

CITY of URBANDALE

AECOM

Urbandale

Downtown Master Plan

City of Urbandale

April 2025



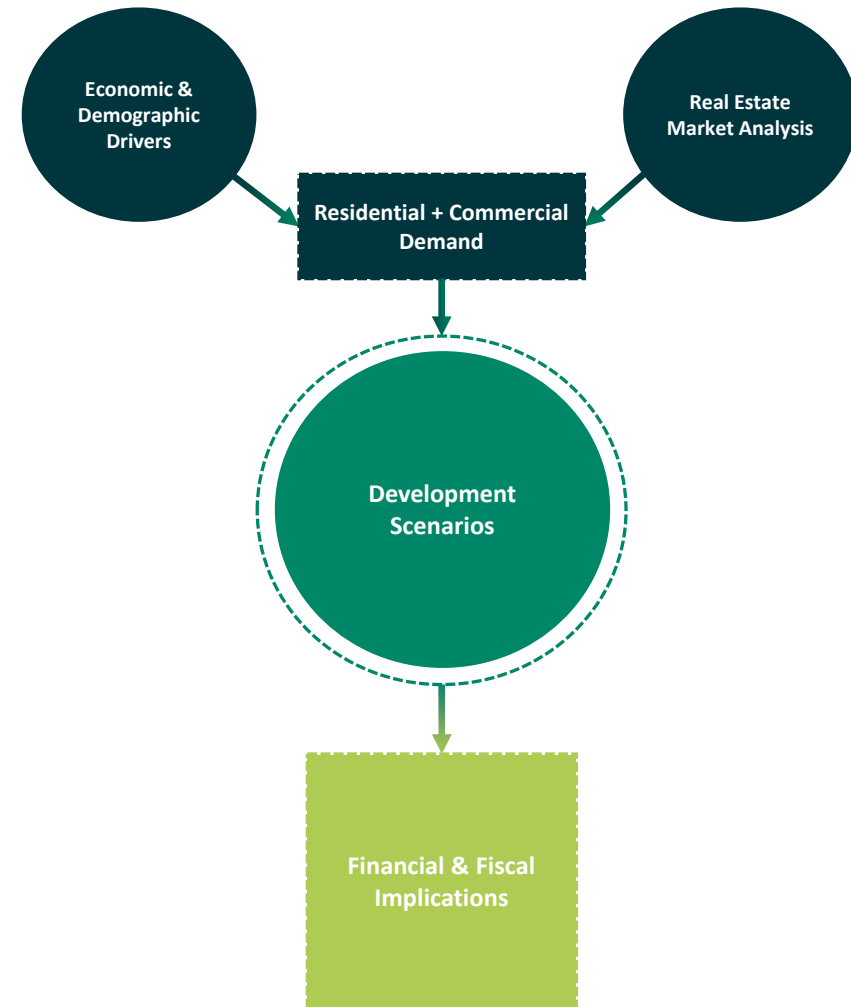
Introduction

Methodology & Schedule

AECOM Technical Services, Inc. (AECOM) was engaged as a subconsultant to Bolton and Menk to work with the City of Urbandale to assess the redevelopment potential for sites along the Douglas Corridor study area, generally between Merle Hay Road and 71st Street.

Our scope of services included:

- Economic and Demographic Drivers & Real Estate Market Analysis
- Residential Demand Forecasts
- Development Scenarios
- Conceptual Real Estate Financial Analysis and Fiscal Impact



Economic & Demographic Drivers

Favorable Demographics

As shown on the map to the right, the eastern portion of Urbandale is more densely populated relative to western portions of the community.

The Downtown Core (Trade Area) totals 7,325 people estimated for 2022, representing approximately 16% of Urbandale’s population. In general, this trade area includes significantly older residential and commercial stock, which is generally built at higher densities relative to western areas in Urbandale.

With eastern portions of Urbandale having been developed by the 1970’s, the majority of growth has unfolded across western Urbandale, as evidenced by average annual growth rate of 4.7% compared to East Urbandale which can be considered a stable neighborhood with 0.3% growth between 2011 and 2022.

Household Size

2.64

Total Households

17,163

Total Population

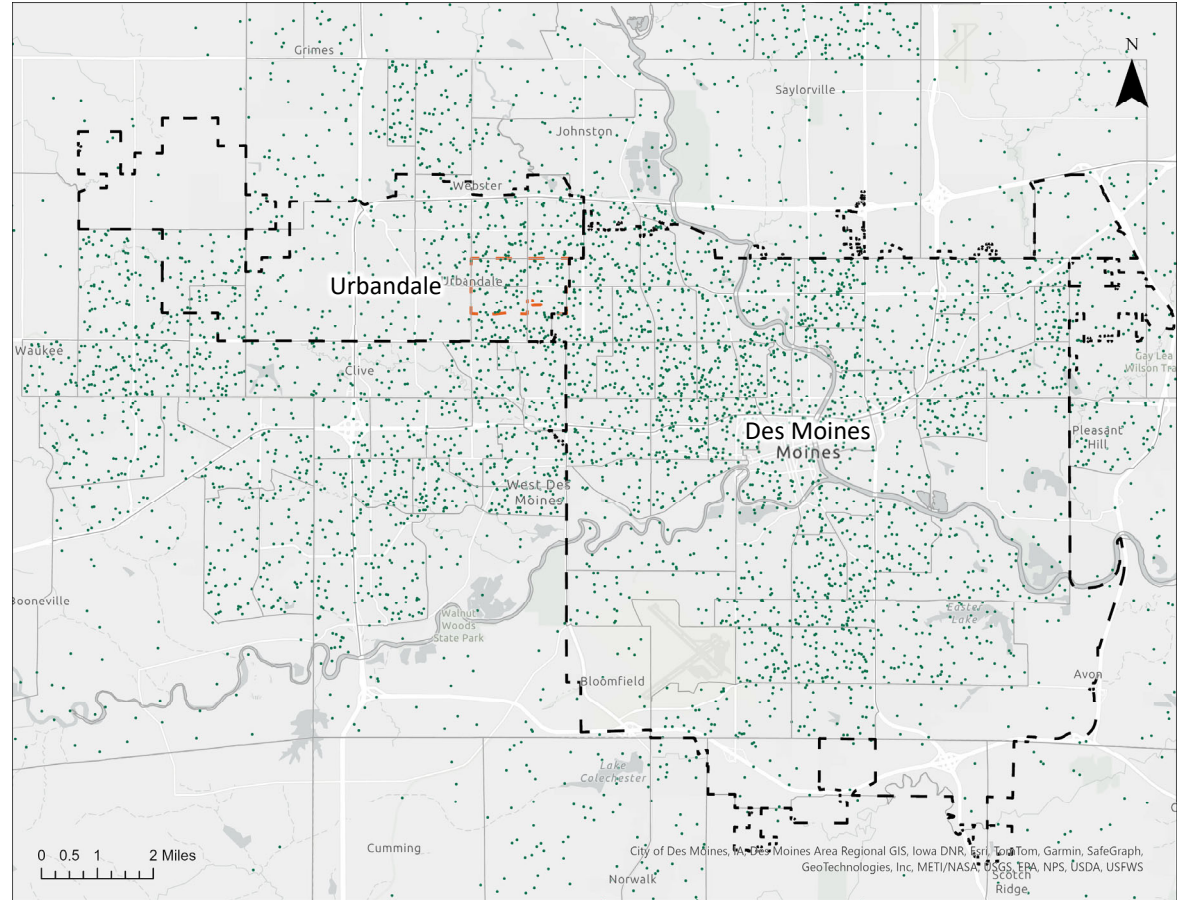
45,591

Population Density

by Census Tract

1 Dot = 100 People ○

Core Study Area □



Sources: U.S. Census Bureau, AECOM

Economic & Demographic Drivers

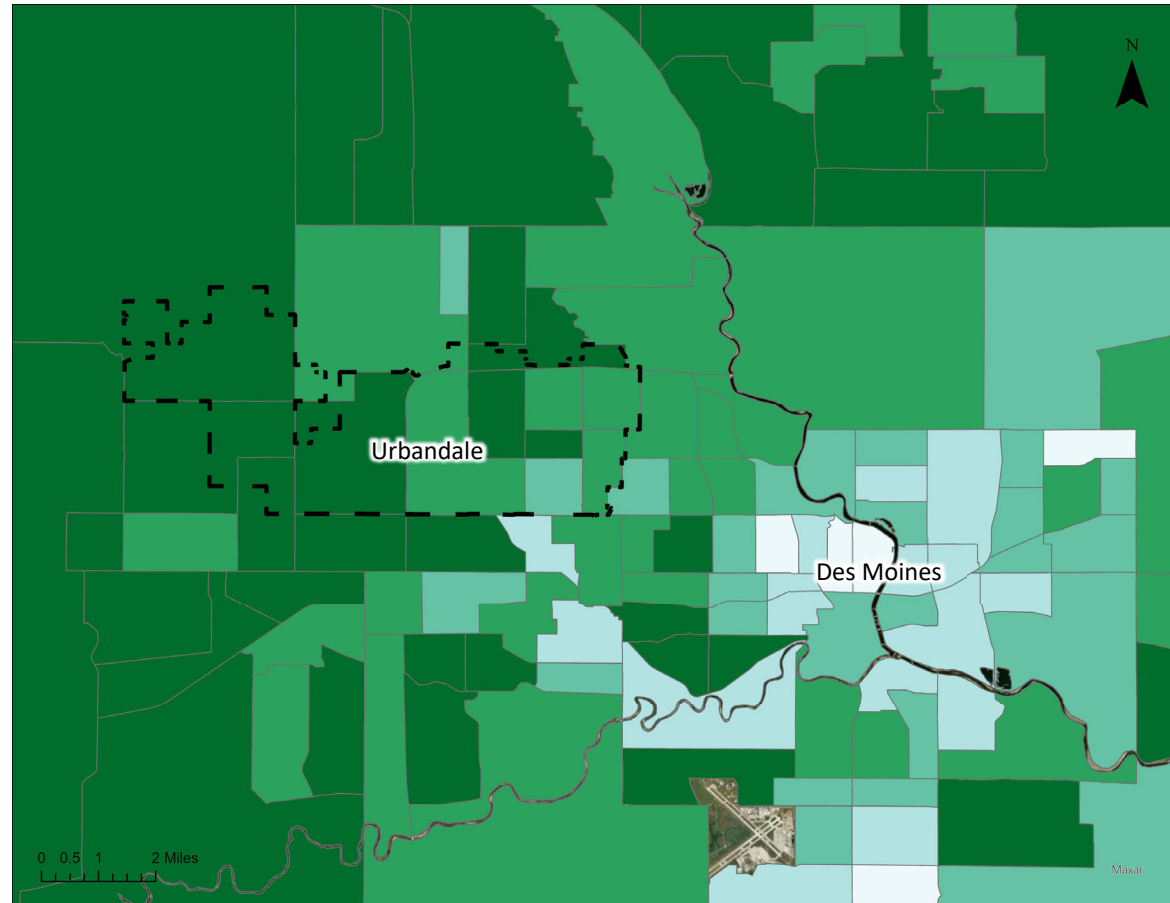
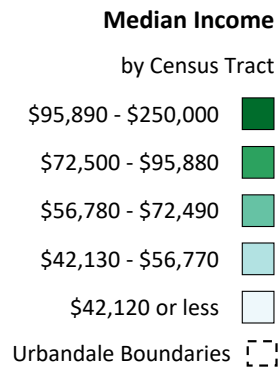
Income Density

The median household income in the City of Urbandale is approximately \$111,888 per year, about 1.3 times the amount in the Des Moines Metro Area. Eastern Urbandale, has a median income of \$84,948 while Western Urbandale has a median income of \$168,329.

Urbandale and Western Urbandale have higher incomes compared to Polk County and the Des Moines MSA.

As shown, the eastern region of the Trade Area is an enclave of relatively lower-income households surrounded by high earning households in the western region of the Trade Area.

Income per capita for Urbandale was approximately \$52,200 in 2022 and has been growing at an average annual rate of 1.47%. While both Polk County and Iowa have lower per capita incomes of \$44,000 and \$39,000; both regions are growing at a faster rate of 3.5% and 5.3% per year.



Sources: U.S. Census Bureau, Esri, AECOM,

Real Estate Drivers

Untapped Market Potential

There are a significant number of underutilized parcels in the Downtown. All parcels within the Downtown Area have been assessed to identify those with the following characteristics:

1. Is the building lot coverage less than 25% of the total parcel?
2. Is the building improved value less than 20% of the total parcel value?
3. Is the year built less than 1970?
4. Is the building vacant? (*commercial only*)
5. Is the SFH being rented? (*residential only*)

The analysis has indicated that that within the Downtown there are a significant number of underutilized parcels that are highly susceptible to change, including both existing underutilized commercial parcels as well as residential parcels. These underutilized parcels are highly sought after for redevelopment opportunities making Downtown Urbandale and ideal corridor to attract future investment.



Market Analysis

Rented Apartment Benchmarks

- The benchmarking analysis focused on recently-built (2019-2022) apartment projects in Urbandale.
- Performance metrics for comparable apartment projects was extracted from CoStar across year built, average apartment unit size and rent (per square foot and per month).
- The sample includes projects in more affluent locations, with a difference in average unit size (1,268 vs 859 sf) and rent (\$1.22 vs \$1.26 / sf / month).
- Lillis Lofts, located in the Douglas Corridor study area adjacent to Merle Hay Mall, has lower rents due to an affordable component.



City	Project Name	Type	Year Built	# of Units	Avg Unit Size	Avg Rent / Month	Rent / sf
Urbandale	Calusa Townhomes	Townhomes	2023	8	1,460	\$2,005	\$1.37
Urbandale	Lillis Lofts	Apartment	2021	43	1,203	\$1,436	\$1.19
Urbandale	Holcomb Place	Townhomes	2019	24	1,140	\$1,388	\$1.22
Benchmark Averages					1,268	\$1,610	\$1.26
Market Averages					859	\$1,048	\$1.22

Market Analysis

Des Moines Metro Rented Apartment Benchmarks

- The benchmarking analysis indicates that market rents for newly built multifamily properties are below that of new construction throughout the Des Moines Metro area.
- Average market effective rents for new construction properties onwards throughout the Des Moines Metro are achieving higher rents, suggesting that Urbandale’s rent ceiling has not yet been tested.
- Multifamily rents in Downtown Urbandale have room to grow, particularly for well-designed, high-quality buildings with amenities to align with evolving demographic trends.
- As new developments reshape expectations for the multifamily market in the City, market rents are expected to rise in line with the Des Moines Metro averages.

Year	Des Moines Metro Average Effective Rents	Urbandale Average Effective Rents
2025 YTD	\$2.45	\$1.24
2024	\$2.41	\$1.23
2023	\$2.43	\$1.21
2022	\$2.45	\$1.20
2021	\$2.33	\$1.14
2020	\$2.29	\$1.15

Real Estate Drivers

Favorable Development Trends Outline

- The corridor remains defined by generally older real estate conditions which are mostly reflected in the generally dated and depreciated condition of Douglas itself. Our experience shows that strategies to rebuild streets such as Douglas need to be intentional as to repositioning of adjacent development.
- The corridor retail assessment focused on attractive vacancy rates (below 10-year average) with a limited pipeline of new development. With broader retail trends signaling the end of the “retail apocalypse” there are reasonable expectations for new retail development along the corridor, particularly if aligned with new rooftops. One variable concerns the future of Merle Hay Mall; our experience with similar mall reuse outcomes is a repositioned mall with significantly less retail space.
- The analysis argues that the study area is “stuck in neutral” from a demographic standpoint, linked to reduced housing turnover and older households. Owner-occupied homes in East Urbandale have seen lower turnover compared to West Urbandale and the region.
- Household income is higher in the western portion of Urbandale, with younger more affluent families purchasing homes here compared to East Urbandale.
- Household affordability is a greater concern in East Urbandale relative to West Urbandale and with approximately 50% of renter-occupied households considered to be cost-burdened by median rental costs in the region. This trend is in part a reflection of surprisingly strong rents associated with single family homes in renter occupancy along the corridor.
- Employment within Urbandale is clustered in the eastern portion of the City, with Health Care and Social Assistance and Retail Trade as the top performing employment sectors, along with a significant number of local schools.
- Overall, Urbandale’s strong population base, educated workforce, and proximity to major employment centers position it as an attractive market for residential and mixed-use developments.
- 24% of all single-family home rentals in Urbandale (Polk Co) are concentrated in the downtown study area and 30% of single-family home transactions occurring in the downtown area are by investors not owners. Lack of owner occupancy within the corridor is both a concern and a potential opportunity.
- Houses in east Urbandale are older and smaller relative to west Urbandale, which is a mismatch with the concentration of schools in east Urbandale.
- Homes in west Urbandale are selling for slightly higher price / square foot relative to east Urbandale (\$254 versus \$205).
- The analysis points to a path to higher apartment rents in east Urbandale supportive of new construction.



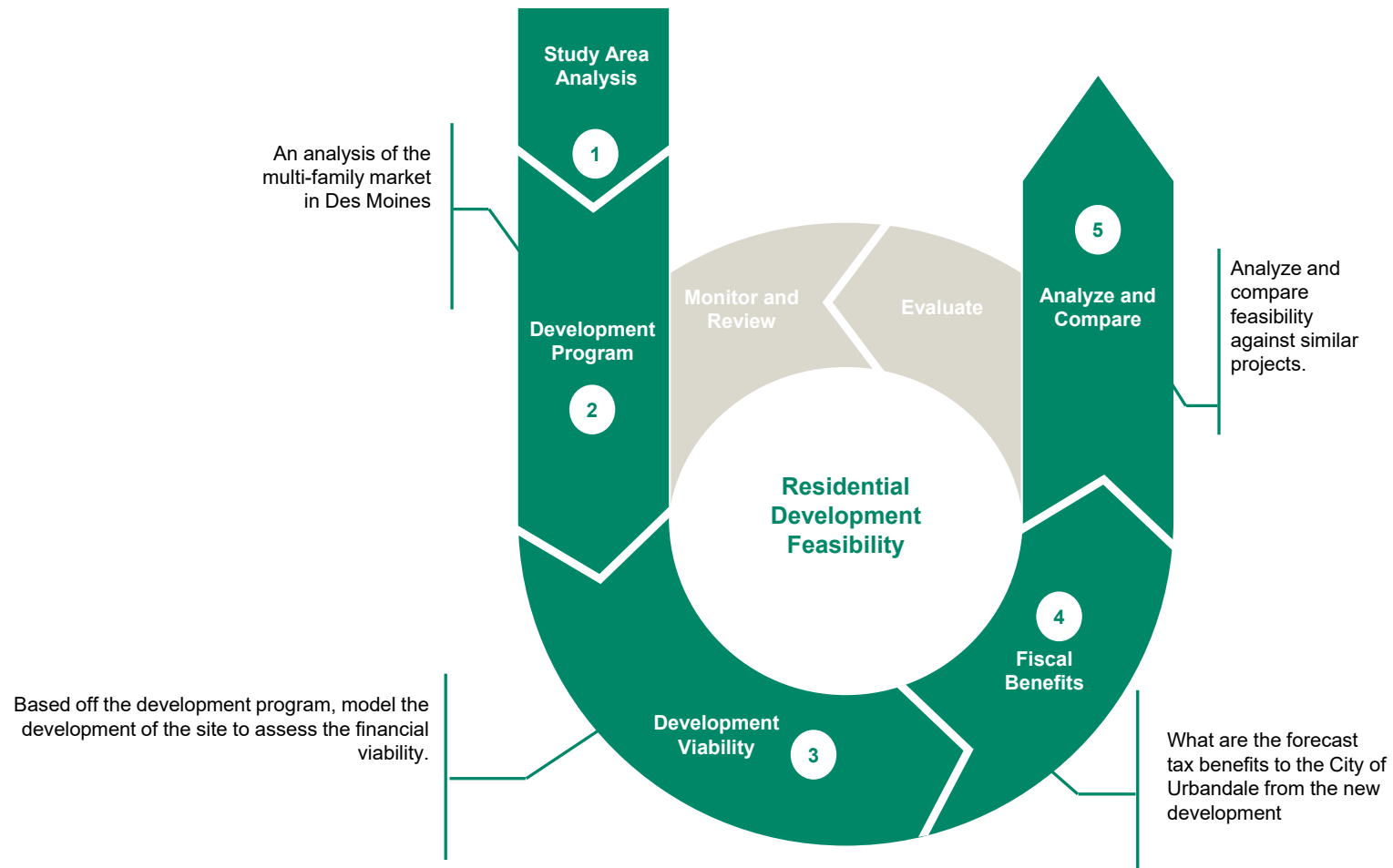
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Conceptual Financial Development – Pathways to Feasibility

Residential Development Proforma Methodology

1. Trade Area Analysis;
2. Development Program;
3. Development Viability Assessment;
4. Fiscal Benefits; and
5. Analyze and Compare.



Residential Development Proforma

Conceptual Development Program

Building off the study area analysis highlighting the demographic, economic and real estate drivers for the City of Urbandale, draft development concepts have been outlined to use as a basis for testing conceptual project viability.

By grounding these projects in real market data, we can better understand the conditions under which development is viable and identify where targeted City support or infrastructure investment can unlock growth.

The development program, highlights a proposed project in the northwest corner of the Little Node.

Variable	Scenario A
Residential GSF	80,000 sf
Commercial GSF	10,000 sf
Parking GSF	65,000 sf total (40,000 below grade)
Total GSF Above Grade	115,000 gsf
Residential Efficiency	90%
Units	80
Parking Spaces	185

Little Node Development Metrics - NW corner



Residential Development Proforma

Conceptual Development Viability

Sources: CoStar, AECOM

To support informed decision-making and guide future investment in Downtown Urbandale, AECOM developed a conceptual real estate financial model to frame the potential financial viability of proposed development projects by testing key variables such as construction costs, market rents and incentive levels to identify whether a project is likely to proceed under current market conditions.

By understanding feasibility gaps, the City can proactively identify where interventions, funding tools, or infrastructure investments may be required to unlock desired outcomes.

AECOM completed a baseline assessment for Scenario A of the Little Node to test the development viability of the hypothetical redevelopment of this site. The analysis assuming “current” market construction costs, which remain elevated and have not fully normalized since the COVID-19 pandemic. And given currently unfolding tariff negotiations with other trading partners (many of whom are source markets for construction materials), construction cost volatility remains a key risk, which will impact development feasibility.

Key Variables	Baseline Values
Hard Construction Costs (Building)	\$250 / SF
Hard Construction Costs (Above Grade Parking Podium)	\$50 / SF
Hard Construction Costs (Below Grade Parking)	\$100 / SF
Soft Costs	10% of Hard Costs
Construction Contingency	5% of Hard Costs
Monthly Residential Rental Rates	\$2,214 / Unit or \$2.46 / SF
Monthly Retail Rental Rate / SF	\$2.50 / SF

Note: Residential Rental Rates based on New Build Averages throughout Des Moines.

Residential Development Proforma

Development Viability Summary - Investing in Infrastructure, Not Subsidizing Development

The financial model relies on Yield on Cost as a key metric to assess project viability. Yield on Cost represents the projected stabilized net operating income of the asset divided by the development costs. This metric takes a snapshot of a development’s return potential and is especially useful for determining whether a project meets investor thresholds or would require support to move forward.

If the Yield on Cost falls below the typical hurdle rate of between 6 – 7% for mixed use multifamily projects, it may indicate a gap in viability that the City can help address through policy intervention. Using the key variable inputs for costs, the expectation is that a **6.5% Yield on Cost** is indicative of development potential.

Importantly, this “hurdle rate” does not factor in expected benefits to developers from the use of debt + equity financing, which would be expected in future development. As such, the proposed hurdle rate is considered conservative.

Little Node - Development Scenario A - Sensitivity Table Yield on Cost

		Residential Rental Rate				
		\$1,771 per unit	\$1,993 per unit	\$2,214 per unit	\$2,435 per unit	\$2,922 per unit
Hard Construction Costs (Building)	\$270 per sf	4.9%	5.5%	6.1%	6.7%	7.9%
	\$250 per sf	5.3%	5.9%	6.5%	7.1%	8.5%
	\$230 per sf	5.6%	6.3%	7.0%	7.6%	9.1%
	\$210 per sf	6.1%	6.8%	7.5%	8.2%	9.7%
	\$190 per sf	6.6%	7.3%	8.1%	8.9%	10.5%

Residential Development Proforma

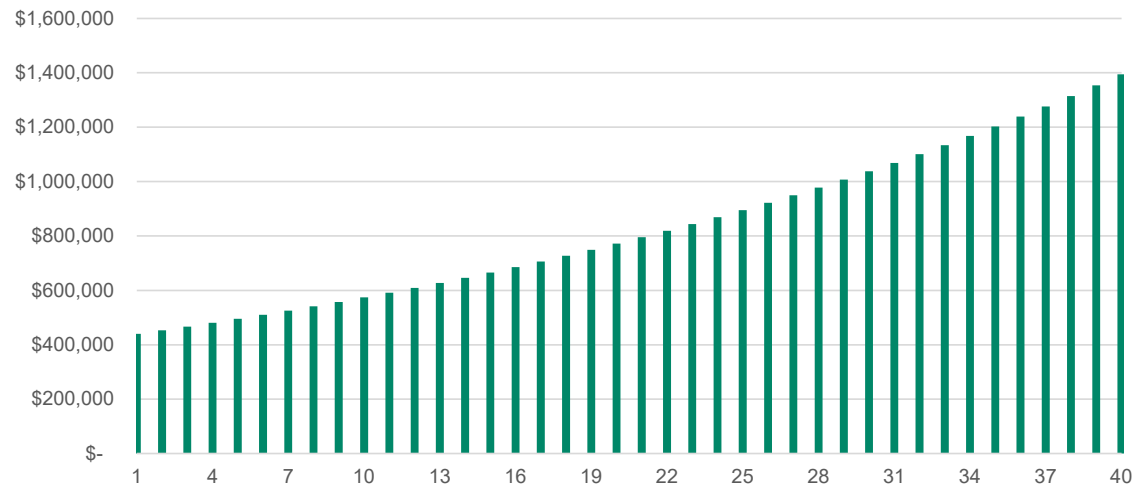
Fiscal Benefits

The analysis estimates a development yielding 6.5% is just below the typical hurdle rate of 7%. By helping to close this feasibility gap through supportive measures such as enabling infrastructure, the City can unlock development that not only activates underutilized lands but also delivers significant property tax revenue increases over the long term. This financial return provides a strong rationale for the City to play a catalytic role in enabling development that aligns with Downtown Urbandale’s long-term vision.

These projects don’t just deliver new housing or commercial space to the corridor, they have the potential to generate meaningful increase in assess property values resulting in higher property taxes revenues to the City and a cumulative fiscal return that compounds over time.

- Little Node Scenario A model estimates a total private investment of **\$32,000,000**, with potential tax revenue of approximately **\$24,000,000** over a 40-year period in residential property taxes and **\$9,100,000** over a 40-year period in commercial property taxes or a total of approximately **\$33,100,000** over 40 years.

Little Node Scenario 1, 40-year Property Tax Stream



Note: Using 2023/24 Regular Tax Levy of 0.0392708

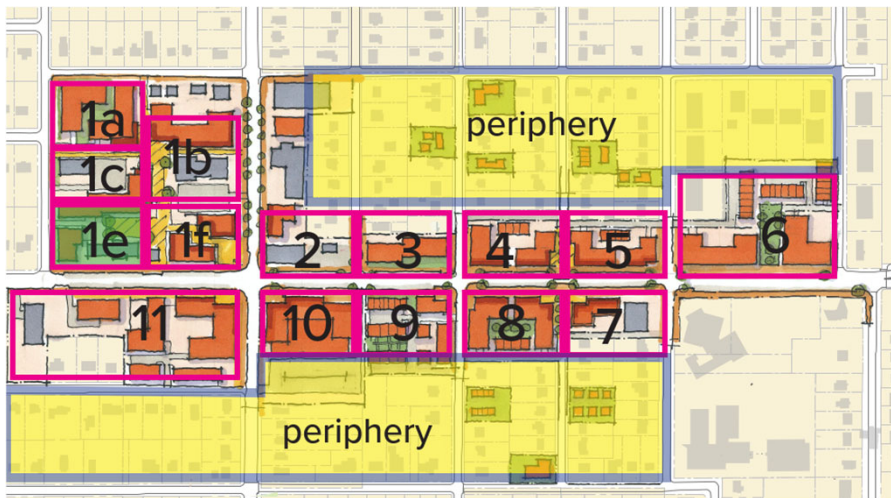
Residential Development Proforma

Fiscal Benefits – Corridor Level

At the corridor level, based on the conceptual development program, there is an opportunity to create approximately **\$362,500,000** in property taxes over a 40-year period.

At full build-out, the corridor could attract up to **\$373,000,000** in private development investment.

These figures underscore the scale of impact and the case for strategic public investment to unlock long term value.



Public infrastructure reinvestment goals:

Initial projects: \$1 public dollar yields \$4 private dollars of corridor investment

Later phases: \$1 public dollar yields \$6-\$10 dollars of private investment

Corridor Wide, 40-year Property Tax Stream



Note: Using 2023/24 Regular Tax Levy of 0.0392708

Residential Development Proforma

A Strategic Path Forward

For a City that has historically underinvested in its downtown core, now is the time. Reinvesting in Downtown is essential to the City's long-term economic resilience and identity.

Confidence in Downtown



Downtown Urbandale has the fundamentals necessary for revitalization. Strong demographics, economic drivers and land availability. With proper planning the City can attract meaningful investment to the region with strategic opportunities.

Early Projects Require Support



Initial developments are likely to require greater public support setting the stage for corridor redevelopment and tapering out over time. In addition, the timing of the redevelopment of Merle Hay Mall influences additional build-out along the corridor.

Setting a Floor on Value

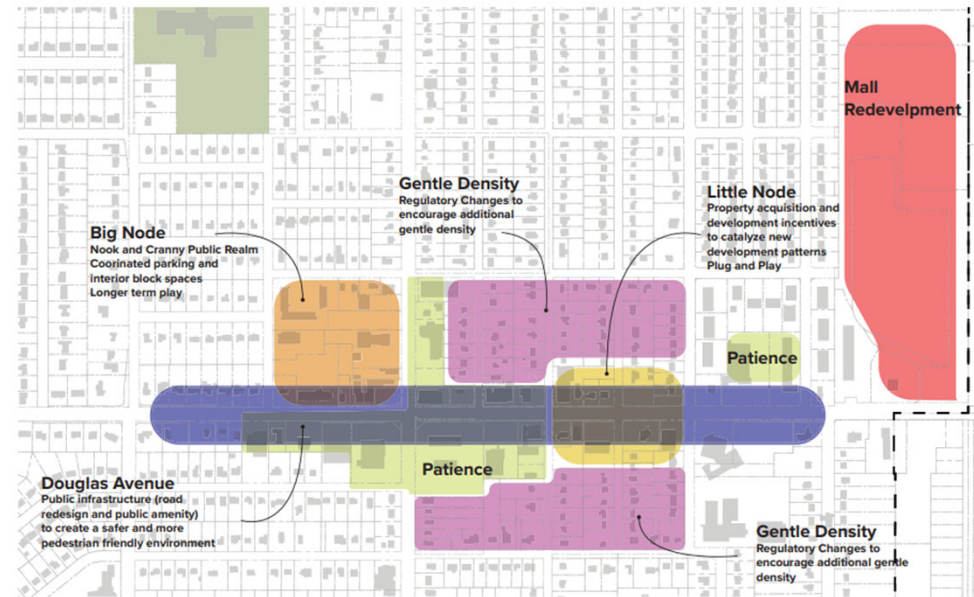


By supporting early projects, the City will establish a baseline for the new normal in rental rates, land values and investor expectations, paving the way for future projects.

Public Investment Unlocks Private Capital



Strategic infrastructure investments such as road widening, certain servicing requirements tend to reduce development risk and signal confidence in the neighborhood, sparking further private investment.



General Limiting Conditions

Deliverables and portions thereof shall be subject to the following General Limiting Conditions:

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