

# **ROYSTER-CLARK AREA MARKET FEASIBILITY REPORT**

## **EXECUTIVE SUMMARY**

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**Prepared by: Stockham Consulting  
Madison, Wisconsin**

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# EXECUTIVE SUMMARY

## General Caveats

1. This report reflects a “snapshot” of the real estate market under current economic conditions, which include an overall recessionary economy and a serious oversupply of certain forms of development in the Madison market. As the economy changes, it is expected that a revised report would likely yield different outcomes.
2. Although it is known that there is some contamination, primarily in the form of nitrogen and phosphorus that could enter the groundwater, a remedial action plan has not been completed for the site. There may be limitations or conditions associated with different forms of development based on the recommendations of a remedial action plan prepared in the future

## Current Site Conditions

3. The Royster-Clark site is a 26.62 acre site that has been used for the production of granular fertilizer products since the 1940s.
4. The site is currently owned by Agrium, Incorporated, a Canadian-based agricultural chemical company, that purchased Royster-Clark in 2006.
5. The Royster-Clark site has been vacant and unused since 2006. Agrium has not indicated any plans to reuse the site for production.
6. Existing structures on the site include a large metal-sided building used for product blending, two large storage domes and a number of smaller ancillary structures. The site is served by a railroad spur.
7. Most of the structures are structurally and functionally obsolete. However, the two storage domes may be usable for bulk storage.
8. The site contains soils contaminated by agricultural product spillage, primarily nitrogen and phosphorus. At this time, a complete remediation plan has not been submitted to regulatory agencies.
9. The most serious soil contamination is located on the eastern portion of the site where agricultural products were blended, packaged and shipped.
10. The Royster-Clark site is currently zoned M1 and M2 Manufacturing District.

## Current Neighborhood and Planning Area Conditions

11. The residential neighborhoods adjoining the Royster-Clark site are stable neighborhoods with a statistically older population. The neighborhoods are projected to remain stable or slightly decline in population over the next five years.
12. There is some evidence that homes are turning-over as older residents move out and younger individuals and families are moving into the Eastmorland and Lake Edge Neighborhoods.
13. These neighborhoods have excellent access to public facilities, such as schools, parks and libraries, and are well-served by a broad range of retail and service businesses.

14. Most of the houses in the neighborhoods adjoining the Royster-Clark site are detached single-family homes ranging from 800 square feet to 1,500 square feet in size. Most of the lots range from 6,000 to 8,000 square feet.
15. Homes in these neighborhoods are among the most affordable in the City with typical prices for detached single family homes ranging from \$160,000 to \$200,000.
16. Most of the residential area surrounding the Royster-Clark site is zoned R1 or R2 Residential District.
17. There is a diverse mix of 27 businesses in the Royster-Clark Planning Area, which extends along the 300 through 700 blocks of Cottage Grove Road; however, the business district lacks any clear identity and has seen relatively little commercial reinvestment in recent years.
18. The frontage along Dempsey Road is light industrial in character. The current zoning for properties east of Dempsey Road and north of Cottage Grove Road is C3L Commercial District.
19. MG&E owns a five-acre parcel surrounding its substation at 310 Cottage Grove Road, adjacent to the west side of the Royster-Clark site. The southern portion of the MG&E parcel containing the substation is zoned C3 Commercial District. The northern portion of the MG&E parcel is zoned R3 Residential.
20. High power transmission lines extend northward from the MG&E substation to the railroad corridor parallel to the west property line of the Royster-Clark site. High power transmission lines follow the railroad corridor east and west of the Royster-Clark site.
21. MG&E has indicated that they may be making improvements to and/or expanding the Cottage Grove Road substation in the future.

## **Housing Demand Forecast**

22. There is a projected demand for approximately 40 net additional dwelling units over the next five years in the Primary Market Area, which is defined as the area within a one-mile radius of the Royster-Clark site, based on recent absorption rates.
23. There is a projected demand for approximately 1,054 net additional dwelling units over the next five years in the Secondary Market Area, which is defined as the area within a three-mile radius of the Royster-Clark site, based on recent absorption rates.
24. Forms of residential development that would likely be feasible on the Royster-Clark site under current market conditions are affordable apartments for families or seniors or small, detached single-family homes comparable in scale and lot-size with the adjoining neighborhood.
25. The current over-supply of condominium housing in the Madison area is likely to limit development potential for this housing type for at least the next three to five years.
26. There is continuing demand for detached single-family homes priced under \$200,000 in the neighborhoods surrounding the Royster-Clark site, based on the opinions expressed by real estate brokers who handle residential sales in the neighborhoods surrounding the Royster-Clark site.
27. Detached single-family homes priced under \$200,000 generally sell within a 90-day period, which is a relatively short period in the current market.

28. Portions of the Royster-Clark site may be suitable for small single-family homes 800 to 1,500 square feet in size, which is similar to the size of much of the existing housing in the adjoining neighborhoods. This type of residential development would yield approximately 6 dwelling units per acre based on an average lot size of 6,000 square feet. The final price to the consumer should be under \$200,000 and preferably under \$180,000.
29. A reasonable targeted absorption rate for either rental units in apartments or small, detached single-family homes on the Royster-Clark site would be approximately 10 dwelling units per year.
30. Housing development on portions of the Royster-Clark site may be suitable for a non-profit or land trust organization to consider.

## **Retail Commercial Demand Forecast**

31. There is little demand for new retail store development on the Royster-Clark site due to the number and types of retail businesses currently serving the area. The neighborhoods in the vicinity of the Royster-Clark site are well served by the range of existing retail and service businesses in the area and there are few identifiable categories of retail stores or services that are not already present in the primary market area.
32. There is little, if any, demand for a new full-service grocery store on the Royster-Clark site due to the proximity of Woodman's on Milwaukee Street, which is less than a five-minute drive north of the site and the Sentry located in Rolling Meadows Shopping Center, approximately one-half mile east of the site.
33. While it may be feasible to subdivide a few commercial lots fronting Cottage Grove Road, it is unlikely that the scale of retail development would be sufficient to either anchor or be a major component of redevelopment of the Royster-Clark site. The most likely purchasers of frontage lots on Cottage Grove Road would be fast-food establishments or other franchise businesses seeking lots for freestanding buildings.
34. It is unlikely that there would be significant demand on the Royster-Clark site for space for start-up "specialty retail" since these businesses are typically independently-owned businesses that tend to locate in existing structures with rents in the \$6.00 to \$10.00 per square foot range. Rental rates in new retail building construction on the Royster-Clark site would likely be in the \$12.00 to \$14.00 per square foot range, which is beyond the reach of most independently-owned specialty businesses.

## **Light Industrial / Flex-space Demand Forecast**

35. There would likely be some demand for competitively priced light industrial, distribution, and flex-space on the Royster-Clark site. These uses would be similar to the business types already located along Dempsey Road and along Atlas Road and the adjoining streets east of Stoughton Road (USH 51).
36. A light industrial / flex-space center on the Royster-Clark site would compete with comparable space for rent or sale along the Stoughton Road corridor and elsewhere on the east side of Madison. Unimproved "grey box" or "white box" space in these areas typically rents for \$6.00 to \$8.00 per square foot per year, on a triple net basis.

37. A variation on the rental flex-space concept would be condominium-ownership of workshop or storage space, which could be constructed in a variety of building types.
38. The Royster-Clark site may be a good location for a “green” business park focused on attracting contractors and other businesses committed to sustainable development.

## **Planning Area Findings and Conclusions**

39. From a business identity perspective, the commercial blocks on Cottage Grove between Monona Drive and Stoughton Road should be considered a single commercial district.
40. There has been significant commercial reinvestment on the 100 and 200 blocks, represented by the recent Ace Hardware remodeling and the Walgreens development at the corner of Cottage Grove Road and Monona Drive.
41. There has been investment in some independently owned, start-up businesses, such as the Jade Monkey Cocktail Lounge on the 100 block of Cottage Grove Road and the Java Cat on Monona Drive. Both of these businesses are indicative of the potential for eclectic start-ups that could occur on some of the older commercial properties on the 300 to 700 blocks.
42. As the Royster-Clark site is redeveloped, it is reasonable to expect that there will be more market-driven interest in redeveloping the underutilized commercial properties fronting on Cottage Grove Road.
43. While the three 4-unit apartment buildings on the 400 block and the upper level residences on the 500-block are likely remain, the majority of the Cottage Grove Road frontage on the 300 to 700 blocks is likely to retain a commercial character.
44. Commercial real estate professionals have indicated that there would likely be some interest in additional fast-food development or other franchise businesses that desire freestanding lots on either portions of the Royster-Clark site or on other commercial properties with Cottage Grove Road frontage. Typically, these uses require lots approximately one-half to one acre in size. The existing Kentucky Fried Chicken is representative of this type of demand.
45. As the Royster-Clark site ceases to be a “cloud” along Cottage Grove Road, there is likely to be market-driven demand for existing commercial sites fronting on Cottage Grove Road.
46. The portion of the planning area that is currently in light industrial uses, such as the contractors’ shops and Badger Cab office and shops, is likely to continue in these uses for the foreseeable future. The proximity to Stoughton Road and easy access to the central part of Madison make these sites excellent locations for these businesses.
47. Public streetscape enhancements, building façade improvements, landscaping, financial assistance for business development, and similar actions and programs could potentially accelerate commercial development in the planning area. The City could take the lead in some of these activities.