Chapter 3 - Market Study Summary

A market analysis was conducted by Market Metric$, LLC for this study. The purpose of this analysis was to determine the range of potential land uses that could be accommodated in the study corridor now, and in the future, based on the needs demonstrated by the marketplace. The objective of the analysis was to provide market-based information that will assist NKAPC, the City and Task Force in developing strategies, initiatives, and plans to serve the needs of residents of the community and provide for business opportunities that meet market demand. The full market report will be available on NKAPC’s website prior to the completion of this study and will remain as a companion document to the plan.

Introduction

The Latonia Small Area is at the heart of the City of Covington, Kentucky. The defined area forms the link between older sections of Covington adjacent to the Ohio and Licking Rivers and newer, green field development at the southern end of the City. The shape of the City of Covington is very linear with the Latonia Small Area at the center. The map below provides an overview of the City of Covington and gives some perspective of the central importance of the “Latonia Small Area”.

Map 3.1 provides the definition of the “Latonia Small Area” in the context of Covington’s city boundary as highlighted in white and outlined in orange. This area is comprised of several smaller neighborhoods. The boundaries of the neighborhoods are best defined by the major thoroughfares that traverse Latonia and by the railroads that introduce barriers to convenient access from one small neighborhood to another under the overall, umbrella name of Latonia. The baseline map also shows existing building in the area which provides a form overview of the land uses in the planning area and enables the reader to visualize the “Latonia Small Area” as an important subset of the City of Covington.

Application of Highest and Best Use to the Latonia Small Area

Since this market analysis does not deal with a specific site or a specific proposed project, the four tests of highest and best use are not rigorously applied, but form the theoretical framework in which all of the land uses in the Latonia Small Area are analyzed in the context of the current market. The Latonia Small area is essentially fully developed so the four tests of highest and best use were successfully applied, historically, throughout the area.

Residential uses have been examined in detail. This is the largest single land use in terms of structures and land areas in Latonia. The various neighborhoods that comprise the area exhibit a variety of construction dates, construction types, housing sizes, ages, and conditions. The housing inventory, in general, is smaller and more densely spaced than is typical of residential development, today. These observations do not mean that the housing inventory does not represent the highest and best use of the underlying land, but it does mean that any infill development that may be suggested would likely produce housing products that may only appeal to a niche market of potential buyers, or renters, who prefer a more urban lifestyle. The age and overall condition of the inventory may make it difficult to obtain market prices for any infill products that would justify the cost of construction and produce a reasonable market profit for the effort. Thus, infill development may not be justifiable on the basis of the tests of highest and best use without supportive efforts to revitalize the neighborhood(s) that form the context for any new construction. In essence, do the market values of existing housing units appear to justify the value of new construction in the local marketplace today or not; i.e., market support.

Industrial uses have been given the most cursory consideration in the course of this market study. There is no industrial market section in the discussion that
follows. As has been stated, above, the industrial uses in the defined area are limited, older, and appear to represent a land use that may not be the best use of sites in future land use discussions. Some of the industrial uses that appear in the Latonia area would actually be more likely to appear in retail developments today. Perhaps the best example of the meaning of this statement is the lumber company that is in the study area and appears to be quite successful. The current site of this company is industrial, but companies similar to the one under consideration are likely to be “big box” anchors of retail developments, today. In essence, the use(s) of the industrial areas in Latonia may represent uses that would fit in another category of zoning and land uses if they were to be developed today. In the case of the example, cited above, it is the zoning of the land that is called into question, not the use of the land. The overarching question is whether industrial zoning is applicable to the small portions of the Latonia area that this zoning encompasses today. While there may not be a better zoning category for some of these sites, in other cases, more intense commercial zoning could be more applicable and lead to higher land values for these sites, now, and in the future.

Office uses are scattered in the Latonia area in older, traditional office structures, more modern buildings, and in structures that have been converted from other uses to serve as office space. The typical office occupant is a small company, professional practice, or service provider that has located in Latonia to serve the immediate community. The nature of the built environment limits the potential for any large-scale office uses unless redevelopment of a site, or sites, would be undertaken in the future. Some obsolete “big box” retail storerooms have been converted to large-scale office uses in other locations in the local market and Latonia has an example of an obsolete retail “big box” within the study boundaries. While the existing improvements may no longer represent a highest and best use for retail, a structure could represent a highest and best use for an office tenant. This is an example of the highest and best use of a site, as improved, transitioning from one use to another. The highest and best use test for the site “as if vacant” could provide the determinant as to whether the existing improvements are better left on the site or cleared for redevelopment. Finally, retail uses are an important component of the built environment in Latonia. However, the ages of the retail developments and structures in Latonia are exhibiting various levels of physical deterioration and functional obsolescence that is currently affecting vacancy and could be a more serious influence on vacancy levels in the future. The underlying sites may still be best improved with retail uses, but the current improvements no longer represent the highest and best improvements for the sites to remain competitive in the current marketplace for retail uses. This is an example of the different conclusions that can be reached when considering sites “as if vacant” and then considering them again “as improved”.

Housing Market Observations and Conclusions
The single most important step to stabilizing and revitalizing the market in Latonia is to stop the downward trend in households living in the area. The current trend speaks to an oversupply of housing to meet the demand of the current marketplace. This market condition often leads to decreasing housing values and a shift in occupancy types to more rentals versus sales. Unless this trend can be stopped and the market stabilized, or restored to a growth trend, all of the prospects for bolstering the commercial and retail markets in Latonia are not likely to take place.

The observations and conclusions regarding the housing market in Latonia are summarized as follows:

The Number One Strategic Priority - Stabilize the Out Migration of Households of All Types
- Determine the Reasons for the Loss of Households
- Address the Causes of Household Relocation
- Aggressively Market around Weaknesses While Working to Correct Weaknesses
- Find and Market Strengths of Latonia Area

The Number Two Strategic Priority - Enhance “Curb Appeal” First Impressions Are Critical
- Encourage and Support Low Cost Visual Enhancements
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- Enhancements Must Be of Sufficient Magnitude to Be Observed by Casual Passersby – ALL RESIDENTS SHOULD PARTICIPATE
- Correct or Remove Blight

The Number Three Strategic Priority - Rebalance Market Supply and Demand
- A Traditional Market Balance of Supply and Demand Has Been Defined As Five Percent (5%) Vacancy
- Evaluate the Merits of “Right Sizing” the Residential Inventory – Possibly 1,000 Housing Units Today or As Many As 1,200 Housing Units by 2013

The Number Four Strategic Priority - Focus on Home Buyers over Renters for Stability
- The Residential Inventory Included 5,533 Housing Units in 2000 – 3,438 Units Were Free-standing, Single-family Dwelling Units but Only 2,799 of These Units Were Owner-occupied
- Owner Occupied Housing is estimated at 2,532 Units Today and Projected to Decline to 2,491 Units by 2013

Office Market Observations and Conclusions

Latonia has opportunities to capture several categories of office and consumer based service businesses. The question is; how does Latonia market itself as a location for business. The Ritte’s Corner intersection of Decoursey and Southern has been selected as the focal point, or epicenter, for business in Latonia.

The categories of “Advertising,” “Auto Repair/Services”, “Barber and Beauty Shops,” “Child Care Services”, “computer Services”, “Dry Cleaning and Laundry”, “Health and Medical Services,” “Hotels and Lodging”, “Legal Services,” “Miscellaneous Repair Services”, “Other Business Services”, “Other Personal Service”, and “Professional Services” all suggest that Latonia could be the location for business. Eleven of the thirteen categories identified indicate underserved markets in drive-time areas of five-minutes; essentially the neighborhood. Two of the identified categories indicate underserved markets up to ten minutes drive-time; a larger community need.

Retail Market Observations and Conclusions

There are several potential retail opportunities for the Latonia area. Ten categories of retail enterprises have been identified as being in short supply in Latonia. Eight of the highlighted categories are believed to be in short supply in one of more of the drive-time geographies. The categories that have been highlighted include:

As has been stated previously, the possibility of growing the existing merchant base through expansions cannot be overlooked. There may be existing merchants who could upgrade their facilities and meet at least a portion of the unmet demand in the category in which they do business.

The model used in this market analysis deals with the basic comparison of supply to demand. The model does not address market segmentation or niches. Just because a market appears to be adequately served, or even saturated, does not mean that a new enterprise that addresses a specific segment or niche in the market cannot be successful. It is more difficult for a new business to capture a market share and be successful if that market share has to come from the revenue streams of existing merchants. The existing merchants will not surrender a portion of their market without competing intensely to retain their market base.

As has been stated in the paragraphs, above, there are prerequisite steps to marketing the Latonia area to businesses and these prerequisites do not appear to be in place at the present time. The following section of this report will address some of the steps needed to market Latonia.

Aids to Successful Implementation

As has been stated in several places in the preceding text, there are some prerequisite steps that are needed in order to market Latonia as a destination.

In general, there are five steps to the successful marketing of any product; sometimes called the “five P’s” of marketing. The five components are; product, place, people, price, and promotion. Each of the five steps will be discussed below.

The first step is product; Latonia. It must be defined as a geographic area. It must be identifiable to outsiders; signage, perhaps a Latonia logo. The product’s strengths and weaknesses must be identified and the positive attributes emphasized to the marketplace. Negative attributes should be contained at worst and corrected at best in order for the product message to “ring true” to the recipients.

The place is integral to the product; Latonia. As has been identified in this analysis, Latonia is made up of several neighborhoods. Each of these neighborhoods may be identified as individual places with unique attributes yet under the umbrella of “Latonia”. The same identities could be applied to the various commercial and retail districts in Latonia. Giving each a specific identity and associating the merchants and businesses to the locale can make it easier for outsiders to find businesses they may want to “try out”. Of course, merchant participation is required and the merchants must be convinced that there is a potential business boost that will come from the association with their location inn Latonia.

The next item is people; residents, merchants, or an organized marketing entity. The plan of which this market analysis is a part is being driven by a steering committee of volunteers. While volunteerism is to be applauded, it may not be enough to provide the energy and the focus that an organization could to promote all of the attributes of Latonia for residents and businesses alike. Funding of such an organization is always a challenge. In some cases, the marketing organization is funded through a tax assessment. These assessments take the form of a Special Improvement District, or SID. Typically, a Board of Directors is formed from residents and merchants in the geographical area of the SID and it sets policy and directs the efforts of a professional staff. The income generated from the SID assessment should not only fund payroll of the staff, but should enable programs and projects to be undertaken for the benefit of the entire SID area. Holiday events, street festivals, promotional merchant programs and other events focus attention on businesses in the SID area and are designed to generate activity that boosts business and creates an identity for the SID area.
The discussion, above, speaks to the fourth component of promotion. If the marketplace does not know that you have something to sell it is unlikely that anyone will show up to buy. This is one of the potentially strong reasons to consider an organization to promote Latonia. While merchants may promote their locations, it is coincidental that the locations are in Latonia. Coordinating merchant advertising to include references to the Latonia locations in all media is something a professional staff can help to coordinate or direct. In addition, realtors should be encouraged to identify Latonia in marketing homes for sale or units for rent. The goal is to build the image of Latonia; it should appear to be “bigger than life”.

The final marketing element is price. Since there are a number of businesses and a large number of homes and apartments in Latonia, of varying ages and descriptions, there is no one price strategy that is applicable. The objective of marketing; however, is simple, create demand for Latonia. If demand can be built for Latonia it should have the overall effect of increasing home prices, apartment rentals, and if businesses boost their sales, the rents that landlords can obtain for their storerooms and offices. One potential key outcome of marketing Latonia would be to stabilize or enhance the numbers of people and households in area. This alone will bolster prices of homes and rental rates for apartments in the area.