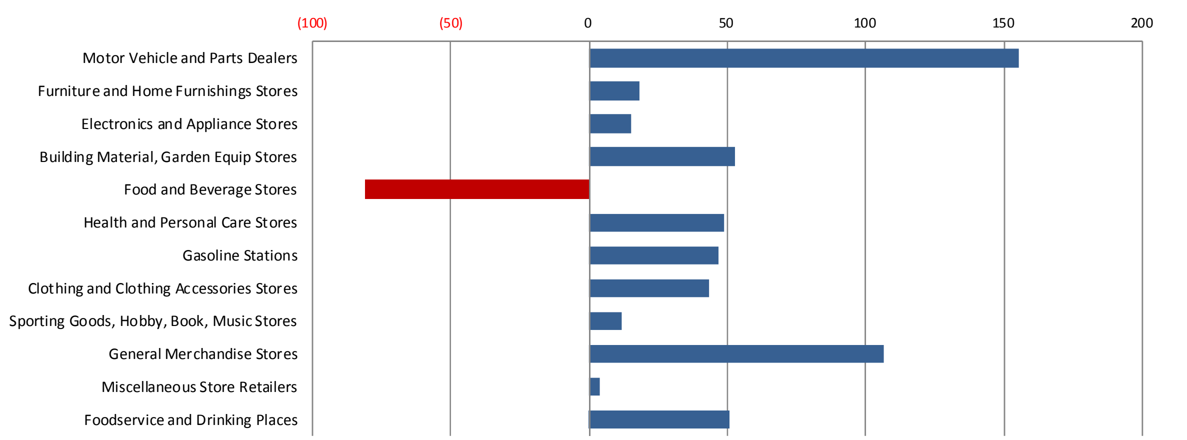
A retail sales leakage analysis evaluates gross sales revenues using buying patterns established with specific census and other quantitative data. It is important to note, especially for governmental bodies and taxing jurisdictions, that the analysis does not exclusively consider taxable goods alone. Therefore, governmental bodies and taxing jurisdictions are advised to consider the issue of what portion of gross sales revenues may or may not produce sales tax and other taxes to the respective taxing jurisdictions when considering the conclusions of a retail sales leakage study and resulting impacts to tax revenues.

Overall Retail Supply & Demand Data

Retail sales for the subject area have been divided into 12 major categories. These categories exclude the Non-Store Retailer category that represents direct selling and electronic commerce. For each category Demand (or Consumer Expenditure) is estimated along with an estimate of Supply (or Retail Sales) within the study area. The graph below shows the Surplus for each category (Negative Numbers) and Opportunity Gap (Positive Numbers) for each major category in millions of dollars.

Retail Stores	2014 Demand (Consumer Expenditures)	2014 Supply (Retail Sales)	Demand Minus Supply = Opportunity Gap / (Surplus)
Total Retail Sales Incl Eating and Drinking Places	**1,150,093,906**	**677,753,055**	**472,340,851**
Motor Vehicle and Parts Dealers	257,065,174	101,676,475	155,388,699
Furniture and Home Furnishings Stores	26,176,430	8,026,379	18,150,051
Electronics and Appliance Stores	23,917,917	8,910,125	15,007,792
Building Material, Garden Equip Stores	131,263,607	78,699,937	52,563,670
Food and Beverage Stores	147,165,725	227,904,075	(80,738,350)
Health and Personal Care Stores	65,290,708	16,395,883	48,894,825
Gasoline Stations	115,657,820	68,779,078	46,878,742
Clothing and Clothing Accessories Stores	58,650,112	15,386,220	43,263,892
Sporting Goods, Hobby, Book, Music Stores	25,272,183	13,308,213	11,963,970
General Merchandise Stores	143,812,207	37,322,354	106,489,853
Miscellaneous Store Retailers	32,987,563	29,261,148	3,726,415
Foodservice and Drinking Places	122,834,460	72,083,168	50,751,292

Surplus / Opportunity Gap by Major Category ($ millions)



Source: Nielsen

Shawnee Retail Supply By Dollar Amount – Top 5

Overall, $678 million of retail sales supply is estimated within the City of Shawnee. The Top 5 categories comprise approximately $550 million of that supply and are shown in the following table.

Retail Stores	2014 Supply (Retail Sales)
Total Retail Sales Incl Eating and Drinking Places	**677,753,055**
TOP 5 SUPPLY CATEGORIES	
Food and Beverage Stores	227,904,075
Motor Vehicle and Parts Dealers	101,676,475
Building Material, Garden Equip Stores	78,699,937
Foodservice and Drinking Places	72,083,168
Gasoline Stations	68,779,078

Shawnee Retail Demand By Dollar Amount – Top 5

Overall, $1.15 billion of retail sales demand is estimated from the population within the City of Shawnee. The Top 5 categories comprise approximately $800 million of that demand and are as shown in the following table.

Retail Stores	2014 Demand (Consumer Expenditures)
Total Retail Sales Incl Eating and Drinking Places	**1,150,093,906**
TOP 5 DEMAND CATEGORIES	
Motor Vehicle and Parts Dealers	257,065,174
Food and Beverage Stores	147,165,725
General Merchandise Stores	143,812,207
Building Material, Garden Equip Stores	131,263,607
Foodservice and Drinking Places	122,834,460

Shawnee Retail Opportunity Gap By Dollar Amount

Overall, there exists an estimated Opportunity Gap of nearly $475 million in the City of Shawnee. The major categories with both (i) an Opportunity Gap (a positive difference between Demand and Supply) and (ii) a Surplus (a negative difference between Demand and Supply) are presented below.

Retail Stores	Demand Minus Supply = Opportunity Gap / (Surplus)
Total Retail Sales Incl Eating and Drinking Places	**472,340,851**
OPPORTUNITY GAP CATEGORIES	
Motor Vehicle and Parts Dealers	155,388,699
General Merchandise Stores	106,489,853
Building Material, Garden Equip Stores	52,563,670
Foodservice and Drinking Places	50,751,292
Health and Personal Care Stores	48,894,825
Gasoline Stations	46,878,742
Clothing and Clothing Accessories Stores	43,263,892
Furniture and Home Furnishings Stores	18,150,051
Electronics and Appliance Stores	15,007,792
Sporting Goods, Hobby, Book, Music Stores	11,963,970
Miscellaneous Store Retailers	3,726,415
Food and Beverage Stores	(80,738,350)

Retail Supply & Demand Data – Further Refined Sub-Categories

Among the 12 major categories presented, a further breakdown of most categories is available and is presented in the following table, which provides additional detail and insight into the demand, supply and opportunity gap within sub-categories.

Retail Stores	2014 Demand (Consumer Expenditures)	2014 Supply (Retail Sales)	Opportunity Gap/Surplus
Total Retail Sales Incl Eating and Drinking Places	**1,150,093,906**	**677,753,055**	**472,340,851**
Motor Vehicle and Parts Dealers	257,065,174	101,676,475	155,388,699
Automotive Dealers	209,247,271	86,659,333	122,587,938
Other Motor Vehicle Dealers	29,156,630	4,620,227	24,536,403
Automotive Parts/Accsrs, Tire Stores	18,661,273	10,396,915	8,264,358
Furniture and Home Furnishings Stores	26,176,430	8,026,379	18,150,051
Furniture Stores	14,231,395	904,077	13,327,318
Home Furnishing Stores	11,945,035	7,122,302	4,822,733
Electronics and Appliance Stores	23,917,917	8,910,125	15,007,792
Appliances, TVs, Electronics Stores	17,322,924	8,324,514	8,998,410
Computer and Software Stores	5,766,177	585,611	5,180,566
Camera and Photographic Equipment Stores	828,816	0	828,816
Building Material, Garden Equip Stores	131,263,607	78,699,937	52,563,670
Building Material and Supply Dealers	111,937,338	62,440,484	49,496,854
Lawn, Garden Equipment, Supplies Stores	19,326,269	16,259,453	3,066,816
Food and Beverage Stores	147,165,725	227,904,075	(80,738,350)
Grocery Stores	94,793,023	84,078,420	10,714,603
Specialty Food Stores	11,571,925	60,804,973	(49,233,048)
Beer, Wine and Liquor Stores	40,800,777	83,020,682	(42,219,905)
Health and Personal Care Stores	65,290,708	16,395,883	48,894,825
Pharmacies and Drug Stores	51,439,824	14,054,999	37,384,825
Cosmetics, Beauty Supplies, Perfume Stores	4,533,646	947,472	3,586,174
Optical Goods Stores	3,551,425	882,625	2,668,800
Other Health and Personal Care Stores	5,765,813	510,787	5,255,026
Gasoline Stations	115,657,820	68,779,078	46,878,742
Gasoline Stations With Conv Stores	83,928,426	64,757,126	19,171,300
Other Gasoline Stations	31,729,394	4,021,952	27,707,442
Clothing and Clothing Accessories Stores	58,650,112	15,386,220	43,263,892
Clothing Stores	31,189,903	8,172,662	23,017,241
Shoe Stores	4,493,777	1,174,694	3,319,083
Jewelry, Luggage, Leather Goods Stores	22,966,432	6,038,864	16,927,568
Sporting Goods, Hobby, Book, Music Stores	25,272,183	13,308,213	11,963,970
Sporting Goods	11,504,126	2,572,393	8,931,733
Hobby, Musical Inst Stores	10,283,833	10,675,071	(391,238)
Book, Periodical and Music Stores	3,484,224	60,749	3,423,475
General Merchandise Stores	143,812,207	37,322,354	106,489,853
Department Stores Excl Leased Depts	62,724,005	20,577,657	42,146,348
Other General Merchandise Stores	81,088,202	16,744,697	64,343,505
Miscellaneous Store Retailers	32,987,563	29,261,148	3,726,415
Florists	1,299,414	242,343	1,057,071
Office Supplies, Stationery, Gift Stores	16,121,680	16,430,890	(309,210)
Used Merchandise Stores	2,552,036	1,084,320	1,467,716
Other Miscellaneous Store Retailers	13,014,433	11,503,595	1,510,838
Foodservice and Drinking Places	122,834,460	72,083,168	50,751,292
Full-Service Restaurants	55,689,107	34,521,196	21,167,911
Limited-Service Eating Places	48,924,926	27,440,101	21,484,825
Special Foodservices	13,141,693	4,135,943	9,005,750
Drinking Places -Alcoholic Beverages	5,078,734	5,985,928	(907,194)

Shawnee Retail Supply By Dollar Amount – Top 5 Sub-Categories

Overall, $678 million of retail sales supply is estimated within the City of Shawnee. The Top 5 sub-categories, excluding non-store retailers, comprise approximately $380 million of that supply and are shown in the following table.

Retail Stores	2014 Supply (Retail Sales)
Total Retail Sales Incl Eating and Drinking Places	**677,753,055**
Automotive Dealers	86,659,333
Grocery Stores	84,078,420
Beer, Wine and Liquor Stores	83,020,682
Gasoline Stations With Conv Stores	64,757,126
Building Material and Supply Dealers	62,440,484

Shawnee Retail Demand By Dollar Amount – Top 5 Sub-Categories

Overall, $1.15 billion of retail sales demand is estimated from the population within the City of Shawnee. The Top 5 sub-categories, excluding non-store retailers, comprise approximately $580 million of that demand and are as shown in the following table.

Retail Stores	2014 Demand (Consumer Expenditures)
Total Retail Sales Incl Eating and Drinking Places	**1,150,093,906**
Automotive Dealers	209,247,271
Building Material and Supply Dealers	111,937,338
Grocery Stores	94,793,023
Gasoline Stations With Conv Stores	83,928,426
Other General Merchandise Stores	81,088,202

Shawnee Retail Opportunity Gap By Dollar Amount – Top Sub-Categories

Overall, there exists an estimated Opportunity Gap of nearly $475 million in the City of Shawnee. The major sub-categories with an Opportunity Gap over $10 million are as shown in the following table.

Retail Stores	Opportunity Gap/Surplus
Total Retail Sales Incl Eating and Drinking Places	**472,340,851**
Automotive Dealers	122,587,938
Other General Merchandise Stores	64,343,505
Building Material and Supply Dealers	49,496,854
Department Stores Excl Leased Depts	42,146,348
Pharmacies and Drug Stores	37,384,825
Other Gasoline Stations	27,707,442
Other Motor Vehicle Dealers	24,536,403
Clothing Stores	23,017,241
Limited-Service Eating Places	21,484,825
Full-Service Restaurants	21,167,911
Gasoline Stations With Conv Stores	19,171,300
Jewelry, Luggage, Leather Goods Stores	16,927,568
Furniture Stores	13,327,318
Grocery Stores	10,714,603

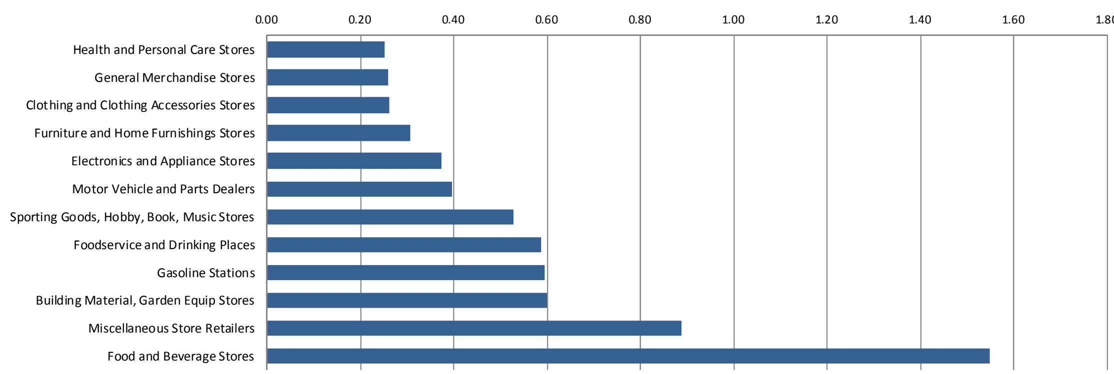
Overall Retail Supply & Demand Data - Indexed

In addition to whole dollar amounts of retail sales gap and surplus, the categories can be evaluated on an index basis to see the degree to which there is a gap or surplus in the individual category. An index of 1.0 indicates a perfect balance between supply and demand. An index of less than 1.0 indicates demand exceeds supply and an opportunity gap exists. The closer to 0.0 the index, the larger the percentage of differential exists between supply and demand.

The table below shows that on an overall basis 59% of retail demand generated within the study area is met within the study area. It also shows a positive opportunity gap in all categories with the exception of Food & Beverage Stores. The degree to which the Opportunity Gap exists, as evidenced by the Supply/Demand Index, is significant as well. Of the 12 categories, 10 have an Index of 0.6 or less indicating a fairly substantial degree to which the demand is not being met and 6 categories have an Index of 0.4 or less.

Retail Stores	2014 Demand (Consumer Expenditures)	2014 Supply (Retail Sales)	Demand Minus Supply = Opportunity Gap / (Surplus)	Supply / Demand Index
Total Retail Sales Incl Eating and Drinking Places	**1,150,093,906**	**677,753,055**	**472,340,851**	**0.59**
Health and Personal Care Stores	65,290,708	16,395,883	48,894,825	0.25
General Merchandise Stores	143,812,207	37,322,354	106,489,853	0.26
Clothing and Clothing Accessories Stores	58,650,112	15,386,220	43,263,892	0.26
Furniture and Home Furnishings Stores	26,176,430	8,026,379	18,150,051	0.31
Electronics and Appliance Stores	23,917,917	8,910,125	15,007,792	0.37
Motor Vehicle and Parts Dealers	257,065,174	101,676,475	155,388,699	0.40
Sporting Goods, Hobby, Book, Music Stores	25,272,183	13,308,213	11,963,970	0.53
Foodservice and Drinking Places	122,834,460	72,083,168	50,751,292	0.59
Gasoline Stations	115,657,820	68,779,078	46,878,742	0.59
Building Material, Garden Equip Stores	131,263,607	78,699,937	52,563,670	0.60
Miscellaneous Store Retailers	32,987,563	29,261,148	3,726,415	0.89
Food and Beverage Stores	147,165,725	227,904,075	(80,738,350)	1.55

Supply / Demand Index by Major Category (< 1.0 Indicates An Opportunity Gap)



Source: Nielsen

Retail Supply & Demand Data – Indexed Sub-Categories

Utilizing the Index and looking at the more detailed sub-categories provides additional insight into specific areas of potential opportunity. The following chart examines the sub-categories, other than automotive/fuel related categories, with greater than $5 million in Opportunity Gap and less than a 0.66 Supply/Demand Index rating. The data then provides the following list for further study and evaluation of retail opportunities within the City of Shawnee.

Retail Store - Subcategories	Opportunity Gap/Surplus	Supply / Demand Index
Other General Merchandise Stores	64,343,505	0.21
Building Material and Supply Dealers	49,496,854	0.56
Department Stores Excl Leased Depts	42,146,348	0.33
Pharmacies and Drug Stores	37,384,825	0.27
Clothing Stores	23,017,241	0.26
Limited-Service Eating Places	21,484,825	0.56
Full-Service Restaurants	21,167,911	0.62
Jewelry, Luggage, Leather Goods Stores	16,927,568	0.26
Furniture Stores	13,327,318	0.06
Special Foodservices	9,005,750	0.31
Appliances, TVs, Electronics Stores	8,998,410	0.48
Sporting Goods	8,931,733	0.22
Other Health and Personal Care Stores	5,255,026	0.09
Computer and Software Stores	5,180,566	0.10

Conclusions

Restated Objective of the Analysis

A retail sales leakage analysis by its very nature evaluates a set of quantitative data and can be useful in providing the following:

- An overall evaluation of the degree to which retail sales demand is being met within the subject area.
- An evaluation of the strength or weakness of a local retail market in certain categories
- Identification of potential opportunities that may exist in certain categories or sub-categories.

Overall Findings

With the Objectives described above in mind, we offer the following findings:

1. Overall, Shawnee meets 59% of the retail demand generated by its residents.
2. The unmet demand of approximately $475 million suggests that supply / demand factors may be favorable for additional retail development within the City.
3. 11 of 12 major retail categories show potential Opportunity Gaps and thus potential for increased supply with the City.
4. A significant number of sub-categories, as shown on the table below, possess both Opportunity Gaps greater than $5 million dollars and at least 1/3 or more of the local demand (an Index less than 0.66) not being met in those subcategories establishing a compelling argument for further investigation of the retail market demand in these sub-categories.

Retail Store - Subcategories	Opportunity Gap/Surplus	Supply / Demand Index
Furniture Stores	13,327,318	0.06
Other Health and Personal Care Stores	5,255,026	0.09
Computer and Software Stores	5,180,566	0.10
Other General Merchandise Stores	64,343,505	0.21
Sporting Goods	8,931,733	0.22
Clothing Stores	23,017,241	0.26
Jewelry, Luggage, Leather Goods Stores	16,927,568	0.26
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Building Material and Supply Dealers	49,496,854	0.56
Limited-Service Eating Places	21,484,825	0.56
Full-Service Restaurants	21,167,911	0.62

Limitations / Areas for Future Study

Because a retail sales leakage analysis is purely quantitatively focused, a qualitative element must be factored in to determine if there are indeed real opportunities to be undertaken to reverse sales leakage or create a situation where a competitive advantage can be created to actually displace sales from other surrounding subject areas. A next step in evaluating opportunities could include a full retail market demand study which would factor in the data described in this report but also evaluate the market competition, buying patterns and specific retailers not located within the trade area that could take advantage of potential opportunities within specific categories and sub-categories.

Appendix I: Assumptions and Limiting Conditions

This report is subject to the following limiting conditions, except as otherwise noted in the report.

1. A real estate study of this nature is inherently subjective and represents our opinion of the conclusions of our analysis.
2. The conclusions stated in our report apply only as of the effective date of the report, and no representation is made as to the effect of subsequent events.
3. In our analysis, we relied upon third party data from sources deemed reliable. To the extent that such information may, at a later date, be found to have been inaccurate or misrepresented, we accept no liability for the consequences such inaccuracy or misrepresentation may have on our conclusions nor any responsibility to update the conclusions to reflect the impact that more accurate and complete data may or may not have on the opinions expressed herein.
4. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
5. No environmental impact studies were either requested or made in conjunction with this assignment, and we reserve the right to revise or rescind any of the opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the report assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
6. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
7. We have made no survey of the property/subject area and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The report covers the property as described, and the areas and dimensions set forth are assumed to be correct.
8. No opinion is expressed as to the analysis of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our report.
9. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geological considerations, such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters.

10. Neither all nor any part of the contents of this report shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the person signing the report. Approval is hereby granted to provide the final report in its entirety with no modification to the City of Shawnee, Kansas.
11. Information, estimates and opinions contained in the report, obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the report do not constitute predictions of future operating results.
13. No consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
14. The opinions found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
15. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
16. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of any property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. In as much as compliance matches each owner’s financial ability with the cost to cure the non-conforming physical characteristics of a property, we cannot comment on compliance to ADA. Given that compliance can change with each owner’s financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. A specific study of both the owner’s financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
17. The report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party except as described in item #10 above. All parties who use or rely upon any information in the report without our written consent, do so at their own risk. In no event shall any party, even an authorized party, rely on this report after 180 days from its effective date without our review and written consent.

18. No studies have been provided to us indicating the presence or absence of hazardous materials on the Subject property/subject area or in the improvements, and our report is predicated upon the assumption that the Subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the Subject property/subject area and the person signing the report shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the report cannot be considered as an environmental assessment of the Subject Property.
19. The person signing the report did not review flood maps. We are not qualified to detect such areas. The presence of flood plain areas and/or wetlands may affect the value of the property, and our conclusions are predicated on the assumption that wetlands are non-existent.
20. IRR is not a building or environmental inspector. IRR does not guarantee that the Subject property/subject area is free of defects or environmental problems.
21. It is expressly acknowledged that in any action which may be brought against IRR Corporate & Public Finance, LLC, Integra Realty Resources – Kansas City, Integra Realty Resources, Inc., or their respective officers, owners, managers, directors, agents, subcontractors or employees (the “Integra Parties” or “IRR”), arising out of, relating to, or in any way pertaining to this engagement, the report, or any estimates or information contained therein, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the report was fraudulent or prepared with gross negligence. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the report unless the analysis was fraudulent or prepared with gross negligence. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.
22. IRR Corporate & Public Finance, LLC an independently owned and operated company has prepared the consulting report for the specific purpose so stated elsewhere in this proposal. The intended use of the report is stated in the General Information section of the report. The use of the report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the report will be addressed to and shall be solely for the Client’s use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the report (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the report (even if their reliance was foreseeable).

23. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public record, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties and the undersigned are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of this project.

24. All conclusions prospective to the current date and presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.