

▶ MARKET HIGHLIGHT: CEDAR RAPIDS

CEDAR RAPIDS DEVELOPMENT ACTIVITY ABOUNDS ACROSS SECTORS



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In a series of citywide events on June 13, the city of Cedar Rapids celebrated the recovery efforts from the historic flood of 2008 that crested that day 10 years ago. The events also remembered those that lost so much in the residential and business community. Many are still impacted by this natural disaster. As I have previously noted in past articles, the city's recovery efforts have been nationally recognized, including:

- All-America City Award in 2014 from the National Civic League, which recognizes communities where citizens work to identify and overcome citywide challenges and achieve uncommon results.

- Phoenix Award in 2018 from the American Planning Association for outstanding achievement and innovation relating to environmental and community issues in the NewBo District redevelopment after the 2008 flood.

- In July, Cedar Rapids ranked No. 13 on WalletHub's list of the "Best-Run Cities in America." The study compared the operating efficiency of 150 of the largest U.S. cities.

But more than the above recognition, Cedar Rapids city government,

businesses and citizens joined together to use temporary flood protection of earthen berms and sand filled defensive (Hesco) barriers to hold back a major flood event in September 2016, limiting damage to those areas impacted in the 2008 flood. The Army Corps of Engineers and Federal Emergency Management Agency (FEMA) now use this effort, which serves as a testament to how a community can learn to prevent future flood events itself.

On July 5, the Army Corps of Engineers announced it would provide \$117 million to help Cedar Rapids prevent future flooding. This amazing award is the result of almost a decade of unrelenting efforts by local, state and federal officials to present the Cedar Rapids case for a permanent flood protection system. This announcement sets the stage for city officials to complete the funding gap still remaining to develop the \$550 million flood control system over the next decade.

Now that the flood protection system is well on its way to reality, the city can concentrate its focus on growth and development efforts.

Accolades for Iowa

In February, Iowa ranked as the No. 1 state in the nation by *US News and World Report* due to its top ranking in the infrastructure category and broadband access for its cities and rural areas. Add to that its No. 3 ranking in healthcare, No. 4 in opportunity, No. 5 in education and No. 9 in quality of life. Despite categories that received



A \$3.8 million, four-story apartment complex downtown developed by Ahmann Cos. will feature 36 micro units in addition to common areas, parking and a rooftop patio.

lower rankings due to slower growth and an aging population, the recognition has a positive impact on the Cedar Rapids area's efforts to recruit new businesses, facilitate existing business expansions and more importantly recruit new employees.

With a statewide employment rate of 2.7 percent and Cedar Rapids area at 2.8 percent, attracting workers has become the top issue for economic development officials.

Retail reflects national

As evidenced by the ever-present news of major national chains closing,

the debate on brick-and-mortar retail versus online shopping and the difficulty for small independent retailers to obtain financing, the retail market in the Cedar Rapids area is beginning to feel those trends similar to the rest of the nation. During my recent visit to the ICSC RECon in Las Vegas with city manager Jeff Pomeranz, these subjects were front and center in many seminar presentations.

Locally, we had closings announced for two Youngers stores, plus a Toys 'R' Us and a Sears store. Our active space on the market has jumped from 821,000 square feet to 1.3 million square feet in the last six months, mainly due to the redevelopment of Westdale Mall re-entering the leasing market. This active space total does not include 200,000 square feet of Lindale Mall announced closings (the Sears and a Youngers).

Even with these national trends, several new strip centers have been announced or are under construction totaling over 60,000 square feet. Average rental rates have increased from \$12.95 to \$13.41 per square foot due to the new construction.

Industrial activity is strong

This active segment of our market has experienced a slight increase in available space over the last six months from 1.22 to 1.27 million square feet due to several facilities being constructed, with some fully or partially pre-leased.

The potential of large new high-bay buildings in planning stages could cause a dynamic change in the market, even though it offers potential national tenants the type of modern warehouse/distribution facilities they require. The average rental rate remained the same at \$5.34 per square

Funding for flood federal protection awarded

Funding secured to date includes a combination of federal, state, city and private dollars.

Secured

- \$117 million Federal U.S. Army Corps of Engineers
- \$267 million State of Iowa Flood Mitigation Board (35 percent of total cost)
- \$14 million Federal grants secured as of spring 2018, including \$12.5 million Federal CDBG Disaster Recovery Grant and \$1.75 million Federal Economic Development Administration

Committed

- \$110 million city of Cedar Rapids local match committed (\$10 million invested)

Remaining need

- More than \$142 million plus inflation (over 20 years)
- City leaders continue to develop ideas to determine a funding source for the city's commit-

ment, as well as additional funding gaps necessary to construct the entire system.

Since 2008, the city has significantly reduced its flood risk. A history of risk reduction efforts includes:

- Developed interim flood control plan
- Removed 1,300+ properties from the flood zone
- Secured GRI state funding of \$267 million
- Improved sanitary sewers and raised the city's wells
- Upgraded and protected the Water Pollution Control Facility
- Raised buildings flooded in 2008 and two bridges over Prairie Creek
- Designed and constructed the McGrath Amphitheatre levee
- Designed the CRST building to include a flood wall

Completed improvements to the sanitary sewer system and watershed management practices

- Sanitary sewer and watershed management improvements (ongoing)

At a glance, the Flood Control System Plan includes:

- Alignment — where the walls, levees, gates and floodwalls will go on both sides of the river
- Implementation — what should be built first and how
- Property acquisition and disposition — providing as much flexibility as possible for property owners
- Budget — what it will cost and the funding sources
- Aesthetics — how will it look and blend into the community
- Communication and public outreach — keeping the community, legislatures and public officials informed.

foot from last December.

As the state's leading center for manufacturing, expansion continued with the opening of the new 25,000-square-foot blending facility for Lesaffre Yeast Co., a subsidiary of France-based Lesaffre Group. The plant will produce baking ingredients used all over the world under brand names Red Star and Saf-Pro Ingredients. Just west of Lasaffre, Reconserva of Iowa, a California based company, opened its largest facility, a \$12 million, 61,000-square-foot industrial facility to process grain-based food waste such as bread, cereal and cookies into registered ingredients for livestock feed.

In January, Cargill made its largest acquisition in history when it acquired the Cedar Rapids-based Diamond V, a global supplier of animal nutrition products. The company also produces immune and digestive health products for human consumption at a plant in Ankeny, Iowa. In addition, construction has begun on a 97,000-square-foot addition to Diamond V's southwest Cedar Rapids facility, which upon completion, is slated to be a \$70 million investment and create 26 new jobs. This acquisition makes Cedar Rapids the home to four Cargill facilities, all of which are also planning expansions.

Industrial land remains an active segment of the market. Despite almost 1,000 acres on the active market, plus a large "Super Park" of 600 acres and "Mega Park" of 1,300 acres, we continue to see the most sale transactions in over a decade. Land prices have remained relatively unchanged in both developed (\$1.85 to \$3.25 per square foot) and undeveloped sites (\$30,000 to \$75,000 per acre).

Urban housing efforts

Our urban core is continuing to grow in apartment and condominium options. Seven multifamily projects (8 to 50 units) are under construction and several more are in the planning stage. Projects completed last year are fully occupied and many units under construction are already committed. The good news is that the variety of unit types and prices is bringing a cross section of young professionals and empty nesters to our downtown core that is becoming a 24/7 hub of activity.

Plus, the city has two major core city parcels that will be available for development through an RFP process including the 3.5-block site of the previously proposed casino. The RFPs require a portion of the project to include a housing component.

The area's single family residential housing market remains at a decade-low level of inventory despite new housing construction occurring in all four quadrants of the city. The scope

of the rental market is rapidly changing with eight major complexes (32 to 150 units) under construction outside the urban core plus several more in the planning process. The vacancy rates are still very low at 2.3 percent, but older complexes are losing tenants to the new developments as several of these new developments have state workforce housing credits that require up to 51 percent of their units have competitive rental rates for families/individual at 60 to 80 percent of the median income range.

As is the case for most growing cities throughout the country, the availability of affordable housing is becoming more acute. To explore options to improve the range of housing options, the city of Cedar Rapids has implemented two initiatives. One is the reactivation of the 21-member Affordable Housing Commission, which has been dormant since the early 2000s, to bring housing agencies together to create programs that expand housing options.

Plus, an \$8 million campaign is nearly complete to create a Neighborhood Finance Corporation by teaming with a very successful Des Moines-based organization to provide grants and low-interest loans targeted to upgrade our available affordable housing stock in core neighborhoods. The city of Cedar Rapids is also committing \$1 million per year to this effort.

Seniors housing projects

The metro area has never experienced this level of assisted and independent living complexes with nursing/memory care being developed at one time. The seven projects under construction or recently completed range from an 18-unit large apartment complex at the Meth-wick Community to the 164-unit Grand Living Complex in Northeast Cedar Rapids.

Plus, there are three more projects recently announced with construction planned to start late this year. Despite all of these new options entering the market, recent housing studies show a strong need for seniors housing options as Iowa's population continues to age.

Office market is dynamic

Since December, the active office space on the market has decreased from 1.3 million to 1.2 million square feet due to some positive absorption of existing spaces and building sales. Plus, the planned redevelopment of the former Guaranty Bank Building caused several tenants to find new space in other existing buildings throughout the metro area.

A wild card in our market is the foreclosure action on the 184,000-square-foot Town Centre in downtown Cedar Rapids that is causing several of its major tenants to plan moves to new

locations. As in previous reports, most activity is from tenants shifting locations versus expansions due to our very low unemployment rate of 2.8 percent, plus a desire of companies for new, more efficient office designs. Average rental rates have increased slightly from \$10.77 to \$11.13 per square foot.

Several new office projects include:

- Construction is moving toward completion on the expansion of United Fire Group (UFG Insurance) in downtown Cedar Rapids. Plans call for the conversion of the 10-story historic American Building in combination with an adjacent, similarly sized addition to create a 110,000-square-foot, \$28.5 million office building with 50 basement parking spaces. This brings UFG's downtown headquarters campus to over 400,000 square feet. The company recently purchased and demolished two buildings in an adjacent block for use as parking or for future office expansion.

- Transamerica, owned by Netherlands-based Aegon, is moving a major portion of its northeast Cedar Rapids campus to a southwest Cedar Rapids facility formerly occupied by HIBU (which moved downtown), and is connecting it to the existing adjacent building with a 50,000-square-foot addition. The renovation and addition is a \$40 million investment to consolidate employees into one location. The Transamerica facility to be vacated in northeast Cedar Rapids will be the new home of Tata Consultancy Services (TCS), which will handle Transamerica's administration of its insurance/annuities business. About 860 Transamerica employees will shift to TCS, which will make Cedar Rapids its North American insurance hub.

- The Skogman Family has started construction on its new 40,000-square-foot, \$11 million corporate headquarters in downtown. Its current historic downtown facility will be adapted for other uses by local developer Steve Emerson. The three-story building

will have one floor for lease with the first two floors housing residential and commercial agents plus administrative, construction and development teams. Construction has begun with occupancy scheduled for fall 2019.

- Linn County just broke ground on its new \$28 million, 63,000-square-foot public health facility to meet the space needs of that agency. Located in a southeast core neighborhood adjacent to NewBo area, this building will also provide facilities for youth development programs, classrooms and public space for neighborhood residents.

- Renovation has begun on the historic Harper & McIntire Co. warehouse in downtown Cedar Rapids following the receipt of \$3.5 million in historic preservation tax credits and \$500,000 of brownfield tax credits. The 60,000-square-foot, four-story warehouse will become a multi-tenant office building with a possible gym on the first floor and the basement utilized for parking. Besides highlighting the concrete columns and structure, the building will have a shared conference room with a patio on the top floor. Occupancy is scheduled for early 2019.

- Construction has begun on the \$30 million, 98,000-square-foot, three-story medical office building expansion by Physicians Clinic of Iowa adjacent to downtown in the Med Quarter. The city will be assisting by funding the cost of an adjacent \$9.5 million, 540-space parking ramp connected to the office building by a skyway. The expansion is expected to create 200 new jobs.

In summary, despite several property types with plenty of capacity, the activity in all commercial, residential and industrial sectors continues to make Cedar Rapids an example of how a city can overcome a historic natural disaster. From entrepreneurial development to international companies, the city is a "beacon of shining light" in the No. 1 state in America.



Construction is underway for the \$28 million UFG Insurance headquarters addition downtown. Solum Lang Architects is the project architect.