
MARKET
ASSESSMENT
December 2011

Multi-Modal
Transportation
Development Site,
Moline Illinois

Greene Enterprises for
Neighborhood Capital Institute

PURPOSE OF THE REPORT

Moline's transportation oriented development opportunity (the "MMS" or "Site") is located at the intersection of 4th Avenue and 12th Streets in downtown Moline, Illinois. The purpose of this report is to provide entities considering development of the O'Rourke Building and Site with current information regarding the Moline marketplace and the development opportunities inherent therein. Although the report is not a feasibility analysis for any particular use at the Site, the report does aspire to assess the opportunities or combinations of uses that may be most desirable, marketable and financially feasible at the MMS.

SUMMARY OF THE OPPORTUNITY

Modern life in Moline is embodied by a "can do" spirit and a prospering diversified economy. Moline is home to the international headquarters of the global John Deere & Company as well as the North American headquarters of the Finish elevator manufacturing company Kone and major logistics, marketing and packaging firm, Group O Companies. Rock Island Arsenal, located in neighboring Rock Island, employs more than 6,000 civilian and military workers, a short drive from the Site.

The City of Moline in conjunction with a public-private group Renew Moline has worked to transform downtown Moline to a vibrant "24-hour" downtown serving residents, visitors and workers. In the last 15 to 20 years more than 40 projects have been developed with a combined investment of more than \$300 million.

Projects currently under construction in downtown Moline include a new 8-story corporate office tower, an affordable/market rental loft housing project, and the new home of Western Illinois University. New transportation improvements are planned; principle among them the passenger train that is planned to stop at the O'Rourke Building on the Site. Originating from a Chicago spur, the train is anticipated to greatly enhance regional accessibility and grow commerce and recreational opportunities for students, tourists, business travelers and residents between Moline and its neighboring cities in Iowa and Illinois.

Population to drive restaurant/retail uses at the MMS includes nearly 2,000 daytime workers within a short 15-minute (¼ mile) walk of the site; during daytime hours another 5,000 workers are located in more than 600 businesses—just a quick 5 minute drive from the site. This includes the workers at United HealthCare just across the tracks from the Site and workers at the Rock Island Arsenal that egresses directly through 4th Avenue. Approximately 11,000 residents live within a mile of the MMS; more than 180,000 reside within an easy 5 mile drive.

The Site is geographically situated within a rich architectural and development tapestry. Within one to two blocks to the north of the Site are the transformative projects of the Deere Pavilion and Commons and the i-Wireless Center. Interwoven along River Drive and principally along 5th Avenue is the historic

district with its rich tradition of late 19th and early 20th century architecture humanly scaled and reused into thriving housing, retail, restaurants and office uses.

Although the Site can support a variety of uses, research suggest that the best current opportunities for the Site include affordable and market rate rental housing, particularly aimed at downtown workers and students; destination specialty and service retail; destination restaurants; and moderate/first class hotel; particularly a long-term stay hotel.

MOLINE WITHIN A REGIONAL CONTEXT



The Site is located at 4th Avenue and 12th Streets in the downtown core of Moline IL. The Site offers the extraordinary transportation oriented development opportunity to build off of a vibrant physical, geographic, demographic and economic base and add to the unique character of Moline and the Quad Cities.

Regionally, Moline is easily reached via a highly developed interstate and highway system or by air via the Quad Cities International Airport, located approximately 5 miles from the downtown. The city is located nearly equidistant from St Louis, MO and Minneapolis, MN. It is about a 3 hour drive from Chicago, about 165 miles to the east.

Moline is one of the “quad cities”--part of the Davenport-Moline-Rock Island, IA-IL MSA, known as “QC” that supports a vibrant population of approximately 400,000 people residing in northwestern Illinois and eastern Iowa on either side of the Mississippi River.

It is a community that has embraced and invested in culture and art, recreation and the river, public transportation, historic and downtown infrastructures. While traditionally a manufacturing center, the economy has diversified significantly and supports a working population of nearly 200,000. In November, 2011, the QC boasted the lowest unemployment of all Illinois MSA’s at 7.5%, below Illinois’ 10% and the national average of 9%.

MSA's Largest Private Employers

Employer	Employees
Rock Island Arsenal	6,000-8,500
Deere & Company	6,300
Group O Companies	800
Kone	450
United Healthcare	520
Mid American Energy	1,025
Alcoa	2,250
Trinity Regional Health System	2,900
Genesis Regional Health System	4,900

Source: Quad Cities First, www.quadcitiesfirst.com, Greene Enterprises

The Quad Cities Travel Guide sums up the current culture in the community well “...After hemorrhaging thousands of jobs in the 1980’s, the QC economy diversified into health care and service sectors. The community refocused back on the river. Riverboat gambling arrived in the early 1990’s. New parks and trails were built along the river. The arts scene is growing. People are returning to the downtown areas, some to live, some to work, and many to play along the river.”¹

BUILDING UPON INVESTMENT AND CONNECTIONS

Since the mid 1990’s, private investors have partnered with the City, State and Federal governments to redevelop and reshape downtown Moline—public/private investment of nearly \$300 million in more than 40 projects. Over the course of twenty years, developments of housing, office, hotel, restaurants, retail, entertainment, transportation and civic uses transformed the look, feel and experience of the downtown from gritty to vibrant. Streetscape programs, establishment of parks and walking/biking trails along the Mississippi, creation of regional community centers serving tourists, residents and workers for transportation as well as entertainment and education have created a thriving 24-hour community. The economic base and architectural infrastructure of the downtown is in place. The Site is well positioned to draw from and build upon Moline’s downtown place making and real estate trends.

The Site is located within the city of Moline’s historic and riverfront districts; district designations that not



only indicate the textural opportunities inherent in the site but provide for business investment incentives that may be available for site development.

At the corner of 4th Avenue and 12th Streets, the Site has a geographic, physical and economic connection to downtown’s historic fabric. Moline’s designated historic district, runs along 4th Avenue west from the Site to 11th Street, east to 16th Street and south to 7th Avenue. Traditional styles of these low to mid rise mid 19th to early 20th century buildings provide a unique consumer environment that celebrates the past while underscoring the current vitality of this Mississippi city. City and private sector investment have reclaimed and restored many of these buildings into housing, professional office, restaurants and retail. The City’s streetscape program along 5th

¹ Quad Cities Travel Guide, Dean Klinkenberg, 2009, Riverwise Publishing, Winona, MN

Avenue has improved the districts ambiance and led to private business and restaurant investment along the historic corridor.



Major new iconic architecture populated by bold public and private uses have played a major role in transforming the form and function of the downtown. The i-wireless center (bringing concerts and sporting events to



the downtown), Deere Commons and Pavilion (including the Deere Museum and the United Health Care office complex) , the streetscape program for River Drive, the mixed use Bass Landing with the Stoney Creek Inn and Conference Center and the Kone Center office tower have enhanced the architectural and economic landscape in sites proximate to the Site.



The Site's accessibility is excellent. The entirety of the Quad City community can easily access the site via interstate I-74 exits or I-67 from Iowa or Route 6 in Illinois. Many activity and market generating activities are located on River Drive, the roadway running north and parallel to 4th Avenue. Within minutes by auto or on foot are 650,000 persons per year attending evening sporting and concert events at the i-wireless center. The 250,000 annual visitors to the Deere Pavilion, the 5th biggest attraction in the State of Illinois are similarly accessible. Also within the River Drive corridor, immediately across from the site are the offices of United

Health Care—providing support for daytime and evening Site development. The more than 6,000 contract and military employees at Rock Island Arsenal and the visitors to Rock Island Arsenal Military Museum have easy auto accessibility, and are within a direct 5 to 10 minute drive. A vibrant collection of restaurants and specialty and professional retail is scattered along the 5th Avenue and River Drive Corridors providing customers with a variety of downtown experiences. The success of two major hotels, the Radisson at John Deere Commons and the Stoney Creek Inn and Conference Center as well as the vibrancy associated with numerous innovative and successful housing developments in the downtown attest to the apparent energy of the Site environs.

Centre Station, immediately proximate to the Site is used by 700,000 persons annually; Centre Station is the hub of Moline's public bus regional and local transportation network. Other public transportation options are immediately available to visitors of the Site including the seasonal Chanel Cat water taxi system that utilize the great Mississippi river for regional (albeit seasonal) personal transport.

Recreationally, the City has endeavored to create an river front trail system. Located within a short (¼ to ½ mile) walk from the Site are three city parks. Bike and walking trails are continually being developed along the Mississippi river.

The location of the MMS provides the opportunity to build off of these trends. The river’s visual, transportation and recreational accessibility can surely be marketed to enhance the Sites’ real estate demand. The proximate Site activities and populations will provide support for a multitude of real estate uses—primary among them destination restaurants, retail, housing and hotels.

DEVELOPMENT DRIVERS-MARKET AREA POPULATION

By the numbers, approximately 600 people live within a five minute (1/4 mile) walk of the site. Nearly 11,000 reside within a twenty minute walk or a five to ten minute drive (1-mile site radius). Including populations on both sides of the Mississippi, nearly 200,000 people can easily reach the site within a ten to twenty minute time frame.

2010 Market Summary Demographic Profile at a Glance

	¼ mile RADIUS	1-mile RADIUS	5-mile RADIUS	Davenport-Moline-Rock Island IA-IL MSA
Population	584	10,778	180,937	380,829
Households	203	4,143	75,625	153,835
Avg Person Per Hshld	2.81	2.56	2.32	2.42
Median Hhld Income	\$30,822	\$42,166	\$48,151	\$51,378
Median Age	30.1	32.1	38.0	39.0
Housing % Own	28.6 %	44.6 %	58.1 %	65.2 %
Housing % Rent	53.2 %	42.7 %	31.6 %	26.5 %
Employees/Businesses	1,785/120	7,428/612	119,586/8,685	195,518/15,848

Sources: The City of Moline (website), ESRI, Business data provided by Infogroup, Omaha, NE

The daytime population working with the the immediate environs of the site is significant; nearly 2,000 employees are within easy walking distance of the site and nearly 7,500 within a short (5 minute) drive. Some of the MSA’s dominant companies and employers are located immediately proximate to the site including John Deere & Company, Kone, and United Health Care. Rock Island Arsenal currently employs more than 6,000 mostly civilian employees located in a facility within one mile of the site.

Activities within a short walk of the site generate a significant tourist/visitor population that can supplement site development opportunities.

Proximate Tourist/Visitor Activity Generators

Name	Description	Impact
I wireless Center	Built in the late 1990's, the 12,000 seat indoor arena serves the entire Quad City market--hosting professional hockey, concerts and conventions	More than 200 annual events. 650,000 estimated annual patrons.
John Deere Pavilion and Commons	John Deere Pavilion features an agricultural museum that displays farm implements as well as multimedia presentations on the history of farming and on John Deere & Company. The John Deere Commons hosts festivals that run throughout the season.	Estimated 250,000 patrons to the Pavilion and Commons annually. It is noted as the 5th largest tourist generator in IL.
Centre Station	Opened in 1998, the multi-modal station in the transit center for downtown Moline's local and regional bus service including Metro, and Greyhound/Trailways. The facility also acts as a modern community center offering local arts displays and meeting space.	MetroLINK indicates the line serves about 700,000 annually.
Riverfront Bike Paths and Channel Cat Water Taxi	The channel taxi runs on the Mississippi seasonally, with stops on both sides of the river including the John Deere Commons. Riverfront bike paths offer leisure opportunities along the river.	Patronage of the Channel Cat Water Taxis is approximately 30,000 seasonal passengers.

Projects under development that will continue to reflect market opportunities and create populations to support new Site development include :

- The affordable housing downtown loft project, Enterprise Lofts, offers an additional 69 rental homes. The second affordable/market rate rental housing project to be built by Gorman and Company in downtown Moline, the Enterprise Lofts is located approximately ½ mile east of the Site, it provides additional downtown living and activity.
- The recent “topping off” of the \$40 million, 125,000 square foot Kone Tower, located ½ mile north of the Site, underscores Kones commitment to downtown Moline. Kone will establish its North American headquarters, employing more than 300 workers in this new office tower with room for additional Class A office tenants.
- Western Illinois University (WIU) , the only public university in the Quad Cities, is moving and expanding their campus to downtown Moline, approximately 2 miles from the site. The downtown campus is projected to be operational in Spring 2012 and is anticipated to serve more than 3,000 students.
- Phase I of the University Square Development. In conjunction with WIU, and adjacent to the Riverfront Campus, the City has collaborated in the creation of this private mixed-use project, now under construction. University Square is designed to support the development of the WIU-QC Riverfront Campus by creating incubator entrepreneurial space to foster local growth of employment and innovation specifically involving activities of engineering, economic development and energy efficiencies.

- Amtrak service. Most significantly for the site, the downtown, Moline and the region is the advent of passenger train service to the Quad Cities. Currently planned to be operational by 2014, the passenger rail service station will be located in the on-site base of the O'Rourke building. Estimates of between 40,000 and 110,000 passengers are projected to use twice daily service from the station primarily to and from Chicago. Markets for the AMTRAK service are highlighted below:

Market	Rationale/ Expansion of opportunities generated by passenger rail service to Chicago
Business Travelers	Meetings, training and conferences locally and in Chicago
Tourists and Visitors	Concerts, local attractions, city visits, family and friends
Education and University	WIU and Augustina students frequently travel to the Chicago market. Train will facilitate entertainment, cultural, visitors, educational and training opportunities between the regions.

MARKET OPPORTUNITIES FOR DEVELOPMENT

The Site's accessibility is excellent. It is along major local transportation routes (4th Avenue and 12th Streets), nearby to regional highways, and immediately proximate to and part of the regional public transportation networks for bus, train, bike, and waterway transportation. Many activity and market generating activities are located on River Drive, the roadway running north of and parallel to 4th Avenue (such as the i wireless Center, the Deere Pavilion, and the employees of United Health Care). Employees of and visitors to the Rock Island Arsenal and the Rock Island Arsenal Military Museum have easy auto accessibility, and are within a direct 5 to 10 minute drive. A vibrant collection of 24 restaurants of all types — from premium steakhouses and historic pubs to ethnic dining and cafés — are a short walk away. Unique specialty and professional retail can also be found within the 5th Avenue Historic District and along River Drive, providing customers with a variety of downtown experiences². Developments at the Site can benefit from marketing to these resident, worker and visitor populations. Research suggests that development of a hotel and/or rental housing with associated amenities including restaurants would be viable and highly desirable for the Site.

STATUS REPORTS: REAL ESTATE MARKETS

OFFICE

Third Quarter, 2010, Market Summary Downtown Office Davenport/Bettendorf, Iowa and Rock Island/Moline Illinois at a Glance

Rents/SF/Yr	Low	High	Effective Avg	Vacancy
Class A (Prime)	\$ 13	\$ 18	\$15.25	15 %
Class B (Secondary)	\$ 7	\$ 11	\$ 9.50	20 %

Source: NAI Ruhi & Ruhi Commercial Market Reports

The downtown Moline office market has remained fairly consistent over the last several years. New construction of office space was largely driven by filling the needs of individual corporate and professional users moving within the marketplace. In conjunction with this trend, multiple low to mid rise projects

² Please see Moline Centre Main Street's site for more detail (www.molinecentre.org/).

have been developed in the downtown core over the last ten to twenty years. These projects include new construction as well as building renovations that have enlivened and positively altered the landscape and function of the downtown.

Downtown Moline-- Office/Mixed Use Projects (1997 to 2011)

Name	Project Description and Users
John Deere Commons	New construction. Campus setting developments include John Deere Pavilion (museum and store), office (United Health Care), Radisson hotel, restaurants, Center Station (transit)
Bass Street Landing	New construction. Mixed use riverfront development. Includes mixed use office/housing/restaurant complex; hotel (Stoney Creek) and Kone Tower (under construction)
Heritage Place	New construction. Office
Heart of America Building	Historic renovation. Office/ground floor retail. Tenants include professional service and government tenants
Willis HRH	Renovation. Back office
Red Cross Quad City Hdqts	New construction. Non profit office.
Caxton Block Building	Renovation. Office. Anchored by designer of Bass Street Landing, Shive Hattery, a local architecture/engineering firm.
Historic Block	Renovation. Multiple block renovation of existing building. Tenanted by restaurants, professional office users and service/specialty retail

Currently the Moline’s downtown Class A office market has approximately a 17% vacancy; asking rental rates are approximately \$14 net for class A space. The downtown core has one Class A office project under construction; Kone International, an elevator manufacturer is the lead tenant on a 125,000 square foot, 8 story office tower under construction as the final phase of the Bass Street Landing project. Kone will be moving their 300 employees from their current building, also in the downtown.

RETAIL

Third Quarter, 2010, Market Summary Retail

Davenport/Bettendorf, Iowa and Rock Island/Moline Illinois at a Glance

Rents/SF/Yr	Low	High	Effective Avg	Vacancy
Downtown	\$ 8	\$ 12	\$ 10	10 %
Neighborhood Service Centers	\$ 10	\$ 28	\$ 15	7 %
Community Power Center	\$ 4	\$ 12	\$ 6	10 %

Source: NAI Ruhl & Ruhl Commercial Market Reports

Reportedly more than 25 restaurants and 35 retail businesses are located in downtown Moline. By type downtown retail offers specialty and service but grocers, pharmacies, big box and comparison shopping is located one to three miles away.

Specialty and service retailers are located within a brief walking distance from the site-- clustered along 5th Avenue between 13th and 15th Streets as well as in locations along River Drive. The thriving retail/restaurant core is supported primarily by Moline’s downtown worker population as well as Rock Island Arsenal employees, students, and visitors (to major employers and tourists).

Retail in the downtown core is clustered in the ground level of projects developed over the last fifteen years. Well known specialty shops such as Moline’s 100 year old Lagomarcino’s (confectionary), Watermark Corners (stationers), and Isabell Bloom (crafts) are located in the downtown core as well as service oriented businesses such as Uniform Den and Ducky’s Formal Wear. Located in the first floor of developed properties, restaurants include a couple of chains—TGI Friday in the Radisson and a Subway and multiple local offerings from steak houses to brew pubs and coffee shops to sports bars. There is a strong precedent for specialty and service related retail in the downtown core. Downtown Moline has prospered as a restaurant destination, particularly supported by the large numbers of daytime workers and tourists/visitor proximate in the downtown market.

HOTEL

**Third Quarter, 2011, Market Summary Hotel Available Rooms (Properties)
Quad Cities (Illinois and Iowa) at a Glance**

Locations	Budget	Moderate/Suites	Casino	1 st Class/Luxury	Total
II (Moline, Rock Island, E Moline)	1,071 (14)	660 (5)	205(1)	0	1,936 (20)
Downtown Moline	65 (1)	303 (2)	0	0	398 (3)
IA (Davenport, Bettendorf, LeClaire, Eldridge)	2,329 (22)	510 (4)	514 (1)	131 (1)	3,353 (28)
Total Quad City Market	3,400 (36)	1,170 (9)	719 (2)	131 (1)	5,289 (48)

Source: 2011 Quad City Visitors Guide, Greene Enterprises

The greater Quad City hotel market contains approximately 5,300 rooms in 48 properties. The Illinois side of the river contains just over 1/3rd of the available market rooms. The greater market is comprised primarily of budget and moderately priced suite/long term stay properties. There are two casino related properties that contain approximately 700 of the market’s rooms—one in Illinois in neighboring Rock Island and one in Bettendorf, across the river from Moline. Overall, hotel/motels in the Quad City market have achieved an ADR of approximately \$75 and a market rate occupancy of just under 60% (2010). Approximately 1,400 rooms, just over 25% of the Quad City’s available rooms are located in Moline. Moline’s 14 properties are clustered in downtown and nearby the Quad City International Airport (near the intersection of I-74 and I-280).

Moline continues to set a regional standard for successful and sustained hotel development. Two moderate/first class properties were developed in downtown Moline, the Radisson John Deere Commons (1997) and the newer themed based Stoney Creek Resort and Conference center (2005); they have consistently achieved amongst the best performing hotels in the QC region. The downtown market is largely made up of tourists (visitors related to I wireless and Deere Pavilion) as well as business (long and short term stay) travelers. Business directly generated by John Deere & Co as well as Kone and United Health Care provide major support for downtown occupancy.

According to recent Smith Travel Research (STR) reports, the two major downtown properties, Radisson John Deere Commons and Stoney Creek Inn, as well as the new Hampton Inn by the airport and Rock Island’s Holiday Inn and Conference Center achieved a group or “comp set” occupancy of 70% and an average daily rate of \$101. This strong market performance presents a solid argument for additional hotel development in downtown Moline.

Recent additions to the marketplace include the market’s only first class/luxury hotel, the 131 room Blackhawk which opened in December, 2010 in downtown Davenport (Iowa) and two properties in Moline, a 84-room Residence Inn (2006) and a 98-room Hampton Inn (2008), both located near the airport. Reportedly, the most recent Moline properties are fairing very well in the market, achieving ADR and occupancies considerably above the QC market norm.

HOUSING

Jan- March, 2011, Market Summary For Sale Housing

Davenport/Bettendorf, Iowa and Rock Island/Moline Illinois at a Glance

Area	Avg 2011 Sales Price	% Chg Sales Price from 2010	2011 Number Sold	2011 Listings
Illinois Quad Cities (All)	\$ 97,900	(5%)	292	987
Moline	\$ 97,900	+ 9%	53	170
Rock Island	\$ 98,700	+ 23%	44	163
Condominiums (IL)	\$ 111,400	(11%)	24	99
Iowa Quad Cities (All)	\$ 140,100	(6%)	333	882
Condominiums (IA)	\$ 160,900	+ 16%	96	654

Source: NAI Ruhl & Ruhl Realtors, Spring 2011

For sale housing is relatively stable in the Quad City marketplace. Generally, prices are higher on the Iowa side of the river as compared to Illinois. In the overall Quad City marketplace, prices for condominiums are about 15% higher, on average than for detached single family homes. The achieved price point and number of condominiums available is significantly higher on the Iowa side of the Mississippi as compared to the Illinois side. Reportedly the Kone Tower project was envisioned to include a couple of floors of upscale condominiums. Currently 2-4 units are planned for the top of the eight story structure.

Rental housing is particularly strong in the downtown markets. Both downtown Moline as well as Rock Island offer a variety of affordable and market rate product in their respective downtowns including loft style, work play and mixed use product.

A recent market study (May 2010) surveyed the market for LIHTC (affordable) Section 42 Family and market (rental) housing. It found that the market in the “primary market area” (the Illinois side of the MSA) to be very strong with a total number of 2,340 units and only a 7% vacancy in Section 42 (affordable) housing and a mere “0.7%” market rate vacancy (out of 1,093 offered market-rate units). Recent downtown rental housing projects have often reused existing structures. In 1995 the historic LeClaire Hotel was rehabbed into a 110-unit affordable/market housing project. Moline High School Lofts, developed by Gorman and Company, is a similar conversion completed in 2006 of a former high school into a 60 unit affordable/market mix of rental housing units. Both of these properties are continuing to be successful; both are 98% occupied as of December, 2011.

The newest downtown product under construction in downtown Moline is the 69 unit Moline Enterprise Work Lofts, the second affordable/market rate housing project developed by Gorman and Company. Monthly rents are reportedly targeted to approximately \$250 to \$800 with a mix of one, two and three bedroom units. 90% of the units will be leased to tenants qualifying for “affordable housing” along Federal guidelines. The target market is anticipated to be young singles—students at WIU or office employees such as those at Deere & Company, United Health Care or HRH Willis.