

Feasibility Analysis – Shelter Site in the Greater Frenchtown/ Southside CRA

Prepared For:
City of Tallahassee
Community Redevelopment Agency
GAI Project Number: A151772.00

April 2017- Final Report

April 28, 2017

GAI Project No. A151772.00

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**Final Report
Feasibility Analysis
Shelter Site in the Greater Frenchtown/Southside CRA**

Dear Rick:

GAI Consultants, Inc. (GAI) has completed its feasibility analysis of the Shelter site in the Greater Frenchtown/Southside Community Redevelopment Area (CRA). This is the second phase of our study which was completed as outlined in our contract with you dated July 26, 2016. The attached report entitled "Feasibility Analysis – Shelter Site in Greater Frenchtown/ Southside CRA" summarizes the results of our analysis.

The report is based on estimates, assumptions, and other information related to the above. Such estimates, assumptions, or other information were developed from prior research, knowledge of the industry, and discussions with you. The sources of information and basis of estimates and assumptions are stated in the report. Since our documentation is based on estimates and assumptions which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent the data as results which would actually be achieved.

The following paragraphs express conditions and limitations which our firm necessarily states with any engagement of this nature. Please call us if you should have questions. GAI services did not include legal and regulatory counseling, comments on matters associated with zoning or other state and local government regulations, permits and licenses. Further, no effort was made to determine the possible effects on any specific projects as they may be influenced by present or future federal, state, or local legislation, including any bond restrictions, changes in tax structure or tax law, environmental or ecological matters, or interpretations thereof.

Mr. Rick McCraw, AICP
April 28, 2017
A151772.00

Planning | Urban Design
Landscape Architecture
Economics | Real Estate

Any conclusions and/or any prospective financial information that is included in our documentation were based on estimates and assumptions from previous studies, information developed from supplemental research, knowledge of the industry, and other sources, including certain information that you have provided. These sources of information and bases of significant estimates and assumptions are stated in our documentation. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur. Therefore, actual results achieved will vary from any estimates, and the variations may be material.

The terms of this engagement are such that we have no obligation to revise the document to reflect events or conditions, which occur subsequent to the date of the documentation.

Our documentation is intended solely for your information, internal planning and presentation to other interested parties. Neither our documentation nor its contents, nor any reference to our firm may be included or quoted in any real estate offering or registration statement, or other agreement or document without our prior permission. Permission will be granted upon meeting certain conditions.

Please contact us if you have any questions about this report. It was a pleasure working with you on this assignment and we look forward to completing the remainder of the analysis as noted in our scope of services and contract.

Sincerely,

**Community Solutions Group,
a GAI Consultants, Inc.
Service Group**

David R. Darsey
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1.0 EXECUTIVE SUMMARY

1.1 Introduction

GAI Consultants, Inc. (GAI) was retained by the City of Tallahassee Community Redevelopment Agency (Client) to analyze the feasibility of future development options on a potential redevelopment site in the Frenchtown/Southside Community Redevelopment Areas (CRA). This feasibility analysis is the second phase of our research effort for the Client and follows up on the first phase market study GAI conducted that estimated supportable levels of development for various land uses within the Greater Frenchtown/Southside and Downtown District CRA's. That report was issued in November 2016 and identified near-term and mid-term opportunities for various land uses city wide and the potential to support them in the CRA's. The land uses we analyzed included:

- ▶ Office
- ▶ Retail
- ▶ Hotel
- ▶ Multi-Family For-Rent Apartments
- ▶ Multi-Family For-Sale Condominiums

This feasibility study tests the market and financial implications for potential development at a specific development parcel within the Frenchtown/Southside Community Redevelopment Areas (CRA). This location is known as the Shelter Site, which totals approximately 4.55 +/- acres and is comprised of roughly the western three quarters of the block bounded by West Tennessee Street, Macomb Street, M.L. King Boulevard and West Virginia Street in Tallahassee, Florida. Other sites could potentially be analyzed if authorized by the Client as separate work efforts.

Beyond this feasibility study, the following major tasks could occur if authorized:

- ▶ Assistance in the preparation of a Request for Proposal (RFP) should one or more opportunities prove feasible or beneficial.
- ▶ Assistance in the general review and evaluation of information particular to qualified developer proposals which may be received.

This report summarizes the results of the feasibility analysis noted above as the second phase of our work effort. The remaining phases would occur at later dates when authorized by the Client.

1.2 Principal Work Steps of Market Study

The principal work steps within our feasibility analysis included:

- ▶ Review the market analysis prepared by GAI noted above.
- ▶ Profile the Shelter Site's existing uses, surrounding land uses, visibility and access.
- ▶ Discussions with the Client, organizations such as the Office of Economic Vitality, local real estate professionals, property managers and developers.
- ▶ Analyzed demographic data and trends.

- ▶ Profiled development and absorption trends for the land uses noted above in the areas near the site and within one and two mile rings.
- ▶ Identified proposed projects via interviews with appropriate planning agencies and local real estate industry professionals.
- ▶ Prepared estimates of market support and timing for development options at the Shelter Site based on the potential capture of this future development within the one and two mile radius rings and the Frenchtown area.

1.3 Methodology

- ▶ Demographic data are compiled from a variety of sources including Environmental Systems Research Institute (ESRI), the U.S. Bureau of Labor Statistics, and the U.S. Census Bureau. Projections and current year data are based on the American Community Survey Census five year estimates.
- ▶ Our analysis made use of several data sources or services to which we subscribe. These are described below. Most of this information speaks to *past or existing* conditions at the time of our research. Any *planned* additions to the office, retail, multi-family for rent and multi-family for sale supply were obtained from the Tallahassee Office of Economic Vitality. Only planned projects which are actively under construction, have obtained an approval within the last year, or applications “under review” are included. Projects which have approvals that are more than a year old with no recent activity, and projects in “pre-application” are not included. Projects that meet this methodology have been included based on discussions with the City and the Department of Economic Vitality as of April 20, 2017. Any modifications to these projects or the addition of new projects after this date have not be considered in this analysis.
- ▶ Office and Retail data are compiled from CoStar. CoStar was founded in 1987 and is considered one of the country’s leading providers of information, analytics and marketing services to the commercial real estate industry. Its service offerings principally include office, industrial and retail uses, with supplementary data available on the hospitality and multifamily apartment industry. CoStar does not set a minimum square footage threshold for reporting, however the data is broker reported and therefore smaller spaces may be reported less frequently.
- ▶ With regard to Multi-Family For-Rent data, we have changed the source of this data from MyRentComps to CoStar. CoStar recently acquired Apatments.com and Apartment Finder.com, making them a viable resource for apartment data, which was not available to us during the market analysis conducted last year.
- ▶ The terms of this engagement are such that we have no obligation to revise the document to reflect events or conditions, which occur subsequent to the date of the report, which is April 27, 2017.

1.4 Key Findings

The Frenchtown Redevelopment Partners, LLC has submitted a potential redevelopment option for the Shelter Site. Their plan generally consists of the following elements:

Table 1.1
Frenchtown Redevelopment Partners Redevelopment Scenario

Land Use	SF	Units
Office	25,000	
Retail	37,600	
Grocery Store	20,000	
Rental Apartments	195,000	250
Townhomes (1)	<u>32,000</u>	<u>20</u>
Total	309,600	270
Parking Garage (spaces)		700

Source: Frenchtown Redevelopment Partners, LLC; GAI
 (1) Estimated at 1,600 SF per unit.

In an effort to illustrate the timing of potential land uses for the Shelter Site, we have estimated the potential timing of future development based on the results of our earlier market analysis as well as the data presented in this report. These estimates are summarized in the table below.

Table 1.2
Estimated Development Timing – Shelter Site Land Uses

Land Use	Estimated Development Timeframe			
	2016-2020	2020-2025	2025-2030	After 2030
Traditional Market Rate Office				X
Retail:				
Existing businesses	X	X		
Grocery store			X	
Food and beverage/restaurants	X	X		
Service oriented retail	X	X		
Traditional small retail shops				X
Rental Apartments:				
Student oriented	X	X		
Affordable	X	X		
Mixed income			X	
Market rate non-student oriented				X
For-sale Townhomes:				
Affordable		X		
Mixed income			X	
Market rate				X

Source: GAI

Ultimately, whatever is developed at the Shelter Site will be determined by the local community, the City and interested developers. The thoughts we show here are strictly based on our earlier market analysis and the data pulled together for this report. There are *some aspects* of the development

proposed by the Frenchtown Redevelopment Partners that could be viable in the near term, but not the entire program as laid out and, in many cases, as specific parts are sized or scaled within the larger program. If there exists a desire to move the development forward at a quicker pace, some combinations of the above plan could be placed into motion sooner than later. Given that, we have summarized some additional scenarios that could be considered that we believe could be more likely to occur in the near-term (approximately five years).

Table 1.3
Option 1: Near-Term Development Program – Shelter Site

Land Use	SF	Units	Beds
Retail	20,000	NA	NA
Rental Apartments-Student Oriented	<u>290,000</u>	<u>160</u>	<u>550</u>
Total	310,000	160	550
Parking Garage Spaces (1)		530	

Source: GAI

(1) Parking at 3 per 1,000 square feet of retail and 85% of apartment bed count.

Option 1 focuses on rental apartments that are student oriented and also includes retail space that would most likely be oriented towards some type of restaurant/food and beverage development. The office and for-sale townhome product is not included in this option. The same approximate total square footage that was in the Frenchtown Redevelopment Partners plan is included here, so the resulting FAR would be similar. In this option, some of the ground floor space would be residential in nature. We recommend that the residential ground floor space be built to allow conversion to retail at a later date. This would mean allowing for 10 foot ceilings and installing the necessary infrastructure for retail/food and beverage space. As the demand grows for retail/food and beverage/grocery store, residential space could be converted.

Table 1.4
Option 2: Near-Term Development Program – Shelter Site

Land Use	SF	Units	Beds
Retail	40,000	NA	NA
Rental Apartments-Student Oriented	<u>270,000</u>	<u>150</u>	<u>515</u>
Total	310,000	150	515
Parking Garage Spaces (1)		560	

Source: GAI

(1) Parking at 3 per 1,000 square feet of retail and 85% of apartment bed count.

Option 2 is similar to Option 1 but includes a greater amount of retail/food and beverage space, thus lowering the bed count of the rental apartments. The same ground floor requirement for future conversion of residential units to retail space would need to be in place.

Table 1.5
Option 3: Near-Term Development Program – Shelter Site

Land Use	SF	Units
Retail	15,000	NA
Rental Apartments-Affordable	<u>130,000</u>	<u>165</u>
Total	145,000	165
Parking Garage Spaces (1)		255

Source: GAI

(1) Parking at 3 per 1,000 square feet of retail and 1.25 per apartment unit.

Option 3 allows for the development of affordable rental apartments that are not student oriented. This option assumes that about two-thirds of the square footage in the Frenchtown Redevelopment Partners plan is affordable. The remaining market rate product would be developed at a later date when demand for that product at this site allows. A smaller amount of retail/food and beverage space would be developed initially since the number of apartment residents is lower in this option than the others presented. Again, the same ground floor requirement for future conversion of residential units to retail space would need to be in place.

As a means of testing potential development timing, capture rates of the County’s future development (estimated during the market analysis conducted last year) were calculated for each development option. The resulting capture rates were reasonable given the historical experience in the One and Two Mile radiuses from the Shelter Site noted in later in this report.

In general, the spread between what a project might be worth, less its cost of development, equates to the residual available for land, the sum a developer *might* be able to pay for the underlying real estate while staying within acceptable ranges of financial performance. Should a piece of property cost more than this simple calculation, the property and larger project would not be deemed an attractive investment opportunity based strictly on economic considerations. In our opinion, based on this measure, student apartments in general return the greatest value to the underlying real estate in the current market situation.

The table on the following page summarizes the results of this comparison of development options.

Table 1.6
Financial Implications of Development Program Options– Shelter Site

Land Uses	Frenchtown Development Partners	Option 1	Option 2	Option 3
Rental Apartments:				
Number of Units or Beds	250	550	515	165
Improvement Costs Per Unit or Bed	\$117,000	\$101,000	\$101,000	\$117,000
Rental Rate Per SF	\$1.50	\$2.10	\$2.10	\$1.50
Occupancy %	90%	94%	94%	95%
Land Residual Value	(\$92,000)	\$5,590,000	\$5,176,000	\$1,009,000
For-Sale Townhomes:				
Number of Units	20	NA	NA	NA
Improvement Costs Per Unit	\$240,000	NA	NA	NA
Sales Price Per SF	\$100	NA	NA	NA
Land Residual Value	(\$218,000)	NA	NA	NA
Office:				
Number of SF	25,000	NA	NA	NA
Improvement Costs Per SF	\$192	NA	NA	NA
Rental Rate Per SF	\$15.00	NA	NA	NA
Occupancy %	90%	NA	NA	NA
Land Residual Value	(\$1,949,000)	NA	NA	NA
Retail:				
Number of SF	57,600	20,000	40,000	15,000
Improvement Costs Per SF	\$151	\$151	\$151	\$151
Rental Rate Per SF	\$18.00	\$18.00	\$18.00	\$18.00
Occupancy %	50%	95%	70%	95%
Land Residual Value	(\$3,706,000)	\$277,000	(\$1,184,000)	\$208,000
Total Land Residual Value	(\$5,965,000)	\$5,867,000	\$3,992,000	\$1,217,000

Source: GAI

The table above indicates that Option 1 yields the highest residual land value. Option 2 and 3 also have positive values, but are not as high as Option 1. The Frenchtown Redevelopment Partners plan is negative, mainly dragged down by an office and retail product that is not supportable by the market. Smaller amounts of retail space can generally function in the market, allowing additional retail to be added in the future via conversion of residential space. The development costs associated with the for-sale townhomes cannot support the level of pricing needed to make that option a viable part of the plan. Market rate rental product is premature, but affordable rental product produces positive results, just not as high as student oriented housing.

This is not to say the Frenchtown Redevelopment Partners plan cannot be done. Although the market does not currently support all the uses as proposed, it may in the future. The property would need to be held until market support justified moving forward, which in our opinion would be towards the latter end of the projection period.

As noted earlier, whatever is ultimately developed at the Shelter Site will be determined by the local community, the City and interested developers. This exercise was meant as a means to gauge the impacts of various options. However, the market will be the ultimate decider on what functions at this location. Actual responses to future requests for proposals from private development teams will be the real gauge as to the desirability of the Shelter Site for future development.

1.5 Next Steps

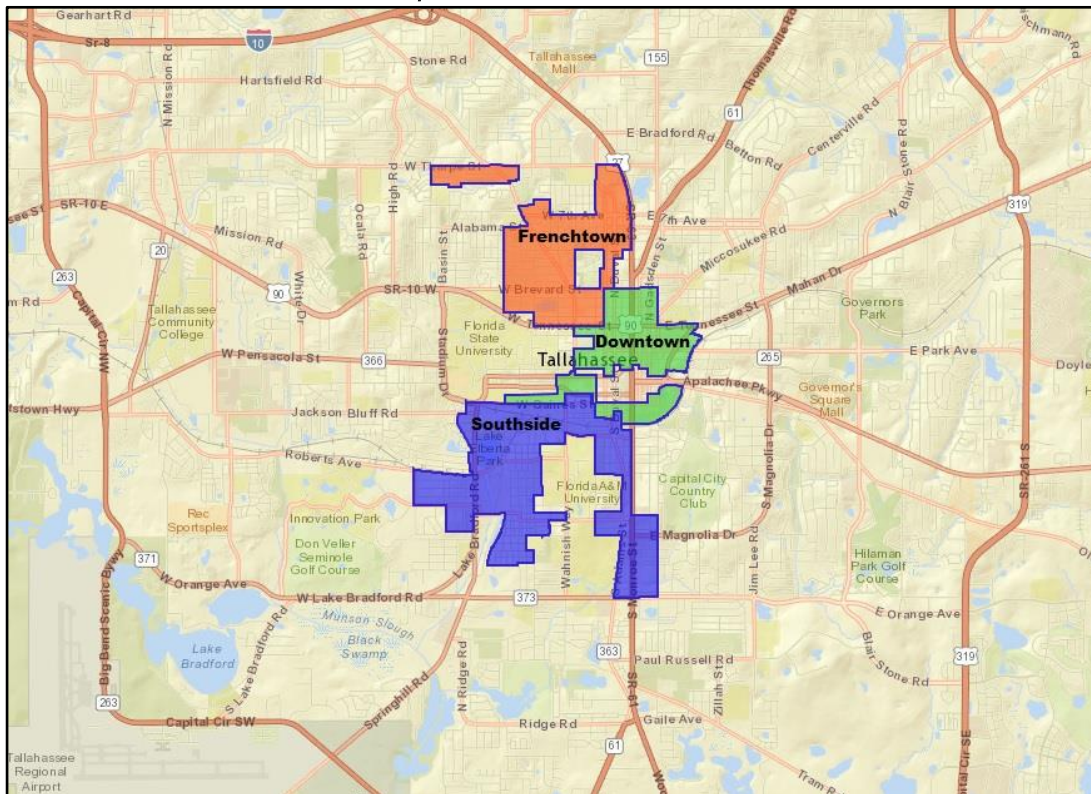
Our analysis has attempted to place parameters on the potential development opportunities at the Shelter Site. Other sites could potentially be analyzed if authorized by the Client. A separate report would be issued on any future analysis.

2.0 SHELTER SITE AND SURROUNDING AREA

2.1 Location and Area Overview

The Shelter Site is located in the City of Tallahassee within Leon County. The Shelter Site is in the Frenchtown District of the Greater Frenchtown/Southside CRA. Within the City of Tallahassee there are two CRA's, the Downtown District CRA and the Greater Frenchtown/Southside CRA. As shown in Figure 1.0, the Greater Frenchtown/Southside CRA is separated by the Downtown District CRA.

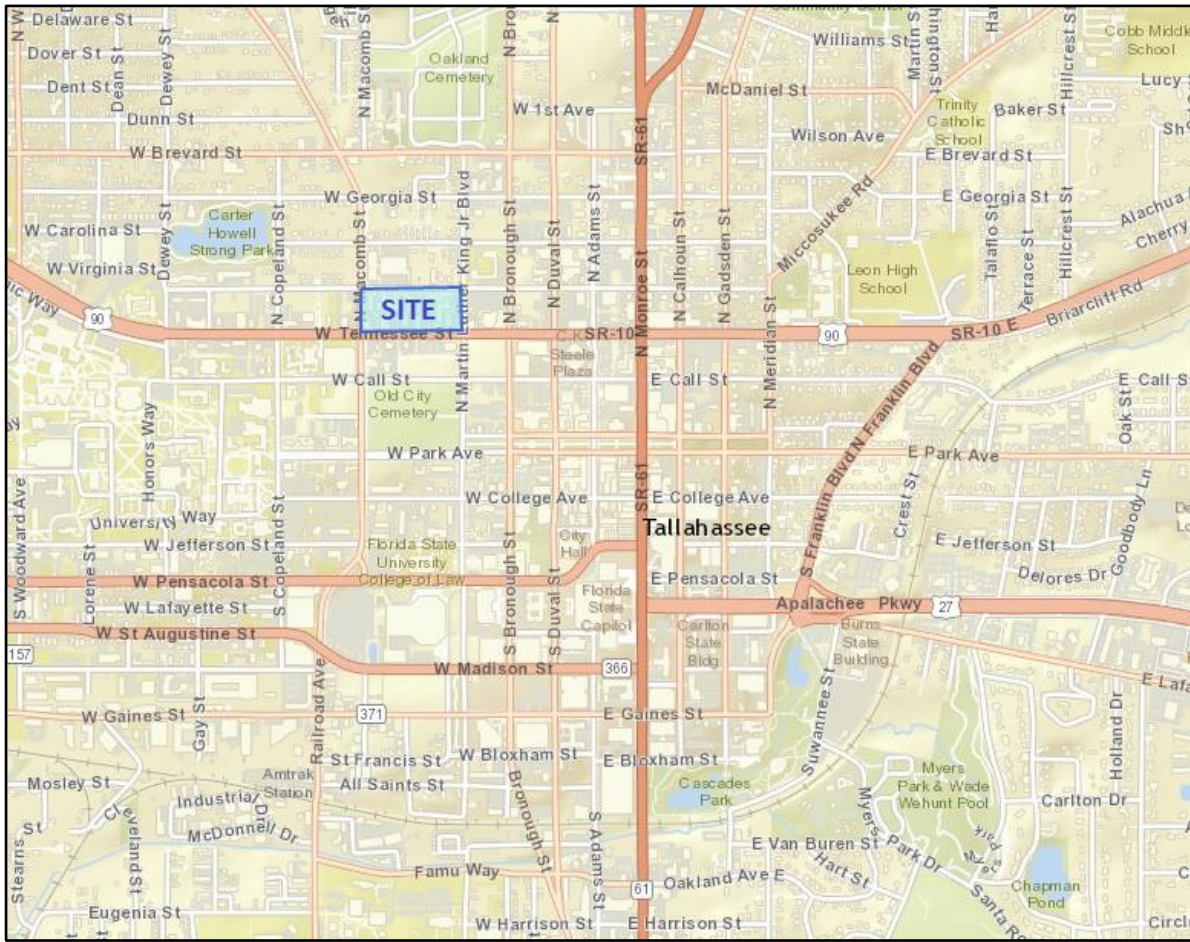
Figure 1.0
Frenchtown, Southside and Downtown Districts



Source: ESRI; GAI

The location of the Shelter Site is shown in Figures 2.0 and 2.1 below.

Figure 2.0
Shelter Site Location



Source: ESRI; GAI

Figure 2.1
Shelter Site Location



Source: ESRI; GAI

2.2 Access, Context and Visibility

The Shelter Site is well positioned at the northeast corner of the intersection of West Tennessee Street and North Maccomb Street, which is directly across West Tennessee Street from an entrance to the Florida State University main campus.

Vehicle counts per day on the major roadways along which the Shelter Site is located indicate higher activity on the six-lane West Tennessee Street frontage than the four-lane North Maccomb Street frontage.

- ▶ Tennessee Street
 - Maccomb – Monroe: 35,426 (5/11/2016)
- ▶ Maccomb Street
 - Tennessee – Brevard: 17,902 (4/20/2016)

2.3 Existing Land Uses on Site

The Shelter Site is currently occupied by several structures with a variety of uses. The following list identifies each structure on the property and the current use operating within each structure:

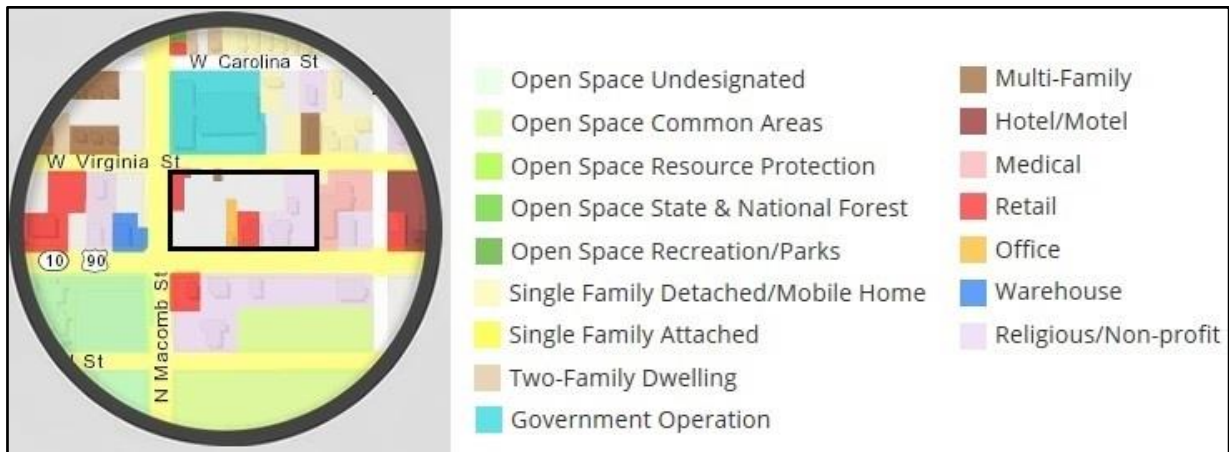
- ▶ 10,281 square foot building: Pharmacy, Barber Shop
- ▶ 6,136 square foot building: Restaurant, Tattoo Parlor
- ▶ 7,200 square foot building: Religious/Non Profit
- ▶ 2,900 square foot multi-family structure of less than 10 rental units
- ▶ 1,320 square foot building: vacant

On-site buildings were generally built in the 1930-1970 time period. The existing retail is largely service oriented and the occupied office space houses religious/non-profit organizations. The half-acre site which formerly housed The Shelter Community Center, is now vacant following the demolished of the roughly 10,000 square foot structure in March of 2017. Figure 2.2 in the following section shows the existing land uses on the Shelter Site after demolition of the structure.

2.4 Surrounding Land Uses

As show in figure 2.2 below, the existing uses surrounding the Shelter Site include Government (Renaissance Center) and Residential to the north, Medical (Assisted Living Facility) and Religious/Non-Profit to the east, Retail (restaurants) and Religious/Non-Profit to the south and Warehouse (Auto Parts and Service) to the west. Although the surrounding uses vary in age, most structures were built in the 1930-1970 time period.

Figure 2.2
Shelter Site Location & Existing Land Uses



Source: Tallahassee Leon County GIS; GAI

2.5 Implications

Located on the northeast corner of the intersection of two major roadways in Tallahassee, with Renaissance Center and Florida State University as north and south neighbors, the Shelter Site has good visibility and access to the community and region. The surrounding properties are primarily traditional single use sites with a single street frontage. However, the Shelter Site has street frontage on three sides and houses a diverse mixture of uses including retail, restaurant, community facilities, office and multi-family. These current on-site uses are housed in older buildings that are typical of the surrounding neighborhood.

3.0 SOCIO-ECONOMIC TRENDS

3.1 Population

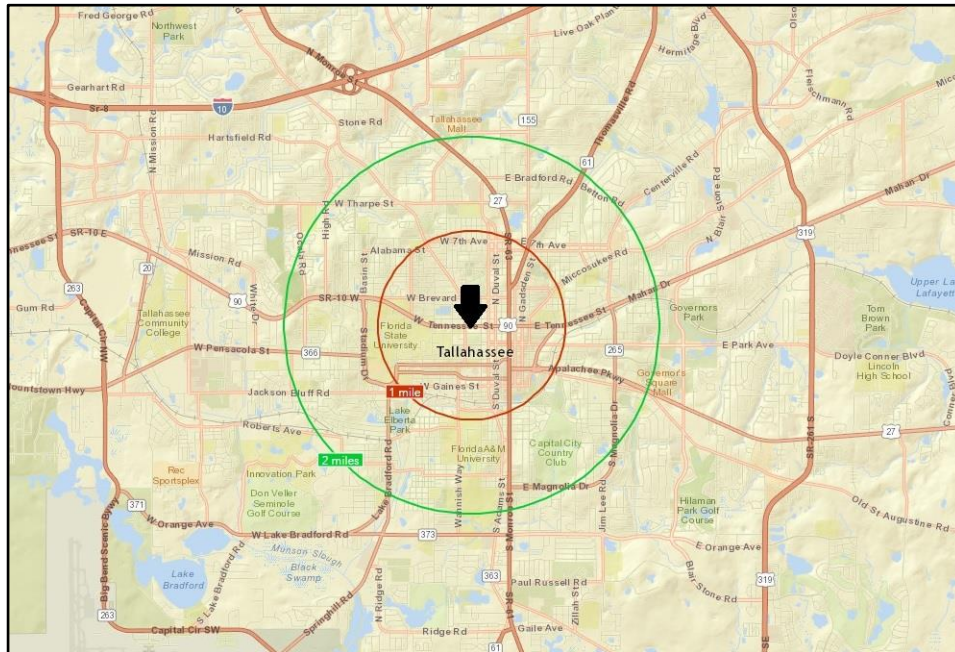
The City of Tallahassee is the only incorporated municipality within Leon County, and captures roughly 66% of the total population of the County. With Tallahassee representing such a large percent of the total population of Leon County, many other population related statistics show similarities. Specifically, the racial mix, age distribution and educational attainment of the total population are very similar between the City and County.

The Shelter Site is located within the Frenchtown District, however the demographic characteristics within a One and Two Mile radius of the Shelter Site are more similar to that of Leon County and the City of Tallahassee than that of the Frenchtown District. While the population of the Frenchtown District represents less than 2% of the total population of Leon County, the area within a One and Two Mile radius of the Shelter Site represents roughly 6% and 19%, respectively, of the County's population.

One factor that is similar across all of the geographies profiled is the population over the age of 75. All of the geographies profiled show less than 5% of the population over the age of 75.

Figure 3.0 below shows the areas contained in the One and Two Mile radii. Table 3.1 on the following page shows the current and historical population and characteristics of the profiled geographies as well as population projections for 2021.

Figure 3.0
Shelter Site: 1 Mile Radius and 2 Mile Radius Map



Source: ESRI; GAI

Table 3.1
Population by Selected Geography

	Leon County	City of Tallahassee	Frenchtown District	Shelter Site 1 mile radius	Shelter Site 2 mile radius
Population:					
2000 Census	239,452	155,966	4,516	14,303	49,648
2010 Census	275,487	181,433	5,603	16,905	52,269
2016 Estimate	285,432	188,588	5,670	17,286	53,945
2021 Projection	293,910	194,446	5,747	17,553	55,303
Avg Annual Growth % (2000 - 2010)	1.4%	1.5%	2.2%	1.7%	0.5%
Avg Annual Growth % (2010 - 2016)	0.6%	0.6%	0.2%	0.4%	0.5%
Avg Annual Growth % (2016 - 2021)	0.6%	0.6%	0.3%	0.3%	0.5%
2016 Population by Race:					
White	64.4%	59.6%	38.4%	69.5%	57.6%
Black	33.7%	38.5%	59.8%	28.7%	40.4%
Am. Indian & Alaskan	0.3%	0.3%	0.5%	0.3%	0.3%
Hawaiian & Pacific Island	0.1%	0.1%	0.1%	0.1%	0.1%
Other	1.5%	1.6%	1.2%	1.4%	1.6%
2016 Population by Age:					
Age 0 - 19	24.9%	24.8%	17.9%	38.1%	29.0%
Age 20 - 34	30.7%	37.3%	39.4%	39.8%	45.9%
Age 35 - 54	21.6%	18.9%	23.4%	11.6%	12.5%
Age 55 - 74	18.3%	14.9%	15.2%	8.2%	9.7%
Age 75 +	4.4%	4.1%	4.1%	2.3%	3.0%
2016 Population by Education:					
Some High School No Diploma	5.5%	5.2%	14.6%	8.4%	7.1%
High School Graduate	16.2%	14.4%	21.0%	23.7%	10.9%
Some College no Degree	20.3%	19.7%	28.9%	21.3%	22.0%
Associate Degree	9.9%	10.4%	14.1%	10.4%	11.6%
Bachelor Degree	27.4%	28.4%	10.0%	18.9%	28.5%
Advanced Degree	20.7%	21.9%	11.4%	17.2%	20.0%
<i>Source: ESRI; GAI</i>					

3.2 Housing

The City of Tallahassee captures approximately 68% of the total households within Leon County. While the Frenchtown District only represent about 2% of the total households within Leon County, the One and Two Mile radius from the Shelter Site represent approximately 5% and 18% of the total household within Leon County, respectively.

Total households in Leon County and Tallahassee have been growing steadily over the past 15 years and are projected to continue that growth pattern through 2021. Household growth has not been as



consistent within the Frenchtown District. While the Frenchtown District saw nearly no growth in total households between 2010 and 2016, the area within a One Mile radius of the Shelter Site has seen steady growth since 2000 and is projected to continue that growth pattern through 2021. The area within the Two Mile radius of the Shelter Site saw a decline in total households between 2000 and 2010. However the area has seen growth since 2010 and that growth is projected to continue through 2021.

Housing tenure is an area that is changing in Leon County. Since 2000, renter-occupied households have been steadily increasing within Leon County and now represents the majority of households within the county. The percentage of renter-occupied households has been increasing within all of the profiled geographies, and renter-occupied households dominate the One and Two Mile radius areas around the Shelter Site. This trend is projected to continue through 2021, with renter-occupied households accounting for over 80% the households within the One and Two mile radius areas of the Shelter Site, over 60% within the City of Tallahassee, and over 50% within Leon County. The impact of the student population attending the state universities in the One and Two Mile radius are helping to increase the renter-occupied percentages in these geographies.

Table 3.2
Housing by Selected Geography

	Leon County	City of Tallahassee	Frenchtown District	Shelter Site 1 mile radius	Shelter Site 2 mile radius
Households:					
2000 Census	96,521	65,318	2,156	5,043	20,139
2010 Census	110,945	74,841	2,367	5,263	19,742
2016 Estimate	113,493	76,756	2,369	5,369	20,202
2021 Projection	116,423	78,859	2,397	5,494	20,728
Avg Annual Growth % (2000 - 2010)	1.4%	1.4%	0.9%	0.4%	-0.2%
Avg Annual Growth % (2010 - 2016)	0.4%	0.4%	0.0%	0.3%	0.4%
Avg Annual Growth % (2016 - 2021)	0.5%	0.5%	0.2%	0.5%	0.5%
Owner Occupied HH (2000)	55,006	29,434	554	1,057	5,307
Renter Occupied HH (2000)	41,515	35,884	1,602	3,987	14,833
Owner Occupied % (2000)	57.0%	45.1%	25.7%	21.0%	26.4%
Renter Occupied % (2000)	43.0%	54.9%	74.3%	79.1%	73.7%
Owner Occupied HH (2010)	60,393	31,001	524	991	4,877
Renter Occupied HH (2010)	50,552	43,840	1,843	4,272	14,865
Owner Occupied % (2010)	54.4%	41.4%	22.1%	18.8%	24.7%
Renter Occupied % (2010)	45.6%	58.6%	77.9%	81.2%	75.3%
Owner Occupied HH (2016)	55,934	28,394	418	803	4,071
Renter Occupied HH (2016)	57,559	48,362	1,950	4,566	16,131
Owner Occupied % (2016)	49.3%	37.0%	17.6%	15.0%	20.2%
Renter Occupied % (2016)	50.7%	63.0%	82.3%	85.0%	79.8%
Owner Occupied HH (2021)	56,828	28,770	415	816	4,108
Renter Occupied HH (2021)	59,595	50,089	1,982	4,678	16,620
Owner Occupied % (2021)	48.8%	36.5%	17.3%	14.9%	19.8%
Renter Occupied % (2021)	51.2%	63.5%	82.7%	85.1%	80.2%

Source: ESRI; GAI

3.3 Income

As shown in Table 3.3 below, average household incomes are projected to increase through 2021 in all geographies, however median household incomes are projected to decrease between 2016 and 2021 within the Frenchtown District by roughly 3.6%, in the One Mile radius area by roughly 1.1% and in the Two Mile radius area by roughly 8.4%. This disparity can be partially explained in that average household income is usually more affected by the relatively unequal distribution of income which tilts towards the top, meaning that the concentration of wealth among relatively few households affects average household incomes while it has little impact on median household incomes.

Household incomes are higher in Leon County than within the City of Tallahassee. The average household income in Leon County is approximately 13% higher than that of the City of Tallahassee for 2016, and is projected to remain 13% higher through 2021. The median household income in Leon County is approximately 20% higher than that of the City of Tallahassee, and is projected to increase to 25.5% higher than Tallahassee by 2021. Average and median household incomes in the Frenchtown District are lower than that of the City and the County, however they are also higher than those seen in the One Mile radius area of the Shelter Site and only slightly lower than those seen in the Two Mile radius of the Shelter Site.

Table 3.3
Average and Median Household Income

	Leon County	City of Tallahassee	Frenchtown District	Shelter Site 1 mile radius	Shelter Site 2 mile radius
Avg Household Income:					
2016	\$68,069	\$60,271	\$36,284	\$31,386	\$40,880
2021	\$73,578	\$65,012	\$38,578	\$34,055	\$44,095
Med Household Income:					
2016	\$46,419	\$38,701	\$22,192	\$17,124	\$24,880
2021	\$52,918	\$42,165	\$21,398	\$16,929	\$22,798
<i>Source: ESRI; GAI</i>					

Table 3.4
Household Income by Selected Geography (2016)

2016	Leon County	City of Tallahassee	Frenchtown District	Shelter Site 1 mile radius	Shelter Site 2 mile radius
< \$15,000	18.4%	23.1%	44.6%	45.6%	34.8%
\$15,000 - \$25,000	10.9%	12.2%	15.6%	15.1%	15.3%
\$25,000 - \$50,000	10.0%	10.7%	13.8%	12.8%	13.4%
\$50,000 - \$75,000	13.2%	13.2%	9.8%	8.7%	12.3%
\$75,000 - \$100,000	15.3%	14.3%	7.4%	7.0%	9.7%
\$100,000 - \$125,000	11.0%	9.5%	4.8%	6.0%	6.2%
\$125,000 - \$150,000	12.8%	10.1%	2.9%	3.0%	5.0%
\$150,000 - \$200,000	4.5%	3.7%	0.6%	1.0%	1.6%
\$200,000+	3.9%	3.4%	0.5%	0.8%	1.8%
Total Households	113,492	76,755	2,366	5,367	20,201
<i>Source: ESRI; GAI</i>					

Table 3.5
Household Income by Selected Geography (2021)

2021	Leon County	City of Tallahassee	Frenchtown District	Shelter Site 1 mile radius	Shelter Site 2 mile radius
< \$15,000	18.4%	23.1%	44.5%	45.3%	35.1%
\$15,000 - \$25,000	12.6%	14.1%	17.4%	17.3%	17.7%
\$25,000 - \$50,000	6.7%	7.4%	10.6%	9.6%	9.9%
\$50,000 - \$75,000	9.6%	9.8%	9.8%	7.4%	10.5%
\$75,000 - \$100,000	16.4%	15.4%	7.4%	7.1%	9.9%
\$100,000 - \$125,000	12.2%	10.6%	5.8%	7.4%	6.9%
\$125,000 - \$150,000	14.7%	11.7%	3.3%	3.7%	5.9%
\$150,000 - \$200,000	5.3%	4.4%	0.8%	1.3%	2.0%
\$200,000+	4.1%	3.5%	0.5%	0.9%	2.0%
Total Households	116,422	78,858	2,396	5,493	20,727
<i>Source: ESRI; GAI</i>					

3.4 Employment

Within Leon County and the City of Tallahassee, the largest percentage of employees are employed in the Office/Administrative Support category. As shown in the table on the following page, more than 15% of employees within the County and City are employed within said category. The next highest employment category within the City and County is Sales/Sales Related which represents more than 10% of employees.

The Frenchtown District, the One Mile radius and Two Mile radius area from the Shelter Site are similar in that they share two of their top three employment categories. The Food Preparation/Service Related category and the Sales/Sales Related category are both in the top three employment categories for the previously mentioned geographies. However, the One and Two Mile radius areas also include the Office/Administrative Support category in their top three employment categories while the Frenchtown District includes the Building/Grounds Cleaning/Maintenance category in its top three employment categories.

Table 3.6
Employment by Selected Geography

	Leon County	City of Tallahassee	Frenchtown District	Shelter Site 1 mile radius	Shelter Site 2 mile radius
2016 Employees by Type of Employment:					
Management of Companies	9.5%	8.4%	6.1%	5.5%	6.1%
Business/Financial	7.2%	6.8%	4.1%	3.5%	4.7%
Computer/Mathematical	4.3%	4.3%	2.1%	3.0%	2.9%
Architecture/Engineering	1.4%	1.2%	0.0%	0.0%	1.2%
Life/Physical/Social Sciences	1.8%	1.8%	3.1%	1.5%	1.6%
Community/Social Service	2.3%	2.3%	0.5%	3.1%	1.9%
Legal	2.6%	2.6%	1.4%	1.9%	2.2%
Education/Training/Library	8.4%	9.2%	8.3%	9.1%	8.5%
Arts/Design/Entertainment/Sports/Media	2.5%	2.9%	1.3%	3.0%	3.1%
Healthcare Practitioner/Technician	4.9%	4.7%	1.3%	2.7%	3.3%
Healthcare Support	1.6%	1.6%	2.5%	2.3%	2.1%
Protective Service	2.5%	2.2%	1.8%	2.3%	2.3%
Food Preparation/Serving Related	7.1%	9.0%	16.4%	14.9%	13.7%
Building/Grounds Cleaning/Maintenance	3.2%	2.9%	11.0%	4.6%	3.7%
Personal Care/Service	3.9%	4.0%	4.6%	8.0%	6.0%
Sales and Sales Related	10.2%	10.7%	13.1%	13.1%	11.6%
Office/Administrative Support	15.4%	15.1%	9.3%	13.4%	14.6%
Farming/Fishing/Forestry	0.2%	0.1%	0.0%	0.0%	0.2%
Construction/Extraction	3.2%	2.8%	3.4%	1.9%	1.9%
Installation/Maintenance/Repair	2.4%	1.9%	2.2%	1.4%	2.3%
Production	2.0%	1.7%	1.6%	1.3%	1.2%
Transportation/Material Moving	3.5%	3.6%	5.4%	3.5%	4.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Jobs Per Capita	0.478	0.472	0.353	0.327	0.426
<i>Source: ESRI; Bureau of Labor Statistics; GAI</i>					

3.5 Implications

Leon County and the City of Tallahassee have seen steady growth in population, housing, and household income. The Frenchtown District, the One Mile radius and the Two Mile radius areas of the Shelter Site have also experienced steady growth in these areas, with the exception of household income, where is projected to decline over the next five years. While there is a lack of higher wage employment opportunities in the Frenchtown District, overall the Frenchtown District is comparable to the One and Two Mile radius areas from the Shelter Site.

4.0 MARKET CHARACTERISTICS OF THE LEON COUNTY OFFICE, RETAIL, MULTI-FAMILY RENTAL AND FOR-SALE MARKETS

4.1 Office

Table 4.1 below summarizes the office development activity occurring in Leon County and the City of Tallahassee over various time periods. Square footage, in which year built data is not available, are summarized in the year built category as “unknown.”

Table 4.1
Summary of Office Market - Leon County and City of Tallahassee

Year Built	Absorption	Cumulative Total	Avg. Annual Absorption	Avg. Annual Growth	% of Total	% Capture of County SF	% Capture of City SF
<u>Leon County</u>							
Prior to 1970	2,935,819	2,935,819	NA	NA	14.2%	100.0%	NA
1970-1979	3,685,381	6,621,200	368,538	8.5%	17.9%	100.0%	NA
1980-1989	5,372,132	11,993,332	537,213	6.1%	26.0%	100.0%	NA
1990-1999	4,071,258	16,064,590	407,126	3.0%	19.7%	100.0%	NA
2000-2009	3,320,752	19,385,342	332,075	1.9%	16.1%	100.0%	NA
2010-2016	853,762	20,239,104	142,294	0.7%	4.1%	100.0%	NA
Unknown	<u>401,746</u>	20,640,850	NA	NA	<u>1.9%</u>	<u>100.0%</u>	NA
Total	20,640,850				100.0%	100.0%	NA
<u>City of Tallahassee</u>							
Prior to 1970	2,933,810	2,933,810	NA	NA	14.2%	99.9%	100.0%
1970-1979	3,685,381	6,619,191	368,538	8.5%	17.8%	100.0%	100.0%
1980-1989	5,371,300	11,990,491	537,130	6.1%	25.9%	100.0%	100.0%
1990-1999	4,071,258	16,061,749	407,126	3.0%	19.7%	100.0%	100.0%
2000-2009	3,319,363	19,381,112	331,936	1.9%	16.0%	100.0%	100.0%
2010-2016	853,762	20,234,874	142,294	0.7%	4.1%	100.0%	100.0%
Unknown	<u>466,164</u>	20,701,038	NA	NA	<u>2.3%</u>	116.0%	100.0%
Total	20,701,038				100.0%	100.3%	100.0%

Source: CoStar; GAI

The office market as tracked by CoStar totals approximately 20,641,000 square feet in Leon County. About 40% of the County’s inventory was added since 1990. Annual absorption of space within the County has generally ranged from about 330,000 to 537,000 square feet. However, additions in more recent years have been closer to 140,000 square feet annually. Almost all of the office square footage in Leon County is also in the City of Tallahassee, so the City’s absorption and growth patterns mirror those of the County.

Major planned additions to office supply within roughly a one mile radius of the Shelter Site as of April 20, 2017 that we are aware of include:

- ▶ Florida Power and Light (Within 1 Mile radius of Shelter Site)
 - Approved/Planned
 - 3 story 14,600 square foot office building
- ▶ 201 East Park (Within 1 Mile radius of Shelter Site)
 - Under construction, estimated completion Winter 2017
 - 7,100 square feet restaurant/retail and 55,100 square feet office
- Eppes Redevelopment (Within 2 Mile radius of Shelter Site)
 - Approved/Planned
 - 49 unit, 196 bed apartment with 7,000 square feet ground floor retail and 8,000 square feet second floor office.
- ▶ Mid-Town Pointe (Within 1 Mile radius of Shelter Site)
 - Under Review, includes demolition of existing structure
 - 33,974 square feet of commercial space, 6,000 square foot bar, and 36 residential units.
- ▶ Washington Square (Within 1 Mile radius of Shelter Site)
 - Under Review
 - 57,561 square feet office, 4 restaurants totaling 658 seats, 33 condominium units, and a 260 room hotel.

Table 4.2 below summarizes the office development activity occurring in the One and Two Mile radius from the Shelter Site over various time periods.

Table 4.2
Summary of Office Market – One and Two Mile Radius from Shelter Site

Year Built	Absorption	Cumulative Total	Avg. Annual Absorption	Avg. Annual Growth	% of Total	% Capture of County SF	% Capture of City SF
Shelter Site-1 Mile Radius							
Prior to 1970	1,673,574	1,673,574	NA	NA	38.0%	57.0%	57.0%
1970-1979	665,163	2,338,737	66,516	3.4%	15.1%	18.0%	18.0%
1980-1989	1,130,148	3,468,885	113,015	4.0%	25.6%	21.0%	21.0%
1990-1999	513,747	3,982,632	51,375	1.4%	11.7%	12.6%	12.6%
2000-2009	254,011	4,236,643	25,401	0.6%	5.8%	7.6%	7.7%
2010-2016	80,066	4,316,709	11,438	0.3%	1.8%	9.4%	9.4%
Unknown	<u>91,915</u>	4,408,624	NA	NA	<u>2.1%</u>	22.9%	19.7%
Total	4,408,624				100.0%	21.4%	21.3%
Shelter Site-2 Mile Radius							
Prior to 1970	2,438,960	2,438,960	NA	NA	36.1%	83.1%	83.1%
1970-1979	1,246,157	3,685,117	124,616	4.2%	18.4%	33.8%	33.8%
1980-1989	1,880,437	5,565,554	188,044	4.2%	27.8%	35.0%	35.0%
1990-1999	663,393	6,228,947	66,339	1.1%	9.8%	16.3%	16.3%
2000-2009	362,113	6,591,060	36,211	0.6%	5.4%	10.9%	10.9%
2010-2016	80,066	6,671,126	11,438	0.2%	1.2%	9.4%	9.4%
Unknown	<u>85,322</u>	6,756,448	NA	NA	<u>1.3%</u>	21.2%	18.3%
Total	6,756,448				100.0%	32.7%	32.6%

Source: CoStar; GAI

The office market totals approximately 4,409,000 and 6,756,000 square feet in the One and Two Mile radiuses, respectively. Major observations on office trends include:

- ▶ In the One Mile radius, about 38% of office space was added prior to 1970. The decade of the 1980’s also added a significant amount of space at over 25% of the total. Average annual absorption of new office space was as high as approximately 113,000 square feet during the 1980’s, but has declined since that time. In more current year’s annual absorption ranged from about 11,000 to 25,000 square feet. The One Mile radius has captured about 21% of the total office space in the County. The highest percentage capture of space after 1970 was 21% during the 1980’s, though the capture percentage has dropped to about 7% to 9% in more recent years.
- ▶ In the Two Mile radius, the addition of office space generally followed the same patterns as noted for the One Mile radius. Average annual absorption of new office space was as high as approximately 188,000 square feet during the 1980’s, but has declined to about 11,000 to 36,000 square feet in more recent years. The Two Mile radius has captured about 33% of the total office space in the County. The highest percentage capture of space after 1970 was 35% during the 1980’s, though the capture percentage has dropped to about 9% to 11% in more recent years.
- ▶ Both the One and Two Mile radiuses capture office product in the downtown area and as a consequence have much higher amounts of office inventory than the Frenchtown District. As

noted in our earlier market report, average annual absorption of new office space ranged from about 1,000 to 3,600 square feet, with no space added from 2010-2015. The Frenchtown District has captured about 1.8% of the total office space in the County, though the capture percentage dropped to 1.0% or less in more recent years.

The office market occupancy and lease rate trends from 2010 through 2016 for the County, City and One and Two Mile radiuses are summarized in Table 4.3 below.

Table 4.3
Summary of Office Market Occupancy and Average Lease Rates

	Leon County		Tallahassee		Shelter Site 1 mi		Shelter Site 2 mi	
	Amount	Growth %	Amount	Growth %	Amount	Growth %	Amount	Growth %
Occupancy %								
2010	92.3%	NA	92.3%	NA	94.2%	NA	95.1%	NA
2011	92.4%	0.1%	92.4%	0.1%	93.7%	-0.5%	95.0%	-0.1%
2012	92.3%	-0.1%	92.3%	-0.1%	93.2%	-0.5%	94.3%	-0.7%
2013	91.6%	-0.8%	91.6%	-0.8%	93.5%	0.3%	94.1%	-0.2%
2014	92.3%	0.8%	92.3%	0.8%	92.9%	-0.6%	93.2%	-1.0%
2015	91.4%	-1.0%	91.4%	-1.0%	93.6%	0.8%	93.4%	0.2%
2016	92.0%	0.7%	92.0%	0.7%	95.6%	2.1%	95.0%	1.7%
Avg Lease Rate								
2010	\$16.06	NA	\$16.06	NA	\$18.51	NA	\$17.35	NA
2011	\$15.40	-4.1%	\$15.40	-4.1%	\$17.76	-4.1%	\$16.41	-5.4%
2012	\$15.55	1.0%	\$15.55	1.0%	\$17.05	-4.0%	\$15.72	-4.2%
2013	\$15.29	-1.7%	\$15.29	-1.7%	\$16.73	-1.9%	\$15.15	-3.6%
2014	\$14.94	-2.3%	\$14.94	-2.3%	\$15.78	-5.7%	\$14.60	-3.6%
2015	\$14.41	-3.5%	\$14.41	-3.5%	\$17.25	9.3%	\$14.89	2.0%
2016	\$14.83	2.9%	\$14.83	2.9%	\$16.95	-1.7%	\$15.20	2.1%

Source: CoStar, GAI

Office market occupancy's have generally been in the low 90% range over the past seven years in Leon County and the City of Tallahassee. Occupancy rates are higher in the One and Two Mile radiuses. Lease rates have generally been trending downward since 2010 and are currently between \$14.00 and \$15.00 per square foot in the County and City. The One and Two Mile radiuses have the highest average lease rate at about \$15.00 to \$17.00 per square foot. However, as noted in our earlier market report, the Frenchtown District rents have generally been under \$10.00 per square foot in more recent years. The older office stock in the Frenchtown District is contributing to the comparatively low lease rates in that area.

4.2 Retail

Table 4.4 below summarizes the retail development activity occurring in Leon County and the City of Tallahassee over various time periods. Square footage, in which year built data is not available, are summarized in the year built category as "unknown."

Table 4.4
Summary of Retail Market - Leon County and City of Tallahassee

Year Built	Absorption	Cumulative Total	Avg. Annual Absorption	Avg. Annual Growth	% of Total	% Capture of County SF	% Capture of City SF
<u>Leon County</u>							
Prior to 1970	3,758,830	3,758,830	NA	NA	18.5%	100.0%	NA
1970-1979	4,319,036	8,077,866	431,904	8.0%	21.2%	100.0%	NA
1980-1989	4,068,006	12,145,872	406,801	4.2%	20.0%	100.0%	NA
1990-1999	3,099,913	15,245,785	309,991	2.3%	15.2%	100.0%	NA
2000-2009	3,482,903	18,728,688	348,290	2.1%	17.1%	100.0%	NA
2010-2016	744,461	19,473,149	124,077	0.7%	3.7%	100.0%	NA
Unknown	899,630	20,372,779	NA	NA	4.4%	100.0%	NA
Total	20,372,779				100.0%	100.0%	NA
<u>City of Tallahassee</u>							
Prior to 1970	3,752,505	3,752,505	NA	NA	18.4%	99.8%	100.0%
1970-1979	4,319,036	8,071,541	431,904	8.0%	21.2%	100.0%	100.0%
1980-1989	4,064,886	12,136,427	406,489	4.2%	20.0%	99.9%	100.0%
1990-1999	3,099,913	15,236,340	309,991	2.3%	15.2%	100.0%	100.0%
2000-2009	3,482,903	18,719,243	348,290	2.1%	17.1%	100.0%	100.0%
2010-2016	735,089	19,454,332	122,515	0.6%	3.6%	98.7%	100.0%
Unknown	914,731	20,369,063	NA	NA	4.5%	101.7%	100.0%
Total	20,369,063				100.0%	100.0%	100.0%
<i>Source: CoStar, GAI</i>							

The retail market as tracked by CoStar totals approximately 20,373,000 square feet in Leon County. About 36% of the County’s inventory was added since 1990. Annual absorption of space within the County has generally ranged from about 300,000 to 430,000 square feet. However, additions in more recent years have been closer to 125,000 square feet annually. Almost all of the retail square footage in Leon County is also in the City of Tallahassee, so the City’s absorption and growth patterns mirror those of the County.

Major planned additions to retail supply within roughly a one mile radius of the Shelter Site as of April 20, 2017 that we are aware of include:

- ▶ Gaines Street Publix (Within 1 Mile radius of Shelter Site)
 - Approved/Planned, Construction expected to begin in Winter 2017
 - 29,010 square foot grocery store
- Eppes Redevelopment (Within 2 Mile radius of Shelter Site)
 - Approved/Planned
 - 49 unit, 196 bed apartment with 7,000 square feet ground floor retail and 8,000 square feet second floor office.

- ▶ 201 East Park (Within 1 Mile radius of Shelter Site)
 - Under construction, estimated completion Winter 2017
 - 7,100 square feet restaurant/retail and 55,100 square feet office
- ▶ CollegeTown Mixed Use Phase III (Within 1 Mile radius of Shelter Site)
 - Approved/Planned
 - 159 unit, 330 bed apartment with 3,551 square feet of ground floor retail.
- ▶ The Nine at Tallahassee (Within 1 Mile radius of Shelter Site)
 - Approved/Planned, includes demolition of existing Jeffwood/Penwood Apartments
 - 104 unit, 435 bed apartment with 8,803 square feet of ground floor retail.
- ▶ Gaines Assemblage (Within 1 Mile radius of Shelter Site)
 - Under review, student oriented complex
 - 77 units, 300 beds with 3,000 square feet of ground floor retail
- ▶ Washington Square (Within 1 Mile radius of Shelter Site)
 - Under Review
 - 57,561 square feet office, 4 restaurants totaling 658 seats, 33 condominium units, and a 260 room hotel.
- ▶ Mid-Town Pointe (Within 1 Mile radius of Shelter Site)
 - Under Review, includes demolition of existing structure
 - 33,974 square feet of commercial space, 6,000 square foot bar, and 36 residential units.

The following Table 4.5 below summarizes the retail development activity occurring in the One and Two Mile radius from the Shelter Site over various time periods.

Table 4.5
Summary of Retail Market - One and Two Mile Radius from Shelter Site

Year Built	Absorption	Cumulative Total	Avg. Annual Absorption	Avg. Annual Growth	% of Total	% Capture of County SF	% Capture of City SF
Shelter Site-1 Mile Radius							
Prior to 1970	849,691	849,691	NA	NA	60.9%	22.6%	22.6%
1970-1979	127,613	977,304	12,761	1.4%	9.2%	3.0%	3.0%
1980-1989	123,490	1,100,794	12,349	1.2%	8.9%	3.0%	3.0%
1990-1999	39,946	1,140,740	3,995	0.4%	2.9%	1.3%	1.3%
2000-2009	144,955	1,285,695	14,496	1.2%	10.4%	4.2%	4.2%
2010-2016	36,564	1,322,259	5,223	0.5%	2.6%	4.9%	5.0%
Unknown	<u>72,172</u>	1,394,431	NA	NA	<u>5.2%</u>	8.0%	7.9%
Total	1,394,431				100.0%	6.8%	6.8%
Shelter Site-2 Mile Radius							
Prior to 1970	2,824,210	2,824,210	NA	NA	49.4%	75.1%	75.3%
1970-1979	720,365	3,544,575	72,037	2.3%	12.6%	16.7%	16.7%
1980-1989	573,722	4,118,297	57,372	1.5%	10.0%	14.1%	14.1%
1990-1999	399,648	4,517,945	39,965	0.9%	7.0%	12.9%	12.9%
2000-2009	751,580	5,269,525	75,158	1.6%	13.2%	21.6%	21.6%
2010-2016	181,186	5,450,711	25,884	0.6%	3.2%	24.3%	24.6%
Unknown	<u>261,754</u>	5,712,465	NA	NA	<u>4.6%</u>	29.1%	28.6%
Total	5,712,465				100.0%	28.0%	28.0%

Source: CoStar; GAI

The retail market totals approximately 1,394,000 and 5,712,000 in the One and Two Mile radiuses, respectively. Most of the retail space is older in in both areas, with much of the square footage built prior to 1970. Other major observations on retail trends include:

- ▶ In the One Mile radius, average annual absorption of new retail space has ranged from about 4,000 to 15,000 square feet, but was closer to 5,000 square feet in more recent years. The One Mile radius has captured about 7.0% of the total retail space in the County and City. The highest percentage capture of space after 1970 was about 5% of the County's total from 2010-2016.
- ▶ In the Two Mile radius, average annual absorption of new retail space was as high as approximately 75,000 square feet from 2000 to 2009, but has declined to about 26,000 square feet in more recent years. The Two Mile radius has captured about 28% of the total office space in the County. The highest percentage capture of space after 1970 was about 24% from 2010 to 2016.
- ▶ Both the One and Two Mile radiuses capture retail product from a much wider area and as a consequence have much higher amounts of retail inventory than the Frenchtown District. As noted in our earlier market report, average annual absorption of new retail space ranged from about 1,300 to 12,300 square feet, with no space added from 2010-2015. The Frenchtown District has captured about 2.9% of the total retail space in the County.

The retail market occupancy and lease rate trends from 2010 through 2016 for County, City and One and Two Mile radiuses are summarized in the following Table 4.6.

Table 4.6
Summary of Retail Market Occupancy and Average Lease Rates

	Leon County		Tallahassee		Shelter Site 1 mi		Shelter Site 2 mi	
	Amount	Growth %	Amount	Growth %	Amount	Growth %	Amount	Growth %
Occupancy %								
2010	94.5%	NA	94.5%	NA	97.4%	NA	94.9%	NA
2011	94.4%	-0.1%	94.4%	-0.1%	97.9%	0.5%	95.8%	0.9%
2012	94.7%	0.3%	94.7%	0.3%	96.6%	-1.3%	93.9%	-2.0%
2013	93.6%	-1.2%	93.6%	-1.2%	96.5%	-0.1%	93.9%	0.0%
2014	94.9%	1.4%	94.9%	1.4%	96.4%	-0.1%	95.2%	1.4%
2015	95.4%	0.5%	95.4%	0.5%	96.5%	0.1%	94.3%	-0.9%
2016	94.9%	-0.5%	94.9%	-0.5%	95.5%	-1.0%	95.3%	1.1%
Avg Lease Rate								
2010	\$13.59	NA	\$13.59	NA	\$15.89	NA	\$14.98	NA
2011	\$12.31	-9.4%	\$12.31	-9.4%	\$9.02	-43.2%	\$12.38	-17.4%
2012	\$13.85	12.5%	\$13.85	12.5%	\$13.13	45.6%	\$13.55	9.5%
2013	\$15.04	8.6%	\$15.04	8.6%	\$14.94	13.8%	\$15.43	13.9%
2014	\$14.49	-3.7%	\$14.49	-3.7%	\$13.53	-9.4%	\$14.73	-4.5%
2015	\$14.18	-2.1%	\$14.18	-2.1%	\$15.08	11.5%	\$18.10	22.9%
2016	\$14.83	4.6%	\$14.83	4.6%	\$14.23	-5.6%	\$16.76	-7.4%

Source: CoStar; GAI

Retail market occupancy's have generally been in the mid 90% range over the past seven years in Leon County, the City of Tallahassee and the Two Mile radius. Occupancy rates have generally been slightly higher in the One Mile radius, though most recent data shows a drop in occupancy to around 95%. Lease rates have fluctuated over the last seven years but are generally higher than 2010 rates all areas. Average lease rates in 2016 was about \$14.00 to \$17.00 per square foot in the One and Two Mile radius. However, as noted in our earlier market report, the Frenchtown District rents have generally been about \$14.00 per square foot in more recent years, or very similar to the rates noted in the One Mile radius.

4.3 Multi-Family For Rent Apartments

Table 4.7 below summarizes the for rent apartment development activity occurring in Leon County over various time periods. Only apartment complexes with 100 units or more are included. As noted earlier, although there are certainly projects that have been developed in the Tallahassee market that are under 100 units in size, we believe it is likely that most future projects will be greater than this number to capitalize on the economies of scale that larger projects can achieve. In our opinion, the development sites we would analyze during the next phase of work would be large enough that apartment projects would need to be over 100 units in size. Please also be aware that we have changed the source of this data from MyRentComps to CoStar. CoStar recently acquired Apatments.com and Apartment Finder.com, making them a viable resource for apartment data, which was not available to us during the market analysis conducted last year.

Table 4.7
Summary of Apartment Market - Leon County

Year Built	Unit Absorption	Unit Cumulative Total	Avg. Annual Absorption	Annual Growth	% of Total	% of County Total
<u>Leon County-Total</u>						
Prior to 1986	8,512	8,512	NA	NA	34.9%	100.0%
1986-1995	4,399	12,911	440	4.3%	18.1%	100.0%
1996-2005	6,182	19,093	618	4.0%	25.4%	100.0%
2006-2010	2,583	21,676	517	2.6%	10.6%	100.0%
2011-2016	<u>2,683</u>	24,359	537	3.8%	<u>11.0%</u>	100.0%
Total	24,359				100.0%	100.0%
<i>Source: CoStar; GAI</i>						

There are over 24,000 apartment rental units in complexes of 100 units or more in Leon County. About 35% of the County’s rental apartment supply was built prior to 1986. The period from 1996-2005 also saw significant development. Average annual absorption has remained over 500 unit since 1996.

The following Table 4.8 summarizes rental apartments of 100 units or more in the One and Two Mile radius from the Shelter Site over various time periods.

Table 4.8
Summary of Apartment Market - One and Two Mile Radius from Shelter Site

Year Built	Unit Absorption	Unit Cumulative Total	Avg. Annual Absorption	Annual Growth	% of Total	% of County Total
<u>Shelter Site 1 Mile Radius</u>						
Prior to 1986	399	399	NA	NA	23.9%	4.7%
1986-1995	0	399	0	0.0%	0.0%	0.0%
1996-2005	0	399	0	0.0%	0.0%	0.0%
2006-2010	115	514	23	5.2%	6.9%	4.5%
2011-2016	<u>1,155</u>	1,669	231	61.7%	<u>69.2%</u>	43.0%
Total	1,669				100.0%	6.9%
<u>Shelter Site 2 Mile Radius</u>						
Prior to 1986	3,996	3,996	NA	NA	53.1%	46.9%
1986-1995	764	4,760	76	0.0%	10.2%	17.4%
1996-2005	801	5,561	80	0.0%	10.7%	13.0%
2006-2010	259	5,820	52	0.0%	3.4%	10.0%
2011-2016	<u>1,699</u>	7,519	340	0.0%	<u>22.6%</u>	63.3%
Total	7,519				100.0%	30.9%
<i>Source: CoStar; GAI</i>						

There are 1,669 and 7,519 rental units in the One and Two Mile radiuses, respectively. Most of the product within the One Mile radius was built from 2011-2016, reflecting the surge in student housing development in that time period. In the larger Two Mile radius, more than half of the product was built

prior to 1986. However, a significant amount of units were added from 2011-2016, again reflecting the increase in student housing development.

Both the One and Two Mile radiuses have captured a significant amount of the overall County’s apartment development. The One and Two Mile radius captured approximately 7% and 31%, respectively, of the overall County apartment development of 100 units or more. However, over the last five years, this capture percentage increases to approximately 43% (One Mile radius) and 63% (Two mile radius). As noted in our earlier market analysis, the Frenchtown area’s capture rate of County apartment development has been lower than either the One or Two Mile radiuses. However, it will increase significantly when new apartment product that is under construction or in planning opens.

The following Table 4.9 summarizes rental apartments of 100 units or more by type of property within the One and Two Mile radiuses over various time periods.

Table 4.9
Summary of Apartment Market by Property Type - One and Two Mile Radius from Shelter Site

Year Built	Type of Property			% of Total
	Student	Market & Other	Total	
<u>Shelter Site 1 Mile Radius</u>				
Prior to 1986	101	298	399	23.9%
1986-1995	0	0	0	0.0%
1996-2005	0	0	0	0.0%
2006-2010	0	115	115	6.9%
2011-2016	<u>926</u>	<u>229</u>	<u>1,155</u>	<u>69.2%</u>
Total	1,027	642	1,669	100.0%
% of Total	61.5%	38.5%	100.0%	
<u>Shelter Site 2 Mile Radius</u>				
Prior to 1986	1,876	2,120	3,996	53.1%
1986-1995	764	0	764	10.2%
1996-2005	801	0	801	10.7%
2006-2010	144	115	259	3.4%
2011-2016	<u>1,470</u>	<u>229</u>	<u>1,699</u>	<u>22.6%</u>
Total	5,055	2,464	7,519	100.0%
% of Total	67.2%	32.8%	100.0%	
<i>Source: CoStar; GAI</i>				

Almost 62% of the rental supply in the One Mile radius in complexes of 100 units or more is student oriented product. The Two Mile radius has an even higher student orientation at over 62% of the product. About 90% of the student product in the One Mile radius has been built since 2011.

The following Table 4.10 summarizes various operating characteristics of the rental supply in Leon County and the One and Two Mile radiuses from the Shelter Site.

Table 4.10
Summary of Apartment Market Characteristics –
Leon County and One and Two Mile Radius from Shelter Site

Year Built	% Occupied	Average Square Feet/Unit	Average Base Market Rent/Unit	Average Base Market Rent/SF
<u>Leon County</u>				
Prior to 1986	94.2%	916	\$762	\$0.83
1986-1995	94.7%	974	\$882	\$0.91
1996-2005	92.9%	939	\$1,056	\$1.12
2006-2010	94.7%	1,068	\$1,072	\$1.00
2011-2016	93.6%	1,055	\$1,074	\$1.02
<u>Shelter Site 1 Mile Radius</u>				
Prior to 1986	98.5%	524	\$679	\$1.31
1986-1995	NA	NA	NA	NA
1996-2005	NA	NA	NA	NA
2006-2010	NA	NA	NA	NA
2011-2016	98.6%	886	\$1,623	\$1.75
<u>Shelter Site 2 Mile Radius</u>				
Prior to 1986	94.5%	937	\$991	\$1.19
1986-1995	88.7%	1,030	\$1,427	\$1.39
1996-2005	92.3%	987	\$962	\$1.27
2006-2010	100.0%	697	\$955	\$1.39
2011-2016	98.7%	861	\$1,512	\$1.71
<i>Source: CoStar; GAI</i>				

Rental apartment complexes are generally very highly occupied. Leon County apartment complexes of 100 units or more average about 93% to 95% occupied. The apartments in the One and Two Mile radiuses are even more highly occupied than the County averages. Newer product is averaging over 98% occupied in both the One and Two Mile radius.

The One and Two Mile radiuses have higher rents than the County averages on both per unit and per square foot basis. Newer product is averaging \$1.70-\$1.74 per square foot. Newer student oriented housing has even higher rents at around \$2.10 to \$2.30 per square foot.

As noted in our earlier market analysis, apartments in Frenchtown are also very highly occupied, but have lower rents (about \$1.20-\$1.25 per square foot) than either the One or Two Mile radiuses.

Major planned additions to for-rent apartment supply within roughly a one mile radius of the Shelter Site as of April 20, 2017 that we are aware of include:

- ▶ The Domain at Tallahassee (Within 1 Mile radius of Shelter Site)
 - Under construction, student oriented complex, included demolition of Carolina Square Apartments
 - 125 units, 434 beds
- ▶ 1119 West Gaines Street (Within 1 Mile radius of Shelter Site)
 - Planned, student oriented complex
 - 115 units, 388 beds
- ▶ Stadium Enclave (Within 1 Mile radius of Shelter Site)
 - Site work underway, student oriented complex
 - 184 units, 600 beds
- ▶ CollegeTown Mixed Use Phase III (Within 1 Mile radius of Shelter Site)
 - Approved/Planned
 - 159 unit, 330 bed apartment with 3,551 square feet of ground floor retail.
- ▶ Casanas Village of Frenchtown Square (Within 1 Mile radius of Shelter Site)
 - Under Construction, affordable rental apartments
 - 88 units, 5 stories
- ▶ The Lumberyard (Within 1 Mile radius of Shelter Site)
 - Under Construction, student oriented complex
 - 112 units, 414 beds
- ▶ Gaines Assemblage (Within 1 Mile radius of Shelter Site)
 - Under review, student oriented complex
 - 77 units, 300 beds with 3,000 square feet of ground floor retail
- ▶ The Standard at Tallahassee (Within 1 Mile radius of Shelter Site)
 - Under review, student oriented apartment complex
 - 265 units, 915 beds
- Eppes Redevelopment (Within 2 Mile radius of Shelter Site)
 - Approved/Planned
 - 49 unit, 196 bed apartment with 7,000 square feet ground floor retail and 8,000 square feet second floor office.
- ▶ The Nine at Tallahassee (Within 1 Mile radius of Shelter Site)
 - Approved/Planned, includes demolition of existing Jeffwood/Penwood Apartments

- 104 unit, 435 bed apartment with 8,803 square feet of ground floor retail.
- ▶ Project 808 (Within 1 Mile radius of Shelter Site)
 - Site work underway
 - 10 townhouse style multi-family buildings, 3 story, 40 bedrooms
- ▶ Chapel Terrace Redevelopment (Within 2 Mile radius of Shelter Site)
 - Approved/Planned, includes demolition of Chapel Terrace Apartments
 - 272 units, 891 beds
- ▶ Edwards Student Housing (Within 2 Mile radius of Shelter Site)
 - Approved/Planned, includes demolition of Colony Club Apartment complex
 - 225 units, 750 beds
- ▶ The Highlands (Within 2 Mile radius of Shelter Site)
 - Under Construction
 - 17 units, 78 beds
- ▶ Mid-Town Pointe (Within 1 Mile radius of Shelter Site)
 - Under Review, includes demolition of existing structure
 - 33,974 square feet of commercial space, 6,000 square foot bar, and 36 residential units.

4.4 Multi-Family Residential For Sale

Table 4.11 below summarizes the for-sale residential condominium development activity occurring in Leon County and the City of Tallahassee over various time periods.

Table 4.11
Summary of For-Sale Residential Condominium Market - Leon County and City of Tallahassee

Year Built	Unit Absorption	Unit Cumulative Total	Avg. Annual Absorption	Avg. Annual Growth	% of Total	% Capture of County
<u>Leon County</u>						
Prior to 1970	654	654	NA	NA	15.1%	100.0%
1970-1979	554	1,208	55	6.3%	12.8%	100.0%
1980-1989	470	1,678	47	3.3%	10.9%	100.0%
1990-1999	72	1,750	7	0.4%	1.7%	100.0%
2000-2009	2,322	4,072	232	8.8%	53.6%	100.0%
2010-2016	<u>259</u>	4,331	43	1.0%	<u>6.0%</u>	100.0%
Total	4,331				100.0%	100.0%
<u>City of Tallahassee</u>						
Prior to 1970	316	316	NA	NA	14.3%	48.3%
1970-1979	320	636	32	7.2%	14.5%	57.8%
1980-1989	184	820	18	2.6%	8.3%	39.1%
1990-1999	47	867	5	0.6%	2.1%	65.3%
2000-2009	1,197	2,064	120	9.1%	54.1%	51.6%
2010-2016	<u>149</u>	2,213	25	1.2%	<u>6.7%</u>	57.5%
Total	2,213				100.0%	51.1%

Source: Leon County Tax Roll; GAI

According to data obtained from the Leon County Property Appraiser, there are approximately 4,300 residential condominium units in Leon County, with 2,200 of those units in the City of Tallahassee. About 54% of the County’s inventory was added from 2000 to 2009, meaning much of the inventory is newer. This bump in construction activity during the first decade of the century corresponds to the boom period of residential construction that occurred nationwide during that time period. Annual absorption of residential condominium units within the County has generally ranged from about 40 to 55 units, with the exception of the spike in 2000 to 2009 when about 230 units were added annually. However, additions in more recent years have been closer to 40 units annually. The City’s absorption and growth patterns generally mirror those of the County.

Major planned additions to for-sale residential condominium supply in the County include:

- ▶ Cottages at Oak Commons (Tallahassee: Outside 2 Mile radius of Shelter Site)
 - Approved/Planned, 54 Affordable Housing Units

- ▶ University Green (Tallahassee: Outside 2 Mile radius of Shelter Site)
 - Under construction, 226 units complete as of July 2016
 - 404 total units planned
- ▶ Washington Square (Within 1 Mile radius of Shelter Site)
 - Under Review
 - 57,561 square feet office, 4 restaurants totaling 658 seats, 33 condominium units, and a 260 room hotel.

The following Table 4.12 below summarizes the for-sale residential condominium development activity occurring in the One and Two Mile radiuses over various time periods.

Table 4.12
Summary of For-Sale Residential Condominium Market - One and Two Mile Radius from Shelter Site

Year Built	Unit Absorption	Unit Cumulative Total	Avg. Annual Absorption	Avg. Annual Growth	% of Total	% Capture of County
<u>Shelter Site 1 Mile Radius</u>						
Prior to 1970	113	113	NA	NA	13.7%	17.3%
1970-1979	34	147	3	2.7%	4.1%	6.1%
1980-1989	70	217	7	4.0%	8.5%	14.9%
1990-1999	32	249	3	1.4%	3.9%	44.4%
2000-2009	545	794	55	12.3%	66.0%	23.5%
2010-2016	<u>32</u>	826	5	0.7%	<u>3.9%</u>	12.4%
Total	826				100.0%	19.1%
<u>Shelter Site 2 Mile Radius</u>						
Prior to 1970	407	407	NA	NA	27.4%	62.2%
1970-1979	131	538	13	2.8%	8.8%	23.6%
1980-1989	267	805	27	4.1%	17.9%	56.8%
1990-1999	53	858	5	0.6%	3.6%	73.6%
2000-2009	566	1,424	57	5.2%	38.0%	24.4%
2010-2016	<u>64</u>	1,488	11	0.7%	<u>4.3%</u>	24.7%
Total	1,488				100.0%	34.4%
<i>Source: Leon County Tax Roll; GAI</i>						

For-sale residential condominium units total approximately 826 and 1,488 in the One and Two Mile radiuses, respectively. Most of the residential condominium product is relatively newer in the One Mile radius with a significant amount of units built from 2000-2009. The Two Mile radius saw a similar bump in construction from 2000-2009. This again matches the residential boom that occurred nationwide in that time frame. Other major observations on for-sale residential condominium trends include:

- ▶ In the One Mile radius, average annual absorption of new for-sale residential condominium units generally ranged from 3 to 7 units, with the exception of the boom period from 2000-2009 when an average of 55 units were absorbed annually. The One Mile radius has captured about 19% of the total residential condominium units in the County. In more recent years the capture percentage was closer to 12% of the County’s total.
- ▶ In the Two Mile radius, average annual absorption of new for-sale residential condominium units generally ranged from 5 to 27 units, with the exception of the boom period from 2000-2009 when an average of 57 units were absorbed annually. The Two Mile radius has captured about 34% of the total residential condominium units in the County. In more recent years the capture percentage was closer to 25% of the County’s total.
- ▶ In addition to the for-sale residential condominium product noted earlier, there were approximately 120 and 1,187 townhouse units built in the One Mile and Two Mile radiuses, respectively. Townhouse units are considered single family attached product, which is why they are not included in the earlier or subsequent tables.

For-sale residential condominium units that were sold in 2000, 2005 and 2010 to 2016 are summarized in Table 4.13 below for Leon County and the City of Tallahassee. Only qualified sales are included. This includes all units sold irrespective of year built.

Table 4.13
Summary of For-Sale Condominiums by Year Sold - Leon County and City of Tallahassee

Year Sold	# of Units	% of Total	% Capture of County	Average SF	Average Price	Average Price SF
<u>Leon County</u>						
2010	66	8.0%	100.0%	1,169	\$91,644	\$78.40
2011	55	6.6%	100.0%	1,295	\$112,510	\$86.88
2012	58	7.0%	100.0%	1,239	\$96,372	\$77.78
2013	99	11.9%	100.0%	1,416	\$111,676	\$78.87
2014	165	19.9%	100.0%	1,454	\$123,306	\$84.80
2015	161	19.4%	100.0%	1,287	\$120,511	\$93.64
2016	<u>225</u>	<u>27.1%</u>	<u>100.0%</u>	<u>1,123</u>	<u>\$114,085</u>	<u>\$101.59</u>
Total/Avg	829	100.0%	100.0%	1,283	110,015	\$85.73
<u>City of Tallahassee</u>						
2010	48	9.9%	72.7%	1,127	\$86,075	\$76.38
2011	28	5.8%	50.9%	1,170	\$133,914	\$114.46
2012	38	7.8%	65.5%	1,116	\$93,673	\$83.94
2013	55	11.3%	55.6%	1,203	\$120,178	\$99.90
2014	92	18.9%	55.8%	1,211	\$139,252	\$114.99
2015	99	20.4%	61.5%	1,134	\$136,289	\$120.18
2016	<u>126</u>	<u>25.9%</u>	<u>56.0%</u>	<u>1,182</u>	<u>\$124,776</u>	<u>\$105.56</u>
Total/Avg	486	100.0%	58.6%	1,163	119,165	\$102.44
<i>Source: Leon County Tax Roll; GAI</i>						



The number of for-sale residential condominium units sold dropped off in the years after the recession but picked up significantly from 2013 to 2016 in both the County and City. The number of units sold in 2016 is higher than any other time frame analyzed. In more recent years sales prices have ranged from about \$94 to \$102 per square foot in the County but are much higher in the City at about \$106 to \$120 per square foot.

For-sale residential condominium units that were sold in 2000, 2005 and 2010 to 2016 are summarized in Table 4.14 below for the One and Two Mile radiuses. Only qualified sales are included. Again please note that this is all units sold irrespective of year built.

Table 4.14
Summary of For-Sale Residential Condominiums by Year Sold - One and Two Mile Radius from Shelter Site

Year Sold	# of Units	% of Total	% Capture of County	Average SF	Average Price	Average Price SF
<u>Shelter Site 1 Mile Radius</u>						
2010	11	5.4%	16.7%	1,130	\$106,231	\$94.01
2011	11	5.4%	20.0%	1,041	\$126,006	\$121.04
2012	13	6.4%	22.4%	1,015	\$173,400	\$170.84
2013	29	14.2%	29.3%	1,115	\$168,366	\$151.00
2014	48	23.5%	29.1%	958	\$183,507	\$191.55
2015	39	19.1%	24.2%	973	\$199,377	\$204.91
2016	<u>53</u>	<u>26.0%</u>	<u>23.6%</u>	<u>1,110</u>	<u>\$202,834</u>	<u>\$182.73</u>
Total/Avg	204	100.0%	24.6%	1,049	165,674	\$157.96
<u>Shelter Site 2 Mile Radius</u>						
2010	14	4.6%	21.2%	961	\$126,786	\$131.93
2011	18	5.9%	32.7%	976	\$167,162	\$171.27
2012	22	7.3%	37.9%	893	\$122,284	\$136.94
2013	43	14.2%	43.4%	1,015	\$162,066	\$159.67
2014	70	23.1%	42.4%	953	\$140,336	\$147.26
2015	55	18.2%	34.2%	1,130	\$183,939	\$162.78
2016	<u>81</u>	<u>26.7%</u>	<u>36.0%</u>	<u>959</u>	<u>\$151,441</u>	<u>\$157.92</u>
Total/Avg	303	100.0%	36.6%	984	150,573	\$153.04
<i>Source: Leon County Tax Roll; GAI</i>						

Residential condominium units that sold in the above time frames totaled approximately 204 and 303 in the One and Two Mile radiuses, respectively. Other major observations on residential condominiums sold in these years include:

- ▶ In the One Mile radius, units sold were highest in 2016 (53 units) than other years. Sales prices in more recent years averaged approximately \$183-\$205 per square foot. The One Mile radius has captured about 25% of the total residential condominium units sold in the County during the time periods analyzed. The highest percentage capture of units sold was 29% of the County's total in 2013 and 2014.

- ▶ In the Two Mile radius, units sold were also highest in 2016 (81 units) than other years. Sales prices in more recent years averaged approximately \$158-\$163 per square foot. The Two Mile radius has captured about 37% of the total residential condominium units sold in the County during the time periods analyzed. The highest percentage capture of units sold was 43% of the County’s total in 2013.
- ▶ As noted in our earlier market analysis, in the Frenchtown District, units sold were higher in 2013 and 2014 (6-9 units) than other years, but declined in 2015 (2 units). Sales prices in more recent years averaged approximately \$72-\$111 per square foot. The Frenchtown District has captured about 3.1% of the total residential condominium units sold in the County during the time periods analyzed. These figures are significantly lower than either the One or the Two Mile radiuses.

4.5 Implications

Through the end of 2016, Leon County had approximately 20,700,000 square feet of office space, 20,400,000 square feet of retail space, 24,400 rental apartment units (in complexes greater than 100 units) and 4,300 residential condominium units. Since the City of Tallahassee dominates the County, development trends tend to be similar in both geographies.

The following tables (Tables 4.15 and 4.16) summarize the capture rate of pertinent development activity within the County in the One and Two Mile radiuses.

Table 4.15
Summary of County Office, Retail and Condo Capture Rates - One and Two Mile Radius from Shelter Site

Year Built	Office SF	Retail SF	Condominium Units
<u>Shelter Site 1 Mile Radius</u>			
Prior to 1970	57.0%	22.6%	17.3%
1970-1979	18.0%	3.0%	6.1%
1980-1989	21.0%	3.0%	14.9%
1990-1999	12.6%	1.3%	44.4%
2000-2009	7.7%	4.2%	23.5%
2010-2016	9.4%	4.9%	12.4%
Unknown	<u>22.9%</u>	<u>8.0%</u>	<u>NA</u>
Total	21.4%	6.8%	19.1%
<u>Shelter Site 2 Mile Radius</u>			
Prior to 1970	83.1%	75.1%	62.2%
1970-1979	33.8%	16.7%	23.6%
1980-1989	35.0%	14.1%	56.8%
1990-1999	16.3%	12.9%	73.6%
2000-2009	10.9%	21.6%	24.4%
2010-2016	9.4%	24.3%	24.7%
Unknown	<u>21.2%</u>	<u>29.1%</u>	<u>NA</u>
Total	32.7%	28.0%	34.4%
<i>Source: CoStar; Leon County Tax Rolls; GAI</i>			

Table 4.16
Summary of County Apartment Capture Rates - One and Two Mile Radius from Shelter Site

Year Built	Apartment Units
<u>Shelter Site 1 Mile Radius</u>	
Prior to 1986	4.7%
1986-1995	0.0%
1996-2005	0.0%
2006-2010	4.5%
2011-2016	43.0%
Total	6.9%
<u>Shelter Site 2 Mile Radius</u>	
Prior to 1986	46.9%
1986-1995	17.4%
1996-2005	13.0%
2006-2010	10.0%
2011-2016	63.3%
Total	30.9%
<i>Source: CoStar; GAI</i>	

In more recent years, the One Mile radius has captured approximately 21%, 7%, 19% and 43% of the County’s office, retail, for-sale condominium and apartment development. The office and condominium capture rates have benefited from the inclusion of the downtown core area in the One Mile radius. The significant capture rate of the County’s rental apartment development principally that which is student oriented, are the result of proximity to the Florida State University and Florida A & M campuses. FSU’s campus is directly across the street from the Shelter site.

5.0 OUTLOOK FOR SHELTER SITE REDEVELOPMENT

Our market analysis completed last year estimated the demand for future office, lodging, retail, multi-family apartments and for-sale condominium uses within Leon County and the Districts within the Frenchtown/Southside and Downtown CRA's. Although not repeated here, that information was made use of as we examined potential uses for the Shelter Site.

5.1 Shelter Site Redevelopment Options

The Frenchtown Redevelopment Partners, LLC has submitted a potential redevelopment option for the Shelter Site. Their plan generally consists of the following elements:

**Table 5.1
 Frenchtown Redevelopment Partners Redevelopment Scenario**

Land Use	SF	Units
Office	25,000	
Retail	37,600	
Grocery Store	20,000	
Rental Apartments	195,000	250
Townhomes (1)	<u>32,000</u>	<u>20</u>
Total	309,600	270
Parking Garage (spaces)		700

Source: Frenchtown Redevelopment Partners, LLC; GAI
 (1) Estimated at 1,600 SF per unit.

The Frenchtown Redevelopment Partners generally have described the land uses as follow:

- ▶ Office space could consist of a small micro-business incubation and support center, a bank/credit union, an urgent care facility and other support services.
- ▶ The retail elements would generally consist of existing operators such as the Economy Drugstore, beauty salons and barber shops. New operators could include a grocery store, restaurants, service oriented retail (dry cleaners, laundry, etc.) and small retail shops.
- ▶ Rental apartments for market rate and mixed income households directed to young professionals and families.
- ▶ For-sale owner occupied townhomes.
- ▶ This plan results in a Floor to Area Ratio (FAR) of approximately 1.6. The current code does not regulate FAR or non-residential density at this location.

In an effort to illustrate the timing of potential land uses for the Shelter Site, we have estimated the potential timing of future development based on the results of our earlier market analysis as well as the data presented in the prior section. These estimates are summarized in the table on the following page.

Table 5.2
Estimated Development Timing – Shelter Site Land Uses

Land Use	Estimated Development Timeframe			
	2016-2020	2020-2025	2025-2030	After 2030
Traditional Market Rate Office				X
Retail:				
Existing businesses	X	X		
Grocery store			X	
Food and beverage/restaurants	X	X		
Service oriented retail	X	X		
Traditional small retail shops				X
Rental Apartments:				
Student oriented	X	X		
Affordable	X	X		
Mixed income			X	
Market rate non-student oriented				X
For-sale Townhomes:				
Affordable		X		
Mixed income			X	
Market rate				X

Source: GAI

Our rationale for the above estimates follows:

- ▶ Office:
 - Demand for traditional market rate office space has been very slow to recover from the impacts of the recession. This is a nationwide trend. Although vacancies are declining, they are doing so at a slow pace. Rents have been declining and have only recently started to increase.
 - The Tallahassee market is somewhat unusual with the large amount of government oriented and public/non-profit office use, but this is not a traditional market driven product. If there is any office space at the Shelter Site, we believe it will not be traditional market rate product anytime in the near future. Government users, public and non-profit users and service oriented office (banks) could be possible. Some might also categorize service office as retail as it traditionally needs ground floor space to capture pedestrian and convenience oriented patrons.
- ▶ Retail:
 - The Shelter Site currently has existing retail businesses, some of which have been operating for many years. It is possible these businesses could relocate to a new building on-site. The issue would most likely be the rent these businesses could afford, which could be a problem given the rents that would likely be necessary in order for a new building to be viable. We understand that rents in the \$18-\$20 per square foot range have been achieved on the ground floors of newer apartment product in the vicinity. However, the revenue generated by apartment product in these buildings in many cases is supporting the ability to rent first floor space to retail use.

- The location of the Shelter Site across the street from the FSU campus, the high visibility from Tennessee Street and the current residents in the Frenchtown area make food and beverage and service oriented retail a possibility for the site. This would not be standalone product but most likely the ground floor of a building encompassing other uses. If ultimately approved by the City, the Standard student housing complex would also create demand for food and beverage and service oriented retail, although that project will also contain minimal ground floor retail.
 - A grocery store use could be a possibility in the future, though we believe it is in the later part of the projection period. This could be something like an Aldi that offers a variety of food products at an affordable price. Other smaller grocers such as Trader Joe's, Earth Fare and the like require higher incomes from nearby residents than what is currently available in the local neighborhood, making those operators a stretch in the current environment. Ultimately the timing for grocery store development is dependent on the desires and needs of the respective operator.
 - Traditional small shop retailers, like locally owned apparel shops and boutiques, have struggled to survive in the wake of competition from large operators such as Walmart and Target. On-line shopping has also taken its toll and even large operators such as Macy's and JC Penney are closing locations due to the loss of patrons. We do not believe small shop retailers would be a viable use within the foreseeable future.
- ▶ Rental Apartments:
- Student oriented product has been the principal source of demand for rental apartments over the last five years in the One and Two Mile radiuses. The newer product in and around the area bears this out, as most of the planned or under construction apartment projects noted earlier are student oriented. The Domain at Tallahassee student oriented apartments is under construction in Frenchtown and The Standard at Tallahassee is going through the approval process. The location of the Shelter Site directly across the street from the FSU campus is a natural draw for student oriented apartment developers. In our opinion, the Shelter Site is a better location in many ways than the site under consideration for The Standard at Tallahassee. Although student oriented rental apartments may be a controversial use within the local community, there is demand for this product. The amount of student oriented product in the pipeline could make the timing of this use about five years in the future, though the planning, permitting and construction periods could eat up much of this time. Based on the amount of rental apartment square footage shown in the Frenchtown Redevelopment Partners plan, about 370 beds could be developed on-site.

- Affordable rental housing could be a viability in the near future. Mixed income would be a bit farther out in time mainly due to the market rate component of the product. We believe the Shelter Site would have difficulty competing with other sites closer to the downtown area for the development of market rate non-student oriented rental housing. That could potentially change in the future as those sites closer to downtown become scarce.
- For sale Townhomes:
 - Attached for-sale residential product has struggled to regain its footing since the Great Recession. Financing for the development and purchase of this product has been difficult to obtain. Very little for sale townhome or condominium product has been developed in the last five years in the One and Two Mile radiuses. We do not believe for-sale residential product is a viable use in the near term. Affordable for sale product could be a possibility, but market rate product is much further out in time for the same reasons as noted during the discussion of market rate non-student oriented rental apartments.

Ultimately, whatever is developed at the Shelter Site will be determined by the local community, the City and interested developers. The options we show here are strictly based on our earlier market analysis and the data pulled together for this report. There are *some aspects* of the development proposed by the Frenchtown Redevelopment Partners that could be viable in the near term, but not the entire program as laid out and, in many cases, as specific parts are sized or scaled within the larger program. If there exists a desire to move the development forward at a quicker pace, some combinations of the above plan could be placed into motion sooner than later. Given that, we have summarized some additional scenarios that could be considered that we believe could be more likely to occur in the near-term (approximately five years).

Table 5.3
Option 1: Near-Term Development Program – Shelter Site

Land Use	SF	Units	Beds
Retail	20,000	NA	NA
Rental Apartments-Student Oriented	<u>290,000</u>	<u>160</u>	<u>550</u>
Total	310,000	160	550
Parking Garage Spaces (1)		530	

Source: GAI

(1) Parking at 3 per 1,000 square feet of retail and 85% of apartment bed count.

Option 1 focuses on rental apartments that are student oriented and also includes retail space that would most likely be oriented towards some type of restaurant/food and beverage development. The office and for-sale townhome product is not included in this option. The same approximate total square footage that was in the Frenchtown Redevelopment Partners plan is included here, so the resulting FAR would be similar. In this option, some of the ground floor space would be residential in nature. We recommend that the residential ground floor space be built to allow conversion to retail at a later date.



This would mean allowing for 10 foot ceilings and installing the necessary infrastructure for retail/food and beverage space. As the demand grows for retail/food and beverage/grocery store, residential space could be converted.

Table 5.4
Option 2: Near-Term Development Program – Shelter Site

Land Use	SF	Units	Beds
Retail	40,000	NA	NA
Rental Apartments-Student Oriented	<u>270,000</u>	<u>150</u>	<u>515</u>
Total	310,000	150	515
Parking Garage Spaces (1)		560	

Source: GAI

(1) Parking at 3 per 1,000 square feet of retail and 85% of apartment bed count.

Option 2 is similar to Option 1 but includes a greater amount of retail/food and beverage space, thus lowering the bed count of the rental apartments. The same ground floor requirement for future conversion of residential units to retail space would need to be in place.

Table 5.5
Option 3: Near-Term Development Program – Shelter Site

Land Use	SF	Units
Retail	15,000	NA
Rental Apartments-Affordable	<u>130,000</u>	<u>165</u>
Total	145,000	165
Parking Garage Spaces (1)		255

Source: GAI

(1) Parking at 3 per 1,000 square feet of retail and 1.25 per apartment unit.

Option 3 allows for the development of affordable rental apartments that are not student oriented. This option assumes that about two-thirds of the square footage in the Frenchtown Redevelopment Partners plan is affordable. The remaining market rate product would be developed at a later date when demand for that product at this site allows. A smaller amount of retail/food and beverage space would be developed initially since the number of apartment residents is lower in this option than the others presented. Again, the same ground floor requirement for future conversion of residential units to retail space would need to be in place.

As a means of testing potential development timing, capture rates of the County’s future development (estimated during the market analysis conducted last year) were calculated for each development option. The resulting capture rates were reasonable given the historical experience of the One and Two Mile radiuses noted in Section 4 of this report.

The following section summarizes the financial ramifications of developing the above options.

5.2 Development Option Financial Analysis

As a way of illustrating potential financial ramifications of developing the options noted above, we have created a financial model that takes into account the following major revenue and cost items:

- ▶ Rental rates or sales prices
- ▶ Development costs per square foot or unit

Assumptions were made for each development option and the results were compared.

In general, the spread between what a project might be worth, less its cost of development, equates to the residual available for land, the sum a developer *might* be able to pay for the underlying real estate while staying within acceptable ranges of financial performance. Should a piece of property cost more than this simple calculation, the property and larger project would not be deemed an attractive investment opportunity based strictly on economic considerations. While completed at a very gross level, this relationship between development cost and land is a means to link property value with an achievable net operating income stream and an expected rate of return. Higher development costs, if found appropriate for any reasons, would only lower the desirability of the possible investment. In effect, the approach outlined is a simple way of looking at all options on the same basis, varying primarily the revenues or rents that could be supported based on the market analysis we completed.

We have attempted to capture all the costs relevant to this calculation but actual timing, phasing, sequencing, on site conditions, site work, local fees and others considerations will affect the actual calculation. This approach yields generalized information but is sufficient to screen the potentially beneficially from the obvious financially inefficient and undesirable. In some cases, the program offered for testing is at odds with the kinds of units and facilities the market appears to support. The design and scale aspects thus impact performance.

The above methods of analysis are, of course, a general guideline to a project's merit and are only as reliable as the basic information going into the analysis. In this case, some of the revenues to be received are reasonably certain. Development costs, which figure into the analysis, are less reliable because generalized costs tend to fall into a range even while rents and receipts widely vary. As to whether these various numbers and figures are speculative or not, they are generally applied equally across all options. Major exceptions relate to the differences in costs of student housing vs conventional apartments. The former are capable of absorbing costs much easier than the latter.

The table on the following page summarizes the results of this comparison of development options.

Table 5.5
Financial Implications of Development Program Options– Shelter Site

Land Uses	Frenchtown Development Partners	Option 1	Option 2	Option 3
Rental Apartments:				
Number of Units or Beds	250	550	515	165
Improvement Costs Per Unit or Bed	\$117,000	\$101,000	\$101,000	\$117,000
Rental Rate Per SF	\$1.50	\$2.10	\$2.10	\$1.50
Occupancy %	90%	94%	94%	95%
Land Residual Value	(\$92,000)	\$5,590,000	\$5,176,000	\$1,009,000
For-Sale Townhomes:				
Number of Units	20	NA	NA	NA
Improvement Costs Per Unit	\$240,000	NA	NA	NA
Sales Price Per SF	\$100	NA	NA	NA
Land Residual Value	(\$218,000)	NA	NA	NA
Office:				
Number of SF	25,000	NA	NA	NA
Improvement Costs Per SF	\$192	NA	NA	NA
Rental Rate Per SF	\$15.00	NA	NA	NA
Occupancy %	90%	NA	NA	NA
Land Residual Value	(\$1,949,000)	NA	NA	NA
Retail:				
Number of SF	57,600	20,000	40,000	15,000
Improvement Costs Per SF	\$151	\$151	\$151	\$151
Rental Rate Per SF	\$18.00	\$18.00	\$18.00	\$18.00
Occupancy %	50%	95%	70%	95%
Land Residual Value	(\$3,706,000)	\$277,000	(\$1,184,000)	\$208,000
Total Land Residual Value	(\$5,965,000)	\$5,867,000	\$3,992,000	\$1,217,000

Source: GAI

5.3 Implications

The table above indicates that Option 1 yields the highest residual land value. Option 2 and 3 also have positive values, but are not as high as Option 1. The Frenchtown Redevelopment Partners plan is negative, mainly dragged down by an office and retail product that is not supportable by the market. Smaller amounts of retail space can generally function in the market, allowing additional retail to be added in the future via conversion of residential space. The development costs associated with the for-sale townhomes cannot support the level of pricing needed to make that option a viable part of the plan. Market rate rental product is premature, but affordable rental product produces positive results, just not as high as student oriented housing.

This is not to say the Frenchtown Redevelopment Partners plan cannot be done. Although the market does not currently support all the uses as proposed, it may in the future. The property would need to

be held until market support justified moving forward, which in our opinion would be towards the latter end of the projection period.

As noted earlier, whatever is ultimately developed at the Shelter Site will be determined by the local community, the City and interested developers. This exercise was meant as a means to gauge the impacts of various options. However, the market will be the ultimate decider on what functions at this location. Actual responses to future requests for proposals from private development teams will be the real gauge as to the desirability of the Shelter Site for future development.