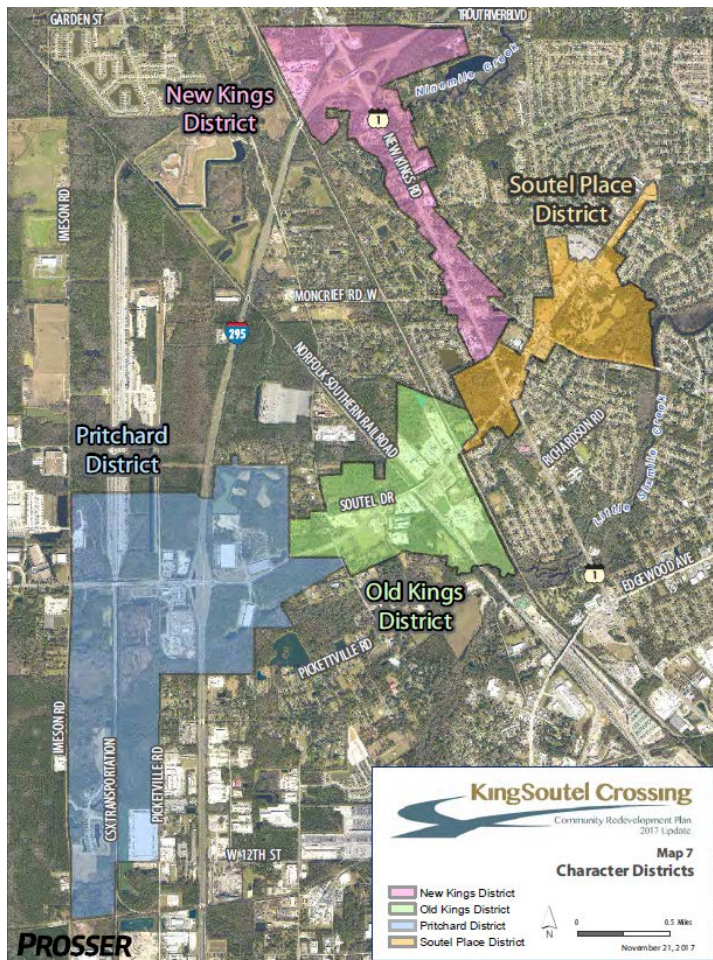


Market & TIF Analysis

KingSoutel Crossing CRA Plan Update

Jacksonville, FL



Prepared for:
Prosser, Inc.
Jacksonville, FL

On behalf of:
City of Jacksonville Office of Economic Development
Jacksonville, FL

February 2018

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General & Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this study reflect the most accurate and timely information possible. These data are believed to be reliable at the time the study was conducted. This study is based on estimates, assumptions, and other information developed by WTL +Associates (referred hereinafter as “WTL+a”) from its independent research effort, general knowledge of the market and the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent and/or representatives, or any other data source used in preparing or presenting this study.

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1 Executive Summary

Introduction

WTL+a, a national real estate and economic development consulting firm based in Washington, DC, with significant project experience throughout Florida, was retained by Prosser, Inc., on behalf of the City of Jacksonville Office of Economic Development (OED) to prepare a real estate market study and an analysis of tax increment financing (TIF) potentials as part of a Community Redevelopment (CRA) Plan Update of the KingSoutel Crossing CRA located in Northwest Jacksonville. The market analysis measures redevelopment and economic growth potentials on a series of catalyst sites identified by the community and planning team within the CRA, and the TIF analysis estimates new tax increment revenues which can be dedicated to fund additional public realm improvements outlined in the Plan Update.

The market study analyzed four real estate land uses for investment-grade (re)development potentials:

- **Housing**—single-family detached and multi-family, both rental and for-sale
- **Workplace**—professional office space, manufacturing, warehousing and distribution
- **Lodging/Hospitality**—hotels/motels, and
- **Retail & Food Service**—general retail stores, consumer services, restaurants and carry-out food businesses, grocery, etc.

A series of sequential tasks comprised the economic analysis. First, real estate market conditions and characteristics in each of these four categories were evaluated to understand both economic “drivers” and market opportunities in and adjacent to the CRA boundaries. This analysis is based on a profile of demographic and economic characteristics and recent and current real estate metrics/conditions to identify areas of under-and over-supply and provide a baseline to forecast market-supportable (re)development potentials within the CRA.

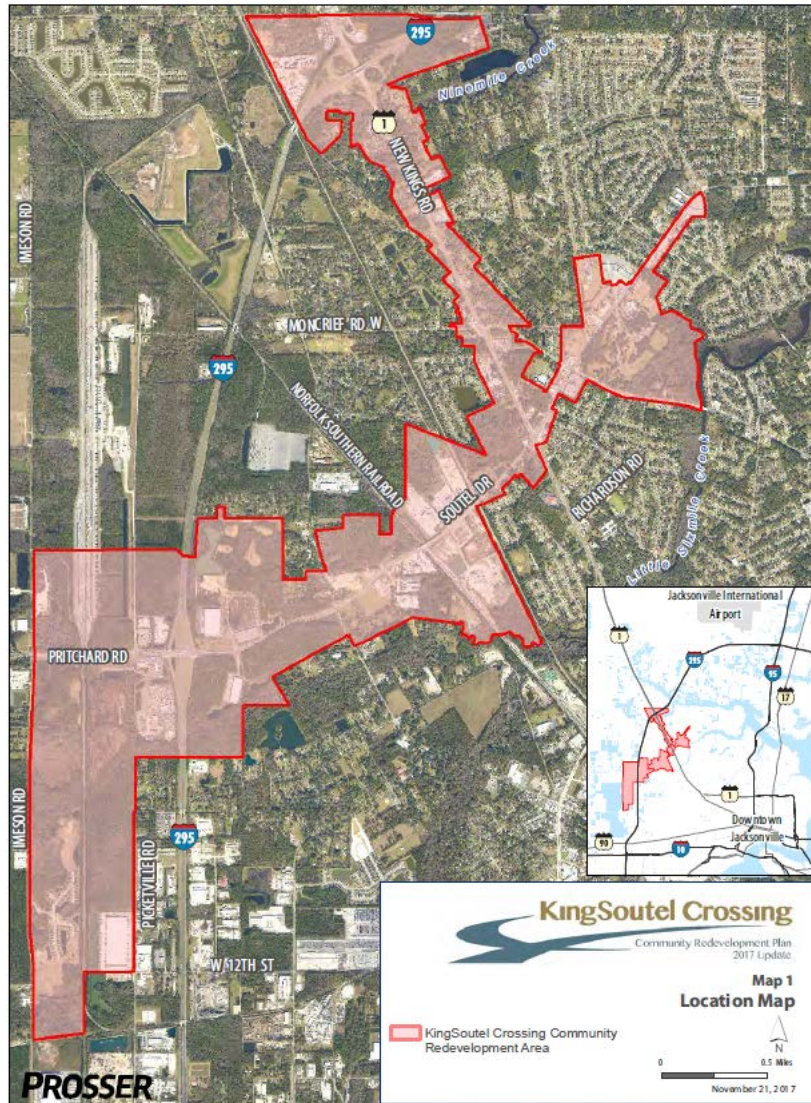
Second, Tax Increment Finance (TIF) revenue forecasts for each of the market-supportable land uses were prepared to determine the magnitude of funds that could be utilized to pay for

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CRA-eligible improvements to the public realm, infrastructure and neighborhood amenities or improvements as identified by residents, business and property owners and the City during the Plan Update.

Figure 1: KingSoutel CRA Location Map



The relative strength of market opportunities for each land use serves as a metric influencing the timing of potential catalyst sites, regardless whether public incentives are incorporated. The likely timing of new investment in market-supportable real estate uses will also be influenced by potential public funding mechanisms used to attract/sustain private investment in the KingSoutel CRA.

Third, the following economic forces were considered in framing an appropriate “Action Plan” for implementation:

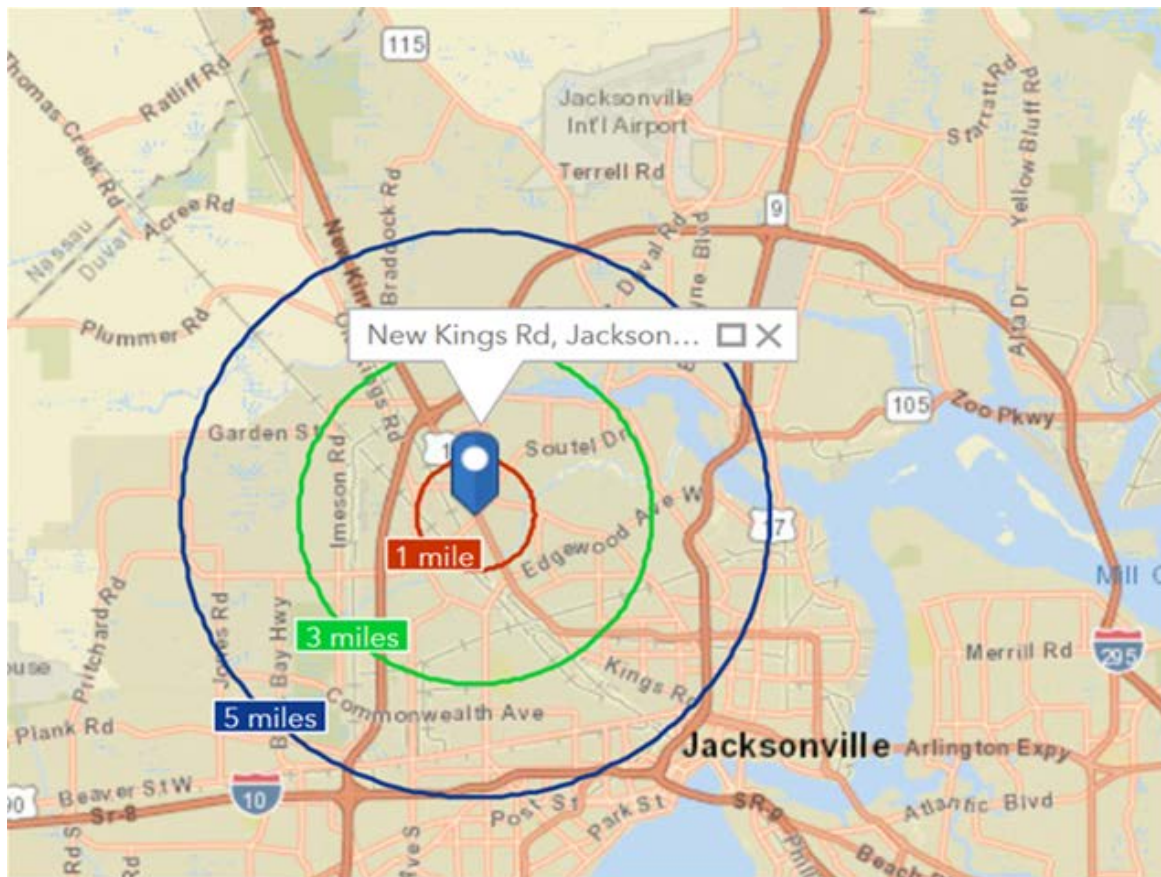
- Real estate market opportunities
- Land availability, visibility and accessibility to highways and key arterials in/near the KingSoutel CRA
- Potential for job creation, and
- Increased TIF revenues and other eligible funding mechanisms to fund improvements within the CRA

Key Differences with 2008 CRA Plan

WTL+a notes that the 2008 CRA Master Plan was based, in part, on results of a 2003 retail market study completed by The Buxton Company (Buxton). As there have been major changes in the growth of Jacksonville and throughout the retail industry over the past 15 years, our review of the Buxton study resulted in a significant shift in direction about retail market potentials:

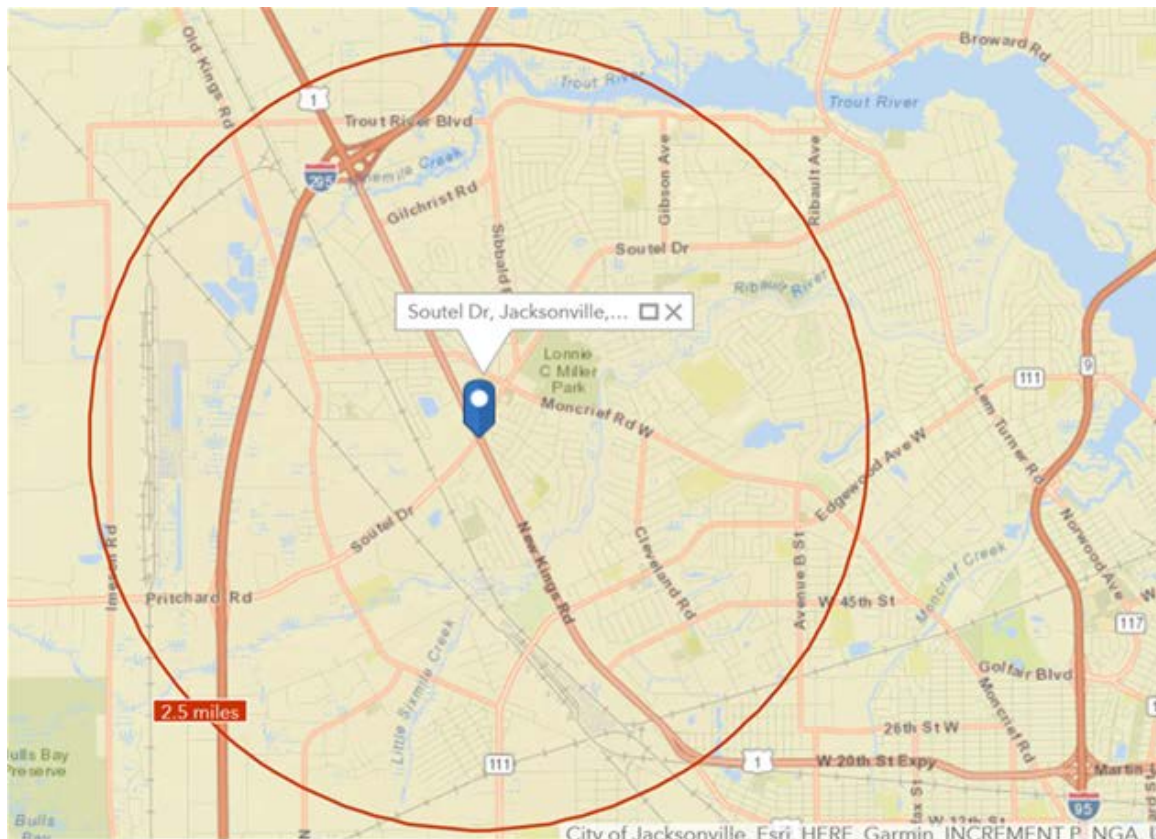
- The Buxton study’s conclusions were based on potential market support generated by both residents and employees within a five-mile radius. As illustrated in Figure 2, the Buxton “trade area” encompassed a 10-mile diameter to the east almost to downtown Jacksonville, south to I-10, west to Pritchard/Chaffee Roads and north to the area between I-295 East and New Kings Road, approximately 2.5 miles north of Trout River Boulevard;
- In our view, **the trade area defined by Buxton is too large to be considered realistic in 2017**, as there is considerably more retail supply in the outer three miles of the larger trade area than was present in 2003;
- The retail industry since 2003 has experienced significant changes, particularly in the growth of online sales, the decline in available financing for large format stores and the consolidation/closing of both department stores and chain stores across multiple merchandise sectors; and
- Retail in metropolitan Jacksonville has also expanded significantly more than the metropolitan area’s population (which itself has increased approximately 10% since 2003).

Figure 2: Buxton Trade Area, 2003 (Used in 2008 CRA Plan)



With these major changes in the retail industry likely to last for the foreseeable future, WTL+a adjusted the assumed trade area for the KingSoutel CRA to a 2.5-mile radius (i.e., half the distance assumed by Buxton) to reflect a more reasonable potential to capture sales and attract consumers. As illustrated in Figure 3, the smaller trade area extends slightly west of Imeson Road, north to Trout River Boulevard, east beyond Avenue B/Ribault Avenue, and slightly below the West 20th Street Expressway.

Figure 3: Recommended KingSoutel CRA Trade Area, 2017



Key Findings

Demographic & Economic Profile (Section 2)

- Five-year population forecasts through 2022 suggest that growth in the KingSoutel trade area will accelerate slightly from the 2000—2016 period, with a forecast population gain of **701 new residents in 230 new households**
- Forecasts suggest that **population growth will be greatest in three age cohorts**: ages 35-44, 65-74 and 75+. More moderate growth is also expected in the 25-34 age cohort. This is likely to translate into opportunities for specific types of housing, such as age-restricted and independent living/continuing care for older cohorts as well as housing for first-time and move-up buyers

- Trade area households spend over \$153 million per year on retail, groceries and restaurants. This compares to estimated store sales of over \$111 million per year. The difference between spending and sales is known as *inflow*. There is almost **\$42 million in annual retail sales leakage out of the KingSoutel neighborhood** and surrounding trade area
- Dun & Bradstreet estimates that there are **7,000 jobs in 679 registered businesses located within a 2.5-mile radius surrounding the KingSoutel CRA**. The trade area accounts for less than 1.3% of all full-time jobs in Duval County; this is known as *fair share*
- The data also suggest that the trade area's current jobs-to-population ratio is 0.24 (i.e., there is only one-quarter of one job for every one of the 29,800 residents living within 2.5 miles of KingSoutel). By comparison, the citywide ratio is 0.53
- **If the KingSoutel trade area maintains its historic fair share of total County employment, this would translate into 720 new jobs by 2024.** However, opportunities for additional job growth beyond fair share may be created if targeted economic development strategies and policies and appropriate incentives are successfully implemented. The types of new jobs will also affect opportunities for new workplace real estate required to incorporate those jobs, and
- According to U.S. Census data, the 2.5-mile radius comprising **the KingSoutel trade area exhibited a net loss of over 1,500 jobs** in the 10-year period between 2006 and 2015. While several industry sectors—like Retail and Accommodations & Food Services—gained jobs, these gains were insufficient to offset job losses in other sectors, with Administration/Waste Management, Manufacturing, Construction and Health Care exhibiting the largest job losses between 2006 and 2015.

Real Estate Market Conditions (Section 3)

- The 2015 American Community Survey (ACS) suggests that **the number of truly vacant units increased between 2010 and 2015**—to 1,773 units in 2015, revealing a true vacancy rate of 13.4%. This key finding is illustrative of the importance of updating the KingSoutel CRA Plan, with a focus on strategies that serve to reduce the area's vacancies

- Our analysis of the area's hotel market conditions suggests that there is sufficient demand/investment-level performance necessary to justify the addition of new hotel rooms in the KingSoutel trade area. In our view, **new hotel construction will require a site adjacent to an interchange with I-295 that provides immediate access as well as frontage and visibility**
- Compared to the trade area's industrial inventory, office space is considered a tertiary use, and in our professional opinion, the **KingSoutel CRA is undersupplied in office-based services such as banks, legal, accounting**, etc. Moreover, the limited number of medical, dental, insurance and other professional services are widely dispersed across the CRA—in both small commercial buildings and converted residential properties
- The KingSoutel CRA has excellent regional highway access, with two interchanges to I-295 and ready proximity to I-95 to all parts of the metropolitan area. These locational attributes serve as key advantages to general industrial uses, which are located primarily on the west side of the CRA on Pritchard Road
- KingSoutel is in the Westside industrial submarket, which is the region's largest. The concentration of warehouse and distribution facilities are located within (and just outside of) the KingSoutel trade area, with an estimated **2.75 million sq. ft.** There are over **603,200 sq. ft. of vacant industrial space** across 11 buildings or industrial parks, which reflects an overall vacancy rate of 21.9%.
- There are **three proposed projects that are expected to add another 1.8 million sq. ft.** of new warehousing and distribution facilities along Pritchard Road at the western edge of the CRA. Proposed/planned industrial projects represent an opportunity to create between **1,500 and 1,800 new jobs** within or *immediately adjacent* to the CRA
- The CRA contains an estimated commercial inventory of 542,000 sq. ft., including 193,500 sq. ft. of office space and 250,000 sq. ft. of retail space. This represents about **8.6 sq. ft. of retail space for each of the 29,800 residents of the surrounding KingSoutel trade area.** This ratio is far *below* both the national average of retail space per person (23.5 sq. ft. per capita) as well as the ratio in Jacksonville (26 sq. ft. per capita)
- The combined vacancy for all commercial uses in the KingSoutel CRA (including both office and retail space) is estimated at **89,500 sq. ft., or a vacancy rate of 16.5%**

Real Estate Market Potentials (Section 5)

- **Housing**—If the KingSoutel trade area successfully grows as forecast over the next 10 years (0.47% per year), it would yield over **1,400 new residents in 550 new households** (i.e., housing units)
- The significant number of truly vacant units (1,770 units) remains a deterrent to determining opportunities for new construction versus rehabilitation through code enforcement and the provision of rehabilitation programs. **We recommend that the City of Jacksonville undertake a comprehensive inventory to determine the magnitude of housing obsolescence as a means of guiding current code enforcement strategies**
- There are several undeveloped parcels located adjacent to stable, attractive residential neighborhoods. These locations could potentially be developed with single-family detached residential and selected locations at crossroads could potentially include mixed-use residential/commercial infill uses to provide additional new housing, particularly with a varied mix of housing types to accommodate aging-in-place units, independent and/or assisted living units and first-time buyers
- **Professional Office**—With 7,000 employees, the trade area's share comprises 1.3% of Duval County's total employment. Under this fair share analysis, the CRA would continue to capture 1.3% of future job growth, or 720 new employees, by 2024. Assuming similar proportions of office-using jobs and occupancy factors translates into **gross demand for 54,200 sq. ft. of office space by 2024**
- Our analysis of office potentials assumes that adequate sites can be identified to accommodate new office space. Given uncertainties associated with required/achieved office rents necessary to support new construction in the KingSoutel CRA, this may require public policies that support financial and/or regulatory incentives for office/professional and business service uses
- **Hotel/Lodging**—We recommend that the Pritchard Road interchange with I-295 is the best location for new hotel construction as it also provides proximity to major warehousing/distribution/logistics businesses in the several business parks in this area of the CRA. Our analysis of hotel potentials suggests opportunities for a new **limited-service property with a range of 80 rooms**

- General Industrial—Under a fair share analysis, the trade area would continue to capture 2.6% of future general industrial space generated by countywide job growth in industrial-using sectors. Assuming similar proportions of industrial-using jobs and occupancy factors translates into **limited demand ranging from 150,000 sq. ft. to 216,300 sq. ft. of general industrial space by 2024**. However, as discussed in Section 3, there are over 600,000 sq. ft. of vacant industrial space in the area today.

Potential TIF Revenues—Existing Properties

Potential TIF revenues generated by existing residential, commercial and industrial properties in the KingSoutel CRA for the 20-year forecast period are illustrated in Table 30:

- 2018 ad valorem taxable values: \$120.9 million over the 2008 base year of \$71,064,917
- Taxable values could increase by up to \$56 million over the next 20 years assuming an annual increase of 2% per year

TIF Revenues from Existing Properties (20 years): \$17.1 Million

Net Present Value (at 4.5% discount rate): \$10.0 Million

Potential TIF Revenues—Selected Catalyst Projects

Potential TIF revenues generated by selected catalyst projects identified in the CRA Plan Update for the KingSoutel CRA for the 20-year forecast period are illustrated in Table 31:

- Uses are phased in over time between 2020 and 2030
- Catalyst projects could generate estimated taxable values of up to \$43.5 million over the next 20 years based on the assumptions identified in this analysis

TIF Revenues from Catalyst Projects (20 years): \$6.4 Million

Net Present Value (at 4.5% discount rate): \$3.38 Million

2 Demographic & Economic Profile

The following evaluates those indices that drive fundamental demand for the four land uses to inform market-supportable (re)development potentials in the KingSoutel Crossing CRA. This section of the report focuses on population and household growth, employment trends and forecasts, household incomes and annual retail spending power, the current business mix in Jacksonville and KingSoutel, and other economic indicators based on available data that form the basis of potential market support.

This profile and analysis is based on data from various secondary public and private sources, including: U.S. Census Bureau; University of Florida Bureau of Business & Economic Research; City of Jacksonville/Duval County; ESRI Business Analyst; Dun & Bradstreet, Inc.; and other sources.

Demographic Trends & Forecasts



WTL+a evaluated historic population patterns and growth forecasts in the CRA, the City of Jacksonville and other municipalities in Duval County using the sources above. Key findings are summarized below, with data illustrated in the accompanying tables.

Table 1: Regional Population Trends & Forecasts, 2000—2040

	2000	% of County	2010	% of County	1-Apr 2016	% of County	Change: 2000-2016		Forecasts (3)			% of County	Change: 2016-2040	
							Amount	CAGR (2)	2020	2030	2040		Amount	CAGR (2)
Population														
Duval County	778,879		864,263		923,647		59,384	1.07%	975,500	1,089,300	1,179,900		256,253	1.03%
Jacksonville	735,617	94.4%	821,784	95.1%	878,456	95.1%	56,672	1.12%	927,772	1,036,004	1,122,171	95.1%	243,715	
Jacksonville Beach	20,990	2.7%	21,362	2.5%	23,288	2.5%	1,926	0.7%	24,595	27,465	29,749	2.5%	6,461	
Atlantic Beach	13,368	1.7%	12,655	1.5%	13,244	1.4%	589	-0.1%	13,988	15,619	16,918	1.4%	3,674	
Neptune Beach	7,270	0.9%	7,037	0.8%	7,267	0.8%	230	0.0%	7,675	8,570	9,283	0.8%	2,016	
Baldwin	1,634	0.2%	1,425	0.2%	1,392	0.2%	(33)	-1.0%	1,470	1,642	1,778	0.2%	386	
Total:	778,879	100.0%	864,263	100.0%	923,647	100%	59,384	1.11%	975,500	1,089,300	1,179,900	100.0%	256,253	1.03%

(1) Based on the 2016-2040 Low-Medium-High Population Forecasts prepared by BEBR. Analysis uses the Medium Growth Scenario for Duval County.

(2) CAGR=Compound Annual Growth Rate.

(3) Population projections for 2016-2040 for these municipalities assume that each municipality continues to maintain its 2016 share of Duval County between 2020 and 2040.

Source: U.S. Census Bureau; University of Florida, Bureau of Business & Economic Research; ESRI Business Analyst; WTL+a, July 2017.

Duval County

- As illustrated in Table 1 above, Duval County’s population increased—from roughly 778,900 residents in 2000 to more than 923,600 residents as of the April 1, 2016 state census, reflecting solid population growth of almost 59,400 over the past 16 years. This represents *sustained* annual growth of 1.07% per year;
- As the City of Jacksonville is largely coterminous with Duval County (the City comprises fully 95% of the County), the lion’s share of growth since 2000 has occurred within city limits. In fact, **Jacksonville’s population increased by almost 56,700 over the past 16 years, reflecting a compound annual growth rate of 1.12%.** The remaining population growth (only 2,700) occurred in the County’s four other municipalities—Atlantic Beach, Baldwin, Jacksonville Beach and Neptune Beach;

Since 2000, Duval County Added

59,400 New Residents

- Based on the Moderate Growth scenario of long-term population forecasts through 2040 (prepared by the University of Florida/Bureau of Economic & Business Research/BEER), **Duval County is expected add to more than 256,200 new residents**, which translates into an annual growth rate of 1.03% per year, for a 2040 population of 1,179,900 residents;
- If the City of Jacksonville maintains its 95% share of Duval County, this would yield over 243,700 new residents over the next 24 years, for a 2040 population of 1,122,100; and
- More specific demographic characteristics of the City of Jacksonville are illustrated in Table 25.

KingSoutel “Trade Area”

Key demographic characteristics of the KingSoutel “trade area”, comprising a 2.5-mile radius surrounding the CRA, are illustrated in Table 2 and summarized below:

- In 2017, data from ESRI Business Analyst suggests that the trade area **contains 29,800 residents in 11,500 households**. The trade area has generally maintained its share of the City’s population—in the range of 3.5% since 2010;

Table 2: Demographic Trends & Forecasts—KingSoutel Trade Area, 2000—2022

	2010	2017	% Dist.	2022	% Dist.	Change: 2017-2022	
						No.	CAGR %
Demographic Profile							
Population	29,116	29,792		30,493		701	0.47%
As % of City	3.5%	3.4%		3.3%			
Households	11,332	11,508		11,738		230	0.40%
Avg. HH Size	2.56	2.58		2.59			
Median Age	41.1	42.6		43.0			
Race							
White	3,178	3,426	11%	3,519	12%	93	0.5%
Black	25,271	25,547	86%	26,020	85%	473	0.4%
American Indian	85	88	0%	89	0%	1	0.2%
Asian, Pacific Islander	69	88	0%	104	0%	16	3.4%
Other	133	171	1%	206	1%	35	3.8%
Two or More Races	379	471	2%	554	2%	83	3.3%
Total:	29,115	29,791		30,492		701	
Hispanic (1)	497	471	2%	776	3%	305	10.5%
Age Distribution							
0-14	5,894	5,517	19%	5,514	18%	(3)	0.0%
15-24	3,755	3,740	13%	3,638	12%	(102)	-0.6%
25-34	3,051	3,345	11%	3,490	11%	145	0.9%
35-44	3,146	3,031	10%	3,267	11%	236	1.5%
45-54	4,245	3,791	13%	3,552	12%	(239)	-1.3%
55-64	3,793	4,016	13%	4,010	13%	(6)	0.0%
65-74	2,974	3,591	12%	3,845	13%	254	1.4%
75+	2,259	2,761	9%	3,176	10%	415	2.8%
Income Profile							
Households by Income							
<\$15,000		23.5%		23.7%			
\$15,000 - \$24,999		15.5%		15.1%			
\$25,000 - \$34,999		14.6%		13.2%			
\$35,000 - \$49,999		13.9%		12.1%			
\$50,000 - \$74,999		17.0%		16.6%			
\$75,000 - \$99,999		7.8%		9.2%			
\$100,000 - \$149,999		6.4%		8.1%			
\$150,000 - \$199,999		1.0%		1.3%			
\$200,000+		0.5%		0.6%			
Average HH Income	\$	44,061		\$	49,212		2.2%
Median HH Income	\$	32,006		\$	33,081		0.7%

(1) Persons of Hispanic origin are a subset of other race categories; therefore, totals do not add.
<https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

Source: U.S. Census Bureau; American Community Survey; ESRI Business Analyst; WTL +a, September 2017.

- Over the past 16 years, the trade area's population has increased nominally—with **676 new residents and 176 new households**, reflecting average annual growth rates of only 0.33% and 0.22% per year, respectively;

Other basic demographic characteristics of the 2.5-mile trade area surrounding the KingSoutel CRA include:

- A population that is 11% White, 86% Black, and 2% Hispanic;
- A middle-age population, with a median age of 42.6 years, which is forecast to increase to 43.0 years by 2022. By comparison, the citywide median age is significantly younger—with a median age of 36.7 years—and forecast to increase to 37.2 years by 2022;
- A lower middle-class community, with average household incomes in 2016 of \$44,000 per year. Approximately 8% of households have annual incomes greater than \$100,000 per year;
- Average household incomes are forecast to increase by 2.2% per year over the next five years, to more than \$49,200 by 2022. By comparison, the City's average household income was \$68,800 in 2016. Citywide, average household incomes are forecast to remain well above their counterparts in KingSoutel—more than \$78,400 by 2022;
- Notably, ESRI Business Analyst (a national demographic forecasting service) five-year forecasts through 2022 suggest that growth in the KingSoutel trade area will accelerate slightly from the 2000—2016 period, with a forecast population gain of **701 new residents in 230 new households**. This forecast suggests average annual growth rates of 0.47% and 0.40% per year, respectively; and
- ESRI forecasts further suggest that **population growth will be greatest in three age cohorts** over the next five years: ages 35-44, 65-74 and 75+. More moderate growth is also expected in the 25-34 age cohort. This is likely to translate into opportunities for specific types of housing, such as age-restricted and independent living/continuing care for older cohorts as well as housing for first-time and move-up buyers.

Population Growth in KingSoutel Area Next 5 Years:

701 New Residents in 230 New Households by 2022

Household Incomes & Retail Spending

Household retail spending is the primary driver of demand for retail space such as shopping centers, “Big Box” stores such as Wal-Mart or Target, food & beverage, and specialty or destination retail projects. Household retail spending patterns among households in the City of Jacksonville, the KingSoutel trade area, and Duval County are illustrated in Table 3.

- With 2016 average household incomes of \$68,800, households in Jacksonville are more affluent than households in the trade area surrounding the KingSoutel CRA, where household incomes averaged \$44,000 in 2016. With higher incomes, the proportion of income spent on various retail categories is also higher—26.4% citywide versus 21.4% in the trade area;



- Trade area households spend an average of only **\$10,550 per year on consumer retail goods**, including clothing, entertainment/recreation, electronics, groceries, food & beverage, household furnishings and personal care.

This is *significantly* below households elsewhere in Jacksonville (\$16,300 per household) as well as households across Duval County (\$16,600 per household);

- Retail spending among trade area households totals \$121.4 million per year**, as compared to over \$5.6 billion citywide and nearly \$6.07 billion per year for all households in Duval County. Notably, household spending totals are irrespective of location (i.e., spending can occur anywhere).

Annual Household Retail Spending in KingSoutel Trade Area:

\$121.4 Million Per Year

Table 3: Annual Household Consumer Spending, 2016

	Duval County	City of Jacksonville	King- Soutel
Total Households	366,599	345,890	11,508
Apparel & Accessories			
Men's Wear	\$ 372	\$ 365	\$ 225
Women's Wear	644	632	394
Children's Wear	306	302	184
Footwear	411	405	253
Watches & Jewelry	102	99	59
Apparel Products & Services	73	71	48
Subtotal:	\$ 1,907	\$ 1,874	\$ 1,164
Computers			
Computers & Hardware	\$ 160	\$ 157	\$ 96
Software & Accessories	26	26	16
Subtotal:	\$ 187	\$ 183	\$ 112
Entertainment & Recreation			
Membership Fees for Clubs	\$ 178	\$ 174	\$ 108
Fees for Participant Sports	87	85	54
Tickets to Theater/Operas/Concerts	50	49	29
Tickets to Movies/Museums/Parks	68	67	38
Admission to Sporting Events	49	48	30
Fees for Recreational Lessons	109	107	57
Dating Services	0.82	0.80	0.50
Subtotal:	\$ 543	\$ 532	\$ 316
TV/Video/Audio			
Cable & Satellite TV Services	\$ 844	\$ 830	\$ 584
Televisions	108	106	69
Satellite Dishes	1	1	1
VCRs, Video Cameras & DVD Players	6	6	4
Miscellaneous Video Equipment	8	8	5
Video Cassettes & DVDs	14	14	8
Video Game Hardware/Accessories	27	27	17
Video Game Software	15	15	9
Streaming/Downloaded Video	24	23	13
Rental of Video Cassettes & DVDs	14	14	8
Installation of Televisions	1	1	1
Audio	77	75	45
Rental & Repair of TV/Radio/Audio	4	4	3
Subtotal:	\$ 1,142	\$ 1,124	\$ 767

(1) Consumer spending data are derived from the 2014 and 2015 Consumer Expenditure Surveys conducted by the Bureau of Labor Statistics.

Table 3 (Continued): Annual Household Consumer Spending, 2016

	Duval County	City of Jacksonville	King- Soutel
Other Entertainment			
Pets	\$ 506	\$ 497	\$ 329
Toys & Games	108	106	66
Recreational Vehicles & Fees	83	82	52
Sports/Recreation/Exercise Equipment	147	144	80
Photo Equipment & Supplies	49	48	29
Reading	106	104	67
Catered Affairs	26	26	16
Subtotal:	\$ 1,025	\$ 1,006	\$ 639
Food & Alcohol			
Food at Home	\$ 4,468	\$ 4,394	\$ 2,869
Food Away from Home	2,981	2,930	1,848
Alcoholic & Non-alcoholic Beverages	490	481	293
Subtotal:	\$ 7,939	\$ 7,805	\$ 5,010
Household Furnishings & Equipment			
Household Textiles	\$ 84	\$ 83	\$ 52
Furniture	517	508	331
Floor Coverings	19	19	12
Major Appliances	274	269	183
Housewares	84	82	54
Small Appliances	43	42	26
Luggage	10	10	6
Telephones & Accessories	64	63	42
Lawn & Garden	346	339	234
Housekeeping Supplies	627	617	414
Maintenance & Remodeling Materials	318	312	209
Subtotal:	\$ 2,386	\$ 2,344	\$ 1,563
Health & Personal Care			
Non- & Prescription Drugs	\$ 441	\$ 434	\$ 313
Optical	81	80	53
Personal Care Products	415	407	256
School Supplies	140	137	84
Smoking Products	377	372	274
Subtotal:	\$ 1,454	\$ 1,430	\$ 981
TOTAL:			
Total Annual Spending	\$ 6,079,762,134	\$ 5,637,643,816	\$ 121,417,801
Per Household	\$ 16,584	\$ 16,299	\$ 10,551
As % of Average HH Income	24.1%	26.4%	21.4%

(1) Consumer spending data are derived from the 2011 and 2012 Consumer Expenditure Surveys conducted by the Bureau of Labor Statistics.

Source: US Department of Labor, Bureau of Labor Market Statistics; ESRI Business Analyst; WTL +a, September 2017.

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Retail “Recapture” Opportunities

Another key indicator of retail market potentials involves what is known as “retail opportunity gap”. This compares annual household spending (i.e., “demand”) in specific merchandise categories against estimated annual retail sales by businesses in those same categories (i.e., “supply”). The difference between demand and supply represents the “recapture” opportunity, or surplus, available in each retail category in the reporting geography.

When *demand* is greater than *supply*, there is an apparent opportunity for additional retail space in that category. By comparison, when demand is less than *supply*, there is a surplus of sales in that retail category. That is, a positive value in green = a potential recapture opportunity, while a negative value in red = a surplus of sales among businesses, or an “inflow” of sales from outside of the reporting geography. In Figure 3 below, recapture opportunities among specific merchandise categories are on the right side of the graph, while surplus sales (inflow) are illustrated on the left side of the graph. Numerical findings for the KingSoutel trade area are illustrated in Table 4.

Figure 4: Retail Leakage & Surplus—KingSoutel Trade Area, 2017

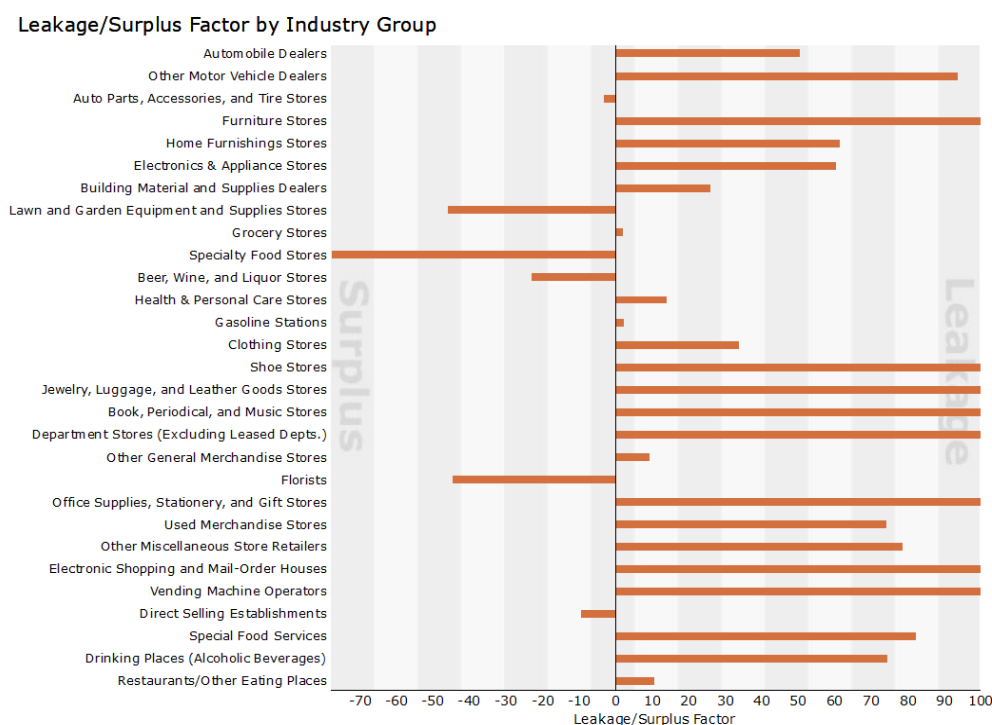


Table 4: Retail “Recapture” Opportunities—KingSoutel Trade Area, 2016

Retail Category	Demand (HH Spending)	Supply (Store Sales)	"Recapture" Opportunity
General Merchandise Stores			
Department Stores Excl Leased Depts.	\$ 11,199,762	\$ 9,280,778	\$ 1,918,984
Other General Merchandise Stores	9,154,802	1,862,553	7,292,249
Subtotal:	\$ 20,354,564	\$ 11,143,331	\$ 9,211,233
Clothing & Accessories Stores			
Clothing Stores	\$ 7,233,797	\$ 3,578,479	\$ 3,655,318
Shoe Stores	1,672,586	-	1,672,586
Jewelry, Luggage, Leather Goods	1,736,705	-	1,736,705
Subtotal:	\$ 10,643,088	\$ 3,578,479	\$ 7,064,609
Furniture & Home Furnishings Stores			
Furniture Stores	\$ 4,559,462	\$ -	\$ 4,559,462
Home Furnishing Stores	3,563,342	847,089	2,716,253
Subtotal:	\$ 8,122,804	\$ 847,089	\$ 7,275,715
Electronics & Appliance Stores			
Appliances, TVs, Electronics Stores	\$ 6,216,610	\$ 1,529,247	\$ 4,687,363
Subtotal:	\$ 6,216,610	\$ 1,529,247	\$ 4,687,363
Leisure & Entertainment			
Sporting Goods/Hobby/Musical Instruments	\$ 4,326,068	\$ 827,002	\$ 3,499,066
Books, Periodicals & Music Stores	909,298	-	909,298
Subtotal:	\$ 5,235,366	\$ 827,002	\$ 4,408,364
Food Services & Drinking Places			
Special Food Services	\$ 392,759	\$ 37,874	\$ 354,885
Drinking Places - Alcoholic Beverages	1,770,986	259,002	1,511,984
Restaurants/Other Eating Places	20,937,396	16,921,569	4,015,827
Subtotal:	\$ 23,101,141	\$ 17,218,445	\$ 5,882,696

Table 4 (Continued): Retail "Recapture" Opportunities—KingSoutel Trade Area, 2016

Retail Category	Demand (HH Spending)	Supply (Store Sales)	"Recapture" Opportunity
Food & Beverage Stores			
Grocery Stores	\$ 36,369,167	\$ 34,974,807	\$ 1,394,360
Specialty Food Stores	1,672,308	13,551,922	(11,879,614)
Beer, Wine & Liquor Stores	1,828,962	2,933,500	(1,104,538)
Subtotal:	\$ 39,870,437	\$ 51,460,229	\$ (11,589,792)
Health & Personal Care Stores			
Health & Personal Care Stores	\$ 15,418,335	\$ 11,583,730	\$ 3,834,605
Subtotal:	\$ 15,418,335	\$ 11,583,730	\$ 3,834,605
Building Material, Garden Equipment Stores			
Building Materials & Supplies	\$ 14,161,399	\$ 8,283,256	\$ 5,878,143
Lawn & Garden Equipment & Supplies	1,169,418	3,167,803	(1,998,385)
Subtotal:	\$ 15,330,817	\$ 11,451,059	\$ 3,879,758
Miscellaneous Store Retailers			
Florists	\$ 375,888	\$ 990,908	\$ (615,020)
Office Supplies, Stationery, Gift Stores	1,908,583	-	1,908,583
Used Merchandise Stores	1,934,316	285,454	1,648,862
Other Miscellaneous Retail Stores	4,936,015	586,191	4,349,824
Subtotal:	\$ 9,154,802	\$ 1,862,553	\$ 7,292,249
TOTAL:			
HH Demand vs. Retail Sales	\$ 153,447,964	\$ 111,501,164	\$ 41,946,800

- (1) Claritas' "Retail Market Power" data is derived from two major sources of information. Demand data are derived from Consumer Expenditure Surveys fielded by the U.S. Bureau of Labor Statistics (BLS). Supply data are derived from the Census Bureau. The difference between demand and supply represents the "recapture opportunity", or surplus, available for each retail category in the reporting geography. When demand is greater than supply, there is an apparent opportunity for additional retail space in that category. By comparison, when demand is less than supply, there is a surplus of sales in that retail category (i.e., positive value = recapture opportunity, while negative value = surplus of sales).
- (2) Total household retail spending excludes spending on Non-Store Retailers (Internet); Motor Vehicle Parts and Dealers; and Gas Stations.

Source: Bureau of Labor Statistics; Claritas, Inc.; ESRI Business Analyst; WTL +a, September 2017.

Another source for household retail spending includes the Bureau of Labor Statistics (BLS) and Claritas, Inc. Key findings for the trade area indicate that:



- These data sources indicate that trade area households spend over \$153 million per year. **This estimate is *higher* than annual spending illustrated previously in Table 3 because it includes multiple additional merchandise categories** such as Building Materials, Leisure & Entertainment and

Miscellaneous Store sales. This compares to **estimated store sales of over \$111.5 million per year**. The difference between spending and sales is known as *inflow*; in other words, **there is almost \$42 million in annual retail sales leakage out of the KingSoutel neighborhood and surrounding trade area**; and

- This analysis reveals that there are numerous merchandise categories where *apparent* opportunities could potentially be recaptured to support either new retail development or stronger performance among existing businesses. These include: Department/Other General Merchandise Stores (\$9.2 million); Furniture (\$7.27 million) Clothing (\$7.06 million); and Food & Beverage Stores/Restaurants (\$5.88 million).

Demand:	Annual Retail Spending by KingSoutel Residents	\$	153,448,000
Supply:	Annual Sales of Existing Businesses	\$	111,501,200
Difference = Retail <i>Leakage</i>:			\$ 41,946,800
Source: Bureau of Labor Statistics; Claritas, Inc.; ESRI Business Analyst; WTL+a, September 2017.			

Economic Characteristics

Employment Trends—Jacksonville MSA

Job growth is a key barometer of demand for “workplace” uses such as multi-tenant office space, industrial parks, retail centers and the like. WTL+a examined trends and forecasts in employment growth, utilizing data for the Jacksonville Metropolitan Statistical Area (MSA) as prepared by the state’s labor agency, the Department of Economic Opportunity (DEO), for the period between 1995 and 3rd Quarter/2017. This data is critical to understanding (re)development potentials in the KingSoutel CRA. Key findings are summarized below and illustrated in Table 5:

- **The MSA added a remarkable 127,100 new jobs in the 10-year period between 1995 and 2005.** This growth, which translates into 12,700 new jobs annually, was focused largely in specific sectors, including: Professional/Business Services (38,500), Construction (19,800), Education/Health Services (18,700), and Leisure & Hospitality (15,600);
- Growth in Professional/Business Services has fueled demand for office space in key locations across the MSA during this period. Other sectors with solid job growth during this period also included Financial Activities (11,500), Retail Trade (7,700) and Government (5,000);
- By contrast, the economic downturn of 2007—2009 resulted in the loss of 52,200 jobs across the Jacksonville MSA. Over the past 10 years (and over multiple economic cycles), job losses have been greatest in Construction (-8,800) and Manufacturing (-3,000);
- Over the seven years since 2011, however, **the economy of the MSA has significantly recovered from the 2007—2009 recession, with the creation of 99,200 new jobs;** and
- Notably, the Services sector—which comprises multiple categories such as Business and Professional Services, Health, Education and Leisure/Hospitality, has gained the largest share of new jobs in the MSA, exhibiting a net gain of 26,000 new jobs between 2007 and 3Q/2017.

(52,200) Recession-based Job Losses in the MSA

Replaced with 99,200 New Jobs Since 2011

Table 5: Employment Trends—Jacksonville MSA, 1995—3Q/2017

Industry Sector	1995	2000	2005	10-Year Change: 1995-2005		2007	2009	2011	2013	2015	3Q/	Change: 2007-3Q/2017	
				Amount	CAGR %						2017	Amount	CAGR %
In 000s													
Agriculture & Mining	0.4	0.5	0.4	-	0.0%	0.4	0.3	0.3	0.4	0.4	0.4	-	0.0%
Construction	28.3	33.4	48.1	19.8	5.4%	47.8	30.1	27.1	31.0	36.3	39.0	(8.8)	-2.0%
Manufacturing	37.5	39.4	34.1	(3.4)	-0.9%	33.0	28.2	27.5	27.6	29.9	30.0	(3.0)	-0.9%
Transp/Warehousing/Utilities	30.2	31.9	32.3	2.1	0.7%	33.4	31.2	30.4	33.7	35.9	34.2	0.8	0.2%
Trade													
Wholesale	22.2	26.6	28.7	6.5	2.6%	29.7	26.0	24.5	24.3	24.9	26.6	(3.1)	-1.1%
Retail	69.3	73.3	77.0	7.7	1.1%	80.2	71.0	71.8	75.5	79.7	80.4	0.2	0.0%
Information	12.1	15.6	11.4	(0.7)	-0.6%	10.0	10.2	9.5	9.3	9.2	9.5	(0.5)	-0.5%
Financial Activities	49.4	57.0	60.9	11.5	2.1%	61.1	55.2	59.0	62.0	62.8	65.1	4.0	0.6%
Services													
Prof'l/Business Services	50.8	88.8	89.3	38.5	5.8%	86.8	82.0	90.0	97.5	103.6	104.5	17.7	1.9%
Education/Health Services	54.0	59.6	72.7	18.7	3.0%	79.9	85.6	89.8	93.0	100.4	105.9	26.0	2.9%
Leisure & Hospitality	46.0	51.2	61.6	15.6	3.0%	67.4	62.8	66.3	72.7	82.5	84.0	16.6	2.2%
Other Services	20.1	23.4	25.9	5.8	2.6%	27.1	23.1	19.9	21.1	23.0	26.6	(0.5)	-0.2%
Government	70.2	70.7	75.2	5.0	0.7%	78.1	77.0	76.7	75.0	78.1	75.7	(2.4)	-0.3%
Total (In 000s):	490.5	571.4	617.6	127.1	2.3%	634.9	582.7	592.8	623.1	666.7	681.9	47.0	0.7%
Change During Period:		80.9	46.2			17.3	(52.2)	10.1	30.3	43.6	15.2		

(1) As of year-end for each reported year.

<http://floridajobs.org/labor-market-information/data-center/statistical-programs/current-employment-statistics>

Source: US Department of Labor, Bureau of Labor Market Statistics; Florida Department of Economic Opportunity, Bureau of Labor Market Statistics; WTL +a, September 2017.

Table 6: Business Mix—City of Jacksonville, 2016

NAICS Category	Businesses		Employees	
	No.	% of Total	No.	% of Total
Agriculture & Mining	541	1.6%	3,834	0.8%
Construction	2,258	6.9%	22,831	4.8%
Manufacturing	943	2.9%	23,913	5.0%
Transportation & Warehousing	1,048	3.2%	23,119	4.9%
Communications	334	1.0%	6,847	1.4%
Utilities	75	0.2%	1,171	0.2%
Wholesale & Retail Trade				
Wholesale	1,335		25,060	
Retail	7,188		101,949	
- Home Improvement	387		4,916	
- General Merchandise	276		11,953	
- Food Stores	901		17,369	
- Auto Dealers/Gas Stations	951		13,365	
- Apparel & Accessory Stores	488		4,365	
- Furniture/Home Furnishings	486		4,294	
- Eating & Drinking Places	2,033		32,309	
- Miscellaneous & Non-store Retail	1,666		13,378	
Subtotal - All Retail:	8,523	25.9%	127,009	26.8%
Finance/Insurance/Real Estate	3,225	9.8%	43,601	9.2%
Services				
- Hotel/Lodging	204		4,357	
- Automotive Services	1,044		6,871	
- Motion Pictures & Amusements	850		6,569	
- Health Services	2,040		49,495	
- Legal Services	803		5,984	
- Educational Institutions	660		32,714	
- Other Services	8,624		86,923	
Subtotal - Services:	14,225	43.2%	192,913	40.7%
Government	488	1.5%	28,449	6.0%
Unclassified Establishments	1,287	3.9%	560	0.1%
TOTAL:	32,947	100.0%	474,247	100.0%

ANALYSIS:

2016 Employment	474,247
City's Share of MSA Employment	69.5%
2016 Population	886,969
Jobs/Population Ratio	0.53

Source: ESRI Business Analyst; InfoGroup, Inc.; Dun & Bradstreet, Inc.; WTL +a, July 2017.

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Employment Trends—City of Jacksonville

The next step in the analysis examines employment trends for more specific geographies, including the City of Jacksonville. Key findings are illustrated in Table 6 above and summarized below:

- Dun & Bradstreet, Inc. estimates that **Jacksonville contained approximately 474,200 full-time jobs** in more than 32,900 registered businesses in 2016, which reflects a jobs-to-population ratio of 0.53. That is, there is one-half a job for every one of the 887,000 residents in the city, and reflects the concentration of jobs in employment centers such as downtown Jacksonville, surrounding the airport and in various suburban business clusters across the city, such as Baymeadows and Deerwood Park;
- In 2016, the City of Jacksonville accounted for fully 70% of all jobs in the MSA; and
- Employment is concentrated in Services (41%), Wholesale/Retail Trade (27%), and Finance/Insurance/Real Estate (9.2%).

**The City of Jacksonville Comprises Fully 70%
of All Jobs in the MSA**

Employment Forecasts—Duval County

Employment forecasts for specific jurisdictions in Florida (defined as Workforce Development Regions) are also prepared by the Department of Economic Opportunity in eight-year forecast periods. As illustrated in Table 7, these forecasts for Duval County suggest that:

- **Duval County is expected to add more than 55,800 new jobs between 2016 and 2024**, reflecting a *sustained* annual pace of 7,000 new jobs annually over this eight-year period; and
- The Services sector is expected to comprise almost 46% of all new jobs in the County—adding almost 35,500 new jobs—with the largest gains expected in Health Care, Professional and Business Services and Accommodation & Food Services sectors. This could be expected to fuel demand for professional and medical office space and retail uses. Smaller gains ranging from 2,100 to 4,900 new jobs are expected in other industry sectors over the next eight years.

Table 7: State Employment Forecasts—Duval County, 2016—2024

Employment Category	2016	% Dist.	2024	% Dist.	Change: 2016-2024	
					Total	CAGR
Agriculture/Mining/Construction						
Agriculture	266		231		(35)	-1.7%
Mining	137		142		5	0.0%
Construction	28,321		33,187		4,866	2.0%
Subtotal:	28,724	5.3%	33,560	5.6%	4,871	2.0%
Manufacturing						
Durable Goods Manufacturing	15,644		16,178		534	0.4%
Non-Durable Goods Manufacturing	8,532		8,483		(49)	-0.1%
Subtotal:	24,176	4.5%	24,661	4.1%	485	0.2%
Transportation/Communications/Public Utilities						
Public Utilities	193		195		2	0.1%
Transportation & Warehousing	30,934		33,051		2,117	0.8%
Subtotal:	31,127	5.7%	33,246	5.6%	2,119	0.8%
Wholesale & Retail Trade						
Wholesale Trade	21,352		22,391		1,039	0.6%
Retail Trade	55,071		58,775		3,704	0.8%
Subtotal:	76,423	14.1%	81,166	13.6%	4,743	0.8%
Finance/Insurance/Real Estate						
Information	7,888		7,898		10	0.0%
Finance & Insurance	45,823		49,302		3,479	0.9%
Real Estate, Rental & Leasing	8,232		8,879		647	1.0%
Subtotal:	61,943	11.4%	66,079	11.0%	4,136	0.8%
Services						
Professional, Scientific & Technical Services	34,245		40,167		5,922	2.0%
Management of Companies & Enterprises	5,745		5,323		(422)	-0.9%
Administrative & Waste Management	45,498		51,137		5,639	1.5%
Educational Services	8,117		9,755		1,638	2.3%
Health Care & Social Assistance	68,847		82,659		13,812	2.3%
Arts, Entertainment & Recreation	7,197		7,831		634	1.1%
Accommodation & Food Services	48,454		55,367		6,913	1.7%
Other Services (Except Government)	19,009		20,346		1,337	0.9%
Subtotal:	237,112	43.7%	272,585	45.6%	35,473	1.8%
Government	51,734	9.5%	52,752	8.8%	1,018	0.2%
Self-Employed & Unpaid Family Workers	30,774	5.7%	33,875	5.7%	3,101	1.2%
TOTAL:	542,369		598,180		55,811	1.2%
Annual Increase (Rounded):					7,000	

<http://www.floridajobs.org/labor-market-information/data-center/statistical-programs/employment-projections>

Source: Florida Department of Economic Opportunity, Bureau of Labor Statistics; WTL +a, September 2017.

Employment Trends—KingSoutel Trade Area

- As illustrated in Table 8 below, in 2016 Dun & Bradstreet, Inc. estimated that there were **7,000 jobs** in **679 registered businesses located within a 2.5-mile radius surrounding the KingSoutel CRA**. The trade area accounts for less than 1.5% of all full-time jobs in Duval County;
- The three largest sectors generating demand for workplace real estate in the trade area include: Services (2,830 jobs), Retail Trade (1,200 jobs), and Transportation & Warehousing (1,140 jobs, and illustrative of the number of warehousing and distribution facilities located here, particularly at the western edges of the CRA along Pritchard Road). Together, these three sectors account for over 5,100 jobs, or fully 74% of the 7,000 jobs located in the trade area. Notably, “Other Services” (which comprises fully 42% of all jobs within the Services sector) includes such industries as automotive repair and maintenance;
- As noted, the **KingSoutel trade area contains less than 1.5% of all at-place jobs in Duval County**. This is known as *fair share*, and has been considered in our analysis of workplace market potentials in Section 4 of this report;
- **If the KingSoutel trade area maintains its historic fair share of total County employment, this would translate into 720 new jobs by 2024**. However, opportunities for additional job growth beyond fair share may be created if targeted economic development strategies and policies and appropriate incentives are successfully implemented. The types of new jobs will also affect opportunities for new workplace real estate required to incorporate those jobs. For example, the average amount of space needed for employees in an office building (known as an “occupancy factor”) may range from 150 to 200 sq. ft. per employee. By comparison, the occupancy factor in a warehouse & distribution facility is significantly larger—ranging from 750 to 1,000 sq. ft. per employee; and
- The data also suggest that the trade area’s current jobs-to-population ratio is 0.24 (i.e., there is only one-quarter of one job for every one of the 29,800 residents living within 2.5 miles of KingSoutel).

To evaluate multi-year trends in employment for specific geographies smaller than a county or a municipality, WTL+a obtained employment data from “On-the-Map”, a U.S. Census

Table 8: Business Mix—KingSoutel Trade Area, 2016

NAICS Category	Businesses		Employees	
	No.	% of Total	No.	% of Total
Agriculture & Mining	9	1.3%	25	0.4%
Construction	41	6.0%	347	5.0%
Manufacturing	15	2.2%	415	5.9%
Transportation & Warehousing	57	8.4%	1,139	16.3%
Communications	3	0.4%	19	0.3%
Utilities	1	0.1%	20	0.3%
Wholesale & Retail Trade				
Wholesale	41		732	
Retail	133		1,209	
- Home Improvement	7		71	
- General Merchandise	8		57	
- Food Stores	31		339	
- Auto Dealers/Gas Stations	20		82	
- Apparel & Accessory Stores	9		28	
- Furniture/Home Furnishings	3		11	
- Eating & Drinking Places	33		379	
- Miscellaneous & Non-store Retail	22		242	
Subtotal - All Retail:	174	25.6%	1,941	27.7%
Finance/Insurance/Real Estate	36	5.3%	149	2.1%
Services				
- Hotel/Lodging	3		8	
- Automotive Services	36		433	
- Motion Pictures & Amusements	17		53	
- Health Services	14		155	
- Legal Services	3		11	
- Educational Institutions	19		978	
- Other Services	223		1,192	
Subtotal - Services:	315	46.4%	2,830	40.4%
Government	7	1.0%	114	1.6%
Unclassified Establishments	21	3.1%	8	0.1%
TOTAL:	679	100.0%	7,007	100.0%

ANALYSIS:

2016 Employment	7,007
As Share of City of Jacksonville	1.48%
2016 Population	29,792
Jobs/Population Ratio	0.24

Source: ESRI Business Analyst; InfoGroup, Inc.; Dun & Bradstreet, Inc.; WTL +a, July 2017.

WTL +a

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Bureau database that tracks employment for such discrete geographies across the United States. Trends for the KingSoutel trade area are illustrated in Table 9 and highlighted below:

- 2015 Census data (latest data available) indicate that the 2.5-mile **trade area contained more than 4,700 jobs**. The difference between the Dun & Bradstreet estimate in Table 8 and the U.S. Census estimate in Table 9 can be attributed to part-time and temporary jobs, self-employment and those that pay into the Unemployment Insurance Fund;
- The 2007—2009 recession resulted in the loss of over 920 jobs, mostly focused in Transportation & Warehousing, Wholesale Trade and Administration & Waste Management; and
- However, **while numerous locations across the U.S. gained employment when recovery began in 2010, the KingSoutel trade area continued to lose jobs**. In fact, between 2010 and 2012, the trade area lost another 900 jobs. While job gains were posted in 2013 and 2014, another 115 jobs were lost in 2015.

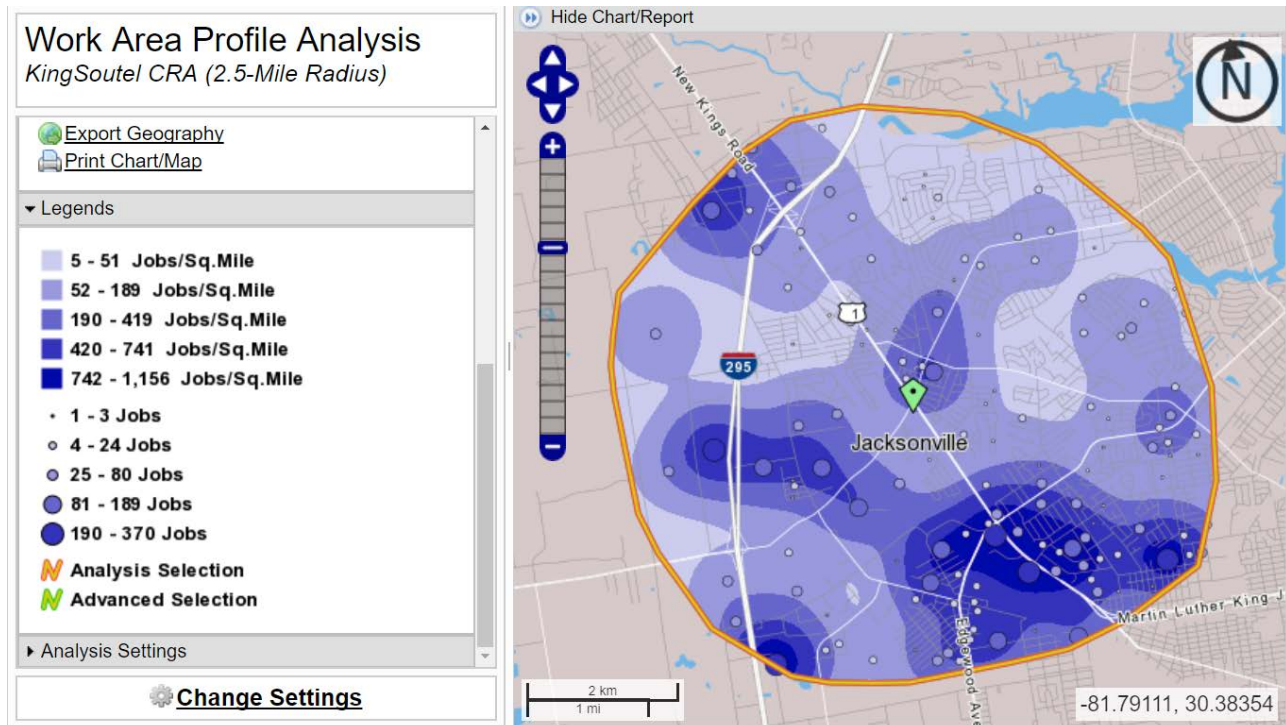
According to U.S. Census data, the 2.5-mile radius comprising **the KingSoutel trade area exhibited a net loss of over 1,500 jobs** in the 10-year period between 2006 and 2015. While several industry sectors—like Retail and Accommodations & Food Services—gained jobs, these gains were insufficient to offset job losses in other sectors, with Administration/Waste Management, Manufacturing, Construction and Health Care exhibiting the largest job losses between 2006 and 2015.

Table 9: 10-Year Employment Trends—KingSoutel Trade Area, 2006—2015

Industry Sector	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Change: 2006-2015	
											Amount	CAGR %
Agriculture & Mining	7	31	49	107	57	48	47	32	21	26	19	15.7%
Construction	759	819	779	602	458	383	425	448	606	537	(222)	-3.8%
Manufacturing	1,190	936	971	997	762	688	637	663	678	664	(526)	-6.3%
Transp & Warehousing	1,228	1,547	1,505	1,083	1,133	1,188	1,147	1,134	1,060	1,256	28	0.3%
Utilities	-	-	-	-	-	-	1	-	1	-	-	0.0%
Trade												
Wholesale	829	833	789	650	606	607	475	495	524	594	(235)	-3.6%
Retail	331	547	371	678	640	384	545	546	623	499	168	4.7%
Information	32	26	29	21	72	45	38	46	49	38	6	1.9%
Finance & Insurance	50	43	37	26	21	17	15	21	32	18	(32)	-10.7%
Real Estate/Rental & Leasing	49	40	42	36	78	68	81	77	62	59	10	2.1%
Services												
Prof'l/Business Services	58	54	41	29	45	49	71	78	71	74	16	2.7%
Management of Companies	3	-	-	-	-	-	-	1	1	-	(3)	-100.0%
Administration/Waste Mgmt.	751	204	1,947	156	106	110	70	66	76	78	(673)	-22.2%
Educational Services	10	14	99	97	86	118	39	35	31	34	24	14.6%
Health Care & Social Assistance	444	400	503	299	319	356	315	343	325	170	(274)	-10.1%
Arts/Entertainment/Recreation	12	16	1	32	54	38	45	42	43	44	32	15.5%
Accommodation & Food Services	294	344	321	238	386	298	302	347	402	427	133	4.2%
Other Services	192	328	346	276	245	147	178	163	228	220	28	1.5%
Public Administration/Gov't	26	9	25	15	8	15	8	7	20	-	(26)	-100.0%
Total (In 000s):	6,265	6,191	7,855	5,342	5,076	4,559	4,439	4,544	4,853	4,738	(1,527)	-3.1%
<i>Annual Change:</i>	-	(74)	1,664	(2,513)	(266)	(517)	(120)	105	309	(115)		

Source: U.S. Census Bureau, On-the-Map; WTL +a, September 2017.

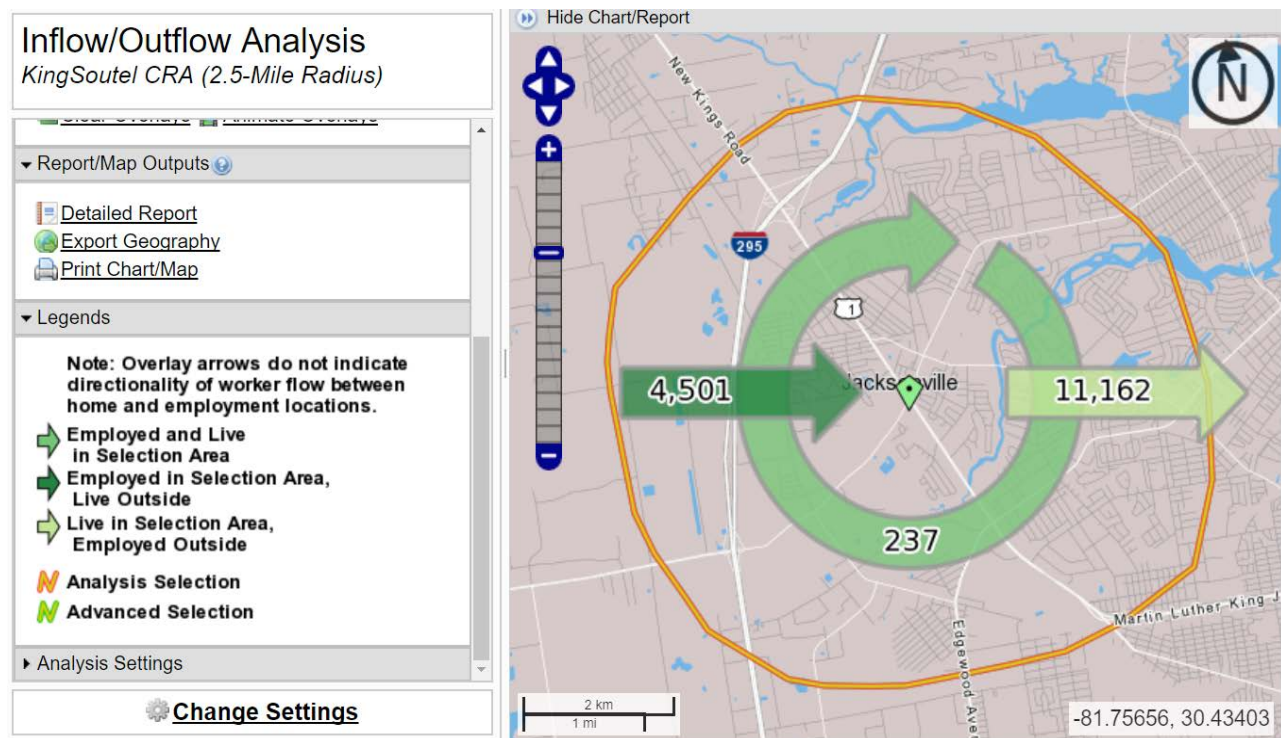
Figure 5: Employment Densities—KingSoutel Trade Area, 2015



Employment patterns in and around the CRA are illustrated in Figure 5, with darker shading representing greater employment densities, or a higher concentration of jobs. We note that there is a large concentration of warehousing and distribution employment located just south of the CRA.

As illustrated in Figure 6 below, according to U.S. Census Bureau data, only 4,500 workers who live elsewhere work in the study area while over 11,100 residents leave the trade area daily to work elsewhere. This data reinforces the fact that the area surrounding the KingSoutel CRA is not a strong employment destination.

Figure 6: Employee Inflow-Outflow—Core Area, 2015



In conclusion, KingSoutel's employment ratio (0.24) is significantly *lower* than the citywide ratio (0.53), suggesting that **implementation of the CRA Plan Update be accompanied by a focus on economic development initiatives to include business retention and recruitment, job creation and financial and regulatory incentives to strengthen employment opportunities in Northwest Jacksonville and in the KingSoutel CRA in particular.**

U.S. Census Data Indicate Over 1,500 Job Losses

in the KingSoutel Trade Area between 2006 & 2015

3 Real Estate Market Conditions

WTL +a evaluated real estate market conditions in various submarkets of Jacksonville and the KingSoutel trade area to understand how recent market trends, current economic conditions, and future growth affect opportunities for (re)development in the CRA.

This section of the report analyzes historic and current building inventory, occupancy and vacancy levels, annual absorption (leasing) activity, historic development trends, and other appropriate market indices for housing, workplace, supporting commercial (retail) and lodging/hospitality uses based on available data. Key findings are summarized below and illustrated in Table 10 through Table 19.

Housing

WTL+a examined housing market conditions in the KingSoutel CRA and its surrounding trade area in key metrics such as inventory, tenure, vacancies and values. There is a diverse array of residential neighborhoods surrounding the CRA, such as Sherwood Forest, Lincoln Villas, Edgewood Manor, Washington Estates, Pickettville, Pritchard Point, Carver Manor, Harborview and others. Key findings of the trade area's housing market are illustrated in Table 10 and Table 11 and summarized below:

Inventory & Tenure

- Based on data from ESRI Business Analyst and the American Community Survey (ACS), the trade area contains over 13,200 housing units. Since 2010, ESRI data suggest that the trade area's housing inventory has increased by roughly 300 units (consistent with new housing at Pritchard Point and Pickett's Cove (see below));
- ACS data reveal that the trade area's housing stock consists primarily of low-density housing with pockets of moderate-density buildings. This includes single-family attached and detached (85%) and multi-family units (6.5%), with remaining housing units distributed between mobile homes (2.5%) and boats/RVs (6%); and

Table 10: Housing Profile—KingSoutel Trade Area, 2010—2022

	2010	2017	% Dist.	2022	% Dist.	Change: 2017-2022	
						No.	CAGR %
Housing Tenure							
Owner-occupied	8,040	7,591		7,679		88	0.23%
% of Total	62.1%	57.3%		56.8%			
Renter-occupied	3,292	3,917		4,058		141	0.71%
% of Total	25.4%	29.6%		30.0%			
Vacant	1,621	1,740		1,784		44	0.50%
% of Total	12.5%	13.1%		13.2%			
Total Units:	12,953	13,248		13,521		568	0.41%
Owner-Occupied Value							
\$0 - \$99,999		3,828	50%	2,942	38%	(886)	-5.1%
\$100,000 - \$199,999		2,905	38%	2,981	39%	76	0.5%
\$200,000 - \$299,999		547	7%	909	12%	362	10.7%
\$300,000 - \$399,999		121	2%	324	4%	203	21.8%
\$400,000 - \$499,999		48	1%	125	2%	77	21.1%
\$500,000 - \$749,999		59	1%	211	3%	152	0.0%
\$750,000+		84	1%	186	2%	102	17.2%
Median Value		\$ 99,487		\$ 125,168			4.7%
Average Value		\$ 128,188		\$ 171,597			6.0%
All Housing Units By Structure (2015 American Community Survey)							
1 Unit, Detached		10,956	82.7%				
1 Unit, Attached		344	2.6%				
2 Units		119	0.9%				
3 or 4 Units		185	1.4%				
5 to 9 Units		291	2.2%				
10 to 19 Units		185	1.4%				
20 or more Units		66	0.5%				
Mobile Home		331	2.5%				
Boat/RV/Other		768	5.8%				
Total Units:		13,248	100%				
Unoccupied Housing Units By Status							
Unoccupied-All Reasons	2010	2015 (ACS)					
Rented (Not Occupied)	17						
For Sale Only	219						
Sold (Not Occupied)	39						
Seasonal Use	35						
For Migrant Workers	-						
Subtotal:	310	19%					
TRUE VACANCIES							
Other Vacant	756						
Vacant, For Rent	532						
Subtotal:	1,288	79%	1,773				
True Vacancy Rate	9.9%		13.4%				

Total Unoccupied Units: 1,598

<https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

Source: ESRI Business Analyst; American Community Survey; WTL +a, September 2017.

- **The number of owner-occupied units has *decreased***—from 62% in 2010 to 57% in 2017. Conversely, the number of renter-occupied units increased during this time—from 25% in 2010 to almost 30% by 2017. Fully 13% of the trade area’s housing stock is “unoccupied” (estimated at 1,740 units).



Owner-Occupied Values

- The 2017 average unit value of all housing units in the surrounding trade area is \$128,200. Over the next five years, ESRI forecasts suggest that average housing values will increase at a solid, compound annual rate of 4.7% per year—to \$171,600;
- By comparison, the average value of owner-occupied housing in Duval County in 2017 is \$226,000. Countywide housing values are forecast to increase at generally similar rates as the KingSoutel trade area over the next five years; and
- Notably, **housing values in the KingSoutel area provide significantly better value than elsewhere in the City and the County—with values only 57% of the County.** This is a key finding that should be considered as part of the area’s revitalization strategy.

Vacancy Patterns

- More specific analysis of the trade area's unoccupied housing stock indicates that units are unoccupied for various reasons. As a result, this does not accurately reflect actual *vacant* units. U.S. Census data indicate that 1,621 units were unoccupied as of the 2010 Census, as the economic recovery from the 2007—2009 recession ended, and recovery gained momentum. As a result, vacancies in many housing markets have declined with an

improving economy. In the KingSoutel area, however, **the number of unoccupied units increased between 2010 and 2017**—from 1,621 units in 2010 to 1,740 units in 2017—comprising 13% of the trade area’s overall housing stock;

Table 11: Comparison of Housing Values, 2017

	Average Values	As % of County
Duval County	\$ 226,071	
City of Jacksonville	\$ 215,797	95%
KingSoutel (2.5-Mile Radius)	\$ 128,188	57%

Source: American Community Survey; ESRI Business Analyst; WTL+a, October 2017.

- Units that are unoccupied include seasonal units, units that are for sale or sold but not yet occupied and units for migrant workers. When these are removed from the unoccupied category, **the area’s true vacancy in 2010 was lower—9.9%, or 1,288 units;** and
- However, the 2015 American Community Survey (ACS) suggests that **the number of truly vacant units has increased**—to 1,773 units in 2015, revealing a true vacancy rate of 13.4%. This key finding is illustrative of the importance of updating the KingSoutel CRA Plan, with a focus on strategies that serve to reduce the area’s vacancies.



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Housing Starts

To document how population and household growth affects market potentials for new housing in Northwest Jacksonville (and the KingSoutel area in particular), WTL+a reviewed information on annual housing starts/residential building permits. This analysis also compares housing starts to household growth to understand whether the pace of one metric is consistent with (or exceeds) the other. Housing starts for the 10-year period between 2007 and 2016 are illustrated in Table 12 below. Key findings indicate that:

- Since 2007 (which includes the 2007-2009 recession and subsequent recovery and economic momentum), housing starts across Duval County resulted in delivery of over 37,000 new housing units, producing a *sustained* annual pace of **3,700 units per year**. In terms of unit distribution, this includes 21,260 single-family units (57% of the total) and 15,770 multi-family units (43% of the total); and
- In Jacksonville, according to data provided by the U.S. Department of Housing & Urban Development, **there were 35,270 units built over the past 10 years**, resulting in an average annual pace of 3,520 units per year. The City captured fully 95% of all Duval County housing starts;
- In Jacksonville, new housing included 20,150 single-family detached units and 15,120 multi-family units (31% of total starts); and
- While no specific data was available for more discrete geographies of the City (such as Northwest Jacksonville or the KingSoutel trade area), **new, investment-grade housing is being built in two subdivisions within the trade area—Pickett's Cove and Pritchard Point.**
 - Pritchard Point: 101 units
 - Pickett's Cove: 187 units
 - Project sales (absorption): **30 to 50 units/year**
 - Pricing: \$195,000 to \$229,900

Table 12: Annual Housing Starts—County & Selected Municipalities, 2007—2016

Municipality	National Recession			2010	2011	2012	2013	2014	2015	2016	Change: 2007-2016		
	2007	2008	2009								Total Starts	Annual Average	% of County
Single-family Detached													
Atlantic Beach	18	31	6	10	28	27	28	22	101	97	368	37	1.7%
Baldwin	4	1	2	-	1	1	-	1	2	-	12	1	0.1%
Jacksonville Beach	26	18	8	20	37	75	122	101	133	124	664	66	3.1%
Jacksonville	3,449	2,592	1,467	1,397	957	1,310	1,844	2,106	2,350	2,678	20,150	2,015	94.8%
Neptune Beach	1	1	1	2	4	9	9	12	20	9	68	7	0.3%
SFD-Duval County:	3,498	2,643	1,484	1,429	1,027	1,422	2,002	2,242	2,606	2,908	21,261	2,126	57%
Annual % Change	-	-24%	-44%	-4%	-28%	38%	41%	12%	16%	12%			
Multi-family													
Atlantic Beach	-	-	2	4	2	-	2	-	-	-	10	1	0.1%
Baldwin	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Jacksonville Beach	34	252	37	-	2	18	283	8	-	4	638	64	4.0%
Jacksonville	2,796	1,376	1,171	68	558	2,499	709	1,196	1,908	2,839	15,120	1,512	95.9%
Neptune Beach	2	-	-	-	-	-	-	-	-	-	2	0	0.0%
MF-Duval County:	2,832	1,628	1,210	72	562	2,517	994	1,204	1,908	2,843	15,770	1,577	43%
Annual % Change	-	-43%	-26%	-94%	681%	348%	-61%	21%	58%	49%			

<http://socds.huduser.org/permits/>

Source: U.S. Census Bureau; U.S. Dept. of Housing & Urban Development; WTL+a, September 2017.

Table 12 (Continued): 10-Year Housing Starts—County & Selected Municipalities, 2007—2016

Municipality	National Recession			2010	2011	2012	2013	2014	2015	2016	Change: 2007-2016		
	2007	2008	2009								Total Starts	Annual Average	% of Total
Total Starts													
Atlantic Beach	18	31	8	14	30	27	30	22	101	97	378	38	1.0%
Baldwin	4	1	2	-	1	1	-	1	2	-	12	1	0.0%
Jacksonville Beach	60	270	45	20	39	93	405	109	133	128	1,302	130	3.5%
Jacksonville	6,245	3,968	2,638	1,465	1,515	3,809	2,553	3,302	4,258	5,517	35,270	3,527	95.2%
Neptune Beach	3	1	1	2	4	9	9	12	20	9	70	7	0.2%
TOTAL-Duval County:	6,330	4,271	2,694	1,501	1,589	3,939	2,996	3,446	4,514	5,751	37,031	3,703	100%
Annual % Change	-	-33%	-37%	-44%	6%	148%	-24%	15%	31%	27%			

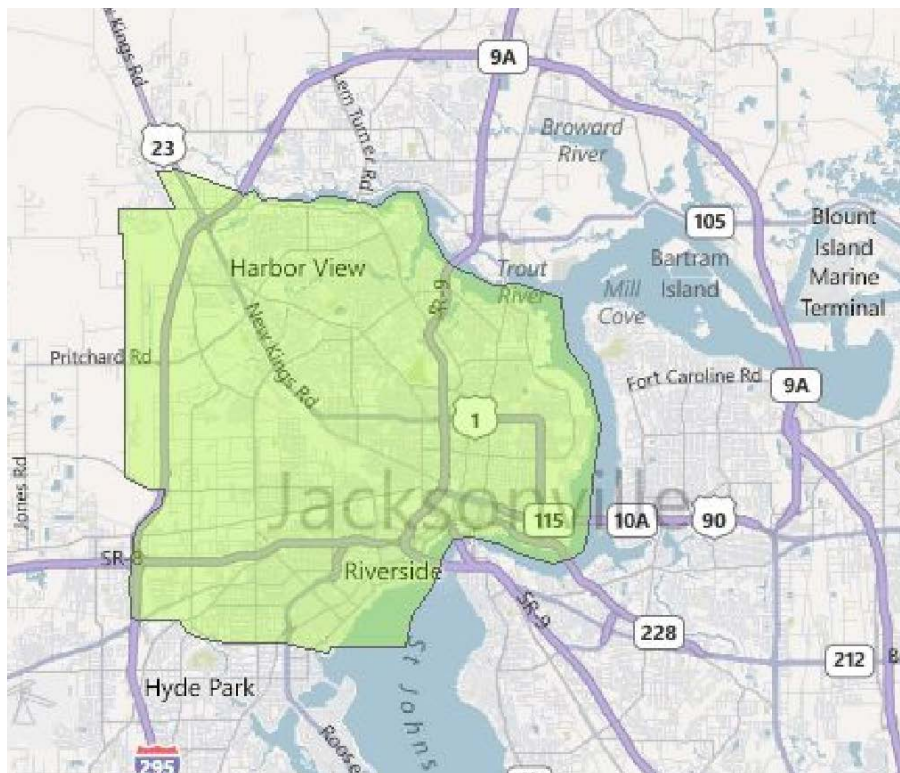
<http://socds.huduser.org/permits/>

Source: U.S. Census Bureau; U.S. Dept. of Housing & Urban Development; WTL+a, September 2017.

Multi-family Rental

WTL+a examined market trends in the Northwest Jacksonville area based on data obtained from REIS, Inc., a national real estate database. We note that no information was available on multi-family rental properties located specifically within (or adjacent to) the KingSoutel CRA. As a result, the following summarizes key metrics for multi-family rental in Northwest Jacksonville. Key findings are detailed in Table 13 and highlighted below:

Figure 7: Northwest Jacksonville Multi-Family Rental Submarket Map



According to properties reporting to REIS, Inc.:

- The Northwest Jacksonville apartment submarket contains a reported inventory of over 3,000 units. This reflects an increase of 600 units over the past five years, with delivery of 600 units in 2015;
- As illustrated in Table 13 and Table 14, overall vacancy rates in NW Jacksonville have fluctuated over the past five years—from a low of 6.1% in 2012 to a peak of 15% in 2015 (coinciding with delivery of 600 new units to the inventory), with subsequent declines to

6.7% in 2Q/2017. Vacancy rates are approaching a “stabilized” market, which the apartment industry considers to be 5%. For the City of Jacksonville, multi-family vacancies have declined—from 7.7% in 2012 to 4.8% in 2Q/2017;

- Asking monthly rents in NW Jacksonville have increased—from \$879 per month in 2012 to \$934 per month in 2Q/2017. This reflects an increase of 6% over the past five years. By comparison, citywide monthly rents have increased by only 4%—from \$859 per month in 2012 to \$881 per month in mid-2017. Average rent citywide in 2Q/2017 was \$926;
- Average unit sizes range from 941 sq. ft. in NW Jacksonville to 915 sq. ft. citywide; and
- Another key metric is unit absorption, which reflects how quickly apartments are being leased in the marketplace. **Annual absorption in NW Jacksonville averaged 117 units per year**, but that was influenced by spikes in leasing generated by the 600 new units delivered in 2015. Without that activity, annual absorption averaged only 21 units per year.



Table 13: Key Multi-Family Metrics—Northwest Jacksonville, 2012—2Q/2017

	2012	2013	2014	2015	2016	2Q/ 2017	Change: 2012-2016
Five-Year Trends							
Inventory (Units)	2,412	2,412	2,412	3,013	3,013	3,013	25%
Construction Deliveries (Units)	-	-	-	601	-	-	
Conversions (to Condominium)	-	-	-	-	-	-	
Vacancy Rate							
NW Jacksonville	6.1%	5.6%	5.2%	10.4%	6.8%	6.7%	11%
City of Jacksonville	7.7%	7.0%	6.8%	5.7%	4.9%	4.8%	-36%
Asking Monthly Rent	\$ 879	\$ 883	\$ 876	\$ 940	\$ 934	\$ 934	6%
Asking Effective Rent	\$ 859	\$ 865	\$ 862	\$ 903	\$ 897	\$ 881	4%
Annual Unit Absorption (Units)							
	41	12	10	413	107	-	583
Annual Average							117
Annual Average w/o New Deliveries							21

Source: REIS, Inc.; WTL+a, September 2017.

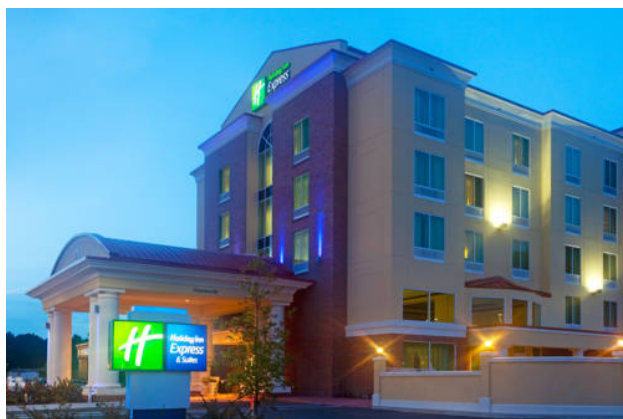
Table 14: Key Multi-Family Metrics—NW Jacksonville versus City, 2Q/2017

	NW Submarket	City of Jacksonville
Unit Distribution by Year Built		
Before 1970	10.0%	
1970-1979	15.0%	
1980-1989	24.0%	
1990-1999	0.0%	
2000-2009	28.0%	
After 2009	23.0%	
Vacancy Rate by Year Built		
Before 1970	13.8%	
1970-1979	5.2%	
1980-1989	7.2%	
1990-1999	N/A	
2000-2009	5.5%	
After 2009	5.5%	
Overall Average:	6.7%	4.8%
Asking Rent by Year Built		
Before 1970	\$ 786	
1970-1979	713	
1980-1989	807	
1990-1999	-	
2000-2009	1,299	
After 2009	1,480	
Overall Average:	\$ 934	\$ 926
Asking Monthly Rent		
Studio	\$ 795	\$ 663
One Bedroom	883	829
Two Bedroom	1,019	1,004
Three Bedroom	1,121	1,208
Average Unit Size (SF)		
Studio	613	484
One Bedroom	764	740
Two Bedroom	1,076	1,080
Three Bedroom	1,312	1,357
Average:	941	915
Rent (Per SF)		
Studio	\$ 1.30	\$ 1.37
One Bedroom	1.16	1.12
Two Bedroom	0.95	0.93
Three Bedroom	0.85	0.89
Average:	\$ 0.99	\$ 1.01

Source: REIS, Inc.; WTL+a, September 2017.

Hotel/Lodging

WTL+a also reviewed data on market conditions for hotel and lodging uses in this area of Duval County based on performance data provided by STR Global, the industry leader in hotel market data. Performance metrics from this analysis were used to determine market potentials for new hotels given KingSoutel's locational advantages, which included two interchanges with I-295, high traffic counts and both visibility and frontage on major highways. In larger population centers and communities with established commercial office concentrations, hotels can serve as an important supporting amenity to corporate and business activity generators, for tourism destinations and for nearby residential areas.



Hotel quality levels are generally determined by the depth and sustainability of support from available market segments. **In areas with lower spending potentials or more price-sensitive consumers (such as logistics-related markets serving truck drivers and others), market potentials may be best met by a limited-service property** (which is defined by the hotel industry to include no on-

site restaurant, and limited other amenities such as gyms, meeting/conference/event spaces, swimming pools, spas, etc.) as opposed to higher-priced hotel categories (such as full-service business-oriented hotels, which include all of the above amenities) or destination resort properties oriented toward beaches/waterfronts, golf courses, etc.

As illustrated in Table 15, **Duval County contains 18,150 hotel rooms** in Jacksonville, Baldwin and the seaside communities of Atlantic Beach, Jacksonville Beach and Neptune Beach. To understand this competitive context, WTL+a obtained performance data from STR Global for selected properties located closest to the KingSoutel CRA or its surrounding trade area. STR is the hotel industry's leader in tracking market performance in the lodging industry. Hotel occupancies are a principal source of information on business and leisure visitor markets, and measures of demand for hotel development follow general industry patterns that identify markets as ready to add more room capacity.

Table 15: Duval County Hotel Inventory, 2017

Location	No. of Rooms by Property Class						Total Rooms	As % of Duval County
	Economy	Mid-scale	Upper Mid-scale	Upscale	Upper Upscale	Luxury		
	(1)	(2)	(3)	(4)	(5)	(6)		
Atlantic Beach	108	60	-	-	-	193	361	2.0%
Baldwin	43	-	-	-	-	-	43	0.2%
Jacksonville Beach	-	71	452	254	-	-	777	4.3%
Jacksonville	6,247	1,751	3,549	3,163	2,092	-	16,802	92.6%
Neptune Beach	129	-	-	38	-	-	167	0.9%
TOTAL:	6,527	1,882	4,001	3,455	2,092	193	18,150	100%
% Dist. by Class	36%	10%	22%	19%	12%	1%		

- (1) Examples of economy class properties include: Days Inn; Extended Stay America; Red Roof Inn; Super 8; and Travelodge.
- (2) Examples of mid-scale class properties include: Best Western; LaQuinta Inn; Quality Inn; Sleep Inn & Suites and Wingate By Wyndham.
- (3) Examples of upper mid-scale properties include: Comfort Inn; Fairfield Inn; Hampton Inn; and Holiday Inn Express & Suites.
- (4) Examples of upscale properties include: Marriott Courtyard; Crowne Plaza; Doubletree; Hilton Garden Inn; Hyatt Place; and Residence Inn.
- (5) Examples of upper upscale properties include: Hyatt Regency; Marriott; Sheraton and Wyndham.
- (6) Examples of luxury properties include: One Ocean Resort Hotel & Spa in Atlantic Beach.

Source: STR Global; WTL+a, September 2017.

The general thresholds used in the capital markets to test growth capacity for new hotel rooms include Average Daily Rates (or ADRs), and average annual occupancy levels (allowing for possible seasonal changes). Notably, the hotel industry considers **average annual occupancy between 65% and 72% as a break-even threshold necessary to support additional capacity and warrant development of new hotel rooms.**

As illustrated in Table 16, there are **924 hotel rooms in 11 properties** surrounding the **KingSoutel CRA**, accounting for a 5.1% share of Duval County's inventory. Nine of these hotels report their performance metrics to STR and include a mix of both national chains as well as local/independent operators such as the River City Inn. Notably, all nine properties are limited-service, providing 707 rooms from which to evaluate market performance.

Table 17 illustrates key performance metrics among the area's competitive hotel properties. Key findings indicate that:

- Over the past six years, **average annual occupancies have increased from 56.6% in 2011 to 74.2% in 2016**, which reflects a significant, compound annual growth rate of 5.57% per year;
- Notably, for the past three years, **sustained annual occupancies for these properties have ranged from 72.4% to 76.1%** (with a six-year average of 66.3% between 2011 and 2016). In 2017, occupancies through September averaged an extraordinarily strong 76.1%. As such, these performance levels meet the threshold required by the capital markets of sustained annual occupancies ranging from 65% to 72% to warrant capital market-based financing of new hotel construction;



Table 16: Selected Competitive Hotel Inventory

Facility/Location		Zip Code	Opening Date	No. of Rooms	% of Supply	Product Class	STR Market Data
	Sleep Inn & Suites Jacksonville	32205	Sep 2009	55	6%	Midscale Class	Yes
	Sunshine Inn	32209	Jun 1950	28	3%	Economy	No
	Red Roof Inn Jacksonville Cruise Port	32218	Jun 1987	59	6%	Economy	Yes
	River City Inn	32218	Mar 1987	61	7%	Economy	Yes
	Best USA Inn	32218	Jun 1974	189	20%	Economy	No
	Comfort Suites Jacksonville	32220	Jul 2007	64	7%	Upper Midscale Class	Yes
	Country Inn & Suites Jacksonville West	32220	Jan 2008	73	8%	Upper Midscale Class	Yes
	Knights Inn Jacksonville Downtown	32254	Jan 2004	73	8%	Economy Class	Yes
	Quality Inn Conference Center Jacksonville	32254	Oct 1981	111	12%	Midscale Class	Yes
	Holiday Inn Express & Suites Jacksonville West	32254	Apr 2017	93	10%	Upper Midscale Class	Yes
	WoodSpring Suites Jacksonville I 295 East	32277	Dec 2007	118	13%	Economy Class	Yes
TOTAL ROOMS:				924	100%		
As % of Duval County Inventory				5.1%			

Properties selected for competitive analysis based on proximity to the KingSoutel CRA using STR Global data.

Source: STR Global; WTL+a, September 2017.

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Table 17: Market Performance of Selected Competitive Hotel Properties, 2011—2016

	2011	2012	2013	2014	2015	2016	Sept YTD 2017	CHANGE: 2011-2016	
								Average	CAGR
Performance Characteristics									(1)
Number of Rooms	677	682	622	622	617	614	707		
Available Room Nights (Supply)	247,167	248,025	227,030	227,030	225,805	224,929		233,331	-1.87%
Occupied Room Nights (Demand)	139,839	147,247	152,556	158,134	163,379	166,872		154,671	3.60%
Annual Occupancy (%)	56.6%	59.4%	67.2%	69.7%	72.4%	74.2%	76.1%	66.3%	5.57%
Average Daily Rate	\$ 47.94	\$ 48.20	\$ 49.08	\$ 52.56	\$ 56.40	\$ 62.78	\$ 68.13	\$ 53.11	5.54%
(2) Revenue Per Available Room	\$ 27.12	\$ 28.62	\$ 32.98	\$ 36.61	\$ 40.81	\$ 46.57	\$ 51.82	\$ 35.21	11.42%
Year-to-Year % Growth									
Annual Occupancy	-	4.9%	13.2%	3.7%	3.9%	2.5%	2.5%		
Average Daily Rate	-	0.5%	1.8%	7.1%	7.3%	11.3%	8.5%		
Revenue/Available Room	-	5.5%	15.2%	11.0%	11.5%	14.1%	11.3%		
Selected Property	Rooms	% Dist.	Year Open						
Sleep Inn & Suites Jacksonville	55	8%	2009						
Red Roof Inn Jacksonville Cruise Port	59	8%	1987						
River City Inn	61	9%	1987						
Comfort Suites Jacksonville	64	9%	2007						
Country Inn & Suites Jacksonville West	73	10%	2008						
Knights Inn Jacksonville Downtown	73	10%	2004						
Quality Inn Conference Center Jacksonville	111	16%	1981						
Holiday Inn Express & Suites Jacksonville West	93	13%	2017						
WoodSpring Suites Jacksonville I 295 East	118	17%	2007						
Total:	707	100%							

(1) CAGR=Compound Annual Growth Rate.

(2) Revenue per available room is total annual room revenue divided by available rooms. It is the best measure of year-to-year growth because it considers simultaneous changes in both room rate and annual occupancies.

Source: STR Global; WTL+a, October 2017.

- Other indicators of the overall strength of the hotel market in this area of Jacksonville include significant increases in both Average Daily Rates (ADRs) and Revenue per available Room (REVPAR). ADRs jumped from \$48 per room per night in 2011 to almost \$63 per room per night in 2016—reflecting a compound annual increase of 5.54% per year. The increase in REVPAR was even greater—11.4% per year over the past five years; and
- This performance analysis suggests that **there is sufficient demand/investment-level performance necessary to justify the addition of new hotel rooms in this area of Jacksonville**. According to STR, the newest hotel is the 93-room Holiday Inn Express & Suites located at the interchange of I-10 and Pritchard Road/Chaffee Road.

In conclusion, market conditions suggest that additional hotel rooms would be supportable in this area of Jacksonville. In our view, **any new hotel construction will require a site adjacent to an interchange with I-295 that provides immediate access as well as frontage and visibility**. We believe that the Pritchard Road interchange with I-295 is the best location for new hotel construction as it also provides proximity to major warehousing/distribution/logistics businesses in the several business parks in this area of the CRA.

Workplace

The market analysis includes an evaluation of “workplace” uses, including: multi-tenant/speculative office as well as warehousing/distribution and logistics functions in the KingSoutel trade area to:

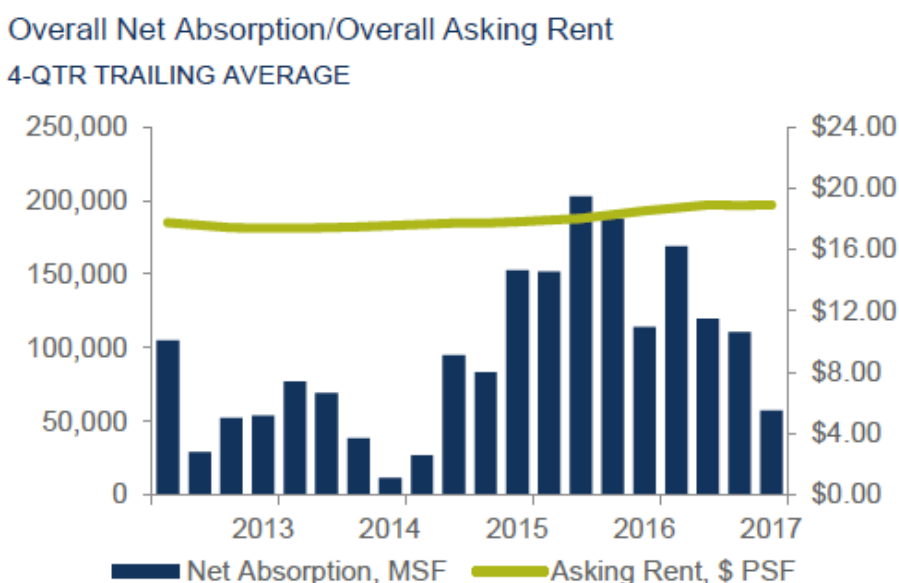
- Understand KingSoutel’s overall competitive position for such uses based on data from various commercial real estate sources, in the following key market indices: total inventory, construction deliveries, net absorption (i.e., leasing) activity, vacant stock, vacancy rates, and rental rates;
- Inform our evaluation of (re)development opportunities for workplace uses based on the findings of key metrics in this profile; and
- Guide the planning team’s testing of (re)development scenarios to ensure that uses such as office or warehousing and logistics space will physically fit on candidate catalyst sites and be sufficiently marketable to prospective tenants/end users.

Professional Office

Key findings for metropolitan Jacksonville's office market are based on regional data for 2017 from Cushman & Wakefield, Inc. Key findings are illustrated in Table 18 and highlighted as follows:

- The metropolitan area contains **24.7 million sq. ft. of speculative/multi-tenant office space** distributed across the Central Business District (downtown Jacksonville) and 11 suburban submarkets. There are **more than 3.3 million sq. ft. of vacant office space** (including direct vacancies and sublet space), which reflects a year-end 2017 vacancy rate of 13.5%;

Figure 8: Overall Net Office Absorption—Metropolitan Jacksonville, 2013—2017



- Multiple factors have combined to strengthen overall leasing activity, including recovery from the 2007—2009 recession, net new job growth in office-using sectors and new or expanded businesses throughout the metropolitan area. As illustrated in Figure 8, Cushman & Wakefield data indicate that *net* absorption of office space has been positive for every quarter over the past five years. In 2017, **net absorption totaled over 271,300 sq. ft.;**

Table 18: Office Market Profile—Metropolitan Jacksonville, 2017

Submarket	Inventory In SF	Overall Vacancy		2017 Net Absorption	Under Construction	Overall Avg. Asking Rents		
		SF	%			All Classes	Class A	
Downtown								
Northbank	5,447,767	867,319	15.9%	87,492	-	\$ 20.50	\$ 20.99	
Southbank	2,160,231	207,509	9.6%	(117,946)	-	22.01	22.31	
Subtotal - CBD:	7,607,998	1,074,828	14.1%	(30,454)	-	\$ 20.81	\$ 21.28	
Suburban								
Southside	2,029,987	315,357	15.5%	13,976	-	14.99	28.70	
Mandarin	1,461,244	87,833	6.0%	37,106	-	21.35	25.50	
Arlington	1,024,265	346,820	33.9%	31,433	-	\$ 13.30	\$ -	
Beaches	646,662	57,437	8.9%	16,115	-	27.54	28.00	
Clay County	555,387	104,535	18.8%	26,077	-	20.90	-	
St. John's County	554,474	111,664	20.1%	29,806	-	17.55	-	
Northside	127,326	3,360	2.6%	16,747	-	12.00	-	
Westside	97,720	-	0.0%	5,749	-	-	-	
Subtotal - Suburban	6,497,065	1,027,006	15.8%	177,009	-	\$ 18.22	\$ 23.68	
Butler/Baymeadows								
Baymeadows	3,972,906	499,365	12.6%	134,902	-	\$ 17.82	\$ 21.50	
Deerwood Park	3,646,462	354,395	9.7%	20,097	205,857	23.43	23.63	
Southpoint	2,974,221	385,409	13.0%	(30,223)	-	18.64	22.18	
Subtotal - Butler/Baymeadows:	10,593,589	1,239,169	11.7%	124,776	205,857	\$ 19.66	\$ 22.75	
TOTAL - JACKSONVILLE:	24,698,652	3,341,003	13.5%	271,331	205,857	\$ 19.02	\$ 21.95	

Source: Cushman & Wakefield, Inc.; WTL+a, December 2017.

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- The KingSoutel CRA is located within the region's Northside office submarket. As illustrated above, this is considered a tertiary submarket, with only 127,300 sq. ft. of speculative/multi-tenant office space. Northside also commands the lowest overall average asking rents of any office submarket in metropolitan Jacksonville—only \$12.00 per sq. ft.;



- According to our windshield survey, the **KingSoutel CRA contains approximately 193,500 sq. ft. of office uses**; of that total, however, Cardinal Health and the UF Medical Services facility comprise approximately 164,500 sq. ft., or 85% of the total inventory. These owner-user office buildings would *not* be included in the estimated inventory in the Northside office submarket;
- Thus, the remaining speculative office space located in KingSoutel—in the range of 29,000 sq. ft.—accounts for approximately 23% of the office space located in the Northside submarket. Information on key metrics such as rents and net absorption was not available;
- Compared to the trade area's industrial inventory, office space is considered a tertiary use, and in our professional opinion, the **KingSoutel CRA is undersupplied in office-based services such as banks, legal, accounting, etc.** Moreover, the limited number of medical, dental, insurance and other professional services are widely dispersed across the CRA—in both small commercial buildings and converted residential properties.



General Industrial (Warehousing & Distribution)

Key findings for metropolitan Jacksonville's industrial market are based on regional data for 2017 from Cushman & Wakefield, Inc. Key findings are illustrated in Table 19 and highlighted as follows:

- The metropolitan area contains over **107 million sq. ft. of general industrial space** distributed across seven submarkets. There are **more than 4.3 million sq. ft. of vacant space** (including direct vacancies and sublet space), which reflects a year-end 2017 vacancy rate of only 4.1%. The total industrial inventory is distributed across the following uses:
 - **Warehouse & distribution**—1,012 buildings and 79,123,428 sq. ft. of space (74% of the total inventory)
 - **Manufacturing**—331 buildings and 22,063,795 sq. ft. of space (21%)
 - **Office/Service**—153 buildings and 5,895,463 sq. ft. of space (1%)
- The overall strength of the region's industrial market is reflected in net absorption/leasing activity. **In 2017, net absorption totaled over 4.1 million sq. ft.**—with the highest absorption in both the Northside and Westside industrial submarkets; and
- In 2017, more than 2.5 million sq. ft. of new industrial space was completed, and another 814,000 sq. ft. is under construction.



The KingSoutel CRA has excellent regional highway access, with two interchanges to I-295 and ready proximity to I-95 to all parts of the metropolitan area. These locational attributes serve as key advantages to general industrial uses, which are located primarily on the west side of the CRA on Pritchard Road. Key findings from our analysis of the area's industrial uses are summarized below and highlighted in Table 20:

Table 19: Industrial Market Profile—Metropolitan Jacksonville, 2017

Submarket	Total Buildings	Inventory In SF	Overall Vacancy		2017 Net Absorption	Under Construction	2017 Deliveries	Overall Weighted Average Net Rents			
			SF	%				Manufacturing	Ofc-Service	Whse & Dist	
Westside	599	48,720,700	1,510,342	3.1%	1,577,057	725,000	1,423,476	\$ -	\$ -	\$ -	4.37
Southside	515	23,847,581	1,120,836	4.7%	54,939	60,000	80,000	-	9.17		7.22
Northside	140	22,245,649	1,201,265	5.4%	2,510,749	29,005	1,070,000	12.00	6.00		4.53
Downtown	167	7,671,046	406,565	5.3%	(552)	-	-	4.26	-		2.86
Orange Park/Clay County	25	2,173,048	43,461	2.0%	-	-	-	-	11.50		-
St. John's County	29	1,603,051	64,122	4.0%	6,906	-	-	-	8.75		6.33
Beaches	21	821,611	-	0.0%	-	-	-	-	-		-
TOTAL - JACKSONVILLE:	1,496	107,082,686	4,346,591	4.1%	4,149,099	814,005	2,573,476	\$ 5.96	\$ 9.14	\$ 4.82	

Source: Cushman & Wakefield, Inc.; WTL+a, December 2017.

- KingSoutel is in the Westside industrial submarket, which is the region's largest. The concentration of warehouse and distribution facilities are located within (and just outside of) the KingSoutel trade area, and contain an estimated 2.75 million sq. ft., which accounts for 5.6% of the Westside's total inventory. Tenants include both national users (e.g., UPS, FedEx) as well as owner-users;
- According to data from REIS, Inc., there are **over 603,200 sq. ft. of vacant industrial space** across 11 buildings or industrial parks, which reflects an overall vacancy rate of 21.9%. Notably, this vacant inventory accounts for fully 40% of all the vacant industrial space in Westside (1.5 million sq. ft.);
- We note that no information was readily available to determine the functional obsolescence or physical condition of the area's existing industrial supply. The age of construction of several properties indicates that they are more than 20 years old (or older), suggesting that these buildings may no longer meet current industry requirements for warehousing and distribution functions, including clear ceiling heights, non-column floor areas, number of truck bays, etc. Conducting an on-site inventory and assessment of existing vacant spaces may reveal their functional and physical conditions, thereby reducing the amount of space available for re-use and/or its characterization as vacant; and
- There are **three proposed projects that are expected to add another 1.8 million sq. ft.** of new warehousing and distribution facilities along Pritchard Road at the western edge of the CRA. These include:
 - Two projects within the CRA—**6600 Pritchard Road (550,000 sq. ft.) and Sportsman Club Road (603,000 sq. ft.)**, and
 - Three projects outside of the CRA—**Westside Industrial Park (237,318 sq. ft.)**, **Interstate West Park Buildings 1 & 2 (126,000 sq. ft.)** and **6282 Imeson Road (275,000 sq. ft. under construction)**, for a total of 638,300 sq. ft.

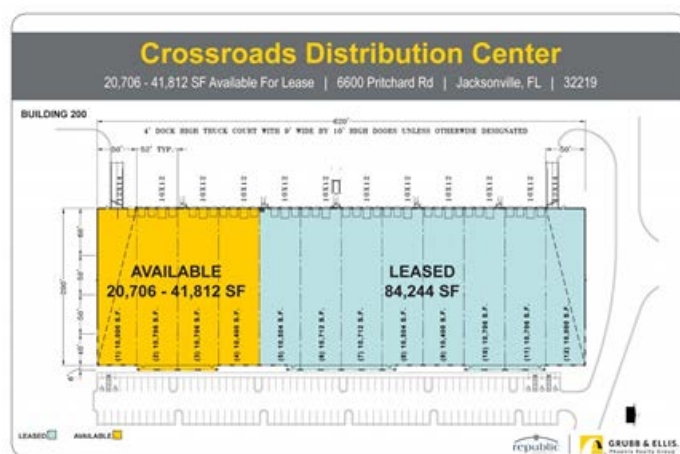


Table 20: Profile of Industrial/Warehouse & Distribution Properties—KingSoutel Area, 2017

Park/Location	No. of Buildings & Year Built	Distance to CRA Core	Building Area (SF)	Vacant Space (SF)	Vacancy Rate	Blended Rent Per SF
Existing						
Crossroads Distribution Center 6590-6600 Pritchard Road	2 2009	1.48	426,056	21,556	5.1%	\$ 3.30
Madronero Industrial Complex 5245 Old Kings Road	1 1956	1.66	115,662	68,911	59.6%	\$ 1.73
Westside Distribution Center Lewis Industrial Drive & N. Ellis Road	5 1965 to 1989	2.60 to 3.06	660,770	162,004	24.5%	\$ 3.41
1550 N. Ellis Road	1 1974	2.82	216,000	95,990	44.4%	\$ 3.75
Westside Industrial Park Forshee Drive & Westside Ind'l Drive	8 1990 to 2007	2.82 to 3.18	988,187	140,232	14.2%	\$ 4.20
1525 Edgewood Avenue W	1 1986	2.97	10,200	-	0.0%	\$ 4.05
1707 Huron Street	1 1993	3.15	106,560	-	0.0%	\$ 4.04
5061 Shawland Road	1 1965	3.15	81,625	-	0.0%	\$ 3.25
1775 Industrial Boulevard	1 1984	3.16	62,525	62,525	100.0%	\$ 2.56
1707 Industrial Boulevard	1 1954	3.19	52,000	52,000	100.0%	\$ 0.98
1777 McDuff Avenue	1 1983	3.20	31,663	-	0.0%	\$ 4.50
TOTAL:			2,751,248	603,218	21.9%	\$ 3.60
As % of Metro Area			2.6%			

Source: REIS, Inc.; WTL+a, October 2017.



In conclusion, from the standpoint of future employment opportunities, proposed/planned industrial projects represent an opportunity to create between **1,500 and 1,800 new jobs** within or *immediately adjacent* to the CRA. Moreover, the incremental consumer spending generated by these new jobs may support local businesses.

However, WTL+a notes that the timing for completion of these proposed industrial/warehousing and distribution projects is unknown.

General Retail

WTL+a conducted a preliminary “windshield” inventory. As illustrated in Table 21, the CRA contains an estimated commercial inventory of 542,000 sq. ft. of gross building area. This includes:

- 89 commercial retail spaces in either small neighborhood retail centers, strip centers or freestanding pads that contain:
 - 68,400 sq. ft. of general retail
 - 39,000 sq. ft. of food & beverage (including liquor stores)
 - 80,500 sq. ft. of grocery uses (including Harvey’s and several small, independent markets) and neighborhood/gas station convenience markets
 - 61,800 sq. ft. of other consumer services (laundromats, dry cleaners, hair salons and barber shops, nail salons, etc.)

The KingSoutel CRA Contains **250,000 SF of
Retail Space Across All Categories**

- This represents about **8.6 sq. ft. of retail space** for each of the **29,800 residents** of the **surrounding KingSoutel trade area**. This ratio is far *below* both the national average of

retail space per person (23.5 sq. ft. per capita) as well as the ratio in Jacksonville (26 sq. ft. per capita),

- The combined vacancy for all commercial uses in the KingSoutel CRA (including both office and retail space) is estimated at **89,500 sq. ft., or a vacancy rate of 16.5%**; and
- Information on key metrics for the area's retail inventory, such as rental rates, net absorption, etc., was not available.



Table 21: Estimated Commercial Inventory—KingSoutel CRA

	Gross Area In SF	Occupied Area In SF	SF by Category			
			General Retail	Food & Beverage	Grocery & C Store	Conv. & Service
General Retail						
Total Inventory	541,936	452,462	68,372	38,914	80,525	61,805
No. of Spaces	89	71	9	17	12	22
% of Occupied Area		83.5%	15.1%	8.6%	17.8%	13.7%
% of Use			12.6%	7.2%	14.9%	11.4%
			SF by Category			
			Finance/ Insurance/ Real Estate	Other Prof'l Office	Auto/Gas	Vacant
Other Commercial						
Total Inventory			2,000	191,484	9,362	89,474
No. of Spaces			2	5	10	18
% of Occupied Area			0.4%	42.3%	2.1%	N/A
% of Use			0.4%	35.3%	1.7%	16.5%

Source: RDS, LLC; WTL+a, October 2017.

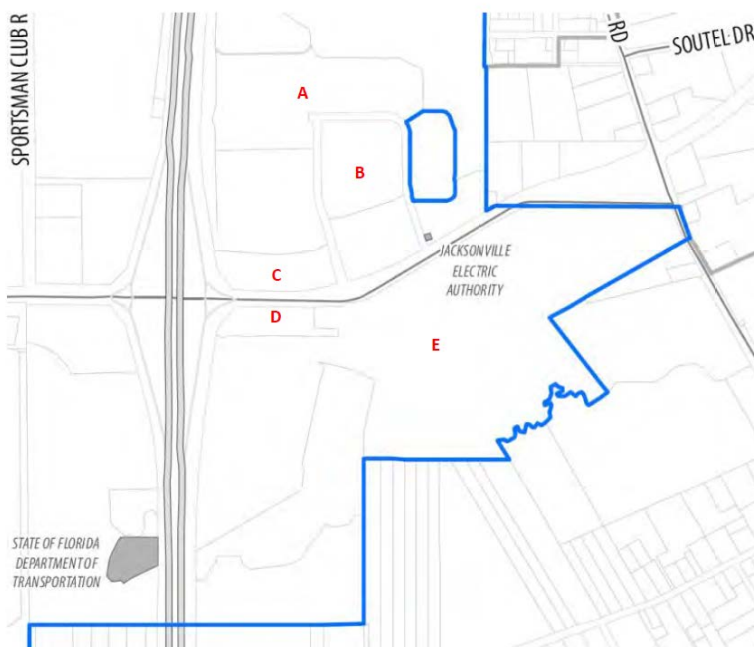
4 Market Potentials

This section of the report details our analysis of real estate market potentials for the four land uses based on the demographic profile in Section 2 and evaluation of real estate market conditions in Section 3. As presented in detail below, the market analysis focused on four key land uses: market-rate housing, workplace (general office and industrial) and hotel/lodging.

Potential Opportunity Sites

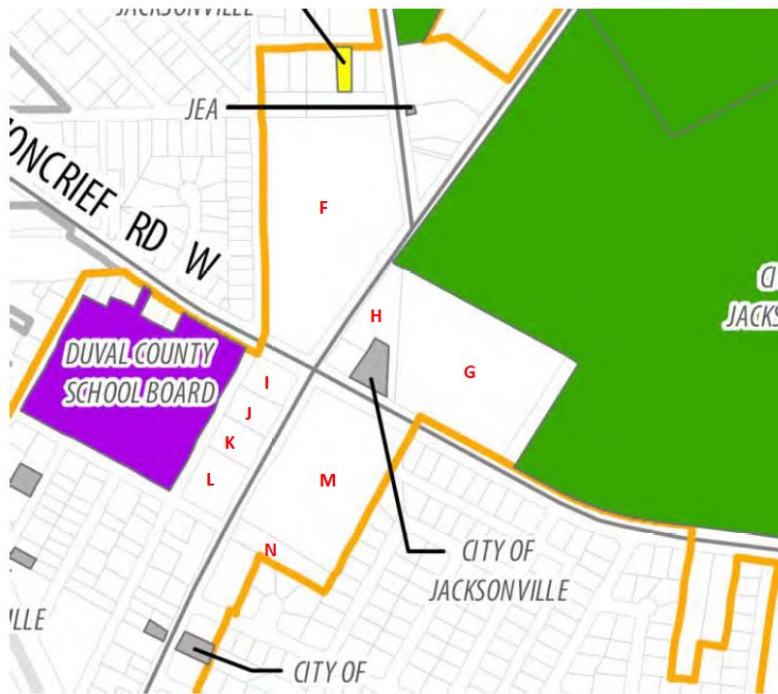
The planning team identified several “opportunity sites” in various locations in each of the four Character Districts. These include:

Figure 9: Opportunity Sites—Pritchard District



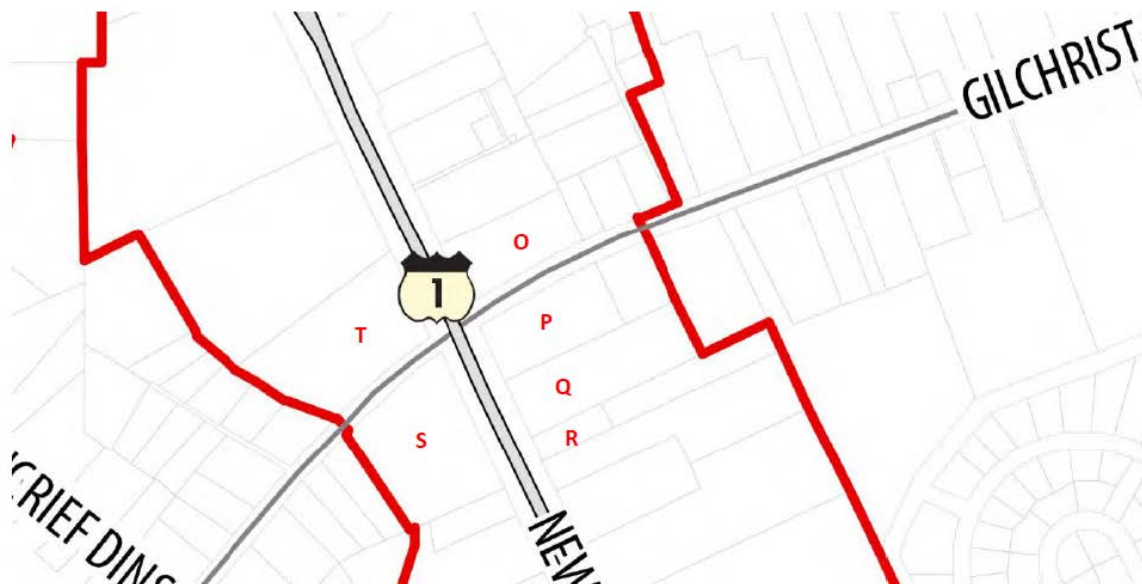
In the Pritchard District, there are five parcels along Pritchard Road comprising 147.7 acres of land. Three of the five parcels, with 38.9 acres, are under single-ownership.

Figure 10: Opportunity Sites—Soutel Place District



In the Soutel Place District, there are nine separate parcels comprising 28.6 acres clustered around the intersection of Moncrief Road and Soutel Drive.

Figure 11: Opportunity Sites—New Kings District



In the New Kings District, there are six parcels clustered around the intersection of New Kings Road/U.S. Route 1 and Gilchrist Road. These six parcels contain 15.1 acres of land. Four of these six parcels are under single-ownership.

Two additional opportunity sites not illustrated in these maps include:

- An 18.16-acre site located between Trout River Boulevard and I-295 near its interchange with New Kings Road/U.S. Route 1
- A 6.98-acre site located on the east side of New Kings Road in the New Kings District

These multiple opportunity sites contain a total of 216.5 acres of land.

Market-rate Housing

The demand analysis measures market potentials for new housing in the KingSoutel CRA for a 10-year period between 2017 and 2026. The analysis considers the following scenarios:

- **Scenario #1**—Utilizes an annual (“straight-line”) growth rate of 0.33% per year consistent with historic *actual* population growth rates in the KingSoutel trade area between 2000—2017. For purposes of this analysis, we extrapolated this growth rate through 2026.
- **Scenario #2**—Utilizes an annual growth rate of 0.47% per year based on a forecast of population growth as prepared by ESRI Business Analyst, a demographic forecasting service, for the next five years. For purposes of this analysis, we extrapolated this growth rate through 2026.

Both scenarios consider that some portion of the trade area’s “truly vacant” units could potentially be occupied by new population/household growth before new construction. However, as noted previously, the degree of physical and/or functional obsolescence is not known at this time.

Scenario #1

- As noted in the demographic profile in Section 2, between 2000 and 2017, the trade area’s population increased at a nominal, sustained annual rate of 0.33% per year. As illustrated in Table 22, if the *pace* of growth continues at this historic rate, it would yield almost **1,000 new residents in 385 new households** (i.e., housing units) assuming average household size of 2.58 remains unchanged. This would translate into *annual* demand of 38 units per year; and

Table 22: Housing Potentials, 2017—2026

	Forecasts (1)			Average Household Size (2)	2026 New Housing Units
	2017	2026	Population Change		
Scenario 1: Straight-line Forecast					
Average Annual Growth Rate (2000-2017)	0.33%				
Current & Future Population	29,792	30,785	993	2.58	385
Existing True Vacant Units					
2015 American Community Survey					1,773
Assume Habitable Units @	(3)				20%
Subtotal - Allocated Units:					355
Scenario #1 - Unallocated Units:					30
Scenario 2: Alternative Forecast (4)					
Forecast Annual Growth Rate (2017-2022)	0.47%				
Current & Future Population	29,792	31,210	1,418	2.58	550
Existing True Vacant Units					
2015 American Community Survey					1,773
Assume Habitable Units @	(3)				20%
Subtotal - Allocated Units:					355
Scenario #2 - Unallocated Units:					195

- (1) In Scenario #1, population forecasts assume that the KingSoutel area continues to grow at the same pace it did between 2000 and 2017 (i.e., a "straight-line" forecast).
- (2) In order to convert 2026 population growth into housing units, the analysis assumes that average household size remains the same as it has between 2000 and 2017 (2.58 persons per household).
- (3) According to data from the 2015 American Community Survey, the estimated true vacancy rate for housing in the KingSoutel area is 13.4%, or approximately 1,773 units.
- (4) Scenario #2 utilizes the 2017-2022 population growth forecasts (illustrated in Table 3) and applies them through 2026. It also assumes no change in average household size.

Source: University of Florida Bureau of Business & Economic Research; ESRI Business Analyst; WTL+a, October 2017.

- The next step allocates some portion of future growth in population/households to existing "truly vacant" units (estimated by the 2015 American Community Survey at 1,773 units). Since physical and/or functional obsolescence is not known at this time, WTL+a estimates that, at a minimum, 20% of existing true vacant units are assumed to be habitable and could accommodate future population/household growth. This would reduce demand for new construction by 335 units, thus leaving **net demand (for "unallocated" new construction) at only 30 units in Scenario #1 over the next 10 years.**

Scenario #2

- Scenario #2 utilizes the 2017—2022 growth rate as estimated by ESRI Business Analyst of 0.47% per year, and extrapolates that growth over the 10-year forecast period;
- If the surrounding trade area successfully grows at a sustained annual rate of 0.47% per year, it would yield over **1,400 new residents in 550 new households** (i.e., housing units) assuming average household size of 2.58 remains unchanged. This would translate into annual demand of 55 units per year;
- Like Scenario #1, the analysis assumes that some portion of future population/household growth can be accommodated in existing true vacant units. Since physical and/or functional obsolescence is not known at this time, WTL+a estimates that, at a minimum, 20% of existing true vacant units are assumed to be habitable and could accommodate future population/household growth. This would reduce demand for new construction by 335 units, thus leaving **net demand (for “unallocated” new construction) at 195 units in Scenario #2 over the next 10 years.**

Forecast Growth: 385 to 550 New Households (Units)

Over Next 10 Years

In conclusion, the significant number of truly vacant units (1,770 units) remains a deterrent to determining opportunities for new construction versus rehabilitation through code enforcement and the provision of rehabilitation programs. **We recommend that the City of Jacksonville undertake a comprehensive inventory to determine the magnitude of housing obsolescence as a means of guiding current code enforcement strategies.**

There appears to be several undeveloped parcels located adjacent to stable, attractive residential neighborhoods. These locations could potentially be developed with single-family detached residential and selected locations at crossroads could potentially include mixed-use residential/commercial infill uses to provide additional new housing, particularly with a varied mix of product to accommodate aging-in-place units, independent and/or assisted living units and first-time buyers for market-rate product and the like.

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We also note that a significant number of new housing units have been built in the surrounding trade area over the past 10 years—in projects like *Pritchard Point* and *Pickett's Cove* (187 new units). In fact, we estimate combined unit sales (i.e., absorption) when both projects were delivered between **30 and 50 new units per year**, which is a healthy indicator of residential demand for new housing. Pricing levels between \$195,000 and \$229,900 appear to support opportunities for new, market-rate housing in the KingSoutel trade area.

Workplace: Office

Knowledge-based industries like finance, software, business and management consulting services, market and communications, professional/business services such as accountants, legal and medical and other similar businesses house most of their employees in commercial office buildings.

As noted in Section 3, WTL+a believes that **the KingSoutel CRA is undersupplied in office-based services such as banks, legal, accounting**, etc. Moreover, the limited number of medical, dental, insurance and other professional services are widely dispersed across the CRA—in both small commercial buildings and converted residential properties.

Therefore, the first step in measuring support for new multi-tenant/speculative office space in the CRA examines market potentials for office space in Duval County, and allocates demand to the CRA. The analysis translates employment forecasts (for 2016—2024) among specific industry sectors in Duval County (as prepared by the Florida Department of Economic Opportunity/DEO), into demand for office space by applying an occupancy factor (of occupied space per employee) and estimates the proportion of employees in each sector who are office workers. We note that DEO employment forecasts are issued only in eight-year periods.

The analysis also considers demand generated by other market factors, such as vacancy adjustments, part-time/self-employed individuals (who may or may not occupy multi-tenant office space), and cumulative replacement; these estimates either increase or reduce future demand for office space. Cumulative replacement, for example, considers tenants that move when a building is removed from the inventory due to physical and/or functional obsolescence.

We note that assumptions pertaining to occupancy factors *may* be overstated. Since the 2007—2009 recession, office-using businesses have been reducing office occupancies, in some cases by significant amounts. Historically, the commercial real estate industry has used

an average occupancy factor of 250 sq. ft. per office employee. However, according to a 2017 study by REIS, Inc. (a national commercial real estate database), the amount of office space per employee has been steadily declining in each successive business cycle after a recession. REIS data indicate that, in the national economic expansion of the late 1990s, a new office employee was typically associated with approximately 175 sq. ft. of additional office space. During the early- and mid-2000s (until the 2007—2009 recession), the typical employee was associated with approximately 125 sq. ft. of additional office space. Since 2010, however, each added/new employee has been associated with only about 50 sq. ft. of additional office space. This is particularly notable in space-efficient industries like software and professional/business services, which have been the strongest growing sectors in this business cycle. Moreover, hoteling and remote work-arrangements, where employees share space rather than having dedicated offices or cubicles, enables companies to accommodate even more workers in a given amount of occupied space.

The office analysis is illustrated in Table 23 and Table 24, and summarized below:

Duval County

- The analysis indicates *gross* demand for 5.1 million sq. ft. of office space across Duval County between 2016 and 2024, assuming an average occupancy factor of 200 sq. ft. per office employee, generated by growth in office-using jobs. This is inclusive of adjustments related to vacancy, cumulative (building) replacements, tenant churn, etc.;
- From a financing perspective, however, some portion of the County's existing 3.04 million sq. ft. of vacant office space would need to be leased before new office space could be financed. It is also not known how much of the remaining existing vacant inventory suffers from physical and/or functional obsolescence, will be converted to other uses such as residential, or could be demolished.

For purposes of this analysis, WTL+a conservatively assumes that fully 50% of the County's vacant office inventory (approximately 1.52 million sq. ft.) is leased before financing is provided for new office construction. This serves to reduce the County's office vacancy rate (to roughly 6.2% from current levels), and lowers **demand generated by job growth in office-using sectors to approximately 3.6 million sq. ft. of *net new* space by 2024;**

Table 23: Workplace/Office Potentials—Duval County, 2016—2024

Industry Sector	New Jobs 2016-2024	% Office- Using	SF Occupancy Factor	2026 Demand (In SF)
Duval County				
Agriculture/Mining & Construction	4,871	10%	175	85,200
Manufacturing	485	20%	200	19,400
Transp/Communications/Utilities	2,119	40%	200	169,500
Wholesale & Retail Trade	4,743	20%	175	166,000
Finance/Insurance/Real Estate Services	4,136	85%	275	966,800
Professional, Scientific & Technical Services	5,922	90%	250	1,332,500
Management of Companies & Enterprises	(422)	60%	250	(63,300)
Administrative & Waste Management	5,639	35%	175	345,400
Educational Services	1,638	20%	225	73,700
Health Care & Social Assistance	13,812	35%	200	966,800
Arts, Entertainment & Recreation	634	20%	175	22,200
Accommodation & Food Services	6,913	20%	175	242,000
Other Services (Except Government)	1,337	35%	225	105,300
Government	1,018	60%	150	91,600
Self-Employed	3,101	10%	175	54,300
Total/Weighted Average:	55,811	38%	200	4,577,400
+ Vacancy Adjustment @		5%	(1)	228,900
+ Cumulative Replacement Demand		7.5%	(2)	343,300
2024 Gross Demand - Duval County:				5,149,600
Existing Vacant Office Space		3,044,520		
- Lease-up Required @	50%	(1,522,260)	(3)	(1,522,260)
Remaining Vacant Space:		1,522,260		
% Vacant		6.2%		
2024 Net Demand - Duval County:				3,627,300

- (1) This allows for a 5% "frictional" vacancy rate in new office space delivered to the market (i.e., this accounts for tenant movement to new space).
- (2) This represents new space required by existing businesses to replace obsolete or otherwise unusable office space. This is assumed to represent 7.5% of total demand.
- (3) From a financing perspective, some portion of existing vacant office space in Duval County will need to be leased before financing of new construction is viable. The analysis assumes that 50% of existing vacant office space is leased, thereby reducing the overall vacancy rate to approximately 6%.
- (4) This reflects existing office space in the CRA. The analysis assumes that the CRA maintains its "fair share" of countywide office space in the future.

Source: Florida Dept. of Economic Opportunity; Cushman & Wakefield, Inc.; RDS, LLC; WTL +a, October 2017.

KingSoutel CRA

- As illustrated in Table 24, opportunities for new office development are based on the CRA's current share of employment. With approximately 7,000 total employees, the CRA's share is estimated at 1.3% of Duval County's total employment of 542,400 (2016);
- Under this "fair share" analysis, the CRA would continue to capture 1.3% of future job growth, or approximately 720 new employees, by 2024. Assuming similar proportions of office-using jobs (38%) and occupancy factors (200 sq. ft. per office employee) translates into **gross demand for roughly 54,200 sq. ft. of office space over the next eight years;**

This analysis yields **net demand for approximately 54,200 sq. ft. of office space in the CRA by 2024**. However, since the amount of existing (habitable) office space in the CRA is unknown at this time, the amount of net demand (i.e., for new construction) cannot be determined.

Table 24: Workplace/Office Potentials—KingSoutel CRA, 2016—2024

Industry Sector	New Jobs 2016-2024	% Office- Using	SF Occupancy Factor	2026 Demand (In SF)
KingSoutel CRA				
Total Employment			(4)	7,007
As % of Duval County				1.3%
Fair Share Analysis				
2016-2024 Employment Growth (If Fair Share Maintained)				721
% Office-using Jobs				38%
SF Occupancy Factor				200
2024 Gross Demand (In SF):				54,200
Existing Vacant Office Space			(5)	-
2024 NET DEMAND (In SF):				54,200

- (1) This allows for a 5% "frictional" vacancy rate in new office space delivered to the market (i.e., this accounts for tenant movement to new space).
- (2) This represents new space required by existing businesses to replace obsolete or otherwise unusable office space. This is assumed to represent 7.5% of total demand.
- (3) From a financing perspective, some portion of existing vacant office space in Duval County will need to be leased before financing of new construction is viable. The analysis assumes that 50% of existing vacant office space is leased, thereby reducing the overall vacancy rate to approximately 6%.
- (4) This reflects estimated total employment in the KingSoutel Trade Area. The analysis assumes that the trade area maintains its fair share of countywide employment in the future.
- (5) The amount of vacant office space in the CRA is not known.

Source: Florida Dept. of Economic Opportunity; Cushman & Wakefield, Inc.; RDS, LLC; WTL +a, October 2017.

In conclusion, our analysis of office potentials assumes that adequate sites can be identified to accommodate new office space. Given uncertainties associated with required/achieved office rents necessary to support new construction in the KingSoutel CRA, this may require public policies that support financial and/or regulatory incentives for office/professional and business service uses.

Market support for office space in KingSoutel may also be strengthened by the provision of lower-cost space—such as rent write-downs for designated tenant types that are desired in the City. Desired tenant types may include professional services (such as banks, legal, accounting, etc.) given very limited offerings in these sectors. Office uses are also compatible with mixed-use development, which provides opportunities for developers to distribute risk across multiple uses.

KingSoutel CRA Office Potentials:

25,000 to 55,000 SF

Hotel/Lodging

As noted in Section 3, over the past six years, average annual occupancies of the competitive hotel supply near the KingSoutel CRA have increased from **56.6% in 2011 to 74.2% in 2016**, which reflects a significant, compound annual growth rate of 5.57% per year. Moreover, for the past three years, **sustained annual occupancies for these properties have ranged from 72.4% to 76.1%** (with a six-year average of 66.3% between 2011 and 2016). In 2017, occupancies through September averaged an extraordinarily strong 76.1%. These performance metrics meet the threshold required by the capital markets of sustained annual occupancies ranging from 65% to 72% to warrant capital market-based financing of new hotel construction.

In addition to sustained occupancy levels, the competitive supply has experienced solid growth in other key metrics of hotel performance—average daily rates (ADRs, or the amount charged per stay per day) and revenue per available room (REVPAR).

This performance analysis suggests that **there is sufficient demand/investment-level performance necessary to justify the addition of new hotel rooms in the KingSoutel area along I-295 in Northwest Jacksonville.**

In conclusion, market performance suggests that a new hotel is one of the stronger opportunities to be located on a site within the CRA that is visible and easily accessible from I-295. Opportunities for new hotel development in the KingSoutel CRA are wholly site dependent. While additional feasibility studies will be required, we conclude with the following:

- Potential opportunity for a minimum **80-room limited-service hotel** that will be affected by available sites
- Target sites will require I-295/highway frontage, immediate on/off access & visibility, including highway pylon signage
- Current traffic counts favor a location at the interchange of Pritchard Road and I-295
- A limited or select-service brand/product should be targeted

KingSoutel CRA Hotel Potentials:

80-room Limited-Service Property

Workplace: General Industrial

The first step in measuring support for new, general industrial space in the KingSoutel trade area examines market potentials for industrial use countywide and allocates demand. Like the office analysis, DEO employment forecasts for 2016—2024 among specific industry sectors in Duval County were translated into demand for general industrial space by applying an occupancy factor (of occupied space per employee) and estimates of the proportion of employees in each sector who are industrial workers. The following assumptions were utilized in the analysis:

- “General industrial” is defined to include warehousing and distribution, light assembly/manufacturing, freight and logistics and “flex” (combination of industrial and office) uses; and
- The generally accepted industry-standard occupancy factor for industrial space is in the range of 500 to 1,000 sq. ft. Unlike office occupancy factors, which are declining, occupancy factors for industrial employees are increasing due to the significant increase in

warehousing and distribution/logistics functions associated with large-scale employers such as Amazon fulfillment centers. For purposes of the analysis, we have utilized weighted average factors ranging from 491 to 717 sq. ft. per employee to account for the blend of small industrial businesses and manufacturers scattered across the County as well as new, larger warehousing and distribution buildings that are being constructed in newer industrial parks, particularly in the Northside and Westside industrial submarkets; and

- We consider demand generated by other market factors, such as vacancy adjustments, part-time/self-employed individuals (who may or may not occupy space), and cumulative replacement; these estimates either increase or reduce future demand for industrial space. Cumulative replacement, for example, considers tenants that move when a building is removed from the inventory due to physical and/or functional obsolescence.

The analysis is illustrated in Table 25 and highlighted below:

Duval County

- The analysis indicates *gross* demand ranging from 5.8 million to 8.4 million sq. ft. of general industrial space across Duval County between 2016 and 2024, generated by growth in industrial-using jobs and inclusive of adjustments related to vacancy, cumulative (building) replacements, tenant churn, etc.;
- From a financing perspective, however, some portion of the County's existing 4.3 million sq. ft. of vacant industrial space would need to be leased before new space could be financed. It is also not known how much of the remaining existing vacant inventory suffers from physical and/or functional obsolescence, will be converted to other uses, or could be demolished;
- For purposes of this analysis, WTL+a conservatively assumes that fully 25% of the County's 4.3 million sq. ft. of vacant industrial inventory—or 1.1 million sq. ft.—is leased before financing is provided for new construction. This serves to reduce the County's industrial vacancy rate to roughly 3.3% from current levels, and lowers demand generated by job growth in industrial-using sectors to a range of **4.7 million to 7.3 million sq. ft. of net new industrial space across Duval County by 2024.**

Table 25: Workplace/Industrial Potentials—Duval County, 2016—2024

Industry Sector	New Jobs 2016-2024	% Industrial- Using	SF Occupancy Factor		2024 Demand (In SF)	
			Low	High	Low	High
Duval County						
Agriculture & Mining	(30)	20%	600	850	(3,600)	(5,100)
Construction	4,866	15%	1,000	1,250	729,900	912,375
Manufacturing						
Durable Goods	534	90%	850	1,200	408,510	576,720
Non-Durable Goods	(49)	90%	850	1,200	(37,485)	(52,920)
Transp/Communications/Utilities						
Utilities	2	35%	850	1,200	595	840
Transportation & Warehousing	2,117	95%	850	1,200	1,709,478	2,413,380
Wholesale & Retail Trade						
Wholesale Trade	1,039	80%	850	1,200	706,520	997,440
Retail Trade	3,704	30%	600	1,000	666,720	1,111,200
Information & Finance/Real Estate						
Information	10	10%	850	1,000	850	1,000
Finance & Insurance	3,479	10%	150	300	52,185	104,370
Real Estate Rental & Leasing	647	5%	500	750	16,175	24,263
Services						
Professional, Scientific & Technical Services	5,922	10%	250	400	148,050	236,880
Management of Companies & Enterprises	(422)	5%	175	350	(3,693)	(7,385)
Administrative & Waste Management	5,639	10%	600	850	338,340	479,315
Educational Services	1,638	10%	750	1,200	122,850	196,560
Health Care & Social Assistance	13,812	5%	175	300	120,855	207,180
Arts, Entertainment & Recreation	634	5%	600	850	19,020	26,945
Accommodation & Food Services	6,913	5%	750	1,000	259,238	345,650
Other Services (Except Government)	1,337	10%	750	1,000	100,275	133,700
Government	1,018	10%	600	850	61,080	86,530
Self-Employed	3,101	5%	250	500	38,763	77,525
Total/Weighted Average:	55,811	15%	491	717	5,454,625	7,866,468
+ Vacancy Adjustment @		2%		(2)	109,100	157,300
+ Cumulative Replacement Demand		5%		(3)	272,700	393,300
2024 Gross Demand - Duval County (Rounded):					5,836,400	8,417,100
Existing Vacant Industrial Space		4,346,591				
- Lease-up Required @	25%	(1,086,600)		(4)	(1,086,600)	(1,086,600)
Remaining Vacant Space:		3,259,991				
% Vacant		3.3%				
2024 Net Demand - Duval County (Rounded):					4,749,800	7,330,500

- (1) General industrial is defined as warehousing/distribution, manufacturing and office service/flex uses.
- (2) This allows for a 2% "frictional" vacancy rate in new industrial space delivered to the market (i.e., this accounts for tenant movement to new space).
- (3) This represents new space required by existing businesses to replace obsolete or otherwise unusable industrial space. This is assumed to represent 5% of total demand.
- (4) From a financing perspective, some portion of existing vacant industrial space in Duval County will need to be leased before financing of new construction is viable. The analysis assumes that 25% of existing vacant industrial space is leased, thereby reducing the overall countywide industrial vacancy rate to approximately 3% (i.e., stabilized levels).

Source: FL Dept. of Economic Opportunity; Cushman & Wakefield of Florida; WTL +a, October 2017.

KingSoutel CRA

- The next step in the analysis is illustrated in Table 26. This estimates opportunities for new general industrial space in the KingSoutel trade area based on its current share of employment relative to Duval County, which is estimated at 2.6% of the County;
- Under this “fair share” analysis, the trade area would continue to capture 2.6% of future general industrial space generated by countywide job growth in industrial-using sectors. Assuming similar proportions of industrial-using jobs and occupancy factors translates into **limited demand ranging from a low of 150,000 sq. ft. to a high of 216,300 sq. ft. of general industrial space over the next eight years;**
- However, as discussed in Section 3, there are over 600,000 sq. ft. of vacant industrial space in the area today. As the degree of functional and/or physical obsolescence is not known, (i.e., these properties may be considered higher risk and more difficult to secure financing for renovation), the analysis assumes that 35% of the existing vacant industrial space is leased before financing is provided for new construction. In other words, absorbing some portion of existing, vacant space would thereby reduce the area’s industrial vacancy rate to 14%; and
- After eliminating some portion of vacant space among existing industrial buildings, the analysis reveals **limited/negative demand for new industrial space in the KingSoutel trade area** over the next eight years.

In conclusion, we note that no information was readily available to determine the functional obsolescence or physical condition of the area’s existing industrial supply. Several properties are 20 years old or older, suggesting that these buildings may no longer meet current industry requirements for warehousing and distribution functions, including clear ceiling heights, non-column floor areas, number of truck bays, etc.

These conditions may serve to support the proposed construction of as much as 1.8 million sq. ft. of new industrial space in the Pritchard Road corridor over the next several years (see Section 3). As we understand from brokers, these proposed buildings include two buildings that will be built at the western edge of the CRA (6600 Pritchard Road, with 550,000 sq. ft. and Sportsman Club Road, with 603,000 sq. ft.) and three projects outside of the CRA (638,300 sq. ft.). Pre-leasing efforts are underway, and it is likely that pre-leasing thresholds will be required

for these projects to be financed. We also recommend that on-site inventories and assessments of existing vacant spaces be conducted to reveal the functional and physical conditions of properties with vacant space, thereby reducing the amount of space available for re-use and/or its characterization as vacant.

Warehousing and distribution potentials are also affected by tenant/user requirements related to road access, adequate physical requirements for truck turning radii, clarification of usable vacant spaces (as well as the pace of absorption/occupancy of the proposed/planned projects). Warehousing/distribution functions will require a **minimum site size ranging from 20 to 30 acres** with utilities provided (at least to-stub), clear access and proximity to interchanges with I-295 to enhance regional market presence.

Table 26: Workplace/Industrial Potentials—KingSoutel CRA, 2016—2024

				2024 Demand (In SF)	
				Low	High
Existing Industrial Inventory					
Duval County			107,082,686		
Within 3.5 Miles of KingSoutel CRA			2,751,248		
As % of Duval County ("Fair Share")	(1)		2.6%		
2024 Gross Demand - Duval County:				5,836,400	8,417,100
Allocation to KingSoutel Trade Area					
2024 Gross Demand					
If Study Area Maintains Fair Share @			2.6%	150,000	216,300
Existing Vacant Industrial Space					
Vacant Space			603,218		
- Lease-up Required @		35%	(211,100)	(211,100)	(211,100)
Remaining Vacant Space:	(2)		392,118		
% Vacant			3.0%		
2024 NET DEMAND (In SF):				(61,100)	5,200

- (1) This reflects the share of the trade area's industrial inventory as a proportion of Duval County. The analysis assumes that the trade area maintains its "fair share" of the county's total industrial inventory in the future.
- (2) From a financing perspective, this reflects the amount of vacant space remaining after 35% of the trade area's existing vacant industrial space is leased.

Source: FL Dept. of Economic Opportunity; Cushman & Wakefield, Inc.; WTL+a, December 2017.

General Retail

- As noted, current retail offerings in the KingSoutel trade area (and more specifically within the CRA) are limited, widely dispersed and restricted in some locations by infrastructure challenges, and
- A reasonable recapture of a share of the estimated **\$42 million in annual retail sales leakage could potentially support 75,000 to 85,000 sq. ft. of additional retail space** (i.e., either net new or occupancy of existing vacant retail space), plus a possible neighborhood-scaled grocery store in the range of 25,000 to 40,000 sq. ft. in size.

5 TIF Analysis

A key component of the CRA Plan Update includes estimates of the potential annual tax increment revenues generated by specific (re)development projects on catalyst sites identified in the plan. Based on the results and the findings of the market study, specific projects were identified by the planning team and vetted by the community and the City.

This section of the report analyzes possible TIF revenues for these selected catalyst projects.

What is TIF?

Tax increment financing is a unique tool available to cities and counties across the U.S. for redevelopment activities. It is used to leverage public funds to promote private-sector activity in a targeted (redevelopment) area (also known as a Community Redevelopment Area, or CRA). The dollar value of all real property in the CRA is determined as of a fixed date; this is also known as the “frozen value” or a base year. Taxing authorities, which contribute to the tax increment, continue to receive property tax revenues based on the frozen value. These frozen value revenues are available for general government purposes. However, any tax revenues from increases in real property value, referred to as an “increment,” are deposited into a Community Redevelopment Agency’s Trust Fund and dedicated to the redevelopment area.

It is important to note that property tax revenue collected by the local School Board and any other special taxing district or entity are not affected under the tax increment financing process. Further (unlike in some states), Florida taxing entities write a check to the CRA Trust Fund, after monies are received from the tax collector. By comparison, in California the increment is sent to the CRAs directly out of collected County tax revenues, before they are distributed to each taxing entity.

Tax increment revenues can be used immediately, saved for a project, or can be bonded to maximize available funds. Any funds received from a TIF area must be used for specific redevelopment purposes within the targeted area, and not for general government purposes. In summary:

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- TIF realizes the incremental increase in real property tax revenues resulting from redevelopment and uses it to pay for public improvements needed to support and encourage new development
 - Funds allocated to this trust fund can only be used by the CRA to finance community redevelopment activity undertaken pursuant to an approved redevelopment plan
 - The value of real property in the CRA is determined as of a fixed date with a frozen base year assessed value
 - Local taxing authorities continue to pay tax revenue dollars on these property tax revenues based on the frozen base year assessed value, which is available for general government purposes
 - For purposes of calculating TIF revenues thereafter, 95% of ad valorem taxes are collected **from an increase in value of the real property within the redevelopment area over the frozen base year assessed value**. As the time of the CRA increases, its property values increase, and the tax increment revenue increase, and
 - The tax increment is available to repay public infrastructure and redevelopment costs of the CRA.

KingSoutel CRA TIF Trends, 2011—2016

As illustrated in Table 27, based on information provided by the City of Jacksonville, between fiscal years 2010/11 and 2016/17, **the KingSoutel CRA generated \$2,946,954 in total tax increment revenues**. This included \$2,943,559 generated by ad valorem (property) tax revenues as well as \$3,395 in investment pool earnings. This equates to a compound annual increase of 2.41% per year for the ad valorem portion of total revenues. WTL+a notes that total revenues *exclude* fund balance transfers of accumulated cash or prior year carryovers.

Table 27: KingSoutel CRA TIF Revenues—by Fiscal Year, 2011—2016

	Actual							Compound Ann'l Growth Rate:	Approved Budget
	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY2011-FY2017	FY 17/18
Revenue									
Ad Valorem Taxes	\$ 458,737	\$ 420,554	\$ 302,346	\$ 356,929	\$ 382,010	\$ 506,351	\$ 516,632	2.4%	\$ 611,672
Interfund Transfer In (3)	-	-	372,520	-	-	-	-	N/A	-
Transfer from Fund Balance (4)	-	-	-	-	-	1,471,106	125,000	N/A	98,664
Investment Pool Earnings	-	-	-	-	-	-	3,395	N/A	-
Total Revenue:	\$ 458,737	\$ 420,554	\$ 674,866	\$ 356,929	\$ 382,010	\$ 1,977,457	\$ 645,027	7.05%	\$ 710,336
Expenditures									
Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	85,490	N/A	\$ 160,721
Transfer Out (1) (3) (5) (6) (7)	449,470	372,520	-	-	-	1,852,457	460,873	0.5%	2,500
Reserves (8)	-	-	-	-	-	-	-	N/A	547,115
Cash Carryover (2)	9,267	48,034	674,866	356,929	382,010	125,000	98,664	60.5%	-
Total Expenditures:	\$ 458,737	\$ 420,554	\$ 674,866	\$ 356,929	\$ 382,010	\$ 1,977,457	\$ 645,027	7.05%	\$ 710,336

(1) \$449,470 was appropriated for Engineering/Design for New Kings Road (from Trout River Blvd to Borden).

(2) The amount of revenue in excess of expenditures was added to King Soutel CRA's fund balance.

(3) \$372,520 was transferred to the General Fund-GSD in FY 11/12, but funding was returned to the King Soutel CRA in FY 12/13.

(4) Fund balance transfers consistent of appropriations of accumulated cash carryover or prior year carryovers.

(5) Total infrastructure expenditures consist of \$1,120,000 (Lonnie Miller Regional Park improvements; Ordinance 2016-442-E); \$351,106 (water line improvements; Ordinance 2016-488-E); and \$381,351 (Soutel corridor improvements; Ordinance 2016-601-E).

(6) \$458,373 was appropriated for Soutel corridor improvements and \$2,500 was appropriated for the required annual audit.

(7) \$2,500 is budgeted for the required annual audit.

(8) The budgeted reserves balance of \$547,115 represents funding that is available for appropriation to plan authorized projects.

Source: City of Jacksonville; WTL+a, October 2017.

During this period, **the CRA generated total expenditures of \$2,848,290**, leaving a fund balance of \$98,664 at the end of fiscal year 2016/17. Expenditures included the following infrastructure improvements:

New Kings Road (Trout River Blvd to Borden)	\$ 449,470
Lonnie Miller Regional Park Improvements	\$1,120,000
Water Line Improvements	\$ 351,106
Soutel Corridor Improvements	\$ 381,351
Soutel Corridor Improvements	\$ 458,373
Audit Fees (FY 2016/17)	\$ 2,500
Operating Expenses (FY 2016/17)	<u>\$ 85,490</u>
TOTAL:	\$2,848,290

Proposed Catalyst Projects

Based on the results and findings of the market study, specific projects were identified by the planning team and vetted by the community and the City. As illustrated in Table 28, five parcels comprising approximately 47 acres of land were identified to accommodate a mix of new housing, commercial and industrial uses. Uses include:

- An 80-room limited-service hotel on a parcel located at the Pritchard Road interchange with I-295
- A 276,230 sq. ft. warehouse/distribution/logistics center on a large, 18.1-acre site at the New Kings Road/U.S. Route 1 interchange with I-295
- A \$250,000 home improvement fund as part of a demonstration program for candidate properties off New Kings Road
- A mixed-use project to include 18 townhouses and 4,500 sq. ft. of commercial space, and
- A 13,500 sq. ft. neighborhood retail center at Moncrief Road and Soutel Drive.

Table 28: Conceptual Development Programs—Selected Catalyst Sites

Parcel	Land Use	Parcel Size (Acres)	Residential		Hotel		Commercial SF	Industrial SF	TOTAL SF
			Units	SF	Rooms	SF			
I	Limited-service Hotel	6.15	-	-	80	26,000	-	-	26,000
A	Warehouse & Distribution	18.16	-	-	-	-	-	276,230	276,230
E (1)	Single-family Improvements	5.58	-	-	-	-	-	-	-
G	Mixed-use	9.88	18	36,000	-	-	4,500	-	40,500
H	Neighborhood Retail	7.13	-	-	-	-	13,500	-	13,500
TOTAL:		46.90	18	36,000	80	26,000	18,000	276,230	356,230

(1) Includes 23 single-family units or mobile homes designated for home improvements/upgrades as part of a neighborhood demonstration project.

Source: Prosser, Inc.; WTL+a, January 2018.

Key Assumptions

Key assumptions utilized in the analysis are as follows:

- The analysis estimates TIF revenues for a 20-year forecast period (2019—2038);
- As illustrated in Table 29, order-of-magnitude hard and soft development costs were prepared to serve as placeholders for actual taxable values to estimate potential TIF revenues generated by the uses proposed for these selected catalyst sites. Estimated development costs include hard and soft costs and current land value (from the Duval County Property Appraiser), but site, land development and infrastructure costs are unknown;
- While actual changes in ad valorem tax revenues in the KingSoutel CRA for fiscal years 2010/11 through 2016/17 averaged 2.41% per year, WTL+a has applied an annual escalation of 2% per year;
- For the 18 townhouses illustrated on Parcel G, it is assumed that these units will be 100% owner-occupied. Therefore, a current Homestead Exemption of \$50,000 per unit was applied estimated taxable value; and
- Total order-of-magnitude costs (estimated at \$29.3 million) are in current (2018) dollars;
- The current ad valorem millage rate of \$11.4419 per \$1,000 of assessed valuation (AV) was applied, using a 95% collection rate.

Potential TIF Revenues—Existing Properties

Potential TIF revenues generated by existing residential, commercial and industrial properties in the KingSoutel CRA for the 20-year forecast period are illustrated in Table 30:

- 2018 ad valorem taxable values: \$120.9 million over the 2008 base year of \$71,064,917
- Taxable values could increase by up to \$56 million over the next 20 years assuming an annual increase of 2% per year

TIF Revenues from Existing Properties (20 years): \$17.1 Million

Net Present Value (at 4.5% discount rate): \$10.0 Million

Table 29: Order-of-Magnitude Development Costs (In 2018 Dollars)

Parcel	Cost Item	Hard & Soft Costs	Other Estimated Costs (1)	Estimated Tenant Imp. Costs	Total Land Value	Total Costs (Market Value)	Estimated Taxable Value (2)
I	Limited-service Hotel	\$ 8,450,000	\$ -	\$ -	\$ 803,682	\$ 9,253,682	\$ 9,253,682
A	Warehouse & Distribution	10,903,444	-	-	1,781,528	12,684,972	12,684,972
E	Single-family Improvements	250,000	-	-	-	250,000	250,000
G	Mixed-use (Townhouses) (3)	3,960,000	-	-	765,330	4,725,330	3,825,330
G	Mixed-use (Restaurant) (3)	652,500	-	225,000	126,106	1,003,606	1,003,606
H	Neighborhood Retail	1,957,500	-	270,000	80,916	2,308,416	2,308,416
TOTAL COSTS (In \$000s):		\$ 26,173,444	\$ -	\$ 495,000	\$ 3,557,562	\$ 30,226,006	\$ 29,326,006
<i>As % of Total Market Value</i>							<i>97%</i>

(1) Other estimated costs include land development and utility infrastructure.

(2) Taxable values for the 18 townhouses on Parcel G assume 100% owner-occupancy; therefore, taxable values assume \$50,000 Homestead Exemption deduction for each unit.

(3) For the mixed-use concept on Parcel G, land values are distributed between townhouses (86%) and restaurant (14%) based on estimated hard & soft costs.

Source: Duval County Property Appraiser; Prosser, Inc.; Marshall & Swift; WTL+a, January 2018.

Table 30: Estimated TIF Revenues—Existing Properties, 2019—2038

	Taxable Values As % of Total-2018							20-Year Change: 2019-2038				
		1		5		10			15		20	
		2018	2019	2023	2028	2033	2038					
Total Taxable Values												
Old King's District	13%	\$ 15,953,534	\$ 16,272,605	\$ 17,613,991	\$ 19,447,269	\$ 21,471,356	\$ 23,706,112	\$ 7,433,508				
New King's District	19%	22,556,077	23,007,199	24,903,732	27,495,732	30,357,510	33,517,144	10,509,945				
Soutel Place District	12%	14,923,374	15,221,841	16,476,611	18,191,510	20,084,897	22,175,349	6,953,507				
Pritchard District	56%	67,469,159	68,818,542	74,491,403	82,244,528	90,804,605	100,255,621	31,437,079				
Subtotal:		\$ 120,902,144	\$ 123,320,187	\$ 133,485,736	\$ 147,379,039	\$ 162,718,368	\$ 179,654,226	\$ 56,334,039				
Less Base Year Taxable Value (2008)		\$ 71,064,917	\$ 71,064,917	\$ 71,064,917	\$ 71,064,917	\$ 71,064,917	\$ 71,064,917	\$ -				
Taxable Value:		\$ 49,837,227	\$ 52,255,270	\$ 62,420,819	\$ 76,314,122	\$ 91,653,451	\$ 108,589,309	\$ 56,334,039				
Incremental Increases:		\$ -	\$ 2,418,043	\$ 2,617,367	\$ 2,889,785	\$ 3,190,556	\$ 3,522,632					

Annual Escalation **2.0%** (1)

Potential Tax Increment to CRA

2018 CRA Trust Fund Mil Rate Per \$1,000 of Assessed Value (AV)

Adopted Millage Rate	\$ 11.4419
Collection Rate @	95%
CRA Mil Rate:	\$ 10.8698

TOTAL ANNUAL TAX INCREMENT-EXISTING PROPERTIES:

All Uses	\$ 541,721	\$ 568,005	\$ 678,502	\$ 829,520	\$ 996,255	\$ 1,180,345	
Total TIF In 5-Year Increments (Year 1=2019)			\$ 3,113,532	\$ 3,839,583	\$ 4,641,202	\$ 5,526,254	\$ 17,120,572
Net Present Value @	4.5%	\$ 10,534,058	(2)				

(1) Annual escalation is an estimate. Actual changes in ad valorem revenues in the KingSoutel CRA for fiscal years 2010/11 through 2016/17 totaled 2.41% per year between fiscal years 2010/11 and 2016/17.

(2) Net present value translates the future value of TIF revenues over the 20-year forecast period into a present value.

Source: Duval County Property Appraiser; City of Jacksonville; Prosser, Inc.; WTL+a, January 2018.

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Potential TIF Revenues—Selected Catalyst Projects

Potential TIF revenues generated by selected catalyst projects identified in the CRA Plan Update for the KingSoutel CRA for the 20-year forecast period are illustrated in Table 31:

- Uses are phased in over time between 2020 and 2030
- Catalyst projects could generate estimated taxable values of up to \$43.5 million over the next 20 years based on the assumptions identified in this analysis

TIF Revenues from Catalyst Projects (20 years): \$6.4 Million

Net Present Value (at 4.5% discount rate): \$3.38 Million

Summary of TIF Revenues—Existing & Catalyst

Potential TIF revenues generated by selected catalyst projects identified in the CRA Plan Update for the KingSoutel CRA for the 20-year forecast period are illustrated in Table 32:

Combined TIF Revenues (20 years): \$23.5 Million

Net Present Value (at 4.5% discount rate): \$20.8 Million

Table 31: Estimated TIF Revenues—Selected Catalyst Projects, 2019—2038

		Year of	<table><tr><th>1</th><th>5</th><th>10</th><th>15</th><th>20</th></tr><tr><th>2018</th><th>2019</th><th>2023</th><th>2028</th><th>2033</th><th>2038</th></tr></table>						1	5	10	15	20	2018	2019	2023	2028	2033	2038	20-Year Change:
1	5	10	15	20																
2018	2019	2023	2028	2033	2038															
Parcel		Delivery							2019-2038											
Taxable Values (1)																				
I	Limited-service Hotel	2020	\$ -	\$ -	\$ 10,216,813	\$ 11,280,187	\$ 12,454,238	\$ 13,750,485	\$ 13,750,485											
A	Warehouse & Distribution	2023	-	-	14,005,234	15,462,910	17,072,302	18,849,201	18,849,201											
E	Single-family Improvements	2024	-	-	-	304,749	336,467	371,487	371,487											
G	Mixed-use (Restaurant)	2027	-	-	-	4,663,056	5,148,391	5,684,240	5,684,240											
G	Mixed-use (Townhouses) (2)	2028	-	-	-	1,223,390	1,350,721	1,491,305	1,491,305											
H	Neighborhood Retail	2030	-	-	-	-	3,045,906	3,362,926	3,362,926											
Taxable Value:			\$ -	\$ -	\$ 24,222,047	\$ 32,934,292	\$ 39,408,025	\$ 43,509,644	\$ 43,509,644											
Incremental Increases:			\$ -	\$ -	\$ 14,205,564	\$ 1,845,172	\$ 772,706	\$ 853,130												

Annual Escalation **2.0%**

Potential Tax Increment to CRA

2018 CRA Trust Fund Mil Rate Per \$1,000 of Assessed Value (AV)

Adopted Millage Rate	\$ 11.4419
Collection Rate @	95%
CRA Mil Rate:	\$ 10.8698

TOTAL ANNUAL TAX INCREMENT-SELECTED CATALYST PROJECTS:

All Uses	\$ -	\$ -	\$ 263,289	\$ 357,989	\$ 428,358	\$ 472,941	
Total TIF In 5-Year Increments (Year 1=2019)			\$ 583,558	\$ 1,527,173	\$ 2,028,840	\$ 2,273,774	\$ 6,413,344
Net Present Value @ 4.5%	\$ 3,385,497	(3)					

(1) Taxable values of land uses in the catalyst projects are based on estimated hard and soft construction costs, tenant improvements and current land values.

Actual taxable values as determined by the Duval County Property Appraiser are not currently known.

(2) The analysis assumes that all residential uses are for-sale and 100% owner-occupied; the analysis applies the current \$50,000 Homestead Exemption.

(3) Net present value translates the future value of TIF revenues over the 20-year forecast period into a present value.

Source: Duval County Property Appraiser; City of Jacksonville; Prosser, Inc.; WTL+a, January 2018.

Table 32: Existing Properties & Selected Catalyst Projects, 2019—2038

		1	5	10	15	20	20-Year Change: 2019-2038
	2018	2019	2023	2028	2033	2038	
Potential Tax Increment to CRA							
2018 CRA Trust Fund Mil Rate Per \$1,000 of Assessed Value (AV)							
Adopted Millage Rate	\$	11.4419					
Collection Rate @		95%					
CRA Mil Rate:	\$	10.8698					
ANNUAL TAX INCREMENT:							
Existing Properties	\$	568,005	\$ 678,502	\$ 829,520	\$ 996,255	\$ 1,180,345	\$ 17,120,572
Selected Catalyst Projects	\$	-	\$ 263,289	\$ 357,989	\$ 428,358	\$ 472,941	\$ 6,413,344
Total TIF In 5-Year Increments (2019 Start)			\$ 3,697,090	\$ 5,366,756	\$ 6,670,042	\$ 7,800,028	\$ 23,533,916
Net Present Value @		4.5%	\$ 20,838,121				

Source: Duval County Property Appraiser; City of Jacksonville; Prosser, Inc.; WTL+a, February 2018.

Appendix

Table 33: Demographic Trends & Forecasts—City of Jacksonville, 2000—2022

	2000	2010	2017	% Dist.	2022	% Dist.	Change: 2017-2022	
							No.	CAGR %
Demographic Profile								
Population	735,617	821,784	886,969		937,201		50,232	1.11%
Households	284,499	323,106	345,890		364,469		18,579	1.05%
Avg. HH Size	2.53	2.48	2.51		2.52			
Median Age		35.5	36.7		37.2			
Race								
White		488,473	509,462	57%	523,398	56%	13,936	0.5%
Black		252,421	273,845	31%	289,475	31%	15,630	1.1%
American Indian		3,270	3,428	0%	3,620	0%	192	1.1%
Asian, Pacific Islander		35,987	45,312	5%	53,739	6%	8,427	3.5%
Other		17,995	23,988	3%	29,629	3%	5,641	4.3%
Two or More Races		23,638	30,934	3%	37,339	4%	6,405	3.8%
Total:		821,784	886,969		937,200		50,231	
Hispanic (1)		63,485	87,032	10%	109,968	12%	22,936	4.8%
Age Distribution								
0-14		164,098	168,729	19%	176,791	19%	8,062	0.9%
15-24		118,649	117,617	13%	120,538	13%	2,921	0.5%
25-34		122,314	136,727	15%	141,714	15%	4,987	0.7%
35-44		111,486	114,820	13%	126,368	13%	11,548	1.9%
45-54		121,534	116,175	13%	111,457	12%	(4,718)	-0.8%
55-64		93,763	110,781	12%	114,244	12%	3,463	0.6%
65-74		50,082	74,422	8%	88,100	9%	13,678	3.4%
75+		39,858	47,695	5%	57,989	6%	10,294	4.0%
Income Profile								
Households by Income								
<\$15,000			12.7%		12.2%			
\$15,000 - \$24,999			11.1%		10.1%			
\$25,000 - \$34,999			11.1%		9.6%			
\$35,000 - \$49,999			14.4%		12.5%			
\$50,000 - \$74,999			19.2%		18.5%			
\$75,000 - \$99,999			12.3%		14.4%			
\$100,000 - \$149,999			11.8%		13.9%			
\$150,000 - \$199,999			3.9%		4.6%			
\$200,000+			3.5%		4.2%			
Average HH Income		\$	68,815		\$	78,433		2.7%
Median HH Income		\$	50,562		\$	55,689		2.0%
Education Profile								
Years of Education (2015 American Community Survey/ACS)								
Less than 9th Grade			3.4%					
9th-12th Grade, No Diploma			8.4%					
High School Graduate (Includes Equivalency)			29.1%					
Some College, No Degree			23.2%					
Associate Degree			9.6%					
Bachelor's Degree			18.2%					
Graduate/Professional Degree			8.1%					

(1) Persons of Hispanic origin are a subset of other race categories; therefore, totals do not add.
<https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

Source: ESRI Business Analyst; American Community Survey; WTL +a, July 2017.

Table 34: Average Daily Traffic Counts for Selected Arterials

Road/Location	Data Collection Year								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Pritchard Road, I-295 to Old King's Road	12,040	11,721	12,813	13,038	14,295	14,225	15,345	14,965	15,813
Pritchard Road, west of I-295	23,500	25,000	21,000	20,500	21,000	22,000	22,000	23,500	30,000
Soutel, 1 mile NE of New King's Road	11,100	11,100	11,100	11,500	N/A	N/A	N/A	N/A	N/A
Soutel, Old Kings Road to New King's Road	N/A	N/A	6,176	7,796	8,425	8,704	11,530	N/A	N/A
Picketville Road, Old Kings Road to I-295	1,436	1,192	1,125	996	946	994	1,227	1,076	N/A
I-295, 1 mile of Pritchard Road	69,000	68,000	60,500	59,000	54,500	54,000	56,500	57,500	60,500
I-295, 1 mile north of New Kings Road	66,500	59,500	57,000	52,000	54,000	n/a	52,500	n/a	55,500
I-295, 1 mile north of Interstate 10	87,500	86,500	82,000	81,500	74,500	77,500	54,000	74,500	83,500

Source: *FDOT; Duval County Traffic Data, 2015; RDS, LLC; WTL+a, October 2017.*