Downtown Jackson Market Analysis

Submitted to:

Dr. Mukesh Kumar
Department of Planning and Development
200 South President Street, Suite 229
Jackson, MS 39201

September 12, 2018

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Dr. Mukesh Kumar
Department of Planning and Development
200 South President Street, Suite 229
Jackson, MS 39201

Dear Dr. Kumar,

The City of Jackson Department of Planning and Development engaged Hunden Strategic Partners to conduct a market and financial feasibility analysis for the Business Improvement District in Downtown Jackson, Mississippi. The attached is our report.

This deliverable has been prepared under the following general assumptions and limiting conditions:

- The findings presented herein reflect analysis of primary and secondary sources of information that are assumed to be correct. HSP utilized sources deemed to be reliable, but cannot guarantee their accuracy.
- No responsibility is taken for changes in market conditions after the date of this report and no obligation is assumed to revise this report to reflect events or conditions occurring after the date of this report.
- HSP has no control over construction costs or timing of construction and opening.
- Macroeconomic events affecting travel and the economy cannot be predicted and may impact the development and performance of the project.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely,

Hunden Strategic Partners

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EXECUTIVE SUMMARY

Hunden Strategic Partners was engaged by the City of Jackson's Department of Planning and Development to conduct a thorough market analysis for the Business Improvement District (BID) of Downtown Jackson, Mississippi. The end purpose of the analysis is to determine the highest and best mix of uses for development on the City- and JRA-owned land parcels across the street from the Jackson Convention Complex. To answer this overarching question, HSP sought answers to the following throughout this analysis:

- What is the current status of the redevelopment site and what types of development exist there now? What characteristics does the site possess?
- What economic and demographic trends currently exist within the community. How are these trends impacting the different types of real estate uses in the market?
- What are the historical and current market conditions for each type of major real estate use?
- What do the market conditions imply for future development?
- What are the recommended uses for development across from the Convention Complex?
- What is the financial feasibility of the recommended development?
- What is the projected economic, fiscal, and employment impact of the recommended Project?

HSP's analysis was two-pronged. The first phase of this analysis aimed to provide the City with a baseline for all types of real estate uses, including key performance and occupancy statistics for properties located within the downtown BID District. The second phase of the analysis aims to provide the city with recommendations and financial feasibility projections for the proposed Project.

Headlines

Downtown Jackson exhibits the type of real estate market characteristics that often accompany smaller cities. Its downtown demonstrates relatively shallow markets for each primary real estate use type compared to the downtowns of larger markets. Like most communities over the past 50 years, development followed demographic growth, which primarily occurred in the suburbs, leaving downtowns relatively weak. However, over the past several years, a resurgence in interest has occurred downtown, leading to reinvestment in all real estate categories. However, the megatrend of Millennials moving to urban areas that has transformed most cities in the U.S since 2008 has been slow to occur in Jackson. The number of residents living downtown has not yet reached critical mass to support a number of real estate uses. It will take increases in daytime employment population, permanent resident population, and tourism and convention activity, to better support uses such as restaurants and retail.

There is demand for more of each type of use studied, however, the strength of that demand is fairly limited at this time. The city and other entities can use the tools they have available for incentivizing downtown development to partner with the private sector and induce quality projects in nearly all categories. Based on HSP's interviews with stakeholders and citizens, there is a strong desire for many people to have more living, dining and activity offerings downtown.

Employers. Downtown is becoming more attractive to office users due to the relatively low-cost options compared with office rates in the suburbs. The State of Mississippi is far and away the area's largest employer,

with more than 29,000 employees. In addition, Jackson is continuing to attract new and expanded healthcare businesses, including Baptist Health Systems, St. Dominic, and Merritt Health which, together, employ more than 7,300. The attraction of these firms, coupled with the recent infusion of other small, professional trades has rejuvenated the downtown marketplace since the end of the Great Recession.

Overview. HSP's analysis of the real estate market revealed these shallow markets. For example, HSP identified only 305 residential units within downtown Jackson's BID District. In addition, there are only two true convention-quality hotel products downtown, although there are four total properties located within the downtown BID. The two lower quality products have negatively impacted overall performance for the hospitality market. The restaurant market is relatively small, and each new successful restaurant is noticed and creates new excitement. The retail market is very sparse and is primarily made up of boutique, home furnishing, and novelty-type stores. Attractions and large events are also limited, making tourism a small player in the overall economic picture of downtown. The lack of an attractive hotel package limits what the convention center can do to induce more demand downtown.

Site. Downtown Jackson currently suffers from a lack of cohesion between its assets and attractions. The 8.29 acres of developable land, which sits vacant today, exists as a disconnect between nodes of residential, hospitality, dining, and office within Jackson's BID District. The lack of activity on the site, from both residents and visitors to Jackson, limits the vibrancy of Downtown, and hurts Jackson's ability to attract conventions and other events. With that said, a well-sized, city-owned development that is centrally located in a metropolitan environment is a rare opportunity for transformational development. HSP's analysis indicates that the City and JRA-owned parcels, if developed appropriately, would not only make Downtown a more attractive location for future residents to live, work, and play, but also allow Jackson to optimize the Convention Complex by siting restaurants and a convention hotel directly across the street.

Residential. Prior to the late 2000s and early 2010's, Downtown Jackson offered minimal high-quality residential product for citizens looking to live, work, and play in an urban environment. These downtown residents, and the foot traffic and spending that they generate, are critical to support the retail, restaurant, entertainment, and nightlife options that the City of Jackson is yearning for. The development, and subsequent performance, of various luxury apartment properties over the last decade, including King Edward and Standard Life, have demonstrated that high-quality residential projects can thrive in the Jackson BID. Suburban citizens that work in Downtown Jackson will relocate if high-quality product is available. Until 2016, occupancy levels of multifamily developments within the BID remained at healthy levels, sometimes above 90 percent. This suggests pent up residential demand, and opportunity for future development.

That said, the downtown residential market does face challenges. Rental rates at existing properties are below the national average and may not support the quality and scale of development that the market is calling for. New multifamily development outside the BID is performing well as it will inside the BID. The proposed future residential developments within the Jackson BID, including Lamar Lofts, Landmark Center, and Edison Walthall, indicate that the local market participants and developers believe that there continues to be a market in downtown Jackson for residential offerings. This residential base is a critical foundation from which Downtown Jackson can develop other commercial and entertainment options. Based on the market analysis, HSP concludes that any new development that occurs on the proposed redevelopment site should feature a multifamily component.

Restaurants. The small number of residential units downtown and evening activity makes opening new restaurants challenging. The market's orientation to daytime office users puts pressure on the office and the

convention markets to support those restaurants. None of these three market segments: residential, office or tourism, are strong enough by themselves to support a robust restaurant marketplace. As a result, many of these restaurants are open only for lunch and are supported by the daytime workforce of more than 19,500. Restaurants are similarly symbiotic with residential development, yet they are also critical to tourism. For the first time in U.S. history, the amount of money spent on prepared meals at restaurants has surpassed the amount spent in grocery stores. This megatrend suggests that a choice of restaurant cuisines, price points, and styles is critical to developing a strong resident base, and this has been realized in most other downtowns over the past ten years. Also, a strong resident base is critical to supporting restaurants. However, tourism can play a large role in supporting restaurants as well.

The continual effort to attract restaurants and retail along downtown corridors such as East Capitol Street and Farish Street will help to at fill in the "gaps in the teeth". Restaurants that primarily act like restaurants during the day can become more nightlife destinations in the evening. which will enhance the vibrancy of downtown as a destination after the work day. Without a critical mass of options, it will be harder to lure quality tenants. Restaurant tenants benefit when they are part of a critical mass of other restaurants. In fact, many have co-tenancy requirements that call for other restaurants in the same development. Ultimately, reaching critical mass means that the redevelopment has begun to create a "buzz," increases the number of people on the streets, raises land and property values, and makes the community feel safer. More activity attracts more people, which increase rents and property values, therefore creating more business opportunity and more activity on the street. In order to create a critical mass of activity, there must be enough options for visitors to make the area a destination, rather than a specific establishment of the destination.

The development site at the foundation of this analysis presents the City with an opportunity to create such a cohesion and critical mass of restaurant for out-of-town visitors and residents alike. HSP recommends a cluster of restaurants and a food hall be included in any new mixed-use development in order to support all other downtown uses and create the synergy amongst all other use types.

Hotels and Tourism. The Downtown Jackson hotel market is comprised of only three branded hotels, which totals just a few hundred rooms. The newly-opened Westin, which is still being absorbed by the market, is a very high quality, full-service hotel, with corporate quality ballroom and meeting space, and other amenities, such as a higher-end restaurant and bar. While the hotel is within walking distance of the convention center, it is not large enough or proximate enough for meeting planners to consider it as a headquarters hotel for their events. They need a much larger hotel (250-300 rooms) in order to get the room-block necessary to host their event in Jackson.

The Marriott, which is more than 40 years old and has gone through financial stress, has fallen below the physical standards expected for the Marriott brand and is need in of serious upgrades in order to retain its status. It has become obsolete in some respects, as the quality levels have fallen below the expectation for many groups and overnight visitors. Its performance has dragged the downtown's overall performance to low occupancy and rate levels.

In addition, the locations of the hotels in relation to the Jackson Convention Complex, one of downtown's primary assets, presents challenges when preparing attractive packages for state and regional meeting planners. None of the hotels is located adjacent or connected to the center. In order for the convention center to be taken seriously be meeting planners, a large, high quality hotel will need to be sited adjacent.

Due to the current hotel occupancy levels, the lack of traditional leisure attractions, and a slow growing corporate base, the Jackson hotel market cannot support the development of a new full-service hotel room at this time. This is not unusual for cities of this size, as full-service hotels are very expensive to develop and often require public participation. HSP recommends a new convention headquarter hotel be developed to induce new demand to the market, allowing the Jackson Convention Complex to pursue conventions and other events that are currently not considering Downtown Jackson. The development of an attached convention hotel would not only drive new room nights to existing hotels in the BID, but it would also generate net new spending and activity in downtown businesses, including restaurants. Restaurants are needed to attract conventions and are also supported by the convention activity.

Retail. The ability to support retail development in any downtown environment is difficult at best. This is true in Jackson as it is in most small to mid-sized cities. Retail options are sparse and are mostly unique, boutique, or novelty. There are very little general merchandise or drug store opportunities. In addition, there is also a lack of a true grocery store within the downtown BID. However, this may change with the development of the Landmark Building, but such a development is not confirmed at this time.

Office. Key office market participants have indicated that the supply of office space within Jackson's BID is the healthiest it has been since the Great Recession. Market data supports this notion, as HSP has observed a current occupancy rate of 81 percent within the BID, excluding the two major vacant buildings: The Landmark Building and the Regions Bank Building. Overall, the market is yielding an average lease rate of $16.64 per square foot for all office space. Downtown lease rates for Class A, B and C office are attractive relative to the suburbs. An example of recent positive movement in the downtown office market is the move of two 50,000-square foot medical office tenets in recent months.

While the downtown Jackson office market is currently healthy, it provides tenants only with a traditional approach to office space. In recent years, there has been a trend away from traditional office space with a move toward shared and co-working office space. It will be important for members of the City's economic development team to consider the importance of such spaces in retaining local talent that might otherwise seek such spaces elsewhere, either in the suburbs or other cities altogether.

Implications & Recommendations

The subject site presents the City with an opportunity to develop a mix of uses capable of enhancing the downtown landscape. By developing the optimal mix of uses, it will create synergy with all of the downtown developments. Its position is proximate to not only the Jackson Convention Complex but also the major residential and office nodes. HSP makes the following preliminary recommendations:

- A convention hotel that offers an attractive price point and is of the necessary quality to support events at the Convention Complex.
- A mix of restaurants that offer unique cuisines across a number of price points. HSP also recommends the development of a food hall. This site is in proximity to a number of amenities that will support a food hall including residential, office, and special event facilities.
- Mid-market residential units.
- Structured parking for all associated uses as well as parking to support the downtown campus of Jackson State University and downtown event activity related to the Convention Complex and other facilities.

- A combination of loft office and/or creative and incubation office space.

Funding Options

The existing market conditions within Downtown Jackson will likely not support the size and scope of development that will achieve the long-term goals of the Jackson community. In order to induce private development on this scale, public incentives will be necessary. HSP analyzed the potential public funding mechanisms that the City could potentially offer to generate interest in this transformative development opportunity.

Federal

Opportunity Zones: Opportunity Zones are economic development tools designed to spur economic development and jobs in distressed communities. The Tax Cuts and Jobs Act of 2017 established Opportunity Zones as a new community development program aired to encourage long-term investments in low-income and rural communities. These zones are established in communities where new investments, under certain conditions, may be eligible for preferential tax treatment. The program allows taxpayers to defer and reduce capital gains if the taxpayer reinvests capital gain proceeds in a qualified opportunity fund. The U.S. Department of Treasury and the Internal Revenue Service announced on April 9, 2018, the designation of 100 tracts in Mississippi as Opportunity Zones. The Downtown Jackson tract, including the proposed site, has been established as an Opportunity Zone.

New Market Tax Credits: The New Market Tax Credit Program attracts investment capital to low-income communities by permitting individual and corporate investors to receive a tax credit against their Federal income tax return in exchange for making equity investments in specialized financial institutions called Community Development Entities (CDEs). The credit totals 39 percent of the original investment amount and is claimed over a period of seven years (five percent for each of the first three years, and six percent for each of the remaining four years). The investment in the CDE cannot be redeemed before the end of the seven-year period.

State

Sales and Use Tax Rebate for Tourism Projects: The Mississippi Tourism Rebate Program provides a tax rebate to qualified applicants of new tourism-oriented projects in the state of Mississippi. The program allows a portion of the sales tax paid by visitors to the eligible tourism-oriented enterprise to be paid to the applicant to reimburse the applicant for eligible costs incurred during the project's construction. The Tourism Rebate Program provides for a rebate of a percentage of sales taxes collected at the certified project for a period of up to 15 years. This incentive is available to new tourism-oriented enterprises but excludes expansions of any existing projects previously approved by the Mississippi Development Authority and/or facilities that are primarily developed for retail sales that are not certified as a resort development by MDA.

Local

Ad Valorem (Property Tax) Abatement: For the construction of a new building, the City of Jackson will exempt the property owner from taxes on the increased value for up to seven years. This can be used in conjunction with other incentives.

Tax Increment Financing (TIF) Bonds: Both the Jackson Municipal and Hinds County Governments can issue Tax Increment Financing Bonds. These bonds are issued by a municipal or county government to pay a developer or property owner for infrastructure outlays made as part of a development or renovation. TIF can pay for anything typically constructed for/provided by a city, including parks, parking, streets, landscaping, and infrastructure.

Target Program

Based on the results of the market analysis, the City of Jackson, along with input from Hunden Strategic Partners, Dale Partners Architects, and community residents, prepared a target program mix for the site. The following table summarizes the target program mix for the 7.75 acre-site in Downtown Jackson.

Table 1

Project Overview - Target Program

Element	SF	%
Area		
City of Jackson (5.68 acres)	247,421	73.26%
Jackson Redevelopment Authority (1.70 acres)	74,205	21.97%
Private Sector (0.37 acres)	16,117	4.77%
Total	337,743	100.00%
	--	--
Total Project Buildout		
Total Building Coverage	175,858	52.07%
Total Open Space Coverage	161,885	47.93%
Gross Floor Area (GFA)	337,743	100.00%
Floor Area Ratio (FAR)		
Program		
Commerical	89,844	5.76%
Residential (583 units)	528,572	33.88%
Entertainment - Event	176,475	11.31%
Office	53,388	3.42%
Hotel (335 rooms)	167,680	10.75%
Parking	544,016	34.87%
Total	1,559,975	100.00%
Open Space*		
Outdoor Event Lawn	21,750	7.39%
Sidewalk, Furnishing Spaces	220,904	75.01%
Landscaped Areas	43,959	14.93%
Retention Pond	7,870	2.67%
Raingardens	--	--
Total	294,483	100.00%

*These figures include infrastructure outside of the property boundaries

Source: City of Jackson

The proposed mix of development will occupy approximately 52 percent of the available 337,000-square foot footprint on the site. The remaining area will consist of open space, including an event lawn, landscaped areas, and a retention pond for community use. In total, the proposed target program features nearly 1,600,000 square feet of development, including 583 residential units, a 335-room hotel, multiple dining options, a movie theater, shared office space, and two parking garages. The total development, which includes five separate buildings, public open space, and city infrastructure, is projected to cost approximately $385,000,000.

Due to the size and scope of the Project, the five buildings will likely be developed on a phased timeline. While exact phasing of the Project likely will not be determined until a developer is selected, HSP made phasing assumptions for the Project in order to generate the demand, financial, and economic impact projections detailed in Chapters 9 and 10 of this report. The table below summarizes the assumed phasing for the analysis.

Table 2

Downtown Jackson Phasing Matrix - Summary

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Phase I	Building A	Restaurant	10,277	10,277	10,277	10,277	10,277	10,277	10,277	10,277	10,277	10,277	10,277	10,277
	Building C	Hotel (335)	167,680	167,680	167,680	167,680	167,680	167,680	167,680	167,680	167,680	167,680	167,680	167,680
		Residential (81)	80,400	80,400	80,400	80,400	80,400	80,400	80,400	80,400	80,400	80,400	80,400	80,400
		Parking (1,237)	185,496	185,496	185,496	185,496	185,496	185,496	185,496	185,496	185,496	185,496	185,496	185,496
Phase II	Building D	Entertainment				15,333	15,333	15,333	15,333	15,333	15,333	15,333	15,333	15,333
		Restaurant				10,222	10,222	10,222	10,222	10,222	10,222	10,222	10,222	10,222
Phase III	Building B	Residential (113)							107,267	107,267	107,267	107,267	107,267	107,267
		Restaurant							12,377	12,377	12,377	12,377	12,377	12,377
Phase IV	Building E	Entertainment										161,142	161,142	161,142
		Restaurant										56,968	56,968	56,968
		Residential (389)										340,905	340,905	340,905
		Office										53,388	53,388	53,388
		Parking (1,195)										358,520	358,520	358,520
		Totals	443,853	443,853	443,853	469,408	469,408	469,408	589,052	589,052	589,052	1,559,975	1,559,975	1,559,975

Source: Hunden Strategic Partners

HSP's market analysis indicated that it is important to generate a critical mass of residents in Downtown Jackson to support the other commercial and entertainment concepts that have been proposed for the Project. In addition, the Jackson Convention Center, one of Downtown Jackson's best assets, continues to suffer due to the lack of headquarter convention hotel.

HSP's analysis assumes that the first phase of development, shown in Year 1, includes both Building A and Building C. This phase of development will include 81 residential units and a 335-room hotel, in addition to a new brewery restaurant and parking garage. HSP assumes that Phase II (Building D) would be completed by Year 4 and Phase III (Building B) would be completed by Year 7. HSP assumes that the largest development, Building E, would likely be the final phase of development and would be complete nearly one decade after Phase I.

Financing Gap Analysis

The table below summarizes the size, cost, value, and projected funding gap for the five buildings included in the target program mix.

Table 3

Matrix of Building Costs & Values - Market Analytics as of Mid-2018

Use	Size (SF)	Cost	Cost/SF or Unit	Value	Value /SF or Unit	Estimated Funding Gap
PHASE I (YEAR 1)						
Building A	10,277	$3,930,000	$382	$2,800,000	$269	$1,130,000
Building C	433,576	$84,370,000	$195	$64,000,000	$149	$20,370,000
PHASE II (YEAR 4)						
Building D	25,555	$8,270,000	$324	$8,271,000	$360	None
PHASE III (YEAR 7)						
Building B	119,644	$38,840,000	$325	$16,300,000	$119	$22,540,000
PHASE IV (YEAR 10)						
Building E	970,923	$263,910,000	$272	$137,500,000	$133	$126,410,000

Source: Hunden Strategic Partners

As shown, Building D is the only project component that is not expected to require funding assistance for development. All other buildings, based on the supportable market metrics, projected performance, and expected returns on investment, will require a level of public assistance.

Economic, Earnings, Employment and Fiscal Impact

The development of the mix of uses will generate a significant amount of economic activity and will support a number of new jobs onsite. New housing brings in new residents and their disposable income. New employment in offices brings in new employees and their spending. New attractions bring in visitors, while new restaurants, bars and entertainment bring in new spending to the community as people from the area patronize the tenants. Finally, hotels both induce and capture lodging and restaurant spending. All of these uses create their own impact when built and then as they operate over time (or house residents or employees).

The fiscal impact of the Project is the benefit to the city via taxes generated, essentially through new hotel taxes, sales tax, and property tax. Local taxes considered for this analysis include:

- Sales tax (1%)
- Local share of state sales tax (approximately 1.3%)
- Hotel tax (3% of room revenue)
- Hotel tax ($0.75 per room night)
- Property tax

The following table shows the projections of fiscal impact.

Table 4

Fiscal Impact - Jackson Tax Impacts from Net New Spending (000s)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Total
Net New State Taxes Collected									
Sales Tax (1%)	$73	$104	$121	$191	$198	$533	$770	$871	$9,704
Local Share of State Sales Tax	$94	$135	$157	$247	$256	$690	$997	$1,128	$12,566
Hotel Tax ($0.75/RN)	$29	$50	$59	$62	$64	$64	$64	$64	$1,218
Hotel Tax (3% of Room Rev)	$175	$311	$381	$409	$429	$486	$549	$622	$9,593
Property Tax	$2,005	$2,005	$2,005	$2,179	$2,179	$7,736	$7,736	$7,736	$106,465
Total	*$2,375*	*$2,604*	*$2,723*	*$3,087*	*$3,126*	*$9,508*	*$10,115*	*$10,420*	*$139,547*

Source: Hunden Strategic Partners

Over the 20-year period, HSP projects a total fiscal impact of nearly $140 million as a result of the Project.

The following matrix summarizes the development cost and estimated property taxes for the various phases of the Project.

Table 5

Development Cost & Estimated Property Taxes (000s)

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Phase I	Building A	Restaurant	3,934	3,934	3,934	3,934	3,934	3,934	3,934	3,934	3,934	3,934	3,934	3,934
	Building C	Hotel Mixed-Use	84,371	84,371	84,371	84,371	84,371	84,371	84,371	84,371	84,371	84,371	84,371	84,371
Phase II	Building D	Ent & Restaurant				7,681	7,681	7,681	7,681	7,681	7,681	7,681	7,681	7,681
Phase III	Building B	Residential (113) + Rest							33,491	33,491	33,491	33,491	33,491	33,491
Phase IV	Building E	Mixed-Use										211,323	211,323	211,323
		Total Development Cost	$ 88,305	$ 88,305	$ 88,305	$ 95,986	$ 95,986	$ 95,986	$ 129,477	$ 129,477	$ 129,477	$ 340,800	$ 340,800	$ 340,800
		Est. Property Tax	$ 2,005	$ 2,005	$ 2,005	$ 2,179	$ 2,179	$ 2,179	$ 2,939	$ 2,939	$ 2,939	$ 7,736	$ 7,736	$ 7,736

Source: Hunden Strategic Partners

Following the opening of the final phase of development in in Year 10, property taxes are expected to total more than $7.7 million for the Project.

The following table shows the summary of impacts for the Project.

Table 6

Summary of 20-Year Impacts	
Net New Spending	(millions)
Direct	$1,290
Indirect	$432
Induced	$528
Total	$2,250
Net New Earnings	(millions)
From Direct	$488
From Indirect	$136
From Induced	$159
Total	$784
Net New FTE Jobs	Jobs
From Direct	548
From Indirect	365
From Induced	221
Total	1,133
Net New Local Taxes Collected	(millions)
Sales Tax (1%)	$9.7
Local Share of State Sales Tax	$12.6
Hotel Tax ($0.75/RN)	$1.2
Hotel Tax (3% of Room Rev)	$9.6
Property Tax	$106.5
Total	$139.5
Construction Impact	(millions)
New Materials Spending	$266.3
New Labor Spending	$231.5
Construction Job-Years, Actual	4,273

Source: Hunden Strategic Partners

The net new spending for the Project totals $2.25 billion over the 20-year period from ongoing operation. HSP projects $784 million in net new earnings, $140 million in fiscal impact, 1,133 new full-time equivalent jobs and 4,273 job years from construction over the 20-year period as a result of the project.

Report Layout

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About Hunden Strategic Partners

Hunden Strategic Partners is a full service real estate development advisory practice specializing in destination assets. The firm provides a variety of services for all stages of destination development in the following primary areas:

- Real estate market and financial feasibility and financial consulting
- Owner's representation and operating consulting
- Strategy and master planning
- Public incentive analysis
- Economic, fiscal and employment impact analysis (cost/benefit)
- Economic and tourism policy/legislation consulting
- Organizational development
- Research and statistical analysis
- Developer solicitation and selection; Private management company solicitation and selection

Hunden Strategic Partners professionals have provided all of the above services for hundreds of client projects worldwide for the public, non-profit and private sectors. In addition, our professionals have prior professional career experience in municipal and state government, economic and real estate development, hotel operations and non-profit management. Over 80 percent of our clients are public entities, such as municipalities, counties, states, convention bureaus, authorities and other quasi-government entities empowered to conduct real estate, economic development and tourism activities.

Limiting Conditions

HSP relied on primary and secondary sources of information for the assumptions made in this report and assumes these sources to be accurate. Assumptions created for the analysis were based on the data available to HSP during the study period as well as professional judgment.

The Project is assumed to be owned and operated in a first-class manner by the parties who have operated similar facilities.

No responsibility is taken for unforeseen events occurring after the date of the analysis, including war and terror attacks, natural disasters and major economic recessions.

This report is intended to be used as a tool for decision-making by the contracting parties related to this Project and for no other purpose.

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SITE OVERVIEW

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Site

The plat map below shows the subject development site that is the focus of this analysis. The site, which had previously been the proposed location for a $95 million convention hotel and mixed-use development, features three plots of land totaling 8.29 acres.

Figure 1-1

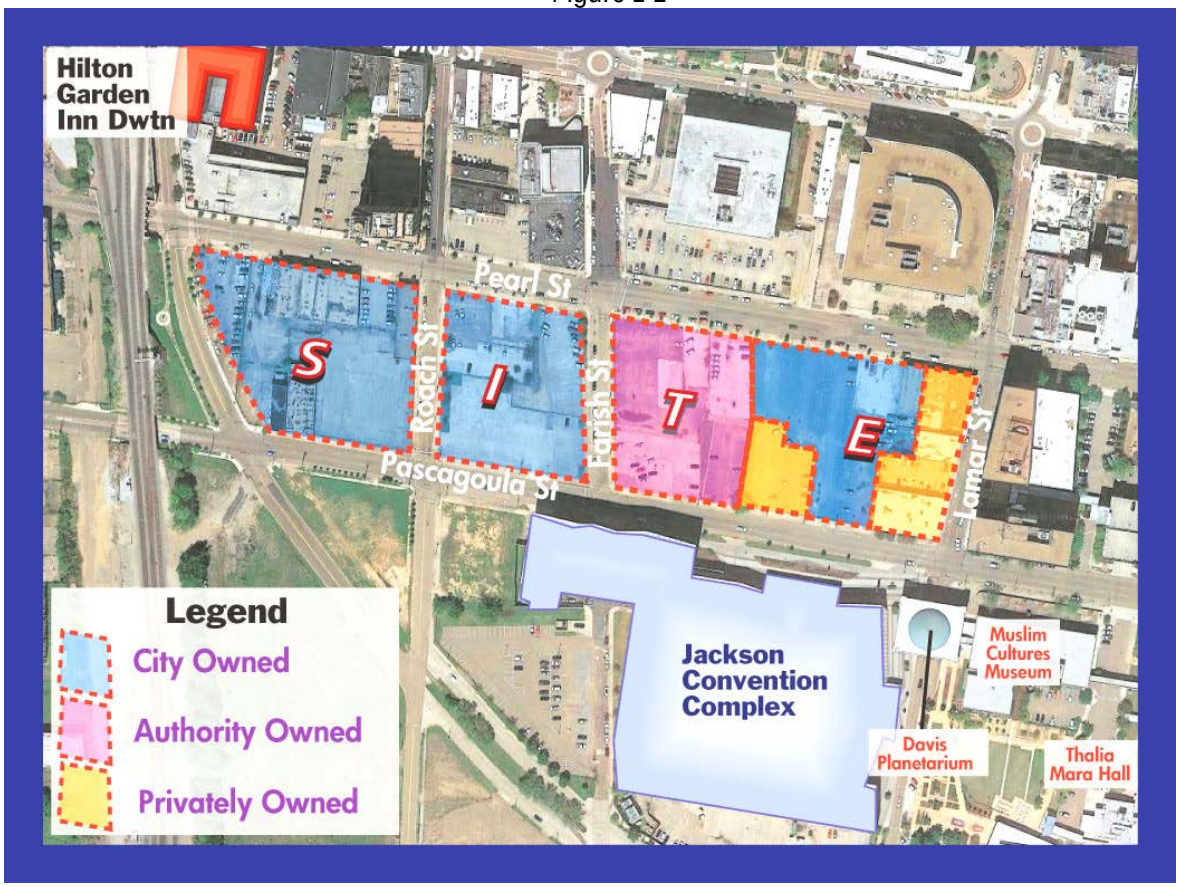
The subject development site is comprised of both City-owned properties and properties owned by the Jackson Development Authority (JRA). The JRA is a public body that was created to promote and administer urban renewal projects for the City of Jackson. The Authority previously played a critical role in the development of

the Jackson Convention Complex and continues to work to elevate Jackson within the regional and national landscape.

The subject properties are located immediately across Pascagoula Street from the Jackson Convention Complex and include more than 220 feet fronting Pascagoula Street, 245 feet on Pearl Street, and 300 feet fronting on Farish Street. In the figure above, City-owned Parcels 18, 19, and 20, which are located west of Farish Street and extend to Court Street, combine to offer 5.12 acres of developable land. The JRA-owned land, which sits east of Farish Street, totals 1.78 acres, while the remaining City-owned property adds another 1.39 acres. Currently, the privately-owned properties along Lamar Street on the eastern edge of the parcel include two law firms and one vacant building. Conversations with City representatives indicated that these parcels would likely be difficult to acquire, and the primary development area should be considered west of these private businesses.

The figure below shows an aerial of the site as it exists today.

Figure 1-2



Other than the private businesses located on the eastern edge of the site, the subject parcels function primarily as surface parking lots today. In addition, a number of vacant buildings currently exist on the western-most portion of the city-owned property.

The following figure shows the development site in relation to Downtown Jackson's existing assets, including the Jackson Convention Complex, hotels, and major attractions.

Figure 1-3

The central location of the site, as well as its proximity to the Jackson Convention Complex, presents transformational opportunity for all of Downtown Jackson. Located between the Downtown residential and dining options on the western edge of the BID, and the event and entertainment assets and located in the southern portion of the BID, HSP's analysis suggest that market-appropriate development on the site could potentially unite the core of Downtown Jackson.

Parking

As previously mentioned, the majority of the city-owned site parcels currently operate as a parking lots for city employees and Jackson Convention Center attendees. The most recently commissioned Downtown Jackson parking study, completed in 2009, analyzed the supply and demand of parking spaces in a 45-block area within Downtown Jackson. The study determined that Zone 2, which encompasses the Convention Center, the

Mississippi Museum of Art, and the proposed Project Site, has a current parking supply of 1,876 parking spaces, with a peak time demand of 1,643 spaces, or 88 percent. Much of this space was empty during the field study but full for conventions and other events, indicating they are off the market for other potential parking space demands. 85 percent occupancy is considered practical capacity in parking. This zone, under the current conditions, will require additional parking supply with new development on the existing parcels. HSP's analysis suggests that parking, absent of other development, is not the highest and best use for this central piece of land in Downtown Jackson. Additional parking will be necessary to replace the displaced parking, as well as accommodate the parking needs of new developments and the Jackson Convention Center.

Conclusion

Downtown Jackson currently suffers from a lack of cohesion between its assets and attractions. The 8.29 acres of developable land, which sits vacant today, exists as a gap between nodes of residential, hospitality, dining, and office within Jackson's BID District. The lack of activity on the site, from both residents, employers and visitors to Jackson, limits the vibrancy of Downtown, and hurts Jackson's ability to attract conventions and other events, not to mention other types of development.

With that said, a well-sized, city-owned site that is centrally located in a metropolitan environment is a rare opportunity for transformational development. HSP's analysis indicates that the City and JRA-owned parcels, if developed appropriately, would not only make Downtown a more attractive location for future residents to live, work, and play, but also allow Jackson to leverage one of its greatest assets, the Jackson Convention Complex.

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ECONOMIC & DEMOGRAPHIC ANALYSIS

Analysis of local market area characteristics such as population, demographics, a diversified economy, access, quality of downtown and tourist attractions, gives a better insight into the potential demand for a real estate project. This chapter will profile the Jackson, Mississippi area including an overview of the economic characteristics of the metropolitan market, as well as a description of local attractions.

Overview

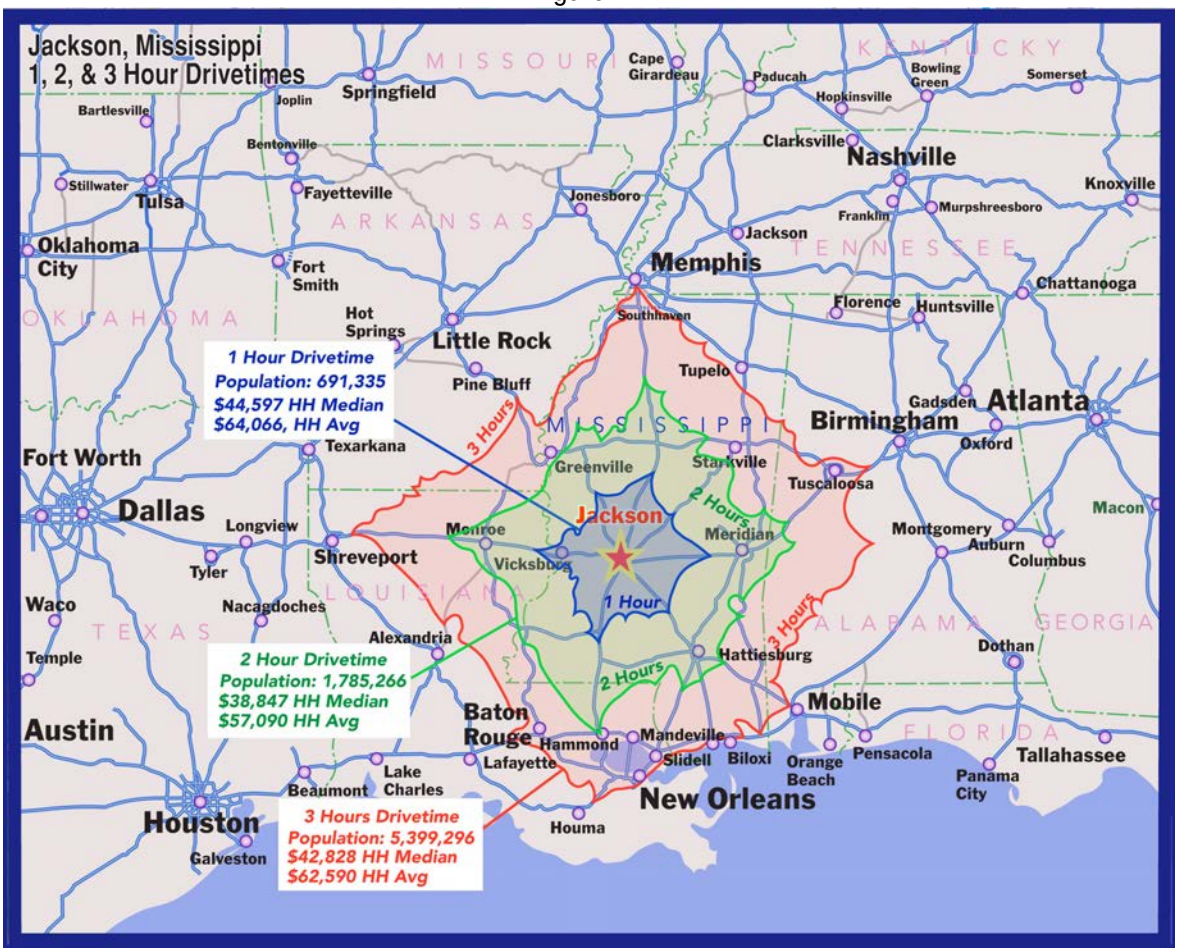
Jackson is the capital and the largest urban center within the state of Mississippi. The city is an intersection between several larger metropolitan areas in the United States. The 2017 population was just over 170,000 and is projected to decrease slightly by 2022. Several key indicators including median household income and median home value have struggled relative to county, state, and national averages. However, retail sales per capita are relatively high as Jackson is near several academic institutions and attracts visitors to the many downtown attractions. Jackson has its own television and news market and is part of the Jackson metropolitan statistical area (MSA).

Regional Access

Jackson is the unofficial crossroads of the South, and of Mississippi. The majority of Metropolitan Jackson spans three counties (Hinds, Madison, and Rankin Counties), home to well over a half-million people. Interstate 55 is a north-south Interstate Highway that travels north, by way of Memphis and St. Louis, to Chicago and south to New Orleans. Interstate 20 travels east to I-95 on the east coast by way of Birmingham and Atlanta, and west to its junction with I-10 in western Texas (where it eventually leads to Los Angeles) by way of Shreveport, and Dallas/Fort Worth. Six major four-lane divided expressways lead from Jackson to every corner of the state and every major population center.

The following figure shows a map of the Jackson regional area, interstate highways and drive times.

Figure 2-1



Jackson is the halfway point, and convenient stop, between several major southern cities and destinations. It is halfway between Birmingham, Alabama and Shreveport, Louisiana. It also serves as a midpoint between Atlanta (about five hours away) and Dallas and is halfway between Memphis and New Orleans/Baton Rouge. U.S. 49 travels northwest towards Greenville and Greenwood, and southeast to Hattiesburg and Gulfport. State Highway 25 leads northeast to the college town of Starkville.

Within Metro Jackson, Interstate 55 connects the city's northern-most suburbs, which are the most affluent, ten miles north of the city. I-20 carries travelers into downtown Jackson from Clinton to the west and eastern suburbs such as Pearl and Brandon. A partial loop-bypass, I-220, skirts the city on the northwest side. I-55 runs close to downtown Jackson, however, and is located in the Pearl River Valley, where little can be developed. Despite being within a mile of the downtown BID district, it has an unusually rural setting with motels and limited service hotels congregating at its downtown exits near the Mississippi State Fairgrounds.

Airport Access

The Jackson-Medgar Wiley Evers International Airport six miles east of downtown. The airport serves the airports in Charlotte, Dallas-Fort Worth, Washington-National Airport, Atlanta, Memphis, Destin, Florida, Chicago-O'Hare, and Houston Intercontinental Airports. It is the largest airport in the state, serving about 600,000 enplanements annually. Larger airports within an easy driving distance are in New Orleans and Memphis, which offer access to substantially more destinations.

Passenger Railroad Access

A well-traveled Amtrak line has a major stop in Jackson on its route from Chicago to New Orleans. The Amtrak stop, and Union Station Transportation Center, is located on Capitol street, adjacent to the King Edward Hotel building. Travel time is just over four hours south to New Orleans and north to Memphis. In 2016, Amtrak served the City of Jackson with more than 47,000 boarding and alightings. This is 32,000 more than the second-most traveled city in the state of Mississippi, Greenwood. Jackson was responsible for nearly 46 percent of all Amtrak boardings and alightings in Mississippi in 2016.

Population

The table below shows historical population, growth changes, and estimates of the population within the United States State, County, MSA, and City.

Table 2-1

Jackson Population and Growth Rates

	2000	2010	2017	2022 Estimate	Percent Change *2000-2010*	Percent Change *2010-2017*
United States	281,421,906	308,745,538	327,514,334	341,323,594	9.7%	6.1%
Mississippi	2,844,658	2,967,297	3,044,258	3,092,039	4.3%	2.6%
Jackson MSA	525,346	567,122	586,775	599,342	8.0%	3.5%
Hinds County	250,800	245,285	243,165	239,016	-2.2%	-0.9%
City of Jackson	187,614	173,514	170,541	167,541	-7.5%	-1.7%
City Pop. As % of Metro Area	*35.7%*	*30.6%*	*29.1%*	*28.0%*	--	--

Source: ESRI, US Census Bureau

The U.S. population grew by 6.1 percent between 2010 and 2017 while the Jackson MSA grew by 3.5 percent over the same period. Mississippi's population increased by 2.6 percent between 2010 and 2017. The City of Jackson itself has experienced declines in its population between 2000 and 2017. This trend is projected to continue into 2022. It is also important to note that the city has steadily lost its share of population as a percentage of the MSA, declining from a more than 35 percent share in 2000 to a 29 percent share as of 2017. According to statistics from ESRI, the Downtown Jackson BID had a permanent population of 485 residents. However, the daytime population is 19,953, which shows more robust daytime activity in Jackson.

Diversified Economy

A healthy and diversified economy provides not only employment and disposable income for a market's residents, but it also helps to insulate an area from economic downturns. Markets that have historically relied on one sector, such as manufacturing, have often had difficulty recovering from market shifts to other sectors, which lead to an overall loss of local income and employment.

The table below shows the diversification of employment in Hinds County.

Table 2-2

Hinds County Employment by Industry - 2017

Description	Employees	Percentage of Total
Total employment	171,529	100%
By industry	0	
Farm employment	963	0.6%
Nonfarm employment	170,566	99.4%
Private nonfarm employment	129,477	75.5%
Health care and social assistance	26,656	15.5%
Retail trade	13,134	7.7%
Administrative and support and waste management and remediation services	12,319	7.2%
Other services (except public administration)	10,393	6.1%
Accommodation and food services	10,134	5.9%
Professional, scientific, and technical services	8,232	4.8%
Finance and insurance	8,137	4.7%
Construction	6,007	3.5%
Real estate and rental and leasing	5,373	3.1%
Educational services	5,348	3.1%
Manufacturing	4,080	2.4%
Management of companies and enterprises	2,549	1.5%
Arts, entertainment, and recreation	2,446	1.4%
Mining, quarrying, and oil and gas extraction	2,360	1.4%
Information	2,178	1.3%
Forestry, fishing, and related activities	374	0.2%
Government and government enterprises	41,089	24.0%
State and local	35,023	20.4%
State government	24,125	*14.1%*
Local government	10,898	*6.4%*
Federal, civilian	4,656	2.7%
Military	1,410	0.8%
Transportation and warehousing	(D)	--
Utilities	(D)	--
Wholesale trade	(D)	--

Source: Bureau of Economic Analysis, Hunden Strategic Partners

Health care and social assistance is the top industry by employment, accounting for 15.5 percent of total employment, followed by retail trade with 7.7 percent. All government employment totals 24 percent and is higher than most markets, as Jackson serves as the capital of Mississippi. The diversification of this market will help shield it from major shifts in the overall economy since it is not totally reliant on one specific sector. Many of the state and local government offices, as well as federal employees, are located in downtown Jackson. On the downside, a reliance on the government sector can mean low per diems for travelers coming to Jackson and staying in hotels and eating in restaurants.

Income and Housing

The depth and strength of a market's employment base and income levels are indicators of its ability to support tourism, hotels and event facilities. Indicators of a market's overall wealth and growth can include trends in income and employment.

The following table provides data on home ownership, income, and retail sales based on the latest data from the US Census Bureau.

Table 2-3

Income, Spending and Other Demographic Data

Category	United States	Mississippi	Hinds County	Jackson
Homeownership rate, 2012-2016	63.6%	67.9%	59.2%	51.6%
Median value of owner-occupied housing units, 2012-2016	$184,700	$105,700	$107,300	$89,500
Persons per household, 2012-2016	2.64	2.63	2.65	2.61
Median household income, 2012-2016	$55,322	$40,528	$38,773	$32,866
Persons below poverty level, percent	12.7%	20.8%	20.8%	30.7%
Total employment, 2015	124,085,947	926,391	98,259	137,416*
Total employment, percent change, 2014-2015	2.5%	1.6%	0.0%	–
Retail sales per capita, 2012	$13,443	$12,413	$12,356	$14,856

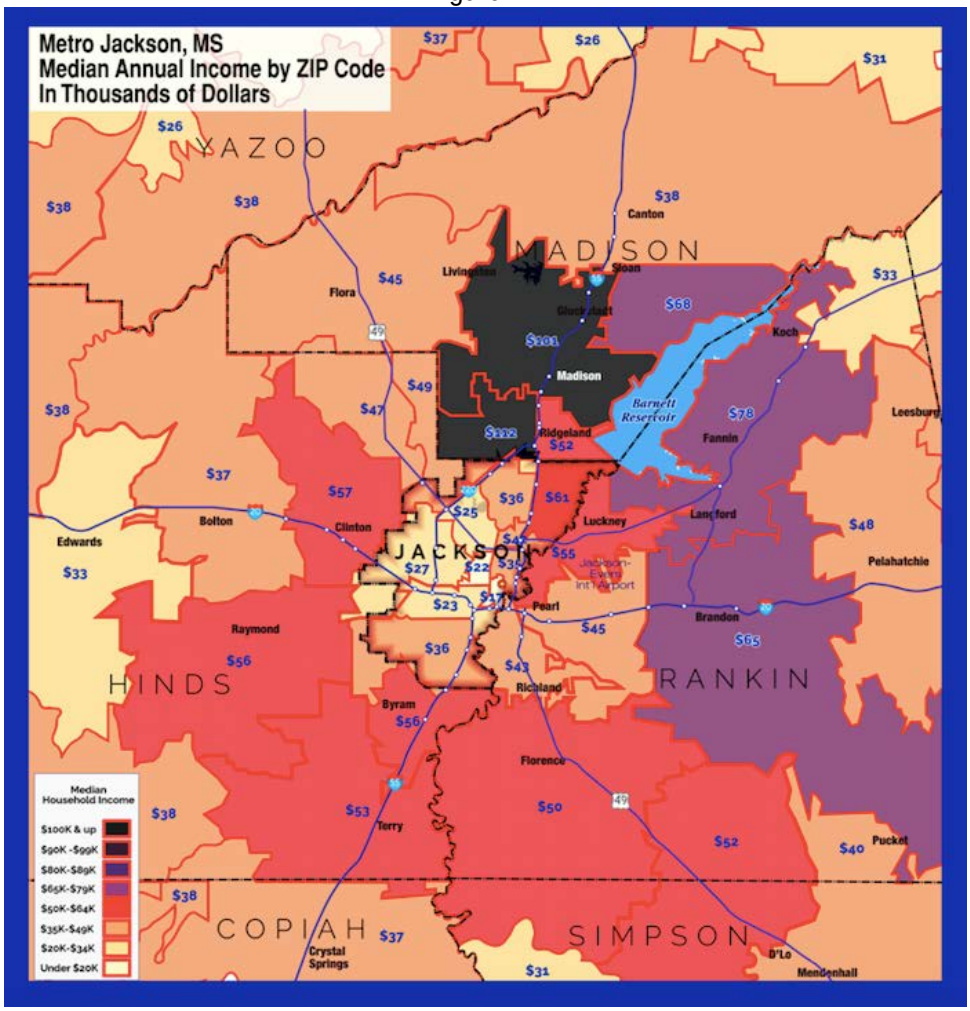
*2017 ESRI Data

Source: U.S. Census Bureau, ESRI

The homeownership rate in Jackson is 12 percentage points lower than the national average, while the state of Mississippi is over four percentage points higher than the national average. The median home value at the city, county, and state levels are significantly lower than the national average. Poverty rates are also significantly higher in Jackson than the county, state, and national average.

The following figure shows the median annual income by zip code for the entire Jackson Metropolitan area.

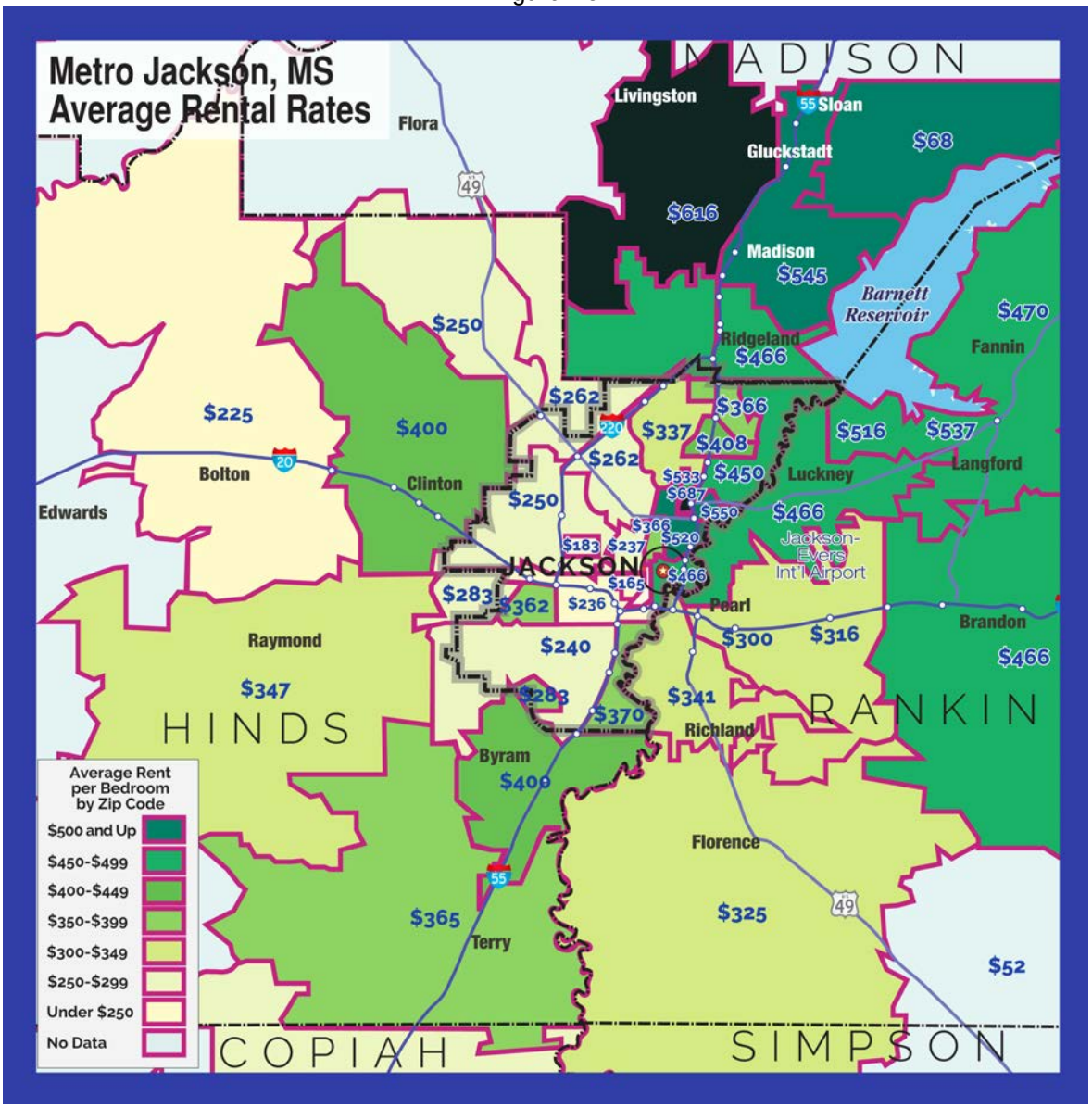
Figure 2-2



As shown, the highest annual income, and greatest economic prosperity, occurs north of the downtown Jackson in Madison, Mississippi. The urban core of the city demonstrates significantly lower household incomes than the surrounding communities.

The following figure shows the average rental rate, per bedroom, by zip code for the entire Jackson metropolitan area.

Figure 2-3



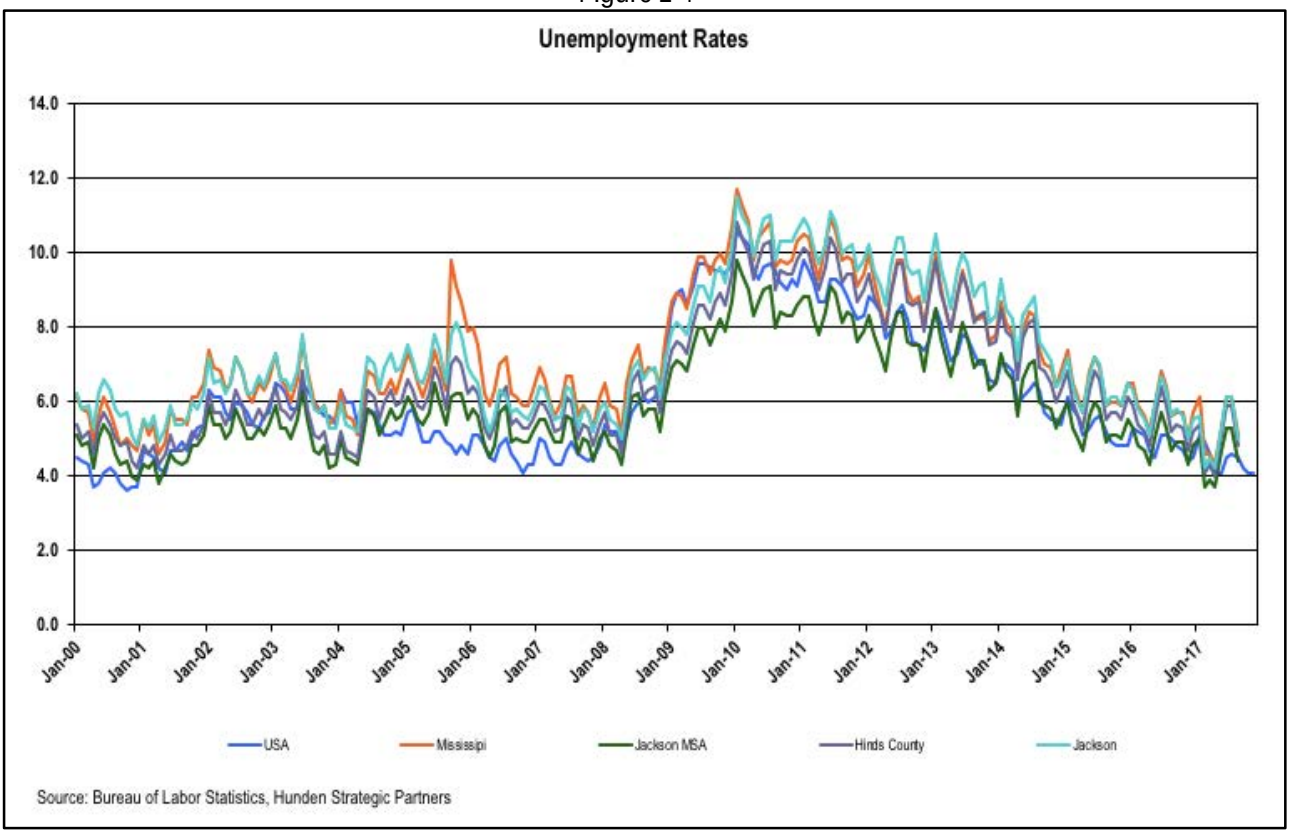
Relatively consistent with the median annual income map, the areas to the north and east of Downtown Jackson demonstrate the highest rent per bedroom in the market.

Unemployment

The following figure shows current and historical unemployment rates in Jackson, Hinds County, the Jackson MSA, and State of Mississippi in relation to the national average. High unemployment relative to the nation indicates that there may be chronic economic structural concerns such as low education rates and mismatched

industry and employment resources. Cities with balanced economies, tend to weather economic downturns better and have unemployment rates that generally mimic the U.S. level.

Figure 2-4



As shown above, Jackson, Hinds County, and the state of Mississippi have had unemployment rates that have trended moderately above the national rate. Between 2005 and 2006, the state's rate spiked above the national unemployment rate due to Hurricane Katrina. The rates have been decreasing over the last seven years but have continued to trend in-line with the national average.

Corporate Presence & Major Employers

In general, corporations provide stability to a marketplace and generally provide consistent employment. They also provide demand for various real estate developments, especially offices and hotels. More importantly, corporate travelers are the backbone of the upscale hotel economy as they generally support occupancy from Monday through Thursday. The more medium- to large-scale companies located within a market, the more support for real estate developments such as hotels, office, retail and restaurants.

The following table shows the largest employers in Jackson, by number of full-time employees.

Table 2-4

Greater Jackson Top Employers

Company	Industry	Employees
State of Mississippi	Government	29,069
University of Mississippi Medical Center	Healthcare	9,000
Merritt Health	Healthcare	8,759
Jackson Public School	Education	4,100
United States Government	Government	3,700
Baptist Health Systems	Healthcare	3,100
St. Dominic	Healthcare	3,000
City of Jackson	Government	1,895
Jackson State University	Education	1,500
AT&T	Technology	1,300
Central MS Medical Center	Healthcare	1,200

Source: Greater Jackson Partnership

The State of Mississippi is far and away the area's largest employer, with more than 29,000 employees, more than triple the second largest employer, the University of Mississippi Medical Center. Government, healthcare and education industries dominate the top ten. However, AT&T also has a strong presence with over 1,000 employees within the Greater Jackson area. A number of the region's top employers also have a presence downtown including the State of Mississippi, Merritt Health, Baptist Health Systems, City of Jackson, Jackson State University, and AT&T.

Educational Attainment

The level of education in a community is generally linked to income potential, and consequently, disposable income and long-term growth. Highly educated people have more options for employment and have more choices for where to locate themselves and their families. The higher the education level, the stronger the labor market and the more disposable income that is available to spend on recreational activities, such as travel.

The following table shows the education attainment levels in the area.

Table 2-5

Educational Attainment

Age 25+ Population	United States	Mississippi	Hinds County	Jackson
Did not complete high school	13.3%	17.0%	13.8%	12.3%
Completed high school	27.8%	30.4%	25.0%	31.3%
Some college	21.1%	22.8%	25.0%	25.0%
Associates Degree	8.1%	8.7%	8.2%	11.0%
Bachelors Degree	18.5%	13.1%	16.3%	12.4%
Graduate Degree	11.2%	7.9%	11.7%	8.1%

Source: US Census Bureau, Hunden Strategic Partners

The percentage of the population in Jackson that has attained a bachelor's degree is 12.4 percent, and is slightly below the county, state, and national average. In addition, the percentage of Jackson residents that have earned a graduate's degree is also less than that of the county and national average. The percentage of those that have completed high school in Jackson is in-line with the national, state, and county averages. Pertaining to higher education, the data indicates that on average, Jackson's population is less educated when compared to county and national averages, although it is marginally more educated than the state as a whole.

Higher Education

Jackson has four higher education institutions within ten miles of downtown. Together there are more than 21,000 students enrolled in the various institutions. However, most students are located at least one mile outside of the Jackson BID.

The following table shows the academic institutions within ten miles of Jackson's downtown.

Table 2-6

Colleges & Universities

Institution	Location	Distance from Site (miles)	Enrollment
Jackson State University	Jackson	1.0	9,811
Belhaven University	Jackson	2.5	4,758
Millsaps College	Jackson	2.5	866
Mississippi College	Clinton	9.5	5,048
Tougaloo College	Tougaloo	10.0	860
Total Enrollment			21,343

Source: Various Sources; Hunden Strategic Partners

While there are several institutions in Jackson, the majority of student and faculty populations are located outside the downtown area. However, JSU does have a presence downtown at 101 West Capitol Street for the department of public policy and administration. Representatives indicated that the downtown campus has been successful to this point, and additional parking facilities could help accommodate growth. The Mississippi College School of Law also has a downtown presence.

In addition to providing opportunities for higher education to both area residents and non-locals, the area's colleges and universities offer attractive employment opportunities that provide stable demand generators in the market.

Top Area Attractions & Events

Tourist attractions provide visitors with something to do, and if compelling enough, induce visitation. Creating a critical mass of attractions and events can induce visitation and spending within a community as well as support the feasibility of restaurants and hotels.

The table below lists the major attractions in the area.

Table 2-7

Jackson Attractions

Attraction	Category	Distance from Site (miles)
Mississippi Museum of Art	Museum	<0.3
Thalia Mara Hall	Theater	<0.3
International Museum of Muslim Culture	Museum	<0.3
Russell C Davis Planetarium	Planetarium	<0.3
Jackson Convention Complex	Convention Center	<0.3
St. Andrews Cathedral	Church	<0.3
Governors Mansion	Historic Site	0.4
Smith Park	Park	0.5
Mississippi Congressional Medal of Honor Memorial	Memorial	0.5
Eudora Welty Library	Library	0.7
Old Capitol Museum	Museum	0.7
Charlotte Capers Archives and History Building	Historic Site	0.9
Museum of Mississippi History	Museum	0.9
Mississippi Civil Rights Museum	Museum	0.9
Mississippi Coliseum	Arena	1.2

Source: Downtown Jackson Partners

Six of the top attractions are within walking distance of the proposed site, and all but one are within one mile of the site. This unique collection of arts and cultural attractions creates synergy that is key for any potential real estate development. The Mississippi Civil Rights Museum opened alongside the Museum of Mississippi History

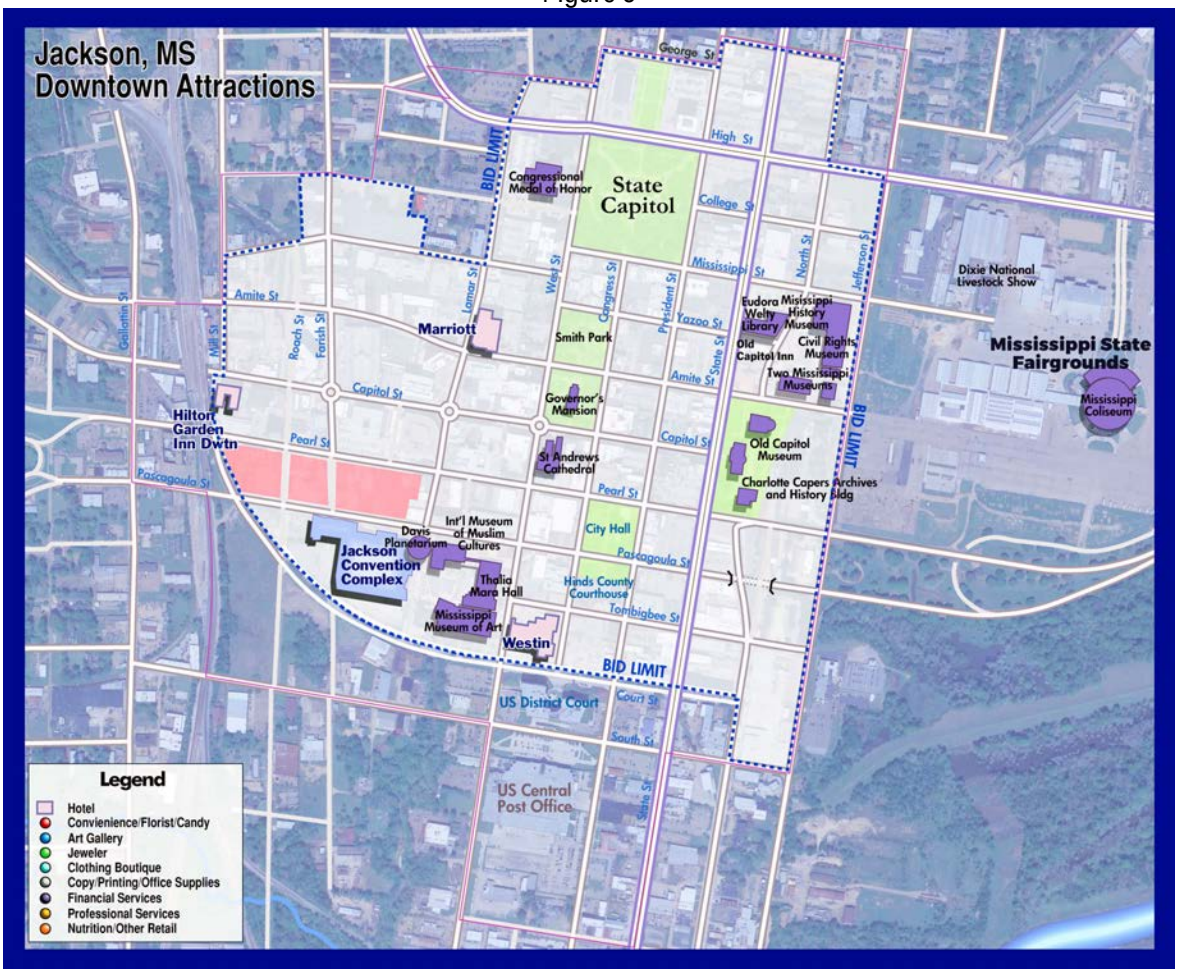
in December in celebration of the state's Bicentennial. The museums, which are located 0.9 miles from the site and are administered by the Mississippi Department of Archives and History, have attracted significant visitation to Jackson over their first five months of operations. While exact visitation data for all Jackson attraction is not available, total visitation to Jackson over the last three years is as follows:

- 2015 – 3.0 million visitors
- 2016 – 3.1 million visitors
- 2017 – 3.12 million visitors

These attractions could be further enhanced with improved restaurant and entertainment options, which will be profiled in Chapter 6 of this report.

The figure below shows the location of the major attractions in Jackson.

Figure 5

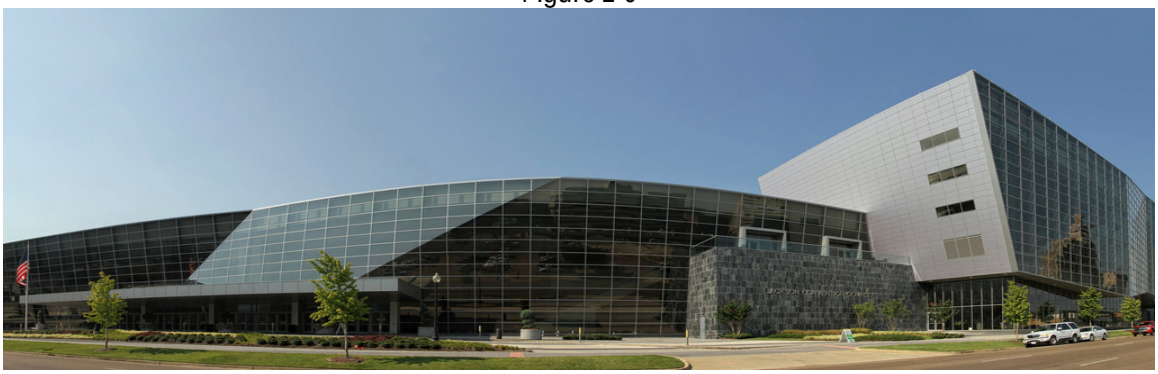


Jackson Convention Complex

Opened in 2009, The Jackson Convention Complex is located directly across the street from the subject site in the heart of downtown Jackson. This facility will be a critical demand generator for any potential real estate development, especially if it features dining options, a hotel, or retail establishments. The 330,000-square foot facility can accommodate a variety of events including meetings, conventions, concerts, and athletic tournaments.

The following figure shows the Jackson Convention Complex.

Figure 2-6



Events and "event days" for 2016 totaled 223 and 293, respectively. Both of these values increased by 36 days from the prior year. Total attendance in 2016 also increased to 182,124 from 171,006 in 2015. Lost business and historical data for the Jackson Convention Complex are profiled in chapter three of this report.

Russell C Davis Planetarium

The Planetarium is located adjacent to the Jackson Convention Complex and across the street from the subject site. The planetarium offers both education and entertaining shows that relate to astronomy. The facility is one of the largest in the country and only 25 other planetariums across the United States have equal or greater capabilities. Admissions for a typical digital cinema show range from six to eight dollars. The venue can also be booked privately for film screenings, festivals and other events.

Mississippi Museum of Art

Like other key attractions, the Mississippi Museum of Art is located within walking distance of the Jackson Convention Complex and the proposed site. The museum is known for its impressive architecture, technology and overall capabilities. The architecture of the facility is focused around the idea of a "museum without walls" and is bright and inviting.

The figure below shows the outdoor Art Garden and 1.2-acre public green space at the museum, which was completed in 2011.

Figure 2-7

The outdoor space offers art installations, a performance stage and other public spaces for visitors to use. Due to its location in Jackson's art and culture district, the museum can serve as a lunch or coffee spot for meeting goers across the street at the Jackson Convention Complex. It also is a key location for public entertainment and a critical piece of downtown's appeal.

Thalia Mara Hall

Thalia Mara Hall is the Municipal Auditorium of Jackson and is also located in the heart of downtown near other tourism assets. The 2,040-seat theater was built in 1968 as the "Jackson Municipal Auditorium" and renamed in 1975. The International Ballet Competition, which is one of the largest events in Jackson, is held every four years at Thalia Mara Hall. The competition is profiled in more detail later in this chapter. In addition to performing arts, the theater hosts several plays, concerts and other events throughout the year.

Smith Park

Smith Park is 2.4 acres in size, and one of the oldest city parks in the country. Located on the corner of N. West Street and E. Amite Street, Smith Park is adjacent to the Mississippi Governor's Mansion downtown. A three-phased development approach to Smith Park is in process. Phase one of improvements cleared decaying trees in the park. Phase two included the removal of concrete waterways and berms, as well as re-sodding. Finally, phase three improvements to the park will include a splash pad for children and a stage for music and movies. The City hopes to put on free concerts for the public on a regular basis.

Mississippi Coliseum

The Mississippi Coliseum is a 6,500-seat multi-purpose venue that can be expanded to up to 10,000 for concerts. The Coliseum is located roughly two miles from the downtown arts district on the Mississippi State Fairgrounds. In addition to concerts and various athletic events, the venue is utilized for the state fair each October and hosts the Dixie National Rodeo each February. Ground has recently been broken on a new $30 million Mississippi Trade Mart, which will be attached to the coliseum. The addition should help to increase the number and size of events held at the fairgrounds.

Events and Festivals

The following table shows the major events and festivals in Jackson.

Table 2-8

Jackson Events & Festivals

Event	Month
Mississippi Blues Marathon	January
Chinese Spring Festival	February
Dixie National Livestock Show, Parade & Rodeo	February
Mississippi Light Festival	February
Hal's St. Paddy's Day Parade	March
Stray at Home	May
Governor Phil Bryant's 5K Run for Health	June
USA International Ballet Competition	June
Jackson Music Awards	July
Mississippi Black Rodeo	July
Mississippi Gospel Music Awards	July
Jackson Rhythm & Blues Festival	August
Mississippi Book Festival	August
Farish Street Heritage Festival	September
International Gumbo Festival	September
Bagwell Antique Show	October
Jacktoberfest	October
Mississippi State Fair	October
Chimneyville Crafts Festival	November
Hardworks Holiday Market	November
Mistletoe Marketplace	November
City of Jackson Holiday Parade	December

Source: Downtown Jackson Partners

Major events and festivals in Jackson occur throughout the year and are not restricted due to seasonality.

USA International Ballet Competition

The first International Ballet Competition was held in 1979 and featured 70 participants from 15 countries. The most recent competition in 2014 featured 92 dancers from 20 countries. Founded by Thalia Mara, the competition draws top talent from across the globe to Jackson, Mississippi. This international exposure is a tremendous opportunity for Jackson to grow its reputation and promote tourism.

Hal's St. Patty's Day Parade

The Hal's St. Patty's Day Parade festivities include a 5k race, children's parade, live entertainment and festival. The parade starts and ends at Hal and Mal's restaurant and was recently named "Hal's" parade in honor of

Harold White. The parade was first introduced to Jackson by Harold's brother Malcom in the early 1980's. Malcom wanted to bring something fun and different to downtown Jackson. The parade runs down State Street, west across Court Street, up North Street before heading back to Hal and Mal's off Capitol Street. The proceeds and donations from the parade benefit Batson Children's Hospital.

Jackson Music Awards

The Jackson Music Awards are an annual award ceremony held to recognize the accomplishments of Mississippi recording artists and performers in rhythm, blues and gospel music. The awards also serve to promote Mississippi music and the state's talent internationally. The Jackson Music Awards recognizes all facets of the industry including songwriters, producers, record labels, production companies, artists and announcers.

Mississippi Book Festival

The Mississippi Book Festival first started in August 2015 on the State Capitol grounds and the event continues to draw thousands to its annual "literary lawn party" and book lovers' celebration. By its third year the event's attendance has reached approximately 6,400 with 45 official panel discussions at ten different venues.

Mississippi State Fair

The Mississippi State Fairgrounds Complex covers over 100 acres and hosts more than 700 event days per year. The Mississippi State Fair is one of the South's largest state fairs with previous attendance exceeding 673,000. The main attractions at the fair include the mile-long midway, free major entertainment and livestock shows. The State Fairgrounds are just outside of Downtown Jackson located approximately one mile to the east.

CONCLUSION

The Jackson market has struggled economically when compared to the county and nation. Aside from the convention complex, Jackson's attractions have not been major tourism draws. Due to Jackson's location between several larger metropolitan areas, the city has an opportunity to attract travelers as they pass through by engaging them with unique attractions, a more robust restaurant scene, and potential events at downtown facilities. As a smaller capital city in a less populated state, Jackson relies on government at the local, state, county and federal level to support its downtown economy in a way that often lowers the average overall spending power and vibrancy of downtown's economic and other activity levels. While healthcare and some corporate operations help, the downtown could use growth in the private economy to help boost support for the commercial real estate sector. The convention center can help buoy the visitor economy with event business, if it has the proper amenities, such as hotels and restaurants nearby. The virtual cycle of investment and growth may take some time to gather steam, but a number of investments from the public and private sector, which will be discussed in this report, can help the community expand in multiple directions and development types.

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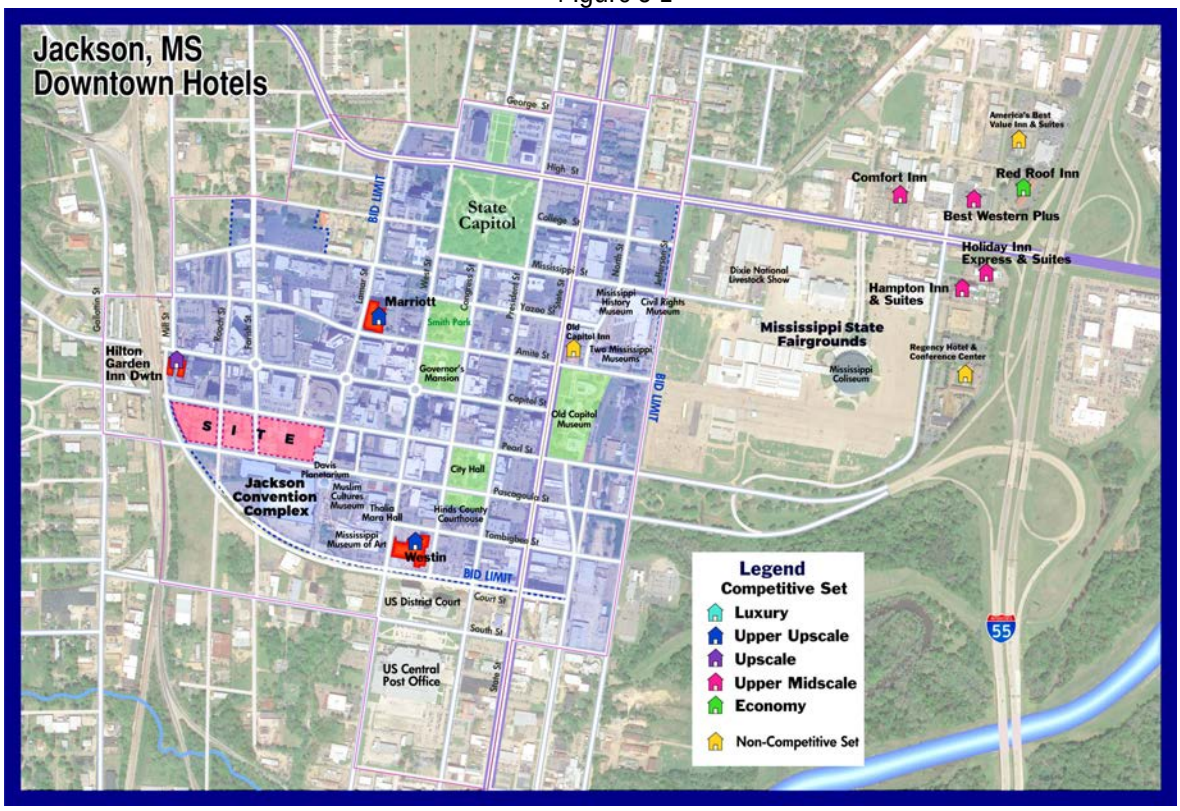
HOTEL MARKET ANALYSIS

HSP analyzed the Jackson hotel market, including the quality of supply and historic performance, to better understand the market opportunity for a future hotel development on the proposed redevelopment site. This chapter will provide profiles of the hotel market, as well as an overview of Jackson Convention Complex and its relationship with downtown hotels.

Hotel Supply and Performance

The figure below shows the existing hotel properties located in or near Downtown Jackson.

Figure 3-1



The Downtown Jackson hotel supply consists of three primary downtown hotel properties, the Marriott, Hilton Garden Inn, and Westin, and a node of properties east of the BID near the Mississippi State Fairgrounds. All downtown hotels are located within 1.5 miles of the convention center and development site. However, there are no hotel properties located adjacent to or connected to the Jackson Convention Complex. As will be discussed later in this chapter, the lack of a true headquarter convention hotel hinders Jackson's ability to attract impactful conventions and other events.

HSP utilized Smith Travel Research (STR) to develop and analyze the hotel properties in or near Downtown Jackson. Factors considered were location, size, quality, amenities, brand, and market demand mix. The

Downtown hotels, sorted by distance from the redevelopment site, are detailed in the table below. It is important to note that the set does not include less competitive properties, such as the Old Capitol Inn Downtown and America's Best Value Inn and Regency Hotel and Conference Center east of Downtown.

Table 3-1

Downtown Jackson Hotels

Property Name	Distance	Rooms	Chain Scale	Open Date
The Westin Jackson	0.2	203	Upper Upscale	Aug-17
Hilton Garden Inn Jackson Downtown	0.3	186	Upscale	Dec-09
Marriott Jackson	0.3	303	Upper Upscale	Sep-75
Comfort Inn Jackson	1.1	53	Upper Midscale	Dec-99
Hampton Inn & Suites Jackson Downtown Coliseum	1.2	111	Upper Midscale	Nov-96
Holiday Inn Express & Suites Jackson Downtown Coliseum	1.2	108	Upper Midscale	May-89
Best Western Plus Jackson Downtown Coliseum	1.2	61	Upper Midscale	May-01
Red Roof Inn Jackson Downtown Fairgrounds	1.3	116	Economy	Jun-85
Total/Average	0.85	1,141	--	Dec-96

Source: Smith Travel Research; Hunden Strategic Partners

The three highlighted properties are officially located within the Jackson BID district. Combined, the three downtown hotels, the Westin Jackson, Hilton Garden Inn Jackson Downtown, and Marriott Jackson, offer 692 rooms. The largest property in the set is the Marriott Jackson, which opened in 1975 and features 303 guestrooms. While not located in the BID, the five additional properties, located 1.2 miles east of the downtown core and totaling 449 rooms, have a direct impact on the downtown lodging market. All downtown and near downtown hotels total 1,141 rooms. The hotels range in size from 53 rooms to as many as 303 rooms, averaging 143 rooms per hotel. Two hotels within the competitive set have opened within the last ten years, while Marriott Jackson opened more than four decades ago.

Competitive Property Profiles

The following section profiles the three primary Jackson hotel properties that are located in downtown.

Westin Jackson

The newest and highest quality hotel in the Jackson market, the Westin Jackson, is located at 407 South Congress Street, 0.2 miles southeast of the Jackson Convention Complex. The 203-room upper upscale hotel, which opened in August of 2017, was a $65 million project that was partially funded by contributions ($9 million) from the Jackson Redevelopment Authority. The property features approximately 12,000 square feet of conference space, including a 6,800-square foot ballroom. The ten-story, 160,000-square foot property also features the Estelle Wine Bar and Bistro, which offers European influenced southern food. Amenities at the Westin include a business center, indoor pool, and 6,000 square foot spa.

The following figure shows the property's exterior.

Figure 3-2

Conversations with Westin facility management indicated that many overnight guests in the Jackson BID are looking for a high-quality lodging experience, but are not willing to pay upscale rates. This presents challenges to the downtown hotel market. Since opening in August, approximately 63 percent of the hotel's business has been generated by transient guests, while the remaining demand has been from the group segment. Management anticipated that year-one occupancy at the property is expected to be approximately 65 percent, while average daily rate will be between $150 and $160. HSP estimates that overall performance in 2018 will reach 59 percent occupancy and $145 average daily rate. Ultimately, the hotel should stabilize at more than 68 percent occupancy and rate of $150.

Facility management stated that, due to the level of quality and experience the Westin offers compared to existing properties, the hotel is able to attract overnight visitors that are working in the suburbs but want an enhanced lodging experience. While corporate medical guests and groups occupy rooms during the week, the property is forced to offer lower rates on the weekends to drive room nights. The lack of traditional leisure demand generators in Downtown Jackson, such as major concerts, sporting events, and vacation destinations hinders hotel performance, according to conversations with Westin Management. Weekend hotel demand is generated by "staycation" guests looking for a weekend getaway, and regional travelers that may stop on their way from Atlanta to Dallas or Memphis to New Orleans. According to management, there has been minimal demand generated at the property from events occurring at the Jackson Convention Complex.

Ultimately, the Westin is a bright spot in an otherwise difficult hotel environment. While it is not located as ideally as meeting planners would like, it is within walking distance of the convention center. However, it likely took some wind out of the sails of a potentially larger, more proximate convention hotel.

Hilton Garden Inn Jackson

Opening in December 2009, the Hilton Garden Inn Jackson was developed as part of the restoration of the historic King Edward Hotel, which was built in 1923. The 186-room hotel is located at 235 West Capitol Street on the western edge of Downtown Jackson's BID District. The property features 7,300 square feet of meeting space, including a ballroom. Amenities at the Hilton Garden Inn include a business center, fitness room and indoor pool, as well as the King Edward Grille and Seattle Best Coffee Shop.

The following figure shows the property's exterior.

Figure 3-3

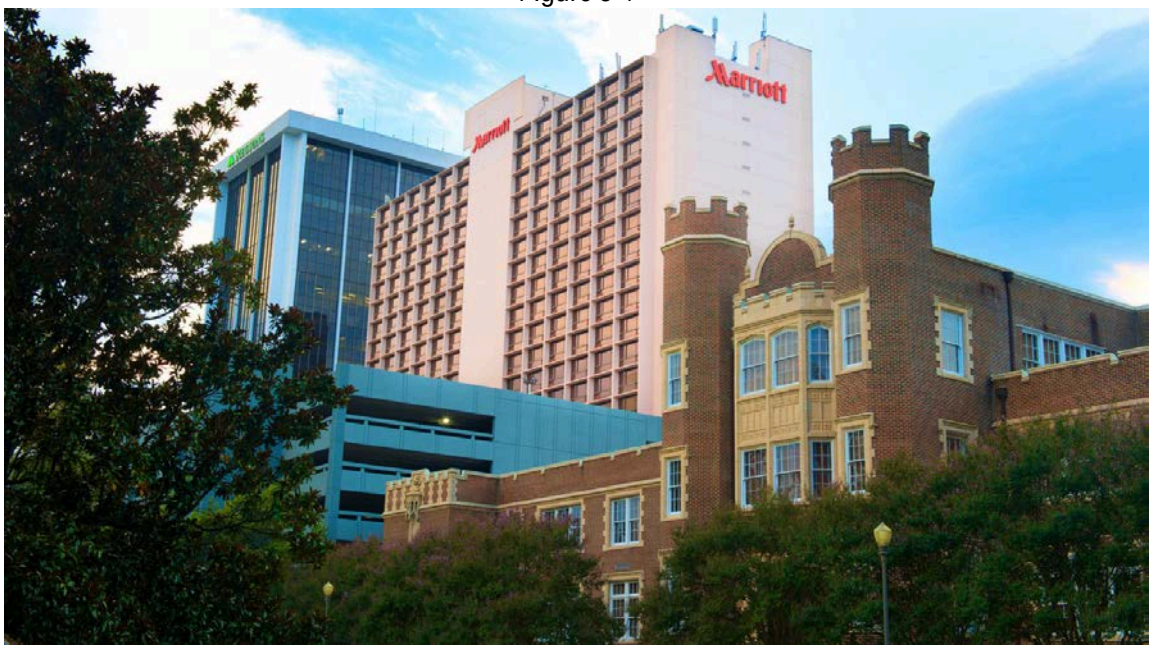
Conversations with hotel management indicated that the property is currently operating at just under 70 percent occupancy, with an average daily rate of $110. Corporate weekday business drives demand at the property, as occupancy levels on Tuesday and Wednesday can exceed 90 percent. Other than occasional volleyball and baseball events, there is minimal demand for room nights on the weekends, according to property management. Hilton Garden Inn representatives stated that a primary challenge facing the downtown hotel market is the lack of activity and dining options in the evening for hotel guests. Only three or four restaurants are open past 5 PM, and this deters many prospective guests from considering downtown hotel options. HGI management stated that, unless a downtown hotel property were to close or new major demand generators entered, the market likely cannot support a large new hotel.

Marriott Jackson

The Marriott Jackson opened in September 1975 and is the oldest property in the downtown market. The property is located at 200 East Amite, 0.3 miles north of the Jackson Convention Complex. The 303-room property is the largest in the market and features 19 meeting rooms that total over 35,000 square feet of function space. The 12-floor hotel is the largest in the hotel set by far and the property includes a restaurant and lounge. Amenities at the Marriott include an outdoor pool, fitness center, business center, and onsite parking.

The following figure shows the property's exterior.

Figure 3-4



Conversations with city officials and tourism representatives indicated that The Marriott, which is more than 40 years old is limited by its deteriorating quality. The property has not experienced appropriate investment to maintain quality levels that are up to the standards of modern meeting planners, and this limits Jackson's ability to accommodate major events. Conversations with local tourism and hospitality representatives indicated that the long-term status of the property is uncertain. The hotel has reportedly been in receivership or major financial

difficulty and is under threat of losing its flag due to underinvestment in the physical property. HSP understands that in 2017, the Marriott experienced a yearly occupancy rate between 41 and 46 percent and a yearly ADR between $105 and $110.

There have been discussions within the real estate market that the hotel could be converted into residential or another use type. If this were to occur, it could be a blessing in disguise for the market, as it would allow for a newer, high-quality, proximate convention hotel to be developed on the subject site.

Interstate 55 Hotels

The remaining Downtown Jackson Hotels, which include the Comfort Inn Jackson, Hampton Inn and Suites Jackson, Holiday Inn Express, Best Western Plus, and Red Roof Inn, are located 1.2 miles east of the BID near the Mississippi State Fairgrounds and Mississippi Coliseum, west of Interstate 55. Conversations with management from this node of hotels indicated that weekend events at the fairgrounds and Coliseum drive a major portion of the room night demand. The Coliseum hosts five to six major events per year that drive room nights to all five competitive hotels in the area. According to property management, the Interstate 55 properties directly compete against each other, and were minimally impacted by the opening of the Westin in August 2017. In addition to leisure demand generated by the Coliseum and fairgrounds, the hotels benefit from government employees, visitors to the state capital, and sporting events. According to property management, the Jackson downtown hotel market continues to struggle due to a lack of traditional leisure weekends demand generators. Overall, demand for hotel rooms in this cluster of properties is driven by 40 percent corporate demand, 35 percent leisure demand, and 25 percent group demand.

Accommodated Demand and Competitive Set Performance

HSP used STR data to analyze the historic performance of the downtown Jackson hotels. The following table shows performance data for the profiled hotel properties between January 2012 and December 2017. It is important to note that the performance of the Old Capitol Inn is not included in these numbers.

Table 3-2

Historical Supply, Demand, Occupancy, ADR, and RevPar for Competitive Hotels

Year	Annual Avg. Available Rooms	Available Room Nights	% Change	Room Nights Sold	% Change	% Occ.	% Change	ADR	% Change	RevPar	% Change
2012	934	340,910	--	188,746	--	55.4	--	$88.85	--	$49.19	--
2013	901	328,858	-3.5%	201,411	6.7%	61.2	10.6%	$91.56	3.1%	$56.08	14.0%
2014	911	332,650	1.2%	190,158	-5.6%	57.2	-6.7%	$94.46	3.2%	$54.00	-3.7%
2015	938	342,370	2.9%	196,513	3.3%	57.4	0.4%	$93.16	-1.4%	$53.47	-1.0%
2016	938	342,370	0.0%	189,545	-3.5%	55.4	-3.5%	$94.50	1.4%	$52.32	-2.1%
2017	1,023	373,429	9.1%	186,410	-1.7%	49.9	-9.8%	$98.26	4.0%	$49.05	-6.3%
CAGR* (2012-2017)	1.9%	1.9%	--	-0.2%	--	-2.0%	--	2.1%	--	-0.1%	--

*Compound Annual Growth Rate

Sources: Smith Travel Research, Hunden Strategic Partners

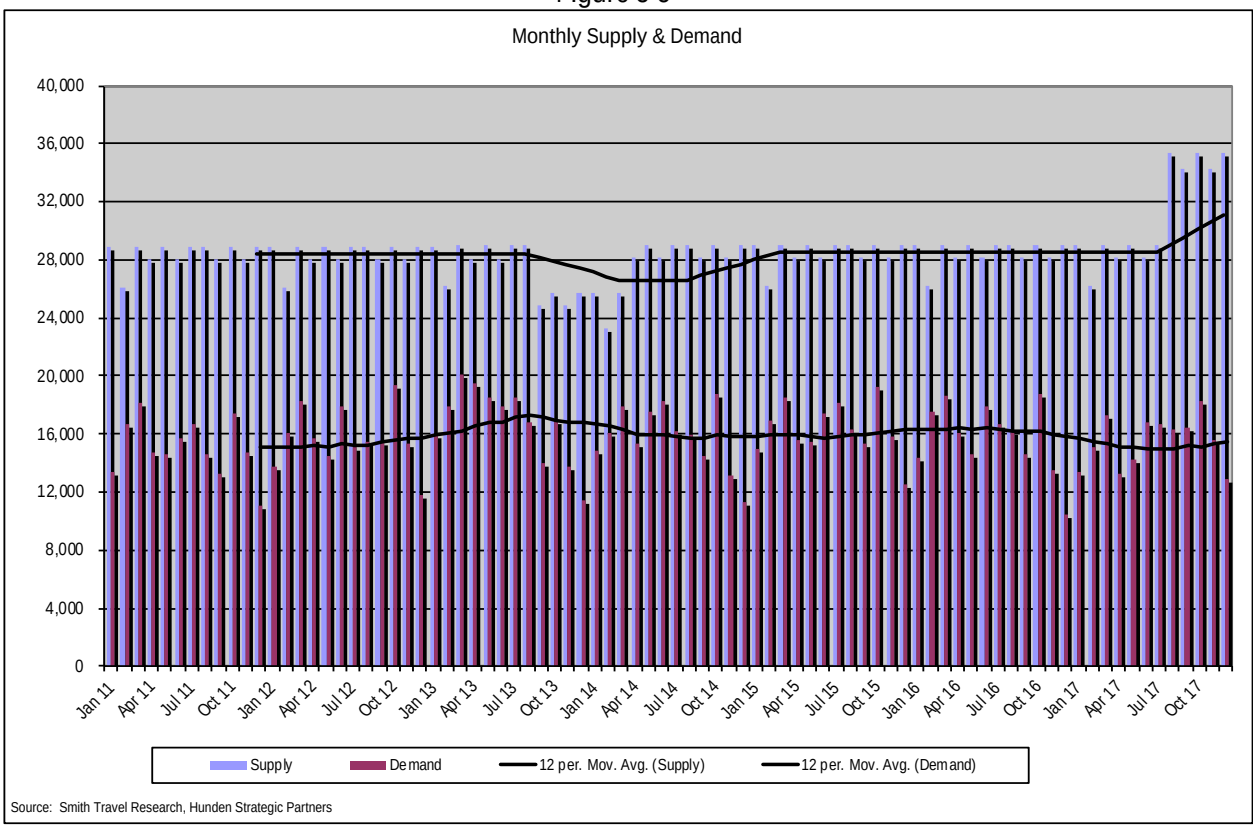
From 2012 to 2017, total available room nights in the Jackson hotel market increased by approximately 33,000 due to the opening of the Westin in 2017. The number of room nights sold peaked in 2013 at nearly 201,500,

but has decreased over the last five years. Occupancy has fluctuated since 2012, peaking at over 61 percent in 2013 before decreasing to under 50 percent in 2017. These occupancy numbers are well below the threshold needed to support new hotel development in the market. The decline in the quality of the Marriott likely contributed to this decline, as patrons moved to other non-downtown properties.

While demand has decreased over the five-year period, the average daily rate within the competitive set increased from $88.85 to $98.26 between 2012 and 2017. With the exception of the slight decrease of ADR in 2015, ADR increased consistently each year from 2012 through 2017, reaching its peak in 2017. Due to the fluctuations and decreases in occupancies, RevPAR did not increase at the same rate as ADR from 2012 to 2017. The existing RevPAR levels in the market may be a challenge for a new hotel development to overcome.

The following figure shows the supply and demand trends for the selected set.

Figure 3-5

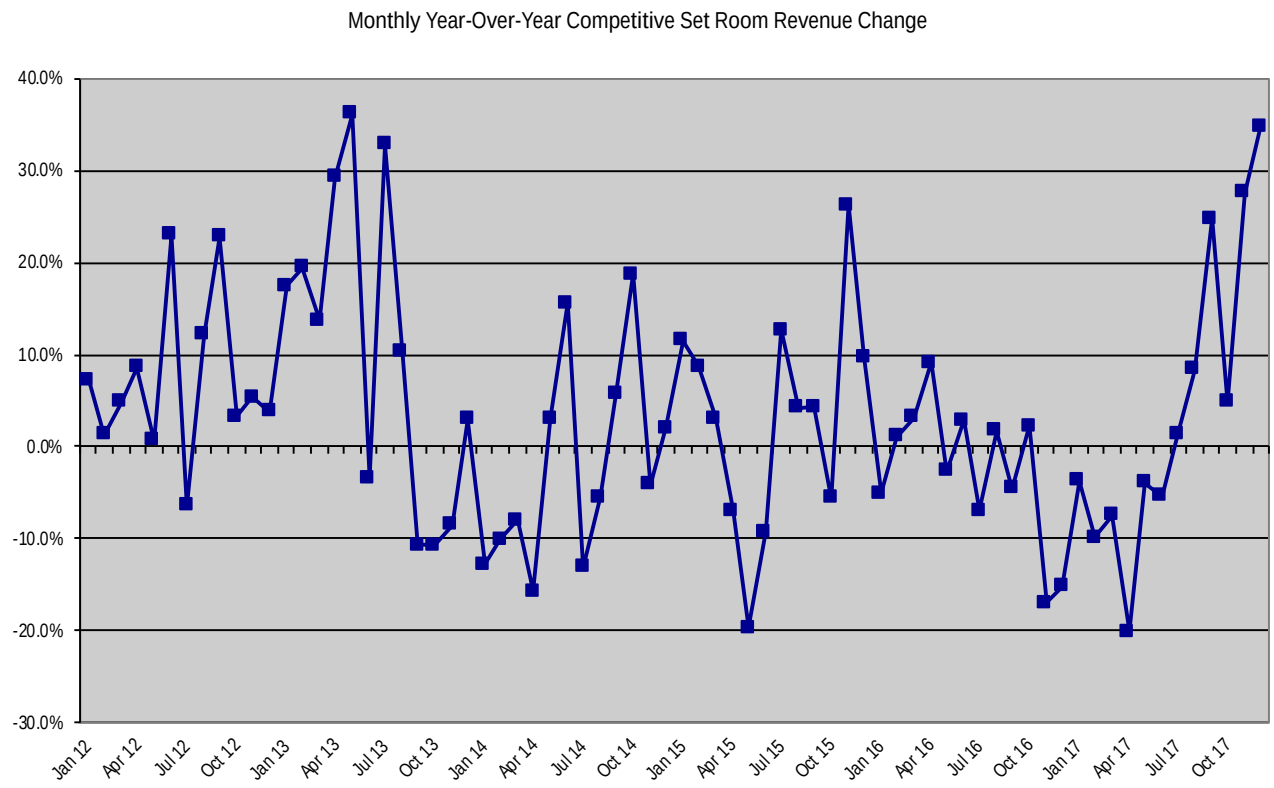


Source: Smith Travel Research, Hunden Strategic Partners

Hotel room supply remained consistent in the competitive set between 2011 through 2017, although there was a significant increase in August 2017 after the opening of the 203-room Westin. Demand also remained very consistent throughout the same time period but is subject to seasonality. As expected, demand is lowest between November and January.

The following figure shows the room revenue changes by month (year-over-year).

Figure 3-6

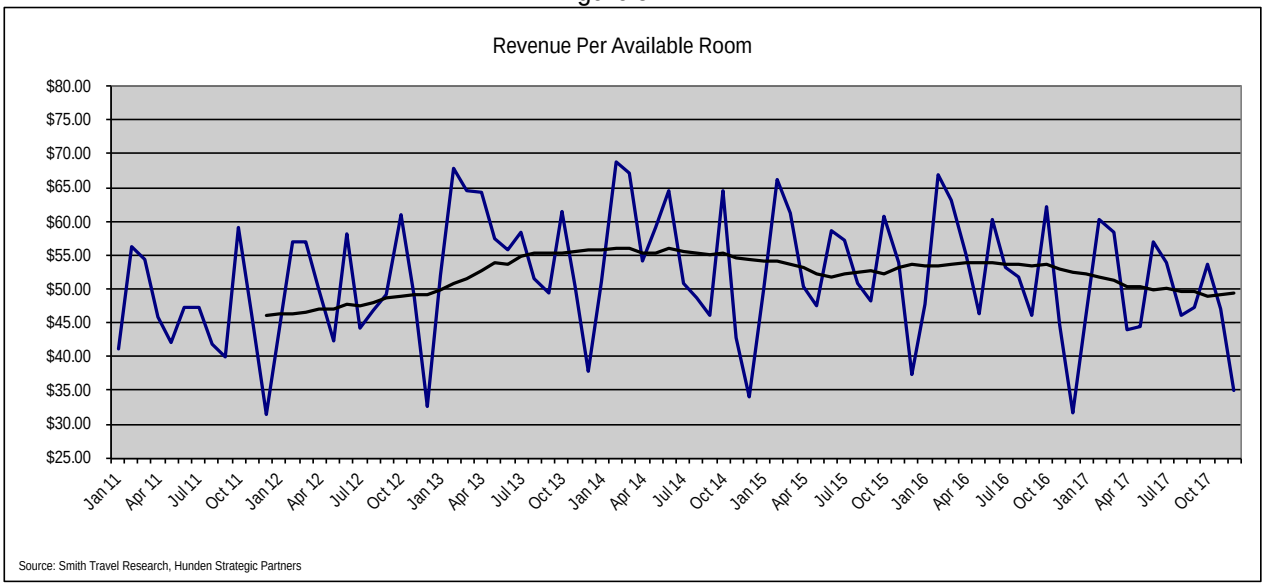


Source: Smith Travel Research, Hunden Strategic Partners

Any data point greater than zero is a positive indicator for the competitive set. As shown, the competitive set's room revenue from January of 2012 through April 2017 fluctuated between positive 30 percent and negative 20 percent. Approximately 28 of the 72 months, or 39 percent, experienced a year-over-year decrease. The spike in year-over-year revenue growth in 2017 was a result of the opening of the Westin in August.

The following figure shows the Revenue Per Available Room (RevPAR), which is the product of occupancy and rate.

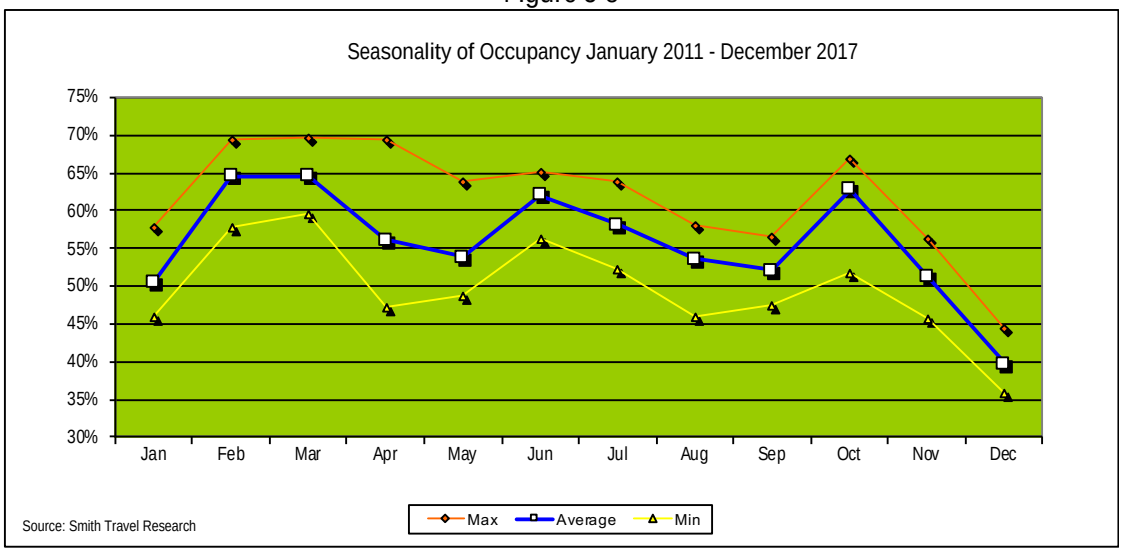
Figure 3-7



The black line above shows the 12-month moving average. The figure above shows RevPAR slightly fluctuating, but remaining relatively consistent throughout the entire time period from January 2011 through December of 2017, rising from just more than $45 in 2012 to approximately $50, on average, in December of 2017.

The following figure displays the seasonality of occupancy from January 2011 through December 2017.

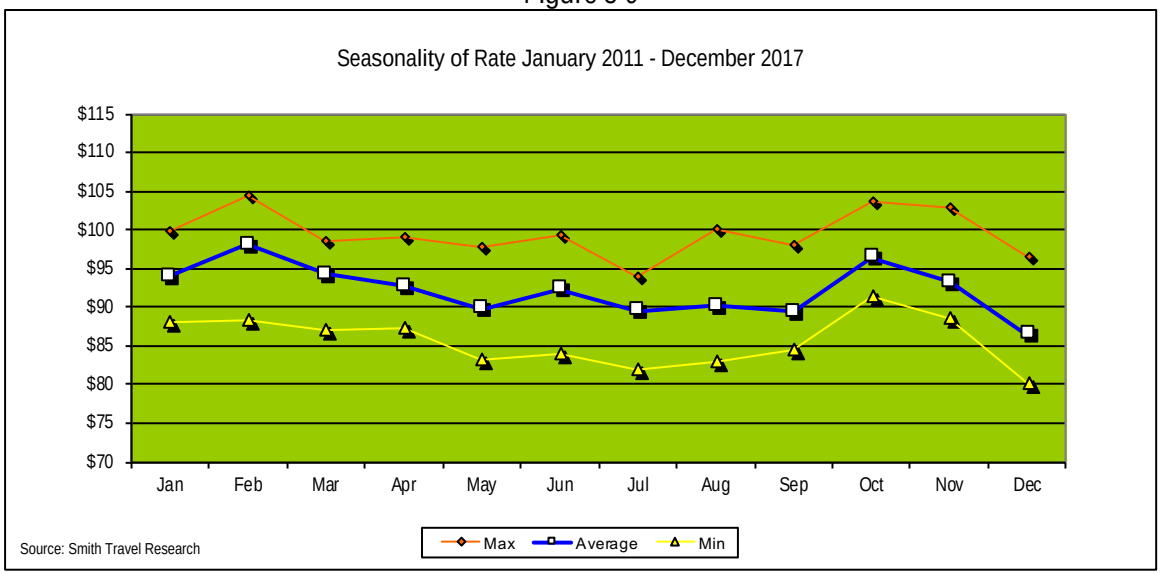
Figure 3-8



In terms of occupancy, February and March are the busiest months, averaging approximately 65 percent occupancy. November, December and January are the slowest months for downtown hotels, with an average occupancy below 51 percent.

The following table shows the seasonality of rate from January 2011 through December 2017.

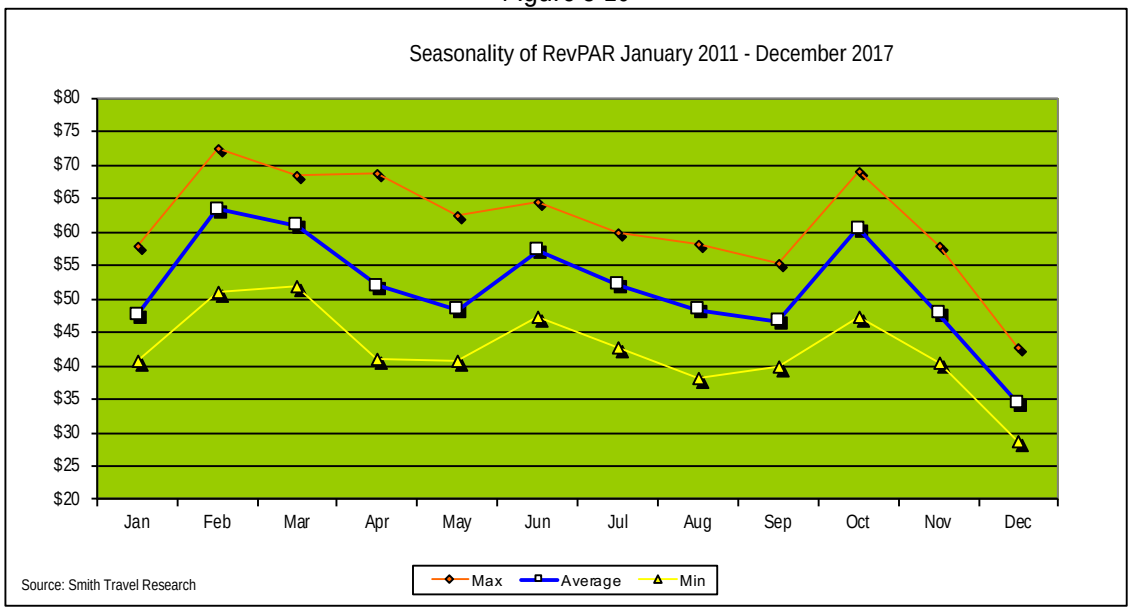
Figure 3-9



Unlike occupancy, the average daily rate stays very consistent throughout the year, indicating potential opportunity for additional rate compression during higher occupancy time-periods. The average daily ate throughout the year ranged from $87 in December to $97 in February.

The following figure shows the seasonality of RevPAR, which is the product of rate and occupancy, and suggests overall revenue.

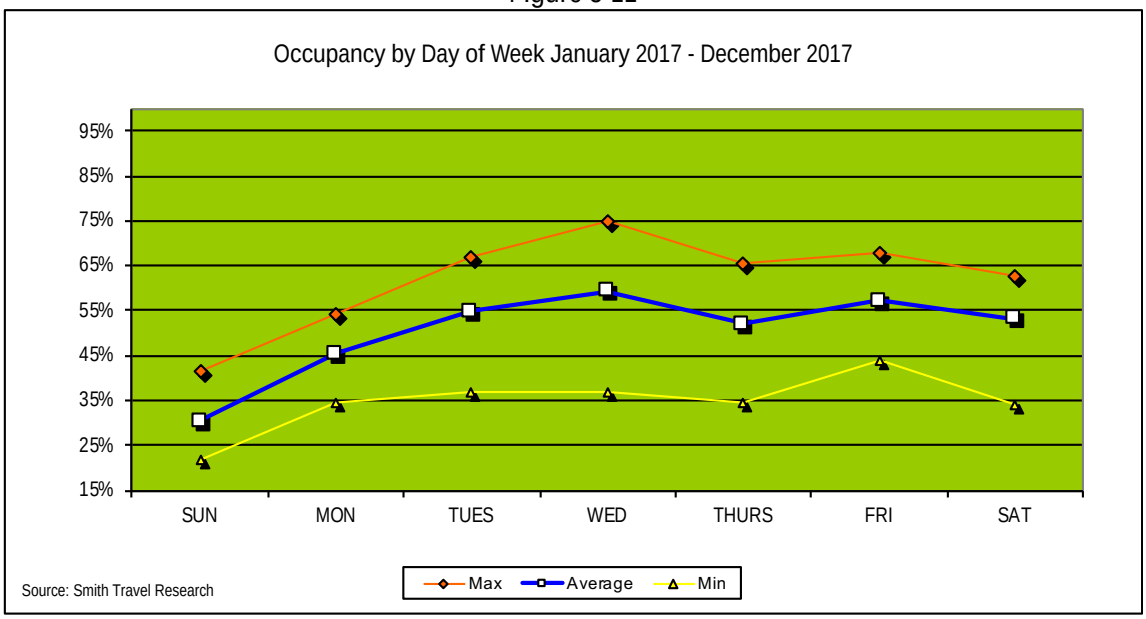
Figure 3-10



As with the other performance indicators, RevPAR data is consistent with the analysis of the previous graphs. Because RevPAR is a product of occupancy and rate, the RevPAR fluctuations match the fluctuations of the Occupancy graph. RevPAR is lowest during December but highest in October.

The following figure shows the occupancy by day of the week during the 12 months ending December 2017.

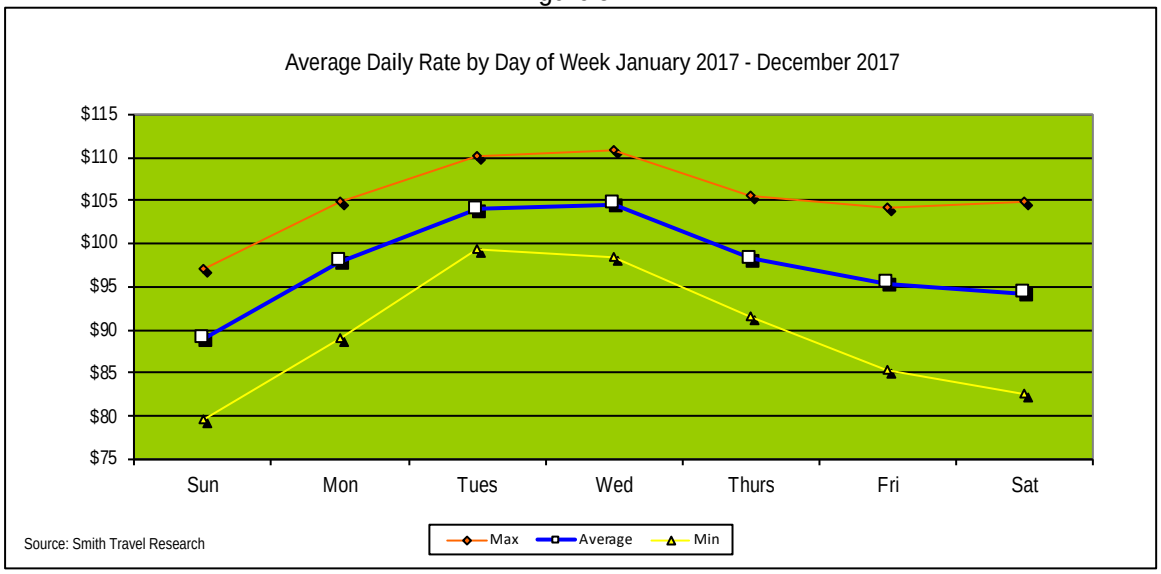
Figure 3-11



Average occupancy is highest during the week on Wednesday at 59 percent. Occupancy is lowest on Sunday nights, which is typical for most markets. This weekday demand is generated primarily from events at the Jackson Convention Complex, as well as state officials and corporate travelers in medical related fields. While Jackson lacks traditional tourism drivers, many weekend room nights are generated by events occurring near the state fairgrounds, as well as travelers from across the region.

The following figure shows the average daily rate by day of week.

Figure 3-12



On average, rates are the highest on weekdays, with Tuesday and Wednesday rates at approximately $105. On weekends, rates remain lower, averaging approximately $95 on Friday and Saturday and $90 on Sunday. This is consistent with national trends, as corporate guests are able and willing to pay higher rates than leisure travelers. The best hotel, the Westin, is getting rates much higher than the average, at approximately $150 - $160 during the week.

Unaccommodated Demand

Unaccommodated demand is defined as demand that would have been captured by the market but for a lack of available or quality rooms. This demand is therefore deferred to later dates, accepts lesser-preferred accommodations, moves just outside the competitive set, moves its business to another area, or cancels plans altogether. Therefore, as new properties are added to the market, it is expected that this demand will be accommodated by the new supply, suggesting that when new hotels are added, they do not cannibalize existing market demand, but accommodate previously unaccommodated demand.

The following table shows the occupancy by day of the week per month for the twelve months following December 2016.

Table 3-3

Occupancy Percent by Day of Week by Month - January 2017 - December 2017

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Jan - 17	24.7%	46.5%	59.7%	57.6%	49.6%	52.4%	33.9%	46.1%
Feb - 17	30.5%	49.1%	66.7%	69.9%	63.1%	65.2%	59.5%	57.7%
Mar - 17	31.0%	50.4%	63.6%	75.0%	63.4%	66.7%	61.2%	59.7%
Apr - 17	22.3%	42.0%	52.8%	60.9%	51.7%	56.7%	49.6%	47.2%
May - 17	33.0%	43.9%	52.9%	56.0%	52.8%	50.4%	51.3%	48.8%
Jun - 17	33.8%	54.5%	64.6%	73.3%	65.8%	67.7%	54.0%	59.6%
Jul - 17	37.6%	52.4%	61.1%	67.0%	58.8%	67.7%	61.9%	57.4%
Aug - 17	28.6%	42.5%	51.2%	52.8%	41.0%	53.8%	50.7%	46.1%
Sep - 17	41.5%	48.3%	52.0%	54.0%	44.5%	45.1%	51.2%	48.1%
Oct - 17	36.3%	44.5%	55.3%	57.9%	52.7%	57.8%	62.9%	51.8%
Nov - 17	24.3%	37.7%	41.7%	49.9%	46.9%	58.7%	58.7%	45.6%
Dec - 17	21.8%	34.7%	36.8%	37.0%	34.6%	44.0%	45.3%	36.4%
Average	30.3%	45.3%	54.3%	58.5%	51.5%	56.6%	53.3%	

Sources: Smith Travel Research

As shown, the overall market averages between 36.4 percent and 59.6 percent occupancy throughout the year, with a small window of higher occupancy on Wednesdays in the spring and summer months. No period of the year averaged greater than 75 percent occupancy.

The following table shows average daily rate by day of week per month for the twelve months following December 2016. To help show when hotel rates are highest, rates between 95 and 105 are shown in yellow, rates between 105 and 115 are shown in orange and rates greater than 115 are shown in red.

Table 3-4

ADR by Day of Week by Month - January 2017 - December 2017

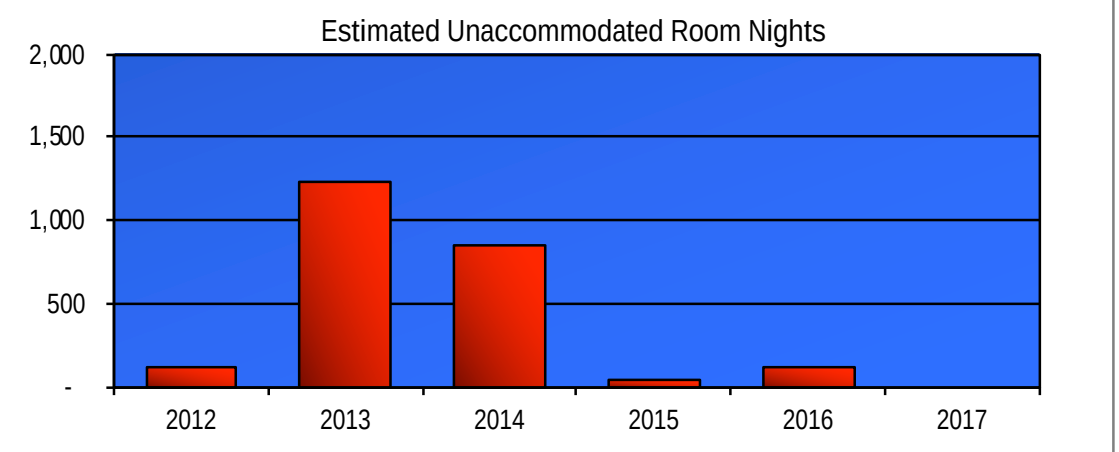
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Jan - 17	88.77	100.23	103.83	108.78	99.73	97.49	89.78	99.91
Feb - 17	95.29	100.36	108.03	110.80	105.61	102.67	102.23	104.52
Mar - 17	85.20	94.16	103.10	105.42	96.51	95.60	96.54	98.05
Apr - 17	79.50	90.75	101.00	102.62	95.49	88.09	87.71	93.16
May - 17	80.13	89.00	99.26	100.23	91.51	85.30	82.61	91.08
Jun - 17	85.44	94.27	103.14	104.48	97.96	91.39	85.76	95.66
Jul - 17	84.80	94.48	101.67	100.48	94.75	91.66	88.74	93.96
Aug - 17	93.39	103.32	105.62	105.37	98.92	94.78	93.58	100.01
Sep - 17	97.10	103.09	100.77	103.74	98.61	92.90	92.29	98.10
Oct - 17	95.85	104.82	110.23	104.41	100.26	102.07	103.82	103.53
Nov - 17	85.55	99.13	106.21	107.82	101.78	104.17	104.83	102.91
Dec - 17	87.74	98.39	101.49	98.36	95.25	95.63	96.08	96.37
Average	88.97	97.88	103.97	104.60	98.23	95.38	94.25	

Sources: Smith Travel Research

As previously discussed, the downtown Jackson hotel market charges its highest rates to midweek corporate guests, and then drops rates on the weekends for leisure travelers. Consistent with occupancy, the market experienced its highest ADRs on Wednesdays in the late winter and early spring.

The following figure shows the estimate of unaccommodated room nights over the past several years.

Figure 3-13



Source: Hunden Strategic Partners

As previously mentioned, an unaccommodated room night is a night when a traveler seeking accommodations within the market must either cancel their stay or settle for accommodations of lesser quality because the desired facilities have no vacancies. The number of estimated unaccommodated room nights is determined in

any month when occupancy is higher than 66 percent. Based on the prior table, sellouts are currently occurring on Tuesdays and Wednesdays, and summer weekends, but there are few high-demand nights throughout the rest of the week.

Based on HSP estimates, unaccommodated room night demand for downtown Jackson hotels is extremely minimal and has only decreased since the opening of the Westin Downtown. With relatively stagnant hotel room night demand in the market, and no unaccommodated room nights in 2017, it is critical than any new hotel development in Downtown Jackson induce new demand to the market.

Non-Downtown Hotels

While this analysis focuses on the performance of the Downtown Jackson hotel properties, it is important to understand how non-Downtown hotels impact the Jackson market. The Marriott Residence Inn, which opened as part of the District at Eastover in August of 2016, is located five miles north of downtown. The hotel is performing extremely well at between 80 and 90 percent occupancy and nearly $120 rate, suggesting again, a flight to quality that is currently not found downtown at competitive rates. In addition, the two Marriott products in Ridgeland, the Springhill Suites and TownePlace Suites, are running close to 80 percent occupancy, according to HSP's analysis. This suggests that visitors, especially those loyal to Marriott, are avoiding Downtown because there are no select-service hotel options. Downtown offers two full-service hotel properties that each offer their own challenges, such as quality (Marriott) and cost (Westin). The performance of the select-service Hilton Garden Inn underscores this, as it is performing at nearly 70 percent occupancy and a strong rate, comparable to the Marriott products north of the BID.

Demand & Stakeholder Feedback

To supplement the data presented in this chapter, HSP also had conversations with market participants including tourism representatives, city officials, and other stakeholders to better understand macro trends as well as supply and demand trends within the marketplace. The following bullet points summarize these conversations:

- The development of the Westin has opened up an array of possibilities for Downtown Jackson. Development had stagnated for a few years, but the opening of an upper upscale property allowed the market to attract guests, and groups, that otherwise would have never considered Downtown Jackson.
- While there are three larger hotel properties located within 0.3 miles of the convention center, the distance is just long enough that meeting planners do not consider the properties walkable. This presents many challenges for the CVB and Jackson Convention Center when selling the facility.
- While the Westin is positively impacting downtown, the market still lacks a true headquarter convention hotel. The distance between the Jackson Convention Complex and the Westin, as well as the price point on rooms and overall room count of the hotel at just over 200 rooms, ensures that the property will not be able to accommodate many of the larger group room block requests from statewide and regional meeting planners. Any new development will need to not only be connected to the convention center, but also needs to offer a larger room block. Rate will likely need to average a bit less than the Westin to be competitive for groups.

- In addition to the Jackson Convention Complex, Jackson State University and medical professionals are responsible for a major portion the hotel demand in the downtown Jackson market.
- While the Jackson market offers more than 5,000 total hotel rooms, only 2,200 rooms are sellable due to the deteriorating quality of many of the properties.
- The market is still struggling to absorb the Westin. Ideally, the quality and service levels of the Westin will raise the levels and expectations of all downtown hotels.
- It is critical that any new hotel development be part of the Marriott or Hilton brand families to leverage the rewards points and reservation systems.

Jackson Convention Complex

The Jackson Convention Complex, as profiled in Chapter 2 of this report, was developed with the purpose of attracting major conventions, trade shows, consumers shows, and conferences that would not only generate room nights in local hotels, but also increase foot traffic, spending, and economic impact in Downtown Jackson's bars, restaurants, shops, and entertainment venues. While the convention center has been praised for its size, quality, and functionality, the complex has not been able to reach its potential as a driver of downtown spending and activity for a variety of reasons, but headlined by the lack of adjacent/connected hotels and an overall quality package of walkable hotels.

This section profiles the past performance of the facility, as well as many of the challenges that the venue faces moving forward.

The following table summarizes historic events by type for the Jackson Convention Complex.

Table 3-5

Jackson Convention Complex Events

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Banquet	33	32	33	26	31
Meeting	115	73	81	70	74
Consumer Show	6	5	6	5	7
Convention /City Wide	25	18	28	24	17
Trade Show	8	7	5	12	5
Entertainment	8	5	6	7	2
Sporting	20	12	10	6	5
Special Event	16	36	40	37	82
Total	231	188	209	187	223

Source: Jackson Convention Complex

Since 2012, meetings and special events have accounted for more than 50 percent of the total events hosted by the Jackson Convention Complex, followed by banquets and conventions. Conversations with Jackson Convention Complex indicated that the facility primarily hosts local and state association business, with the State of Mississippi responsible for approximately 20 percent of all events. Regionally, the facility hosts occasional trade shows and children's events, as well as sporting events, including a major volleyball qualifier

and cheerleading events. The facility can accommodate as many as 16 sport courts, but according to management, sporting events do not drive the revenue or spending that conventions or trade shows do.

The Jackson Convention Complex primarily competes with event venues in Shreveport, Memphis, Mobile, Baton Rouge, and resorts on the Mississippi coast for regional events and conventions, according to facility management. Recently, the facility has been a destination for major religious and sporting events. While sporting events typically utilize all hotels in downtown Jackson, the market has struggled to attract citywide conventions in recent years.

The table below summarizes the Jackson Convention Complex attendance over the last five years.

Table 3-6

Jackson Convention Complex Attendance

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Banquet	12,301	15,750	15,156	14,777	16,837
Meeting	22,914	13,128	17,101	16,689	22,582
Consumer Show	12,030	9,243	13,014	10,154	12,825
Convention /City Wide	36,105	35,090	56,640	73,010	52,345
Trade Show	5,950	5,179	6,900	9,505	6,150
Entertainment	12,425	9,437	11,028	14,604	8,900
Sporting	26,135	15,891	11,150	12,565	11,800
Special Event	13,604	30,688	30,257	19,702	50,685
Total	141,464	134,406	161,246	171,006	182,124

Source: Jackson Convention Complex

Attendance has increased over the last four years, from 134,000 in 2013 to more than 180,000 in 2016. This is a positive trend for Downtown Jackson. Conventions are the greatest driver of attendees, responsible for more than one third of all visitors to the Jackson Convention Complex.

Convention Centers typically do not generate positive net income from operations. The primary benefit of a major, high-quality event complex such as the Jackson Convention Complex is the visitation and spending it generates from attendees to conventions and other events. That said, HSP's analysis suggests that the facility is not maximizing its potential for a variety of reasons outside of its control. In order for the Jackson Convention Complex to generate the economic activity, spending, and foot traffic that it was designed to achieve, the City of Jackson must offer the package of spaces, amenities, and activities that are attractive to contemporary meeting planners. While the convention center is considered a high-quality event venue, the Convention Complex is hindered by the lack of surrounding assets, including hotels and dining options.

Conversations with Jackson Convention Complex management indicated that the center is lacking key attributes that limit the attractiveness of the venue. In addition to incentives, meeting planners expect a convention center with an attached headquarter hotel, secondary adjacent hotels, low transportation costs, walkable dining and retail options, and surrounding entertainment. Currently, the Jackson Convention Complex

is losing major, high-impact events because the downtown area cannot compete with other regional destinations on many of these fronts.

The following table summarizes the Jackson Convention Complex's *lost* business over the last three years.

Table 3-7

Jackson Convention Complex Lost Business

	FY 2015			FY 2016			FY 2017		
Type	# of Events	Attendance	Income	# of Events	Attendance	Income	# of Events	Attendance	Income
Consumer Show	--	--	--	2	1,200	$9,000	6	6,040	$58,900
Meeting	4	650	$23,000	8	1,205	$35,725	15	3,760	$333,050
Special Event	5	3,900	$52,800	4	11,625	$37,196	20	5,900	$112,920
Entertainment	2	8,000	$17,000	4	14,500	$43,500	1	1,500	$4,000
Banquet	1	60	$1,700	2	470	$19,500	4	1,050	$17,025
Citywide	--	--	--	--	--	--	1	2,000	$7,000
Convention	--	--	--	1	800	$64,200	1	800	$25,000
Tradeshow	1	1,000	$7,500	2	650	$12,650	--	--	--
Sports Event	2	750	$5,650	1	200	$1,863	--	--	--
Total	15	14,360	$107,650	24	30,650	$209,121	48	21,050	$557,895

Source: Jackson Convention Complex

According to conversations with Jackson Convention Complex Management, it is impossible to know the exact reason for much of this lost business because most groups were non-responsive to follow-up requests for information to close the deal. It is important to note that this list does not include groups who did not even consider Jackson due to the lack of an attached convention headquarter hotel. This includes five different religious events totaling more than 9,000 potential attendees, including a 4,000-attendee Presbyterian Church of America Event, that did not consider Jackson specifically because the Convention Complex lacks a connected hotel, as well as the limited restaurant and activity options.

Prior to the data included in the table above, specific lost business groups included:

- National Association of Social Workers Mississippi 2014-2018: The Board voted to go the Mississippi coast due to difficulty working with downtown Jackson hotels, as well as the incentive package (shuttle service, restaurant coupons, sponsorship) offered by the competing venue.
- Mississippi Department of Transportation 2015: While the meeting coordinator stated that the quality of the Convention Complex ranked very high in their list of deciding factors, the group decided to go to the Gulf Region due to the absence of an adjacent headquarter hotel.
- Mississippi Disability Rights2nd Annual MEGA Conference: While the meeting planner was optimistic about the convention space and the flexibility offered by the CVB, the barriers of not having an attached headquarter hotel were too much to overcome. If the facility ever does develop and attached hotel, they would be very interested in continuing the conversation.

While an attached hotel will not solve all of the issues facing the Jackson Convention Complex, the lack of a true headquarter facility is the primary deterrent limiting the impact of the convention center.

In addition to understanding the performance and future opportunity of the Convention Center, HSP also analyzed the existing supply of other event venues in Jackson. The table below summarizes the existing event venues in the Downtown Jackson market.

Table 3-8

Jackson Event Venue Supply

Facility	Total Function Space (SF)	Exhibit Space (SF)	Banquet Space (SF)	Meeting Space (SF)	Breakout Rooms	Notes
The South Warehouse	20,000	--	20,000	--	--	--
The Railroad District	18,000	--	18,000	--	--	--
Capital Club at Capital Towers	4,620	--	4,500	120	1	--
The Faulkner	5,200	--	4,900	300	2	
Thalia Mara Hall	--	--	--	--	--	Seating capacity - 2,042
Jackson Marriott	20,598	--	17,484	3,114	4	--
The Westin Jackson	21,209	--	18,797	2,412	10	--
The Old Capitol Inn	8,364	--	4,343	4,021	4	--
Mississippi Museum of Art	4,350	--	3,000	1,350	3	--
Cathead Distillery	10,000		10,000	--	--	--
Duling Hall	--	--	--	--	--	Seating capacity - 230
Hilton Garden Inn Jackson Downtown	8,003	--	3,120	4,883	9	--
Average	12,034	--	10,414	2,314	5	--

Source: Cvent, Various Event Facilities, Hunden Strategic Partners

In addition to the Convention Center, Downtown Jackson offers a comprehensive supply of unique banquet, meeting, and conference facility options. From distilleries and hotels to concert venues and museums, HSP's analysis indicates that Jackson's existing event market presents one of the city's biggest competitive advantages over its peers. Leveraging these unique, experiential event venues will be critical as Jackson continues to increase activity and spending in its downtown core.

Conclusion

The Downtown Jackson hotel market is comprised of three primary hotels that provide different quality levels and price points to overnight downtown visitors. The Westin, which is still being absorbed by the market, has provided an array of new possibilities for downtown due its quality levels, function space, and amenities. With that said, the performance of the hotel market over the last five years demonstrates concerning trends with regards to hotel demand and occupancy, weighed down generally by the deteriorating Marriott. The Marriott, which is more than 40 years old, has become obsolete in some respects, as the quality levels have fallen below the expectation for many groups and overnight visitors. In addition, the locations of the hotels in relation to the Jackson Convention Complex, one of downtown primary assets, presents challenges when preparing attractive packages for state and regional meeting planners. The existing situation ensures that the convention center is not being leveraged to its fullest extent for Downtown Jackson.

Due to the current hotel occupancy levels, the lack of traditional leisure attractions, and a slow growing corporate base, the Jackson hotel market, without public participation, cannot support the development of a full-service hotel at this time. However, while there is not enough existing demand to justify new hotel development, a new convention headquarter hotel would induce new demand to the market, allowing the Jackson Convention Complex to pursue conventions and other events that are currently not considering Downtown Jackson. Given that the Marriott could close for a number of financial and quality reasons, it could open up the potential for a new, better located full-service convention hotel on the subject site. On average, the Marriott is filling about 125

rooms per night. If it were to be closed, it would set up nicely for a 250+/- room hotel near the convention center that would likely set up a nice high quality hotel package for the convention market and induce more demand to the market (and recapture some demand that has gone to the suburbs or other properties).

The development of an attached convention hotel would not only drive new room nights to existing hotels in the BID, but it would also generate net new spending and activity in downtown businesses. However, activating the Jackson Convention Complex, and the surrounding areas, is a critical step in revitalizing the core of Downtown Jackson. While the feasibility of a new convention hotel is uncertain, HSP's analysis suggests that a new hotel development on the subject site should be a top priority for Downtown Jackson moving forward.

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INTRODUCTION

In this chapter, HSP will analyze the current and historical residential market conditions within downtown Jackson's Business Improvement District (BID). To do so, HSP summarized data points that were collected throughout the process, as well as provided a summary of conversations with market participants, area brokers, and local stakeholders.

Supply

The following table summarizes the current supply of multifamily units within Jackson's BID.

Table 4-1

Downtown Jackson Multifamily Supply

Property	Address	Opened	Units	Occupied Units	Current Occupancy	Total SF
Sterling Towers	170 E Griffith St.	1959	105	85	81%	81,585
Standard Life Flats	127 S Roach St	2010	76	67	88%	62,231
King Edward	102 N Mill St	2009	64	57	89%	48,847
Capitol Art Lofts	218 W Capitol St	2017	31	31	100%	24,669
Electric 308	308 E Pearl St	2005	15	13	87%	14,836
The Plaza Building*	120 N Congress St	2006	14	12	86%	--
736 Dickies Lofts	736 S President St	--	14	10	71%	--
Foundry Lofts	300 W South Street	--	18	18	100%	
Total / Average		--	337	293	87%	232,168

*Estimated Occupancy

Source: Hunden Parters, HRI, Duckworth Realty

Currently, Jackson BID offers approximately 337 residential throughout seven properties. The Standard Life Flats and King Edwards, the largest and most comprehensive residential developments in the market, are responsible for nearly 46 percent of all downtown residential units. Other than Sterling Towers, which partially operates as student housing for the Mississippi College of Law, all multifamily developments in the Jackson BID have opened in the last 14 years. Occupancy levels within the BID remain healthy, with 293 of the 337 available units occupied. Other than the 14-unit 736 Dickies Lofts property, every complex is current operating at 81 percent occupancy or greater. However, as will be shown later in this report, year-over-year performance levels are declining due to increased competition from new, quality residential developments in the Greater Jackson market.

The following figure summarizes the one-bedroom and two-bedroom rental rates for the Jackson BID.

Table 4-2

Downtown Jackson Multifamily Supply

Property	1 BR SF	1 BR $	1 BR $/SF	2 BR SF	2 BR $	2 BR $/SF
Sterling Towers	777	$1,013	$1.30	1,157	$1,419	$1.23
Standard Life Flats	617	$1,053	$1.71	994	$1,307	$1.31
King Edward	1,285	$1,512	$1.18	1,525	$1,675	$1.10
Capitol Art Lofts	752	$590	$0.78	1,088	$661	$0.61
Electric 308	1,100	$925	$0.84	1,400	$1,675	$1.20
The Plaza Building*	1,159	$1,216	$1.05	--	--	--
736 Dickies Lofts	500	$732	$1.46	--	--	--
Foundry Lofts	950	--	--	2,040	--	--
Total / Average	893	$1,006	1.19	1,367	$1,347	$1.09

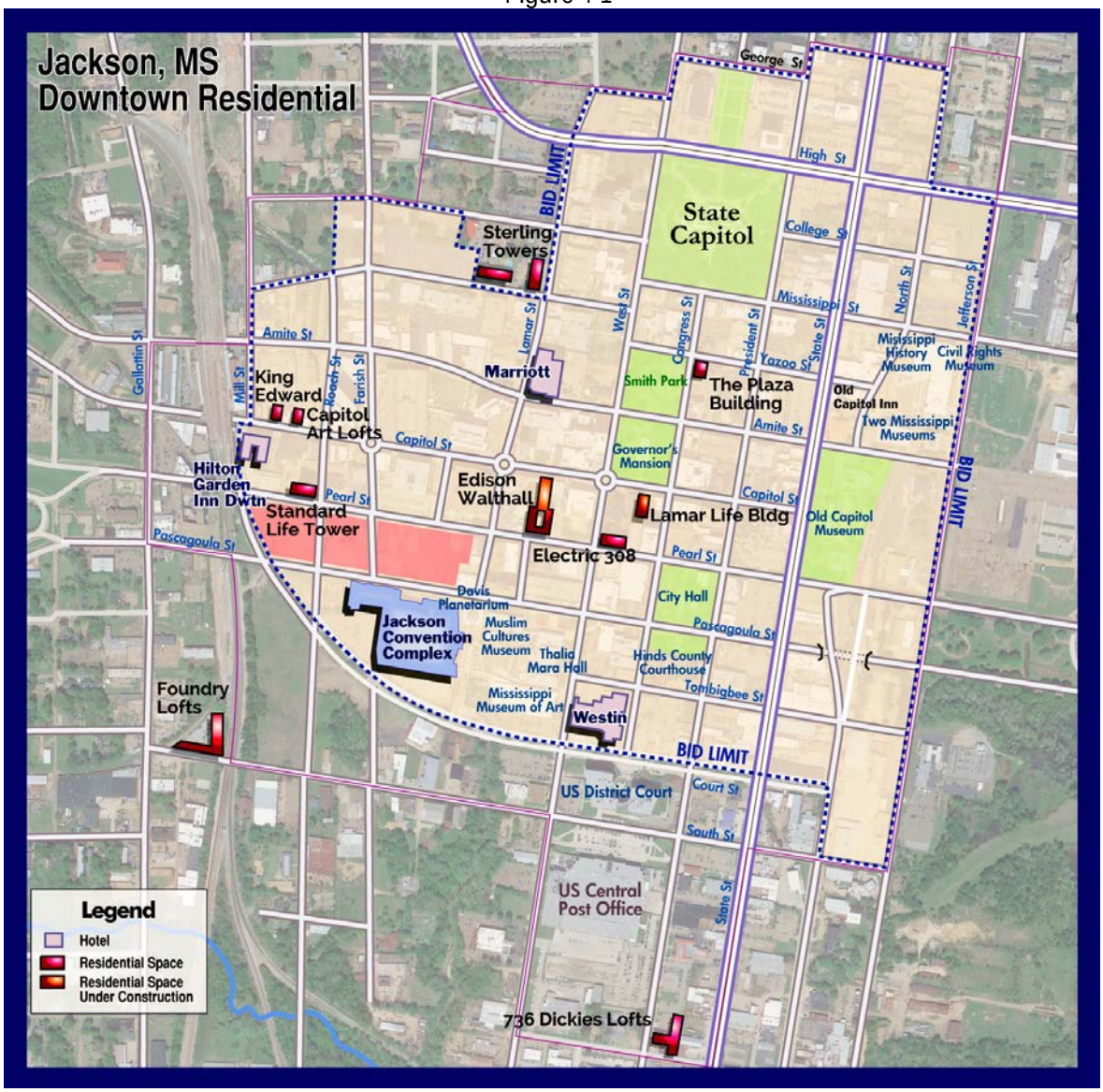
*Estimated Occupancy

Source: Hunden Parters, HRI, Duckworth Realty

Standard Life and King Edward, which feature relatively small unit sizes compared to other offerings, offer one-bedroom rates ranging from $1.30 to $1.70 per square foot, and two-bedroom rates from $1.23 to $1.31 per square foot. Electric 308 currently offers the highest monthly rental rates in the market, with one-bedroom monthly rates in excess of $1,500. Designed as affordable housing for artists, veterans, and disabled, the Capitol Art Lofts offers the lowest rate on a per-square-foot basis, ranging from $0.61 to $0.78. Any rate over $1.50 per square foot, is a strong indicator that new supply can be added and supported, at least in a rehabbed building. For new construction, rents would likely need to be higher than $1.75 per square foot and there appears to be a part of the market that would support these levels, as demonstrated by new residential developments north of the BID.

The following figure shows a map depicting the current supply of residential buildings within Jackson's BID.

Figure 4-1



As shown, the primary residential activity, including King Edward and Standard Life, is concentrated on the western edge of the BID, just north of the proposed redevelopment site.

King Edward

Built in 1923 as the Edwards Hotel, the historic King Edward Hotel sat vacant for 40 years before its restoration in 2009 as a combination of apartments and the Hilton Garden Inn Jackson Downtown. Today, in addition to 186 upscale hotel rooms, the building features 64 "ultra-chic" apartments, a signature restaurant, KE Hotel Bar, Seattle's Best Coffee Shop, a parking garage, fitness center, and a rooftop sundeck with a cocktail pool.

Apartment amenities include central heating and air, 10-foot ceilings, stove with self-cleaning oven, dishwashers, and garbage disposal.

The following figure shows the exterior of the King Edward Hotel & Residences.

Figure 4-2

Along with Standard Life Flats, King Edward is the largest high-quality residential offering in Downtown Jackson. As of February 2018, the property had seven total vacancies, and a rent per square foot ranging from $1.31 (two bedroom) to $1.71 (one bedroom).

The following table summarizes the King Edward average effective rent growth over the last five years.

Table 4-3

King Edward Average Effective Rent Growth

Year	Units
Current Quarter	-0.7%
1-Year Rent Growth	-11.0%
3-Year Rent Growth	2.5%
5-Year Rent Growth	18.7%
All-Time Average	1.9%

Source: Costar

Conversation with representatives from HRI Management indicated that the property has managed to maintain 95 percent occupancy since opening, but the development of 500 combined units in the suburban District Lofts and the Meridian at Fondren, both major mixed-use developments with significant multifamily components, has

increased the competition in the market. The flight to new construction and new higher quality options at competitive rates appears to have impacted this project. This has resulted in management reducing some rents in order to maintain occupancy. New, competitive supply downtown would likely reverse this trend, as HSP's analysis indicates a desire for more and higher quality options in the Downtown market.

The following table summarizes the five-year vacancy trends for the 64-unit King Edward Hotel.

Table 4-4

King Edward Occupancy Rate

Year	Occupancy
Current Quarter	93.7%
Last Quarter	95.3%
1 Year Ago	96.9%
3 Years Ago	98.4%
5 Years Ago	96.9%

Source: Costar

As discussed, occupancy levels have decreased over the last 12 months.

Standard Life Flats

Located less than a block from King Edward Hotel, Standard Life Flats feature luxury one and two-bedroom apartments high-rise apartments. The 18-floor building features 76 total residential units, as well as a business center and more than 2,600 square feet of retail space. Originally built in 1929, the building reopened at Standard Life Flats in 2010 after a $33 million renovation. Along with the King Edward, which was also developed by local developer David Watkins and former NFL running back Deuce McAllister, the total investment into downtown Jackson over the three-year period exceeded $123 million. Amenities of the residential units include stainless steel appliances, granite countertops, ceiling fans, and full-size washers and dryers in every unit. Residents also have access to King Edward amenities including the rooftop pool.

The following figure shows the Standard Life Building.

Figure 4-3

Currently, 67 of the 76 units in the 62,000-square foot building are occupied. Rental rates at Standard Life Flats are slightly lower than the King Edward, ranging from $1.23 for two-bedroom units and $1.30 for one-bedroom units.

Conversations with representatives from HRI indicated that, prior to the redevelopment of the King Edward and Standard Life, there was minimal demand for downtown Jackson residential units. Property management anticipated that they would have to generate demand from outsiders moving to Jackson from across the region, but found that approximately 80 percent of the residents that moved into King Edward and Standard Life were from the Jackson suburbs. Tenants were primarily high-income professionals that worked downtown or in the medical district and wanted to live in a more walkable, vibrant environment. The properties were absorbed into the market quicker than any development HRI had ever managed, and up until 2016, had maintained occupancy levels above 95 percent. This absorption suggests that current suburban residents will move to downtown developments if the quality and pricing mix is competitive, especially for those working in or near downtown. Given the location of the medical complex, there could be a more potent market for high-quality, newer units, if developed. Currently, however, the newest units in the market were opened in the suburbs and not too far from the medical district on the north side, which has put pressure on downtown's stock of units.

The following table summarizes the combined occupancy for the King Edward and Standard Life Flats apartments from January 2012 through February 2018.

Table 4-5

King Edward and Standard Life Occupancy

Year	Units	Occupancy	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2018	140	87.34%	86.63%	88.04%	--	--	--	--	--	--	--	--	--	--
2017	140	82.39%	88.92%	84.27%	81.80%	80.30%	84.73%	81.18%	78.87%	78.53%	76.52%	80.04%	85.24%	88.30%
2016	140	89.94%	90.51%	90.55%	90.82%	89.90%	87.59%	85.53%	86.07%	92.79%	90.65%	91.13%	91.20%	92.53%
2015	140	95.91%	97.10%	95.67%	95.40%	96.78%	93.69%	94.31%	95.77%	97.76%	97.54%	98.24%	96.43%	92.25%
2014	140	96.65%	95.81%	94.69%	94.42%	96.40%	97.26%	97.31%	98.09%	97.60%	97.73%	97.78%	96.95%	95.74%
2013	140	96.62%	97.88%	97.63%	99.22%	97.84%	97.61%	93.79%	94.29%	95.16%	95.51%	97.70%	97.38%	95.39%
2012	140	97.12%	95.25%	96.02%	96.82%	96.10%	95.27%	96.36%	98.69%	98.00%	98.90%	97.14%	97.98%	98.96%

Source: HRI Properties

Occupancy levels remained strong from 2010 through 2015, with annual averages exceeding 95 percent. The opening of the Meridian at Fondren in mid-2016 negatively impacted market performance, and levels have remained below 90 percent since.

The following table summarizes the annual occupancy levels for the two properties.

Table 4-6

King Edward and Standard Life Occupancy

Year	Units	Square Feet	2012	2013	2014	2015	2016	2017
King Edward	64	48,847	98.02%	96.89%	96.07%	97.28%	94.09%	81.86%
Standard Life	76	62,231	96.38%	96.39%	97.14%	94.79%	86.65%	82.87%

Source: HRI Properties

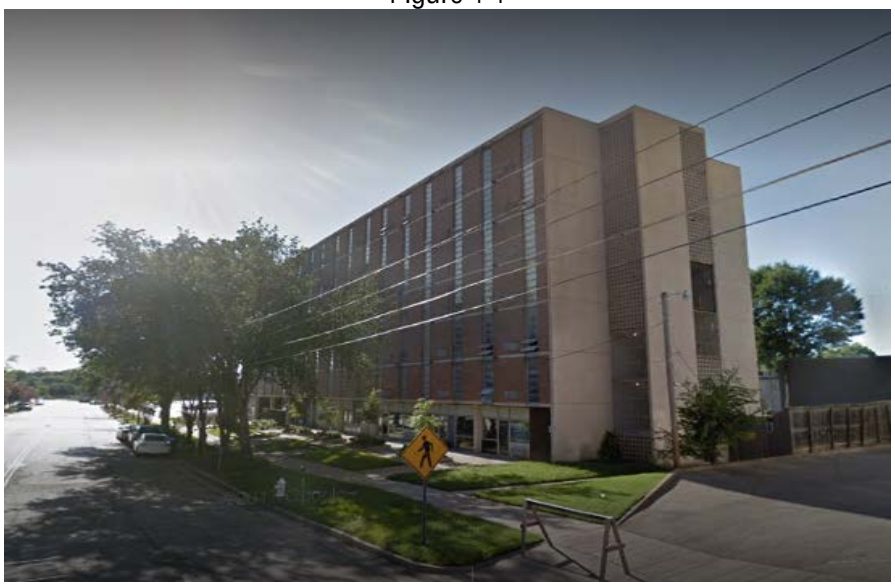
While market occupancy levels remain healthy, HRI representatives stated that there are a variety of issues that continue to hinder the redevelopment of Jackson into a vibrant downtown core. Perception of crime and homelessness continue to be an intimidating issue for residents, whether or not there is merit for those concerns. Downtown also lacks the critical mass of restaurant and retail options for residents, so they typically travel to the suburbs for shopping and dining experiences.

Sterling Towers

Featuring seven floors and 105 one-bedroom units, Sterling Towers was built in 1959. The property, which is located across the street from the Mississippi College of Law, has historically been home to both students and local employees. The property features a courtyard pool and a breakfast and lunch dining option.

The following figure shows the exterior of the property.

Figure 4-4



Conversations with representatives from Sterling Towers indicated that 85 of the 105 units are occupied, and that approximately 45 percent of all residents are students studying at the Mississippi College of Law. The remaining occupants primarily consist of state employees, retirees, and medical center students. The property was purchased by new ownership in March of 2016 and is currently undergoing a comprehensive renovation to all 105 units. To date, approximately 25 units have been renovated. The one-bedroom, 500-square foot apartments are currently rented for $650 a month, but that is expected to increase to more than $750 following the completed renovation. With a rent per square foot greater than $1.50, this is a positive indicator for future residential development in Downtown Jackson.

736 Dickies Lofts

Located less than half a mile south of the BID in the Midtown warehouse district, 736 Dickies Lofts is a mixed use warehouse building that was renovated into commercial and residential space from its former industrial use.

The following figure shows the exterior of the property.

Figure 4-5

As of February 2018, 10 of the 14 one-bedroom apartment were occupied, with rental rates of $1.05 per square foot.

The following table summarizes the year-over-year vacancy and rate performance for the King Edward, Standard Life, 736 Dickies Lofts, and Sterling Towers, which are the four downtown residential properties that report to Costar.

Table 4-7

Year-Over-Year Performance						
Year	Units	Now	Las Qtr.	Last Yr.	Past Qtr.	Past Yr.
Occupancy						
King Edward	64	93.7%	95.6%	96.6%	-2.0%	-3.0%
Standard Life	76	90.1%	90.1%	90.9%	0.0%	-0.9%
736 Dickies	14	90.0%	90.0%	90.0%	0.0%	0.0%
Sterling Towers	105	84.8%	85.2%	90.5%	-0.5%	-6.3%
Rent - 1 BR						
King Edward	48	$1,053	$1,060	$1,196	0.7%	-11.9%
Standard Life	43	$1,013	$1,015	$1,176	-0.2%	-13.9%
736 Dickies	14	$1,216	$1,215	$1,213	0.0%	-0.3%
Sterling Towers	105	$732	$758	$759	-3.5%	-3.5%
Rent - 2 BR						
King Edward	16	$1,307	$1,319	$1,615	-9.0%	-19.0%
Standard Life	33	$1,419	$1,418	$1,541	0.0%	-0.8%

Source: Costar

As shown, both occupancy and rental rates have been negatively impacted over the last year as a result of the new residential developments north of the BID.

Electric 308

The ten-story Electric 308 Building in Downtown Jackson was redeveloped by Duckworth Realty in 2004 into upscale offices and multifamily housing. Today, the top two floors of the property consist of 15 one- and two-bedrooms luxury units.

The following figure shows a picture of the property.

Figure 4-6

Conversations with property management from Electric 308 indicated that currently 13 of the 15 available units are occupied. Residents include young professionals that prefer the vibrancy of downtown compared to the options in suburban Jackson. Renatl rates range from $1.10 to $1.18 per square foot.

Capitol Arts Lofts

Opened in late 2017, the Capitol Arts Lofts offer 31 units of income-restricted housing that features one- and two-bedroom apartments, as well as community areas and art gallery/studio space. Located across Capitol Street from King Edward, the property provides leasing preference for veterans, disabled individuals, artists, and medical industry workers.

The following figure shows a rendering of the complex.

Figure 4-7

Designed as affordable artist housing, HRI representatives indicated that the purpose of the project is to drive economic development in Downtown Jackson. Similar to many affordable housing projects that have occurred in downtown New Orleans by HRI, the project was developed in an area that has traditionally been underdeveloped. HRI is working to generate economic activity in the area surrounding the King Edward. As of the February 2018, all 31 units were leased.

Pipeline Developments

In addition to the existing multifamily supply in downtown Jackson, it is critical to understand future projects that will impact the residential marketplace. Recent investment into the BID suggests that private developers are confident in the long-term prospects of the Downtown Jackson market. This section profiles those projects that are currently in the development process.

Landmark Center

The Landmark Center is a seven story, 300,000-square foot office building in Downtown Jackson. The property features full-service office space on floors two through five, as well as 5,000 square feet of ground floor retail. While not yet confirmed, the Center is proposed to be redeveloped by The Weinstein Firm into a mixed-use property that features 35,000 square feet of retail, including a grocery store, 100,000 square feet of office, and 200 residential units, rooftop pool, gym, and a ground floor bar and restaurant. The potential development of a grocery store within the downtown marketplace is encouraging and will likely be an attractive amenity to those seeking a downtown residence.

Edison Walthall

The historic eight-story Edison Walthall Hotel building in downtown Jackson is being redeveloped by Evercore Companies LLC into a 140-unit luxury apartment complex. The property, which has been vacant since 2010, is projected to open in January 2019 and will feature and on-site parking garage, ground floor restaurants, and a fitness center on the second floor.

Lamar Life

The historic 11-story Lamar Life Building in downtown Jackson is in the process of being redeveloped by the Mattiace Company into 24 residential lofts and office space. The project is expected to be completed in 2018.

Deposit Guaranty Building

While still in the preliminary stages, Hertz Investment Group has plans to redevelop the 18-story Deposit Guarantee Building in Downtown Jackson into 144 luxury residential units. The project is currently on hold until funding can be determined.

New Supply Summary

In total, more than 500 residential rental units are announced or in early stages of development. This will represent a 159 percentage supply increase over the current 319 units. While not all proposed projects may occur immediately, the projects suggest that the market is willing and able to absorb new downtown residential demand. Having a much larger base of downtown residents will provide a feasibility cushion, or increased viability, for restaurants and downtown convenience retail. The addition of a downtown drug/grocery store in the Landmark project will also serve as a catalyst for more residential development, as the lack of such amenities now is a hindrance to many people who want convenient shopping for the basics, which they can access easily in the suburbs.

Demand & Stakeholder Feedback

To supplement the data presented in this chapter, HSP also had conversations with market participants including property managers, city representatives, and other stakeholders to better understand macro trends as well as supply and demand trends within the marketplace. The following bullet points summarize these conversations:

- Prior to 2006, there were very few downtown residents. Since 2006, more than 200 multifamily units have come online, along with more than 20 restaurants and other activity. This has increased the vibrancy of downtown.
- The first step towards revitalizing Downtown Jackson is increasing the number of downtown residents. After 5 PM, businesses close and activity subsides due to the absence of downtown employees. If more employees lived downtown, the market opportunity for other commercial developments would increase.

- Downtown Jackson development has increased over the last five years. Strong occupancy levels, combined with future residential developments including Lamar Life, Edison Walthall, Deposit Guaranty, and the Landmark Center suggest long-term investment into the future growth of downtown. This is a positive sign for Jackson.
- Safety is a perceived issue for downtown residents. If Jackson citizens are looking to start a family, they will relocate to suburban residences. This continues to be a struggle for Downtown Jackson, despite the fact that crime is actually very low downtown.
- A primary concern from public officials is the "brain drain" that is occurring throughout Jackson. Young professionals want to live in active, urban environments, and Downtown Jackson does not currently offer that. Due to the lack of residential supply and the disconnect between nodes, Downtown Jackson lacks energy and vibrancy, which is causing talented young professionals to leave the city. A new mixed-use development on the subject site could help to stem that tide.

Competitive Developments

New, high-quality residential and mixed-use developments have opened up outside of the Jackson BID in recent years. These projects, while located more than three miles from downtown, have had a material impact on the performance of downtown multifamily properties. This section profiles these new developments.

The Meridian at Fondren

Located across the street from the University of Mississippi Medical Center, three miles north of Downtown Jackson, the Meridian at Fondren is a $33 million 241-unit luxury apartment complex that opened in the fall of 2016. Offering one-, two-, and three-bedroom apartments with balconies, the project features surface and garage parking (182 spaces), as well as a fitness center, swimming pool, a gated dog park, and common outdoor area. The project features four floors of residential units and ground-floor retail, including a deli and a coffee shop.

The following figure shows The Meridian at Fondren.

Figure 4-8

In addition to the quality of the apartments, the project leverages its proximity to the medical center, as well as Fondren's shopping, dining, and entertainment options to attract residents.

The following table summarizes the square footage, rates, and performance of The Meridian at Fondren as of February 2018.

Table 4-8

The Meridian at Fondran

Year	Units	Available	Avg. SF	$/Unit	$/SF
1 Bedroom	150	6	693	1,179	$1.70
2 Bedroom	87	4	1,071	1,609	$1.50
3 Bedroom	4	0	1,348	2,082	$1.54

Source: : HRI Properties

Currently, the property is maintaining 96 percent occupancy, with 10 of the 241 available units vacant. Rental rates range from $1,179 per unit (one bedroom) to more than $2,000 per unit (three bedroom), or $1.50 to $1.70 per square foot.

The following table summarizes the absorption performance for The Meridian at Fondren.

Table 4-9

The Meridian at Fondren

	Oct-16	Nov-7	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
Units	241	241	241	241	241	241	241
Absorb Units	58	58	9	22	12	13	12
Occupancy	24%	48%	52%	61%	66%	71%	76%
Effective Rent	$1382	$1383	$1383	$1396	$1395	$1395	$1395
Asking Rent	$1382	$1383	$1383	$1396	$1395	$1395	$1395
Area	886	886	886	886	886	886	886
Effective Rent Per SF	$1.56	$1.56	$1.56	$1.58	$1.57	$1.57	$1.57
Asking Rent Per SF	$1.56	$1.56	$1.56	$1.58	$1.57	$1.57	$1.57

Source: Axiom

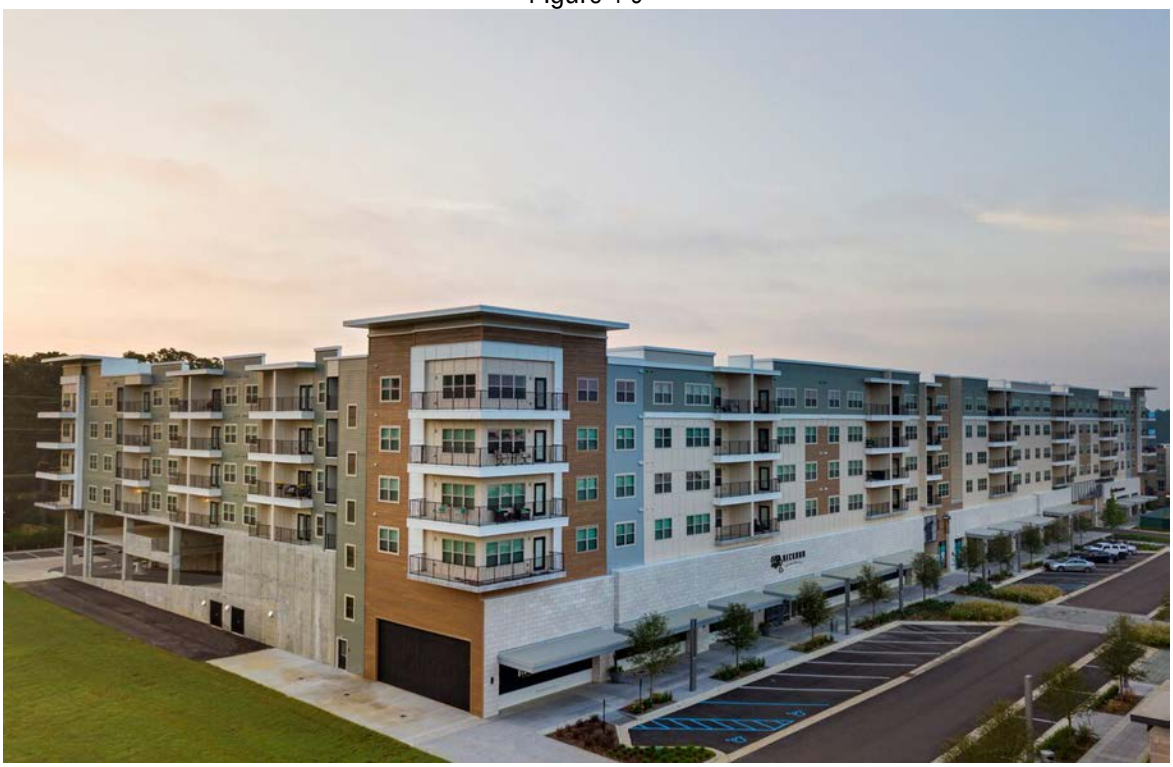
The Meridian at Fondren was absorbed into the market relatively quickly, reaching 76 percent occupancy by its 7th month of operations. However, as previously mentioned, a portion of these residents moved from a downtown unit to be closer to the medical district and other dining and entertainment. The property averages an effective asking rent of $1.57 per square foot, which is higher than nearly all downtown residential options. This suggests that there is a flight to newness and quality at competitive rates. As new product is offered downtown, many of these same types of residents could move back downtown.

The District Lofts

Located between the Eastover and Fondren neighborhoods and adjacent the I-55 corridor, five miles north of downtown Jackson, The District at Eastover opened in 2017. Overall, 585,000-square foot mixed-use development features 125,000 square feet of restaurant and retail space on the ground floor, as well as a 95-room Marriott Residence Inn, which opened in August of 2016. The hotel is performing extremely well (80 – 90 percent occupancy and nearly $120 rate), suggesting again, a flight to quality that is currently not found downtown at competitive rates. Current retail tenants include Cantina Laredo, Freshii, Orange Theory, Baker Donelson, Fine and Dandy, and Ross and Yerger.

The following figure shows The District Lofts.

Figure 4-9



The table below summarizes the square footage and rates for the units at the District Lofts.

Table 4-10

The District Lofts

Unit Type	# of Bedrooms	Avg. SF	$/Unit	$/SF
The Hendrix	Studio	572	1,185	$2.07
The Franklin	1	701	1,295	$1.85
The Parker	1	715	1,300	$1.82
The Goodman	2	958	1,535	$1.60
The Ellington	2	1,136	1,715	$1.51
The Armstrong	3	1,358	2,020	$1.49

Source: The District Lofts

The property features 261 total residential units from studios to three bedrooms. Studio apartments, which are approximately 572 square feet, start at $1,185 a month. One-bedroom units are renting for $1,295 per month, while 1,136-square foot two bedroom units start at $1,715 per month. Three-bedroom units at the complex are currently being offered for $2,020 per month.

Conclusion

Prior to the late 2000s and early 2010's, Downtown Jackson offered minimal high-quality residential product for citizens looking to live, work, and play in an urban environment. These downtown residents, and the foot traffic and spending that they generate, are critical to support the retail, restaurant, entertainment, and nightlife options that the City of Jackson is seeking. The development, and subsequent performance, of various luxury apartment properties over the last decade, including King Edward and Standard Life, have demonstrated that high-quality residential projects can thrive in the Jackson BID. A portion of suburbanites who work in Downtown Jackson will relocate if high-quality product is available. Until 2016, occupancy levels of multifamily developments within the BID remained at healthy levels, sometimes above 90 percent. This suggests pent up residential demand, and opportunity for future development.

That said, the downtown residential market does face challenges. Rental rates at existing properties may not support the quality and scale of development that is desired. Safety, and the perception of safety, continues to be a concern for local residents, and the opening of new, high-quality multifamily properties north of the BID have negatively impacted occupancy rates of downtown properties, as many residents view the newer complexes as more convenient and proximate to where they work, eat, and shop. However, these new complexes are already reaching maximum occupancy, and the proposed future residential developments within the Jackson BID, including Lamar Lofts, Landmark Center, and Edison Walthall, indicate that local market participants and developers believe that there continues to be a market gap in downtown Jackson for residential offerings.

This residential base is critical foundation from which Downtown Jackson can develop other commercial and entertainment options. Based on the market analysis, HSP concludes that any new development that occurs on the proposed redevelopment site should feature a multifamily component.

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INTRODUCTION

In this chapter, HSP will analyze current, and historical office market conditions within downtown Jackson's Business Improvement District (BID). To do so, HSP will summarize data points that were collected throughout the process, as well as provide a summary of conversations with market participants, area brokers, and local stakeholders.

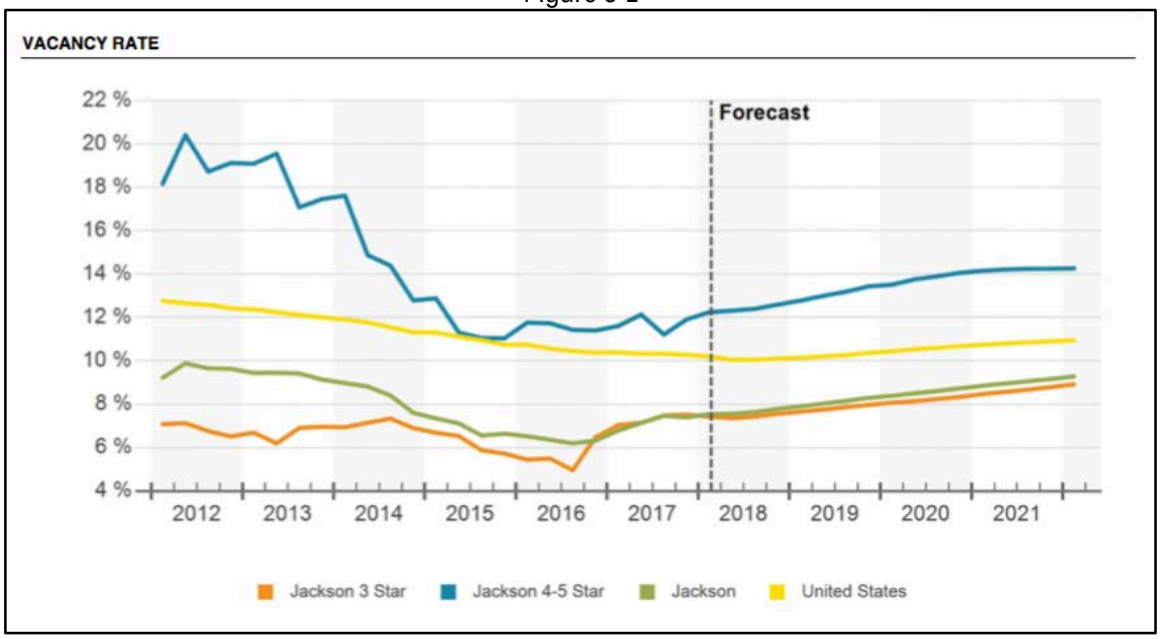
JACKSON OFFICE MARKET OVERVIEW

HSP utilized an office market report, prepared by CBRE, to assist in understanding the overall office market conditions in Jackson. It is important to note that this report was prepared using CoStar data. CoStar is a self-reporting service, so while some data presented in the report was accurate at the time it was initially reported, some information may be now outdated. However, HSP feels that the information summarized in the CoStar report is critical to understand the overall context and relationship between Jackson and its greater market area.

Overall, the report analyzed both the Jackson market in its entirety as well as the different submarkets within the city. HSP analyzed the pertinent data and summarized it in the following section.

The following figure shows the vacancy trends and projections within the Jackson market from 2012 through 2021.

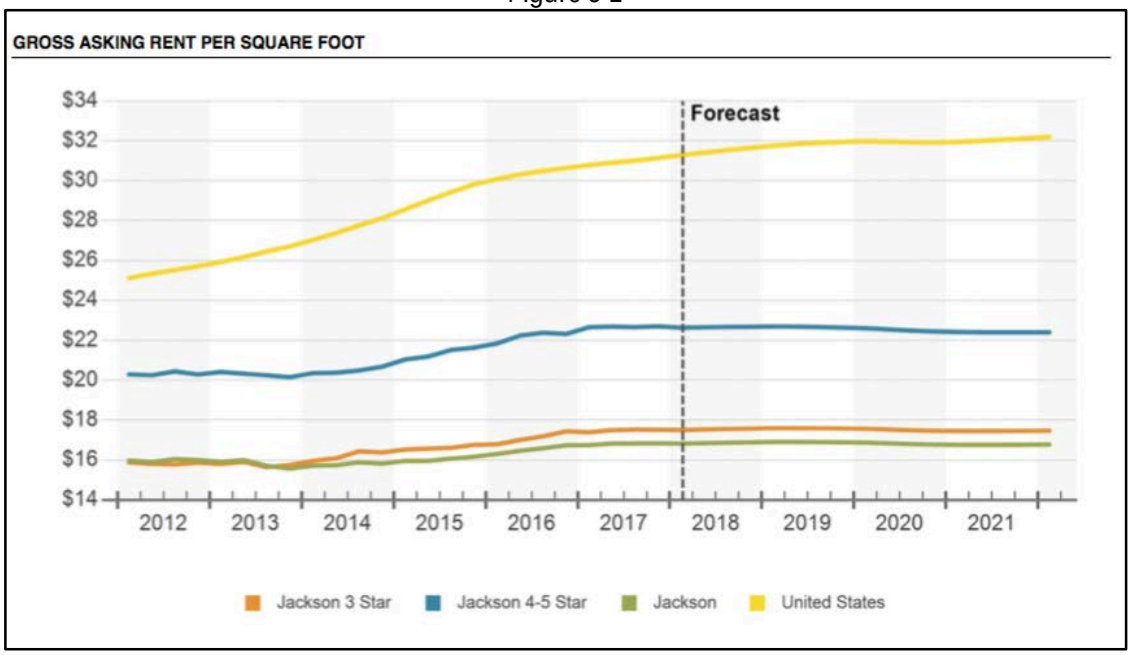
Figure 5-1



As shown, vacancy rates declined from 2012 through 2016 before rising moderately in 2017. Vacancy rates are projected to slightly increase between 2018 to 2021.

The following figure shows gross asking rent per square foot trends and projections within the Jackson market from 2012 through 2021.

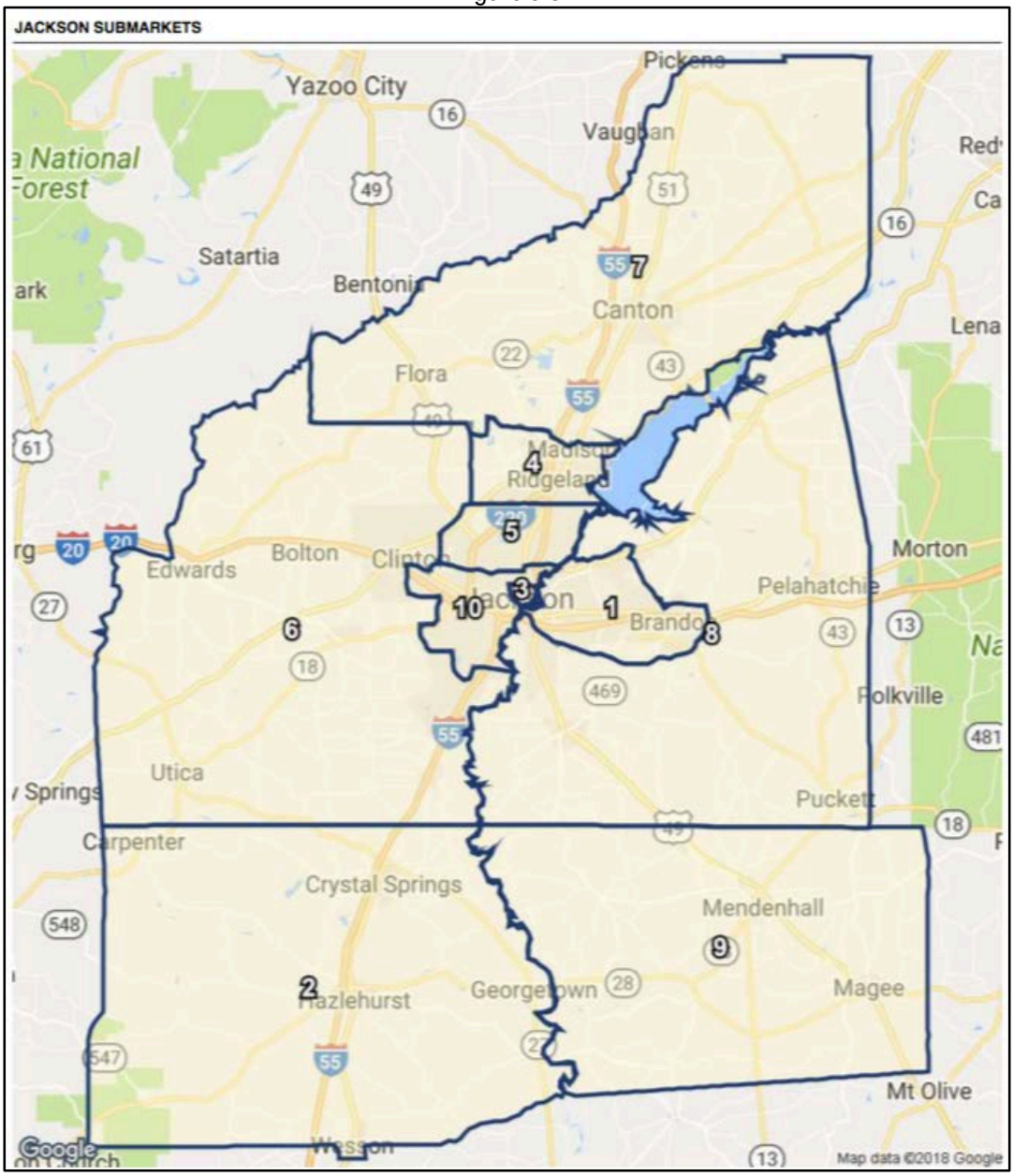
Figure 5-2



As shown, gross asking rents per square foot have increased slightly between 2012 and 2017. Although asking rents are dramatically lower in Jackson when compared to the United States as a whole, rent is expected to maintain stability between 2018 and 2021.

The following map outlines the different submarkets within Jackson. The submarkets are labeled one through ten. Downtown Jackson is labeled number three.

Figure 5-3



The following table outlines the office supply within the different Jackson submarkets.

Table 5-1

Jackson Submarket Inventory

#	Submarket	Bldgs	SF (000)	% of Total Market	Rank
1	Brandon/Flowood/Pearl	349	3,684	14.1%	4
2	Copiah County	16	52	0.2%	10
3	Downtown Jackson	272	6,680	25.6%	1
4	Madison/Ridgeland	395	4,739	18.2%	3
5	North Jackson	368	5,620	21.5%	2
6	Outlying Hinds County	99	928	3.6%	6
7	Outlying Madison County	71	790	3.0%	7
8	Outlying Rankin County	81	515	2.0%	8
9	Simpson County	14	94	0.40%	9
10	South Jackson	266	2,980	11.40%	5

Source: CoStar

As shown, the Downtown Jackson submarket has the largest inventory of office space, by square foot, with approximately 6.7 million square feet of leasable space.

The following table outlines the gross asking rents within the different Jackson submarkets.

Table 5-2

Jackson Submarket Rent

		Gross Asking Rent		12 Month Asking Rent	
#	Submarket	Per SF	Rank	Growth	Rank
1	Brandon/Flowood/Pearl	$16.56	5	-0.3%	10
2	Copiah County	$15.44	8	0.4%	7
3	Downtown Jackson	$16.17	7	0.2%	9
4	Madison/Ridgeland	$19.65	1	0.7%	2
5	North Jackson	$16.28	6	1.0%	1
6	Outlying Hinds County	$17.02	3	0.7%	3
7	Outlying Madison County	$16.88	4	0.5%	6
8	Outlying Rankin County	$14.81	10	0.4%	8
9	Simpson County	$17.83	2	0.6%	5
10	South Jackson	$15.42	9	0.7%	4

Source: CoStar

As shown in the table above, Downtown Jackson ranks seventh out of the ten submarkets in terms of gross asking rent. Due to the affordability of space in Downtown Jackson, many firms are looking to move their office locations to downtown.

The following table outlines the vacancy rates and 12-month net absorption rates within the different Jackson submarkets.

Table 5-3

Jackson Submarket Vacancy & Net Absoption

		Vacancy			12 Month Net Absorption		
#	Submarket	SF	Percent	Rank	SF	% of Inventory	Rank
1	Brandon/Flowood/Pearl	208,896	5.7%	4	(44,773)	-1.2%	8
2	Copiah County	3,914	7.5%	7	1,227	2.3%	4
3	Downtown Jackson	764,669	11.4%	8	25,275	0.4%	1
4	Madison/Ridgeland	341,468	7.2%	6	(72,228)	-1.5%	9
5	North Jackson	297,647	5.3%	3	(150,747)	-2.7%	10
6	Outlying Hinds County	41,082	4.4%	1	6,303	0.7%	3
7	Outlying Madison County	136,471	17.3%	9	(30,867)	-3.9%	7
8	Outlying Rankin County	26,347	5.1%	2	(3,443)	-0.7%	6
9	Simpson County	--	--	--	0	0.0%	--
10	South Jackson	179,586	6.0%	5	11,570	0.4%	2

Source: CoStar

As shown in the table above, Downtown Jackson ranked eighth best in terms of overall occupancy but first in total net absorption of office space in the last 12 months. This further indicates that firms from surrounding submarkets are starting to move back into Downtown Jackson due to its affordability.

SUPPLY

The following table shows the current supply of major office developments within Jackson's BID, and is sorted by size, or total square feet of offices space.

Table 5-4

Major Downtown Jackson Office Supply

Name	Address	Type	Average Lease Rate	Total SF	Occupied SF	Vacancy %
Occupied						
Regions Plaza	210 E Capitol St	Class B	$15 - $18	336,000	268,800	20%
Trustmark National Bank	248 E Capitol St	Class B	n/a	264,000	264,000	0%
One Jackson Place	188 E Capitol St	Class A	$18 - $20	219,000	201,480	8%
Capital Towers	125 S Congress St	Class B	$15 - $18	213,300	172,773	19%
The Pinnacle at Jackson Place	190 E Capitol St	Class A	$23 - $25	189,000	162,540	14%
111 E Capitol	111 E Capitol St	Class B	$16 - $17	187,000	168,300	10%
City Centre - South	202-224 E Pascagoula St	Class B	$13 - $15	135,000	33,750	75%
City Centre - North	202-224 E Pascagoula St	Class B	$14 - $16	135,000	74,250	45%
Electric Building	308 E Pearl St	Class B	$18 - $20	106,000	103,880	2%
Heritage Building	401 E Capitol St	Class B	$15 - $19	95,000	61,750	35%
Emporium Building	400 E Capitol St	--	n/a	62,600	62,600	0%
200 N Congress Building	200 N Congress St	--	$14 - $16	37,500	37,500	0%
201 Capitol	201 W Capitol St	Class B	$10 - $11	32,000	22,400	30%
Total / Average	--	--	$16.64	2,011,400	1,634,023	19%
Vacancies						
Regions Bank Building	201 E Capitol St	--	--	161,000	0	100%
Landmark Building	175 E Capitol St	--	--	345,000	0	100%
Total / Average	--	--	$16.64	2,517,400	1,634,023	35%

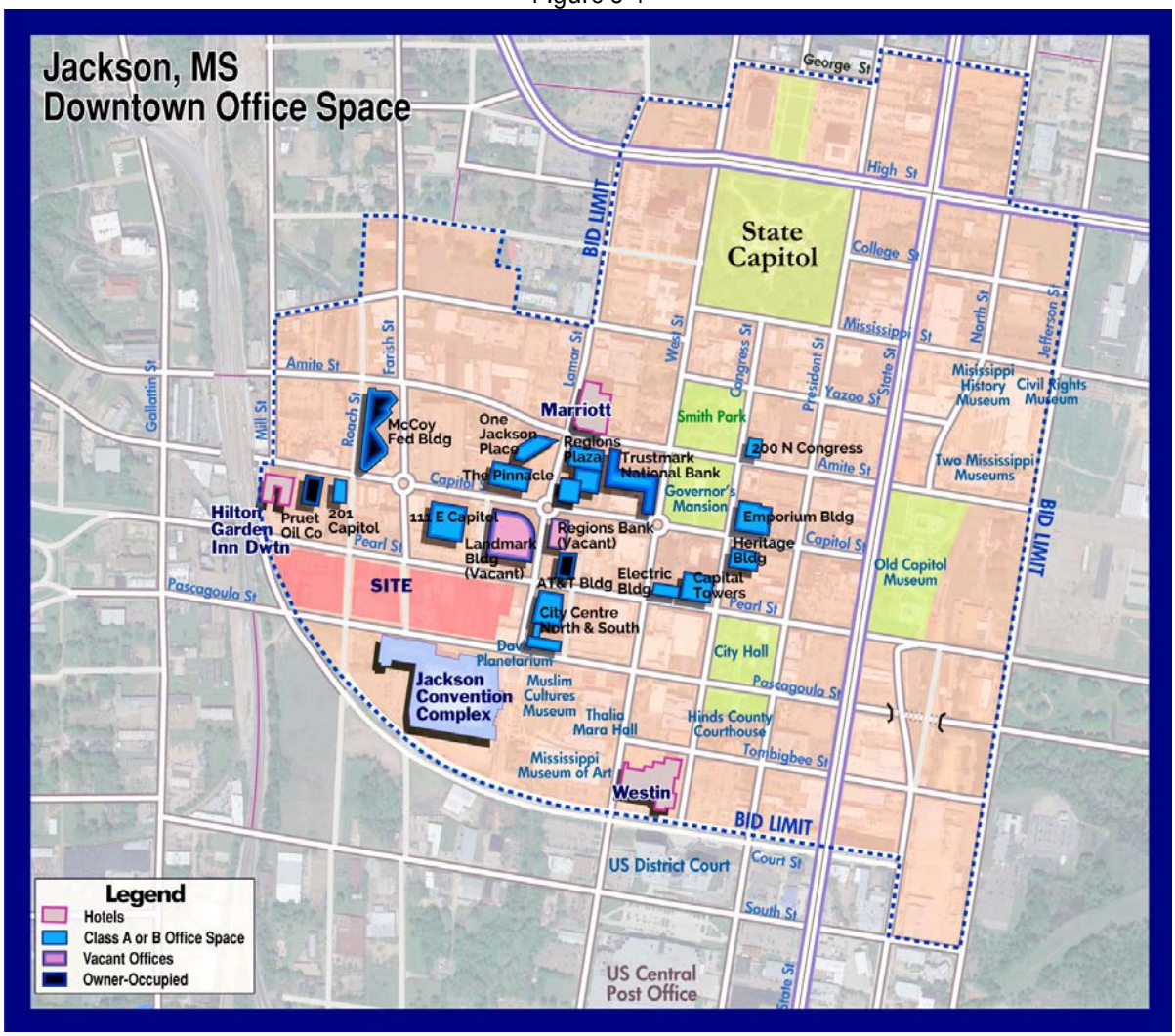
Source: Multiple Sources, Hunden Strategic Partners

The major office developments within Downtown Jackson currently offer more than two million square feet of office space, of which approximately 25 percent is Class A space. The downtown supply is anchored by the more than 335,000 square foot Regions Plaza Building and the new 189,000-square foot Pinnacle at Jackson Place, which is receiving the highest rents in the market.

Two additional office buildings have shuttered in recent years including the 161,000-square foot Regions Bank Building and the more than 340,000-square foot Landmark Building. At this time, both buildings are in the initial stages of redevelopment. However, neither are expected to come back online within the next few years, as both developers are seeking incentive packages that have yet to be approved. In addition, the Regions Bank Building is expected to be repositioned into more than 140 multi-family residential units, and the Landmark building is expected to be converted into a mix of uses that will include retail, residential, and office. However, the Landmark Building has in the past experienced difficulties securing tenants who desire parking, as it only features 60 on-site parking stalls.

The following figure shows a map depicting the current supply of office buildings within Jackson's BID.

Figure 5-4



As shown, the main office corridor is along East Capitol Street between North Roach Street to the west and North West Street to the east. A number of new, and high-quality office buildings exist within this two-block area, including the Pinnacle at Jackson Place, 111 East Capitol, and Regions Plaza. In addition, a number of fast casual restaurants including Chick Fil-A, Subway, Wasabi Sushi, and McAllister's Deli are located in close proximity to the major office towers along East Capitol Street and East Amite Street.

The Pinnacle at Jackson Place

The Pinnacle at Jackson Place opened in 2008 making it one of the newest office developments to open in downtown Jackson. The property, located at 190 East Capitol Street offers 189,000 square feet of Class A office space within Jackson's BID. In 2012, the Hertz Investment Group acquired the nine-story property and continues to own and manage it today.

The following figure shows a picture of the Pinnacle at Jackson Place property.

Figure 5-5

HSP had conversations with management at the Hertz Investment Group and understands that the building is currently 86 percent occupied, as a result of a 13,000-square foot tenant recently vacating their space. Management also indicated that the Pinnacle Building at Jackson Place is receiving the highest lease rates within Jackson's BID, between $23 and $25 per square foot. Major tenants currently occupying this building include Jones Walker, Brunini, Haddox Reid, and BKD. It is important to note that this building backs up to a 1,700+space parking garage. It is also leased to, and managed by, the Hertz Investment Group.

Regions Plaza

Located at 210 E Capitol Street, Regions Plaza is the largest office development within Jackson's BID. The 22-story property offers more than 336,000 square-feet of Class B office space and is currently 80 percent occupied. The building is managed by the Hertz Investment Group, which acquired the property in 2007.

The following figure shows a picture of the Regions Plaza property.

Figure 5-6

In addition to serving as an office building, the 22-story Regions Plaza property also offers a nine-story parking garage. HSP had conversations with management and understands that the building receives average rents between $15 and $18 per square foot. Major tenants of this building include Forman Watkins and Regions Bank.

One Jackson Place

One Jackson Place is a 14-story office building that is located adjacent to the Pinnacle Building and across the street from the Regions Plaza Building. This office building also backs up the 1,700+spot parking garage and is connected to the Regions Plaza Building via skywalk. Formally located at 188 East Capitol Street, the property offers 219,000 square feet of Class A office space.

The following figure shows a picture of the property.

Figure 5-7

One Jackson Place has a healthy occupancy rate of 92 percent, and is seeing average asking rents between $18 and $20 per square foot, according to the Hertz Investment Group.

111 East Capitol

The office property located at 111 East Capitol Street is also owned and managed by the Hertz Investment Group. Hertz acquired the six-story property in 2012. In total, the property offers more than 187,000 square feet of Class B office space, making it the sixth largest office property within Jackson's BID.

The following figure shows a picture of 111 E. Capitol the property.

Figure 5-8

HSP had conversations with management at the Hertz Investment Group and understands that the building is currently 90 percent occupied and garners average lease rates between $16 and $17 per square foot.

Capital Towers

Located at 125 South Congress Street, the 20-story Capitol Towers is the second tallest office building in Jackson. The property is owned and managed by the Mattiace Company. The property includes two restaurants inside the building including the Capital Club, Jackson's only downtown private club. The Capital Club sits on the 19th floor of the Capital Towers and offers space for dining and private meetings. In total, the property offers approximately 264,000 square feet of office space.

The following figure shows a picture of Capital Towers.

Figure 5-9

HSP had conversations with management at the Mattiace Company and understands that the building is currently 81 percent occupied and garners average lease rates between $15 and $18 per square foot.

The Heritage Building

Located at 401 East Capitol Street, the Heritage Building is a six-floor class A office building that is owned by Kip Gibert and managed by Speed Commercial Real Estate. The building recently underwent a renovation which converted the adjoining building on Capitol into mixed use purposes and created a private New-Orleans-style courtyard for the Heritage tenants. In total, the Heritage Building offers approximately 95,000 square feet of leasable office space.

The following figure shows a picture of the Heritage Building.

Figure 5-10

Additionally, a public parking garage is attached to the building and includes 370 spaces. HSP had conversations with management at the Heritage Building and understands that the building's occupancy rate is currently low, at approximately 65 percent, due to the renovations that occurred to the courtyard space. HSP also understands that the building garners average lease rates between $15 and $19 per square foot.

City Centre

The City Centre is comprised of two class B office buildings located at 200 South Lamar Street. The North Tower is 10 stories while the South Tower is 12 stories. Between the two properties, the City Centre totals approximately 270,000 square feet. The building also features a 518-space structured parking deck. Hertz Investment Group acquired the City Centre from Parkway Properties in 2015. The North and South Towers were renovated in 1987 and include two lobbies with marble finishes and an atrium with black granite. The buildings are connected through a covered walkway.

Before the opening of the Westin in Downtown Jackson, Hertz Investment Group was working with the city to move all tenants out of the South Tower in order to convert the building into a 205-room hotel for the Jackson Convention Complex. After construction on the Westin began, plans for the conversion of the South Tower fell through. The South Tower has now been left near vacant, with only one major tenet that occupies three floors of the building.

The following figure highlights the South Tower at the City Centre.

Figure 5-11

HSP had conversations with management at the City Centre and understands that the South Tower's occupancy rate is at approximately 25 percent while the North Tower's is at approximately 55 percent. HSP also understands that the City Centre garners average lease rates ranging from $13 to $16 per square foot.

DEMAND & STAKEHOLDER FEEDBACK

To supplement the data presented in this chapter, HSP also had conversations with market participants including brokers, tenants, and other stakeholders to better understand macro trends as well as supply and demand trends within the marketplace. The following bullet points summarize these conversations:

- A new office tenant, Baptist Health Systems, recently moved into a 50,000-square foot space in the Regions Building. They have approximately 200 employees and are an example of the growing healthcare industry in Jackson.
- In 2017, and according to CBRE, the office market saw positive the absorption of more than 90,000 square feet of space. However, based on HSP's analysis, historic metrics are not available for the downtown market for prior years.
- Downtown brokers believe that the office market is the healthiest it has been since the beginning of the Great Recession.

- While there is adequate parking downtown, wayfinding is often a challenge. In addition, employee parking is often worked out with the employer.
- Most office leases signed in downtown are gross leases and not triple net.
- Downtown office supply is not an issue; however, a lack of support amenities for these office towers is an issue.
- There is a belief that suburban office tenants will begin to move back downtown once suburban rents approach $30 per square foot.
- Until rents reach this level, major new office development is unlikely.
- Increasing rents, while still lower than those needed to support new Class A towers, are enough to support the redevelopment and rehab of older properties into newer Class B+ office options. HSP toured an example of this type of redevelopment in January of 2018.

DEVELOPMENT PIPELINE

At this time, there are no major office developments planned within Downtown Jackson. They only property that may provide the downtown office marketplace with new supply is the redevelopment of the Landmark Building. If developed, the Landmark building would add approximately 200,000 square feet of Class A office space to the market. In addition, this development would add new residences, grocery, and retail to the total downtown supply.

CONCLUSION

Key office market participants have indicated that the supply of office space within Jackson's BID is the healthiest it has been since the Great Recession. Market data supports this notion, as HSP has observed a current occupancy rate of 81 percent within the BID, excluding the two major vacant buildings: The Landmark Building and the Regions Bank Building.

In addition, Class A office space is garnering an average of $20.50 per square foot within Jackson's BID while Class B office space is receiving an average rate of $14.50 per square foot. Overall, the market is yielding an average lease rate of $16.64 per square foot for all office space. Major office tenants are also starting to move back downtown as suburban office space becomes more expensive. This claim can be supported by the move downtown of two, more than 50,000-square foot medical office tenants in recent months.

While the downtown Jackson office market is currently healthy, it provides tenants only with a traditional approach to office space. In recent years, there has been a trend away from traditional office space with a move toward shared and co-working office space on a national and global scale. It will be important for members of the City's economic development team to consider the importance of such spaces in retaining local talent that might otherwise seek such spaces elsewhere, either in the suburbs or other cities altogether.

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INTRODUCTION

In this chapter, HSP will analyze current restaurant and retail market conditions within Downtown Jackson's Business Improvement District (BID). While retail and restaurant are often grouped together, HSP believes that the two serve distinct purposes within any downtown, and as such, will profile each separately in this chapter.

RESTAURANT MARKET ANALYSIS

The following table shows the current supply of restaurant options within Jackson's BID, and is sorted by restaurant quality.

Table 6-1

Downtown Jackson Restaurant Supply

Restaurant Name	Address	Type	Quality
Parlor Market	115 W Capitol Street	Lunch & Dinner	Fine Dining
Estelle Wine Bar & Bistro	407 S Congress Street	Breakfast, Lunch & Dinner	Fine Dining
Iron Horse Grill	320 W Pearl Street	Lunch & Dinner	Casual Dining
Mayflower Café	123 W Capitol Street	Lunch & Dinner	Casual Dining
Sugar's Place	168 E Griffith Street	Lunch Only	Casual Dining
Wasabi Sushi & Bar	100 E Capitol Street	Lunch & Dinner	Casual Dining
Elite Restaurant	141 E Capitol Street	Breakfast, Lunch & Dinner	Casual Dining
Hal and Mal's	200 Commerce Street	Lunch & Dinner	Casual Dining
Old Capitol Inn	226 N State Street	Lunch Only	Casual Dining
Steve's Uptown Café & Bakery	200 S Lamar Street	Breakfast & Lunch	Fast Casual
Keifer's Downtown	120 N Congress Street	Lunch Only	Fast Casual
Taste of the Island	125 S Congress Street	Lunch Only	Fast Casual
McAlister's Deli	220 E Amite Street	Breakfast & Lunch	Fast Casual
Bol	550 High Street	Breakfast & Lunch	Fast Casual
Basil's	120 N Congress Street	Lunch Only	Fast Casual
Steve's Downtown Deli	125 S Congress Street	Lunch Only	Fast Casual
Taste of the Island	436 E Capitol Street	Lunch Only	Fast Casual
Tasty Brew	100 E Capitol Street	Breakfast & Lunch	Fast Casual
La Brioche Patisserie	380 S Lamar Street	Breakfast & Lunch	Fast Casual
Subway	210 E Capitol Street	Breakfast, Lunch & Dinner	Fast Food / Quick Serve
Subway	308 E Pearl Street	Breakfast, Lunch & Dinner	Fast Food / Quick Serve
Chick Fil A	210 E Capitol Street	Breakfast & Lunch	Fast Food / Quick Serve
Underground 119	119 S President Street	Late Night Bar / Club	Bar / Lounge / Club
Lounge 114	105 E Capitol Street	Lunch & Late Night Bar / Club	Bar / Lounge / Club
F. Jones Corner	303 N Farish Street	Late Night Bar / Club	Bar / Lounge / Club
Martin's Restaurant & Lounge	214 S State Street	Lunch & Late Night Bar / Club	Bar / Lounge / Club
One Block East	642 Tombigbee Street	Late Night Bar / Club	Bar / Lounge / Club
Total / Average	--		

Source: Hunden Strategic Partners

Downtown Jackson's BID District offers only nine "fine dining" or "casual dining" establishments, many of which are not open all day, and some are open only for lunch. Local market participants, including restaurant owners and managers, indicated that this is due to the low volume of business done in the mornings for breakfast and at night for dinner. This notion is supported by ESRI population statistics which indicate that the total permanent resident population in downtown is only 485 people, while the total daytime worker population is more than 19,700.

The following figure shows a map depicting the current supply of restaurant options within Jackson's BID.

Figure 6-1

As shown, most of the higher quality dining establishments are located on the western side of the BID, and along East Capitol Street. It is no surprise that these establishments are located in close proximity to the two main residential towers: the King Edwards and the Standard Life. In addition, many of the fast casual and quick serve dining options are located near the primary office corridor at the intersection of South Lamar Street and East Capitol Street.

RETAIL MARKET ANALYSIS

The following table shows the current supply of retail options within Jackson's BID, and is sorted by retail type.

Table 6-1

Downtown Jackson Retail Supply

Retail Name	Address	Type
J.McMichael Gallery	290 N Farish Street	Art Gallery
Sugar Rays	224 W Capitol Street	Candy Store
Fashion Corner	101 E Capitol Street	Clothing
Downtown Snack Shop	205 Capitol Street	Convenience Store
Capitol Copy & Imaging	210 E Capitol Street	Copy & Print
Pioneer Credit Company	116 S Roach Street	Financial Services
State Bank & Trust Company	140 W Pearl Street	Financial Services
Trustmark Bank	248 E Capitol Street	Financial Services
OmniBank	236 E. Capitol Street	Financial Services
Regions	210 E Capitol Street	Financial Services
Wells Fargo	188 E Capitol Street	Financial Services
Green Floral Inc.	210 E Capitol Street	Florist
Thimblepress	113 N State Street	Gift Shop/Art Prints
Carter Jewelers	711 High Street	Jeweler
Chuck Campbell's Jewelers	100 E Capitol St	Jeweler
Office Environments	100 East Capitol Street	Office Supplies
Micro Printing & Blueprint	225 W Pearl Street	Printing
Kirkland Hair	100 E Capitol St	Professional Services
Sam's Shoe Shine	210 E Capitol Street	Professional Services
Down Range Sporting Goods	225 W Pearl Street	Sporting Goods
Total / Average	--	

Source: Hunden Strategic Partners

Downtown Jackson's BID does not offer traditional national retail chains, which is fairly common for most downtowns. Retail is very difficult to support and is changing rapidly, as has been seen in many suburban malls in the past few years. Downtown retail that succeeds in most urban markets is either convenience retail to support residents and visitors (dry cleaners, convenience stores) or boutique/novelty retailers that cater to visitors.

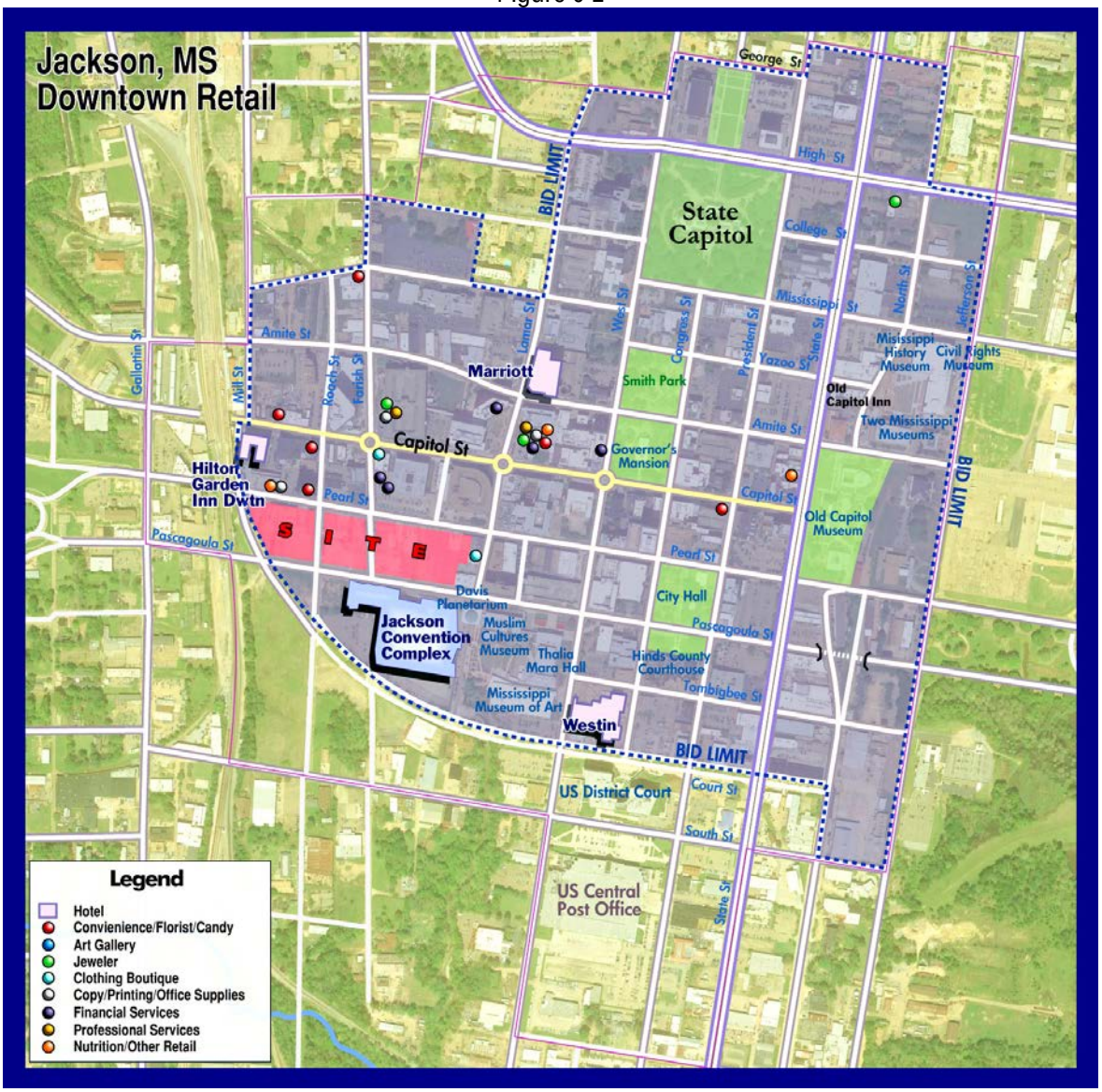
While Downtown Jackson's retail market is currently not tracked for vacancy and asking rent data, Integra Realty Resources publishes a bi-annual retail report for the entire Jackson metropolitan area. As of January 2018, the Jackson, Mississippi community retail market was experiencing a 9 percent vacancy rate, compared to 8.4 percent for the South Region and 8.2 percent nationally. This is down from 10 percent in 2016, but consistent with 9 percent vacancy in 2017. According to Integra Realty Resources, the market is in a third phase of recovery, with a limited amount of new construction of retail properties in Jackson since 2010.

The vast majority of the retail offered in Downtown Jackson includes small independent retailers. Retail developments have remained relatively flat, as the city's downtown resident population has not increased in size. While the residential population is likely to increase dramatically in the coming years, retail will likely struggle until a critical mass of residential growth has occurred.

HSP had conversations with retail brokers who specialized in the Downtown Jackson market and who indicated that there is not the need for additional retail space downtown at this time. Despite the large working population during the week, retail struggles to support itself downtown after work hours.

The following map shows the retail supply within Jackson's BID.

Figure 6-2



As shown, and similar to the restaurant supply, the majority of the retail supply is found on the west side of the BID off of Capitol Street. As mentioned in the restaurant section, it is no surprise that the retail is in close proximity to the two main multifamily towers: the King Edwards and the Standard Life.

RESTAURANT, RETAIL & STAKEHOLDER DEMAND FEEDBACK

The following section summarizes conversations that HSP had with local market participants and stakeholders regarding the downtown restaurant market.

- While some developers believe that attracting traditional big-box and specialty retailers to downtown will be difficult, they do believe that there is demand in the downtown market for additional fine dining and quick serve restaurants.
- The lack of residential units has hurt the downtown restaurant market. However, stakeholders believe that the downtown restaurant market will thrive if a critical mass of residents were to be created.
- Stakeholders indicated that there are few restaurants within walking distance of the Jackson Convention Complex. In addition, there are few family-style restaurants that cater to the convention center's youth sports programming.
- Many downtown restaurateurs indicated that they have seen increased traffic over the last five years; some indicated sales growth upward of 60 percent over the period.
- HSP has observed that market rate for fast casual restaurant space is between $12 and $16 per square foot, but is on average, between $13.50 and $14.50 per square foot.
- Stakeholders indicated that the main corridors for retail are found off of Pearl, Capitol and State street. HSP also learned that the retail market has improved significantly in the last six months.
- In recent years many young professionals left downtown for the suburbs of Jackson. With a smaller population base living downtown there is not a significant need for retail space. Retail will follow the population base and rooftops.
- Many stakeholders indicated that there is not a compelling reason for highway travelers to stop in Downtown Jackson with very little places to eat or shop. HSP also learned that for local downtown residents there is essentially no retail space available and there is a significant need for grocery options.
- Conversations with local developers indicated that demand for retail downtown has been very insignificant in recent years, however, the city has been making an effort to bring back traditional retail space to downtown.

CONCLUSIONS

After conversations with local developers, retail and restaurant brokers and research completed in the city, HSP understands that restaurant demand remains more significant than traditional retail demand. With Jackson's large working population downtown, corporations and employees enjoy having proximate restaurants options to eat and entertain.

Although trends are starting to change, Downtown Jackson does not have robust residential offerings to support more retail yet. Retail demand tends to be driven by large residential populations. As demand grows for downtown residential units in Jackson, so will the demand for additional retail space. However, the planned introduction of more residential units into marketplace will also aid in creating demand for both traditional retail and dining establishments into the future.

HSP is more bullish on restaurant opportunity. The market has rewarded the higher quality, well-managed restaurants that have opened. Business, government, medical and convention/tourist populations are eager for these and other opportunities for evening food, beverage and entertainment. A critical mass of walkable and quality dining options with a variety of cuisines and price points will help make downtown more attractive for employers, conventions and residents. The virtuous cycle is often initiated by restaurants, as they are what many consider to be the cellular building blocks of the urban ecosystem. They tend to glue together the daytime and nighttime activities and make for a more vibrant city experience.

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INTRODUCTION

In this chapter, HSP will analyze examples of comparative placemaking developments, trending urban development types and uses that may enhance downtown Jackson on the subject site. Examples include maker spaces, food halls, mixed-use developments, and other unique uses designed to engage and entertain guests but also designed around community.

Maker Spaces

A new and emerging global real estate development trend is the advent of maker spaces. While this is a name with a broad definition, it generally includes collaborative, public work spaces where people gather to create and make all manner of things, from old tech (woodwork, glass, metal, pottery, fabric, etc.) and new tech-oriented items, such as science, technology/software, engineering, and math (STEM)-related items. These are often incubators of new and emerging businesses or a chance for a hobby to become a career for specialists and experts in specific products.

A major selling point of maker spaces is that they offer visitors the use of "maker equipment" such as 3D printers, laser cutters, CNC machines, hot irons, sewing machines, computers, white boards, and hand tools, among others. Such spaces are open to all age groups including school children, college students, young adults, and entrepreneurs; but a successful makers space incorporates all of these groups into one. There are many types and sizes of maker spaces. This inclusiveness helps to create its own self-sustaining ecosystem. The following are examples of successful, and unsuccessful, maker spaces throughout the United States.

Business Models. Maker spaces can have various business models, from those that act more like incubators with low-cost spaces for rent, to those that are more admissions-oriented, offering kids and adults things to do and construct or play with based on a daily fee. Others act more like a cooperative or club where members pay dues to participate.

Fab Lab Tulsa

The Fab Lab Tulsa (Oklahoma) first opened in 2011, however, management indicated that it took almost two years for them to appropriately program the facility, as the community did not yet have the required skills to utilize the on-hand equipment. After the almost two-year period, management noted that the scope and scale of projects began to grow, and members became more comfortable around the equipment. Since then, they have outgrown their 3,600-square foot facility and as a result, Fab Lab Tulsa is in the midst of a capital campaign to relocate, with the goal of moving into a 15,000-square foot space that is built to suit their needs.

The following figure shows a picture of Fab Lab – Tulsa's façade.

Figure 7-1

Fab Lab Tulsa's mission is not to provide machines, but to create and support innovators, problem solvers, adaptability, and other traits required to be successful in the 21st Century. Facility management noted that their success is rooted in their community, and as such, the facility operates by offering three programs that emphasize education, community, and enterprise. The business model includes memberships and individual admissions related to specifically offered programs, but is supported primarily by grants and donations (82 percent of revenue).

The education component focuses on exposing local students to technologies and 21st Century skills from an early age. Management indicated that students, on average, receive up to an 80 percent discount on admission. This is due to the fact that the local appetite for child entertainment in Tulsa is somewhere between $18 and $24 per day. The discounted child rate is offset by philanthropic contributions to the facility. The community component allows college students and young adults the opportunity to experiment and innovate within the lab. This component is where ideas, concepts, and innovations are born. On average, members receive up to a 50 percent discount on admission which is again offset by philanthropic contributions. Lastly, the enterprise component allows local businesses to utilize the makers space to incubate start-up businesses. Facility users that are part of this group are required to pay market rate for the space and are not offered a discount.

In 2017, Fab Lab Tulsa saw more than 4,500 students, 300 members, and 38 incubating businesses come through their doors. Management indicated that they employ six staff members and are operating on a $525,000 budget in 2018.

The following figure is an image from inside Fab Lab Tulsa.

Figure 7-2

Fab Lab Tulsa management also noted that the building's location and role within the community serves as a competitive advantage. For them, it was important to not have a university affiliation so that they would be non-exclusive and able to work with all five of Tulsa's local universities. Through their pre-opening research, it was discovered that maker spaces located on college campuses often have an "exclusive aura" around them, as college students are the predominant users of the space and can make the public feel less welcome. Such an environment was not desired in Tulsa, so the open concept was developed.

The following table provides a summary of Fab Lab Tulsa's 2016 operating performance.

Table 7-1

2016 Fab Lab - Tulsa Operating Statement		
Line Item	Amount	Percent
Revenues		
Contributions & Grants	$470,560	*81.9%*
Membership Dues	$42,442	*7.4%*
Program Service Revenue	$31,894	*5.6%*
Fundraising Events	$26,382	*4.6%*
In-Kind Donations	$3,068	*0.5%*
Total Revenues	$574,346	*100.0%*
Expenses		
Salaries & Wages	$208,208	*48.3%*
Occupancy	$49,961	*11.6%*
Travel	$25,680	*6.0%*
Other	$23,377	*5.4%*
Shop Consumables	$18,475	*4.3%*
Mobile Fab Lab	$17,852	*4.1%*
Information Technology	$16,691	*3.9%*
Payroll Taxes	$15,928	*3.7%*
Insurance	$13,314	*3.1%*
Education Materials	$12,234	*2.8%*
Professional & Accounting	$10,585	*2.5%*
Office Expenses	$10,063	*2.3%*
Advertising & Promotion	$8,529	*2.0%*
Total Expenses	$430,897	*100.0%*
Net Operating Income	$143,449	--

Source: Fab Lab Tulsa

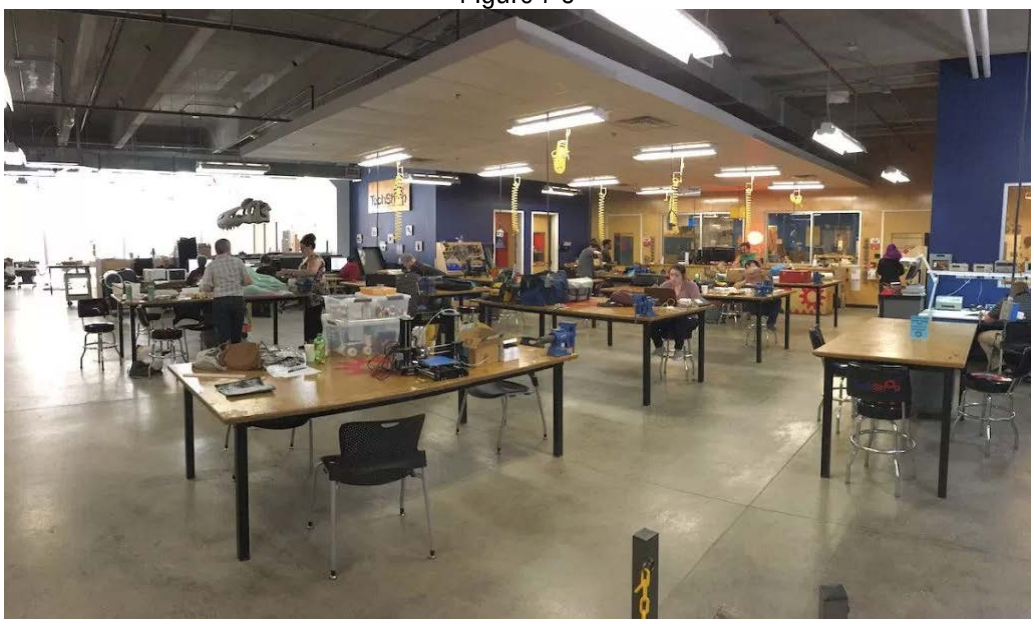
In 2016, Fab Lab Tulsa operated at a more than $143,000 surplus, thanks to contributions and grants, which make up more than 81 percent of total revenues.

TechShop

Formally founded in 2006, TechShop was the first for-profit, membership-based, open-access, do-it-yourself workshop chain (maker space) in the United States. At peak, TechShop had more than 9,000 members and had trained more than 100,000 people through their skill building and STEM youth programs. Unfortunately, the company went bankrupt in late 2017 after opening ten nation-wide locations, including three in California, and one in Arizona, Virginia, Michigan, Texas, Missouri, Pennsylvania, and New York. In addition to the ten domestic locations, TechShop also has four international locations that are still operating today.

The following figure shows a picture from inside of the Pittsburgh TechShop, when operational.

Figure 7-3



A key to TechShop's early success was their ability to leverage corporate partnerships. For instance, the facility located in Michigan was launched as a partnership between Ford, TechShop, and the software company Autodesk. In addition, TechShop's Texas location was formed in a partnership with Lowe's Home Improvement and is located adjacent to their metro-Austin store. The TechShop in Austin also acted as a location to host workshops, supply tools, and provide materials to guests.

Incubators

Maker spaces can also be tech or business incubator spaces. These are often supported by universities or non-profits with the intent of providing low-cost space to incubate all manner of businesses (primarily focused on transferring new ideas and technology to viable businesses). The spaces share common items like support administration, office machines, internet and other items that all users can access. Tech and other incubators can be considered maker spaces, depending on a variety of factors.

Shared Workspaces

The "shared economy" that features AirBnb and Uber/Lyft also has moved into the office and work space world. Initially, companies like Regus offered spaces for short-term or small businesses to work throughout the country for a small monthly fee. More recently, WeWork has tried to make a private-sector viable business out of the incubator or maker space concept. WeWork is a company that provides shared workspaces, technology startup subculture communities, and services for entrepreneurs, freelancers, startups, small businesses and large enterprises.

An example of a space in an industrial area of Chicago near downtown is shown below.

Figure 7-3

These spaces offer monthly rates for something as small as a desk or as large as an office for a few people. Phone booths and other amenities are offered. These types of spaces are becoming more and more popular and have been expanding. While not technically maker spaces, they offer an option for today's entrepreneurs to have a place to work without the commitment of a traditional office lease in a large, expensive building.

Summary

HSP's preliminary review of the maker space industry is that there is a continuum of viability between a pure non-profit support space that relies on grants and donations – and may feature more technology and machines for the use of members – to those that are more like shared workspaces that offer fewer "maker" tools and amenities but have a broader and deeper demand base. Jackson would do well to consider these options in their downtown in order to reverse the reported "brain drain" that has occurred.

Food Halls

Following in the community theme that maker spaces promote, HSP elected to also analyze food halls across America, or the 21st Century re-imagination of a concept that has been around for many years: food courts. Real estate developers are now beginning to see food halls as anchor tenants for new developments. Specifically, developers have seen food halls succeed as anchors to high-density office and residential developments.

In concept, food halls are straightforward developments that are often located in a post-industrial space, feature high ceilings with exposed wiring and visible air ducts, and offer guests more than a dozen quick-serve food options. What really sets food halls apart from food courts is their ability to offer and promote authenticity.

Food halls need a critical mass of tenant options for the public to feel like they can have a wide variety of choice in cuisine and experience. In order to make them more viable, music, bars and entertainment are highly recommended by food hall consultants to help transition the food hall from daytime to evening patronage. Such attributes can help be the glue from the office worker population to the evening entertainment crowd.

From the website Eater in August of 2017:

"The food hall phenomenon has officially transcended trendiness. These sprawling markets showcasing a variety of mini-restaurants and retail food vendors under one roof have spread like wildfire in recent years, and don't expect it to slow down anytime soon: The number of food halls in the U.S. grew by 37 percent in 2016 — there are now more than 100 of them scattered across the country — and that figure is predicted to double by 2019, according to data from commercial real estate firm Cushman & Wakefield as cited by the Wall Street Journal.

Already having conquered cities including New York, LA, Portland, Atlanta, and Denver, food halls are spreading further and wider afield to pop up in markets like San Antonio and Lexington, Kentucky. They're on track to conquer the south in 2017, with at least nine developments slated to open across the region this year, from Birmingham to Raleigh to Alpharetta, Georgia."

The following is one example of a successful food hall in the U.S.

Lenexa Public Market – Kansas City, Missouri

The Lenexa Public Market is located just southwest of downtown Kansas City, in the City of Lenexa. This 11,000 square-foot food hall opened in mid-2017 and is home to 15 permanent tenants, with space for additional pop-up opportunities. The food hall is owned and operated by the City of Lenexa along with the remainder of the 70,000-square foot building in which it is located. Management noted that they have allocated approximately 85 percent of the market to food & beverage related services but have left the remaining 15 percent of space so that merchants can offer other handcrafted products.

The following figure is a preliminary rendering from inside of the Lenexa Public Market.

Figure 7-4

The market offers a variety of local food and non-food merchants as well as a common area, outdoor seating, events space with demonstration kitchen, a future outdoor farmers market, and year-round programming. Its design was intended to promote community and act as a culinary destination as well as a community gathering area. Currently, the following tenants occupy space within the Lenexa Public Market:

- Chewology {Gyoza Bar & Kushiyaki},
- Foo's Fabulous Café,
- Mad Man's KC BBQ,
- Market Flower & Gifts,
- Next to Nature Farm,
- Red Kitchen Tamales,
- The Roasterie Café,
- Serene's Bakery,
- Topp'd Pizza + Salads,
- And We Got Your Back Apparel.

To promote a sense of community, management also programs the venue with hands on, family, kids, technique, skill, cocktail, and other special events. Such events include cooking classes, nutrition classes, cocktail functions, and other special meetings and gatherings. The facility may charge up to $50 for select classes and events, but does offer a number of the events for free to community members.

Implications

The concept of a food market or food hall could be attractive on the subject site as part of a larger development, especially given the large daytime population looking for breakfast and lunch options. Lunch is the prime time for food halls, but they also lend hipness and credibility to the area as a place to go between work and dinner or an evening event. It cannot replace a cluster of restaurants, but can act as an enhancement and quick stop for local employees and conventioneers who need a quick, but authentic food experience between convention sessions.

Mixed-Use Developments & Entertainment Districts

HSP analyzed mixed-use developments and entertainment districts across the nation to better understand their trends and the potential of development in Jackson. The following are profiles of several mixed-use and entertainment districts. While most are larger in scale than could be considered on the subject site, they offer indications of what can work in a smaller scale to enhance downtown.

Kansas City Power & Light District

The Kansas City Power and Light District is a dining, shopping and entertainment district in Downtown Kansas City, Missouri. The district sits on the south side of the downtown loop and spans nine full blocks. In total, the

entertainment district includes more than 50 unique restaurants, bars, shops and entertainment venues. Anchored by the Midland Theatre, Alamo Drafthouse, Mainstreet Cinema and the world headquarters of H&R Block, the $850 million mixed use district is one of the largest development project in the Midwest.

The following figure shows the district during a concert.

Figure 7-4

At the core of the Power and Light District sits Kansas City Live!, which is a one-block area devoted to live music and entertainment venues. Within the entertainment district, the developer, Cordish has plans for four high-end residential towers. In 2014 Cordish broke ground on the first apartment tower named One Light Luxury Apartments. The tower officially opened in December of 2015 and was 80 percent preleased. In March of 2016 construction began on the second residential tower called Two Light Luxury Apartments. The Two Light tower includes 24 stories and 296 units.

The project is bookended by the Sprint Center arena and the convention center and several hotels. The purpose of the project was to revitalize the center of downtown, much like is desired in Jackson. Prior to its development, the district was a collection of surface parking lots, again, much like the situation in Jackson. The mayor at the time took a major risk and found a creative way to finance the project with the public and private sectors. The result is a vibrant core for downtown that now has recaptured visitation, spending, residents and new businesses, not to mention more conventions and related spending.

Fourth Street Live!

Fourth Street Live! is an entertainment and retail complex located on Fourth Street in downtown Louisville, Kentucky. Similar to the Kansas City Power and Light District, Fourth Street Live! is owned, operated and developed and by the Cordish Company. The 350,000-square-foot entertainment district includes venues such as the Gordon Biersch Company, Hard Rock Café, a Guy Fieri's Smokehouse and many other restaurant, bars and entertainment venues.

The following figure shows the entertainment district.

Figure 7-5

Fourth Street Live! started as a project to revamp and modernize the former Galleria. The Galleria was an unsuccessful project that originally opened in the 1980's. Both the Galleria and Fourth Street Live! were projects aimed at revitalizing downtown. The property was completed and first opened to the public in June 2004 and attracts approximately 4 million visitors per year.

The project is, like Kansas City, bookended by the convention center and several hotels. The purpose of the project was to revitalize the center of downtown, much like is desired in Jackson. Prior to its development, the district was collection of mostly vacant buildings. The developer, city and state found a creative way to finance the project with the public and private sectors. The result helped turn downtown around and it has become the most visited attraction in Kentucky.

Uptown Birmingham

Uptown is the prominent mixed-use entertainment district in downtown Birmingham. The entertainment district was developed by the Birmingham-Jefferson Convention Complex (BJCC) Authority and leased out by Bayer Properties. Uptown is anchored by a variety of attractions including Topgolf, the Alabama Sports Hall of Fame, and the BJCC. This case study presents unique parallels to Jackson in that it is located adjacent to the Convention Complex. The wide array of food and beverage options located in the district enhance the experience for convention-goers, out-of-town visitors, and residents alike. In addition, the district also features Westin and Sheraton hotel properties.

The following figure shows the entertainment district.

Figure 7-5

The entertainment district is roughly 260,000 square feet in size. Downtown Birmingham has seen steady growth over the past few years, and the Uptown district has played a significant role in the revitalization. About 1,700 new apartments came online in 2016, which was nearly three times the number of new apartments in 2015. In 2017, there was a projected 680 new units developed downtown.

Streets of St. Charles

The Streets of St. Charles is a 27-acre mixed-use development that is located 0.5 miles from the St. Charles Convention Center in St. Charles, Missouri, a suburb of St. Louis. The mixed-use development, which officially opened in 2012, was designed to the complement the existing assets of Historic Main Street, the historic downtown core of St. Charles. Since its opening, project developers indicated that the full-time residents, combined with the diverse restaurant and entertainment options, have invigorated an area of the city that had previously been undeveloped. In addition to two hotel developments, the property features a five-story parking deck, 309 residential units, nine restaurants, a movie theater, and 60,000 square feet of retail and office space.

The figures below show the Streets of St. Charles.

Figure 7-6

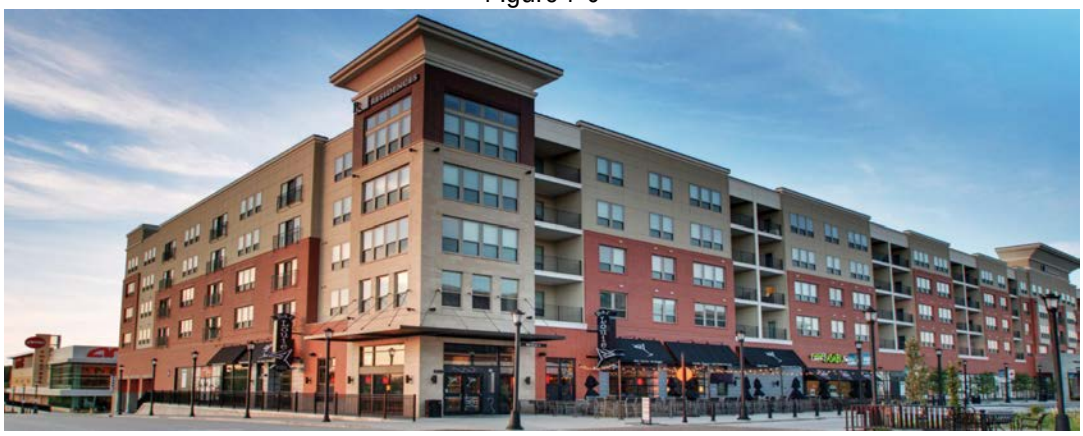


Figure 7-7

While not connected or adjacent to the St. Charles Convention Center, the 180-key Drury Plaza Hotel and 87-key Tru by Hilton have helped to induce new group demand to St. Charles. The proximity, and availability, of quality hotel products of different price points is very attractive to meeting planners, and provides the destination with a competitive advantage over other venues.

The collection of restaurants has been very successful and allowed the convention center to sell more groups on the options available in St. Charles. While more suburban in nature, it suggests that even less authentic feeling developments can help a convention district and downtown area thrive, even in the suburbs.

The Railyard

The Haymarket District in Lincoln, Nebraska is a mixed-use entertainment and retail district which sits between University Nebraska and Downtown Lincoln and is a collection of many developments. The 15,500-seat Pinnacle Bank Arena, home to both the University of Nebraska men's and women's basketball team, anchors the entertainment district on the northwest. In total, the district includes a total of 385,000 square feet of leasable space.

Within that larger mixed-use district is an entertainment development called the Railyard. It includes 55,000 square feet of restaurant and bar space, as well as a public plaza that converts to an ice rink in the winter. The Railyard has found success on renting its space for philanthropic, civic and sporting events along with its traditional food and beverage revenue.

The following figure shows the exterior of the Railyard.

Figure 7-8

The project includes many restaurants, bars and spaces for events. This has allowed the district to expand and capture more pre- and post-even spending from locals and visitors.

Takeaways

Food and beverage is the glue that helps to bridge the gap between the daytime and nighttime activities. Having a number of walkable options, different cuisines and prices points is crucial to keep entertainment districts alive during the day and night. If successful, the entertainment districts help to support office space, local residents and out of town guests.

Green Space/Community Parks

Jackson residents and stakeholders indicated a strong interest in community green space within any new development that occurs on the subject site. The following are profiles of major parks in metropolitan areas that have not only provided residents and employees with an area for events and relaxation, but have also generated significant impact and investment in the surrounding community.

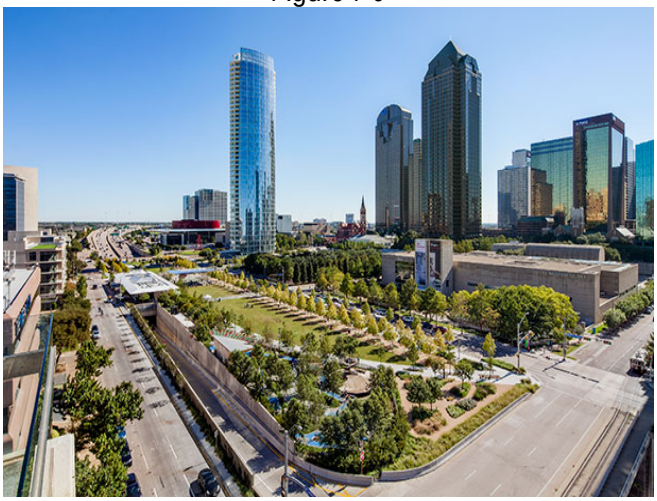
Klyde Warren Park

Located in downtown Dallas, Klyde Warren Park is one of the most unique and recent city park developments in the country. Designed by The Office of James Burnett, the ”deck” park is suspended above the Woodall Rodgers Freeway and sits on top of over 300 concrete beams uniquely positioned to act as planters for the vegetation above. The park officially opened in 2012 and spans 5.2 acres. Klyde Warren Park serves as a connecter between two neighborhoods that were formerly divided by a recessed freeway. Since opening, the park has served as a bridge between the Uptown neighborhood and the Downtown Dallas Arts District.

Klyde Warren Park is owned by the City of Dallas but is privately operated by the Woodall Rodgers Park Foundation. The public-private partnership allows the City of Dallas to own the park's land and permanent fixtures, while the Woodall Rodgers Park Foundation manages all programming, operations and maintenance at the park. A number of cultural institutions are also situated around the park including the Nasher Sculpture Center, the Meyerson Symphony Center, the Perot Museum of Nature and Science, and the AT&T Performing Arts Center as well as a number of high rise apartment buildings, office buildings, and the 218-room Ritz-Carlton Dallas. To the east of the park is also the Dallas Museum of Art and the central business district, while the west side of the park faces Uptown and the American Airlines center.

The following figure shows an aerial of the park.

Figure 7-9



Since opening in 2012, the $110 million Klyde Warren Park has had a substantial impact on the surrounding community, and especially the real estate community. According to CBRE, NNN lease rates at sites immediately surrounding the park increased substantially between 2012 and 2015 including:

- Increase from $19 per square foot to $25 per square foot at the Trammell Crow Center in the Arts District,
- Increase from $13 per square foot to $19 per square foot at 2100 Ross,
- Increase from $25 per square foot to $37 per square foot at 200 McKinney,
- And average rents for the residential component at 2100 McKinney have increased from $22 to $36 per square foot.

In addition to driving up average lease rates in both commercial and residential developments surrounding the park, the opening of Klyde Warren Park has also spurred new developments in the immediate area including:

- A 20-story office building at McKinney Avenue and Harwood Street *(McKinney & Olive),*
- A 530,000 square foot tower at McKinney Avenue and Olive Street,

- A 23-story project at 1900 Pearl Street,
- And a 916,000 square foot mixed use complex at Pearl Street and Olive Street which will feature a 19-story office tower and a 32-story residential tower along with a plaza designed by the same landscape architect that designed Klyde Warren Park.

In addition to attracting approximately one million visitors per year to the park, Klyde Warren Park has also attracted both millennials and baby boomers into a market with which they are not as familiar, by promoting live-work-play style of environment. Additionally, a number of redevelopment projects have already occurred, and are continuing to develop around the park including the approximate $175 million redevelopment of the Statler Hilton, and the approximately $220 million redevelopment of the Olympic building.

Discovery Green Park

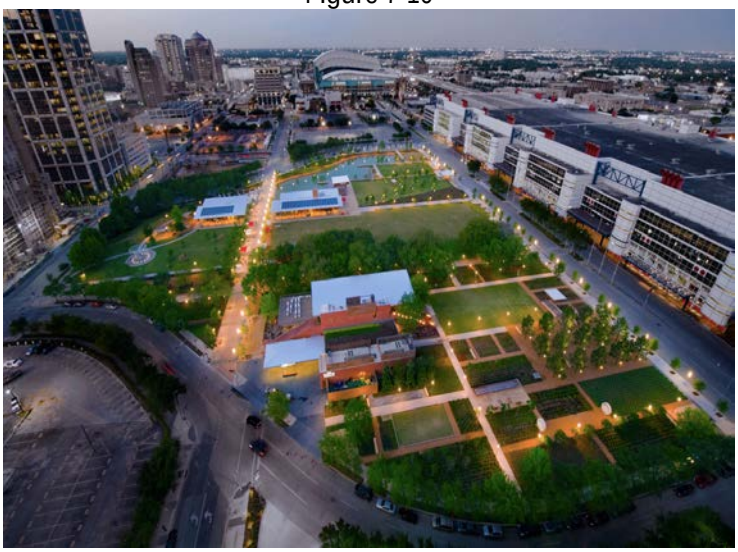
Located in downtown Houston, Texas, Discovery Green Park spans 12 acres and opened in April, 2008. The development of the park of the was a product of a successful public-private partnership between the City of Houston, the Houston First Corporation and Discovery Green Conservancy which is a non-profit organization that operates the park and holds several events throughout the year.

The 12-acre park is situated on the doorstep of the George R. Brown Convention Center and is also sandwiched between the Toyota Center, where the NBA's Houston Rockets play, and Minute Maid Park, home of Major League Baseball's Houston Astros. The site was formerly two large parking lots that serviced the convention center as well as the Houston Center Gardens.

During the planning phase of the park, attendance was projected to be 500,000 per year. This attendance projection was attained in the first six months, and in 2014 attendance totaled over 1.2 million. The park hosts over 600 free events each year.

The following figure shows Discovery Green Park.

Figure 7-10



Funded through a Public/Private Partnership, the $182 million Discovery Green Park has had a tremendous impact of the City of Houston since its opening in 2008. The park has contributed to an estimated $625 million in downtown development. Additionally, the park has spurred approximately $1 billion in future office, hotel and residential projects. The following projects have been developed on the east side of downtown, in close proximity to Discovery Green since the park opened:

- One Park Place (2009) – high-end residential tower with 346 units
- Hess Tower (2011) – office development, highest price per square foot in Houston at the time
- Embassy Suites Hotel (2011) – 262-room Hilton Hotel
- Marriot Marquis (2017) – convention hotel
- Houston Independent School District's High School for the Performing and Visual Arts (plans underway)

In addition to new building construction, the park has had a significant impact on Houston's Convention District. Large corporations such as Microsoft and Starbucks have held conventions at the George R. Brown Convention Center. Discovery Green was also dubbed "Super Bowl Central" as the hub of activity for the 2017 Super Bowl.

CONCLUSION

This chapter highlights successful examples of both mixed-use developments as well as types of community space designed to engage locals and tourists alike and attract new investment, new talent and new business. These concepts can be incorporated into a development on the subject site to enhance Jackson in many ways.

The fabric of traditional downtowns is evolving with the evolution of technology and the coming of age of younger generations. To this point, HSP has observed that public communal spaces have become a focal point for many communities across the nation. Younger generations are often in search of more authentic experiences and access to "clean food" and modern technology in lieu of traditional shopping and dining experiences. Maker spaces, while not often profitable in the private market without philanthropic or public subsidy, are gaining popularity as young, educated workers seek a place to innovate. In addition, destinations with a number of dining options (food halls) are also sought after by younger generations, and if developed, will likely be utilized by those at the convention complex. Lastly, downtown Jackson is in desperate need of true "heart" within downtown. The site in question presents the City with an excellent opportunity to capitalize on this opportunity for a true center of activity, with the creation of a mixed-use development that features all or some of the components mentioned in this chapter.

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INTRODUCTION

Based on the results of the market analysis, the City of Jackson, along with input from Hunden Strategic Partners, Dale Partners Architects, and community residents, prepared a target program mix for the site. This chapter details the proposed mix.

Target Program Summary

The following table summarizes the target program mix for the 7.75 acre-site in Downtown Jackson.

Table 8-1

Project Overview - Target Program

Element	SF	%
Area		
City of Jackson (5.68 acres)	247,421	73.26%
Jackson Redevelopment Authority (1.70 acres)	74,205	21.97%
Private Sector (0.37 acres)	16,117	4.77%
Total	337,743	100.00%
	--	--
Total Project Buildout		
Total Building Coverage	175,858	52.07%
Total Open Space Coverage	161,885	47.93%
Gross Floor Area (GFA)	337,743	100.00%
Floor Area Ratio (FAR)		
Program		
Commerical	89,844	5.76%
Residential (583 units)	528,572	33.88%
Entertainment - Event	176,475	11.31%
Office	53,388	3.42%
Hotel (335 rooms)	167,680	10.75%
Parking	544,016	34.87%
Total	1,559,975	100.00%
Open Space*		
Outdoor Event Lawn	21,750	7.39%
Sidewalk, Furnishing Spaces	220,904	75.01%
Landscaped Areas	43,959	14.93%
Retention Pond	7,870	2.67%
Raingardens	--	--
Total	294,483	100.00%

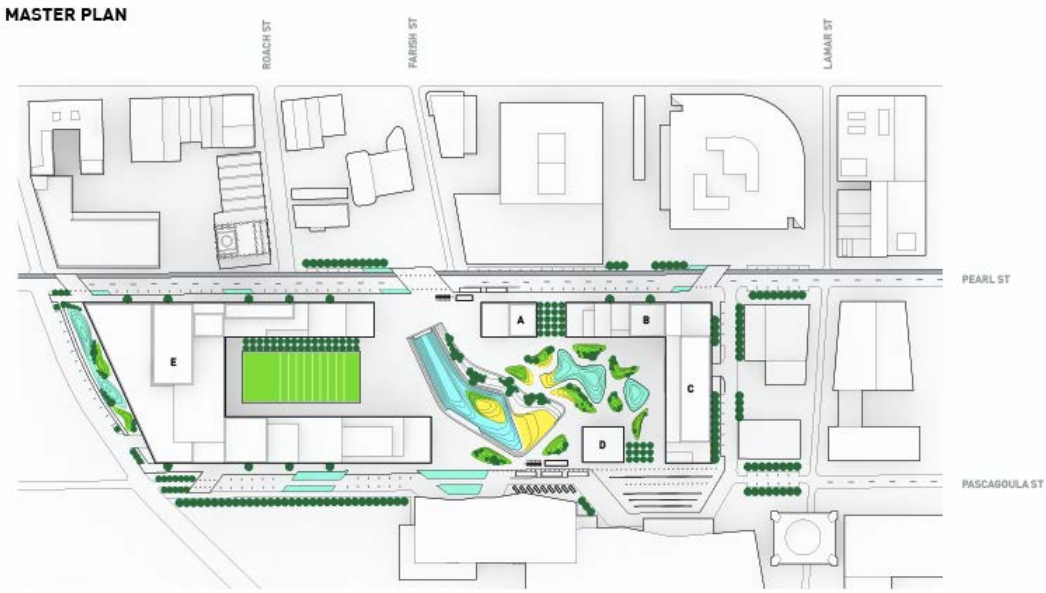
*These figures include infrastructure outside of the property boundaries

Source: City of Jackson

The proposed mix of development will occupy approximately 52 percent of the available 337,000-square foot footprint on the site. The remaining area will consist of open space, including an event lawn, landscaped areas, and a retention pond for community use. In total, the proposed target program features nearly 1,600,000 square feet of development, including 583 residential units, a 335-room hotel, multiple dining options, a movie theater, shared office space, and two parking garages. The total development, which includes five separate buildings, public open space, and city infrastructure, is projected to cost approximately $385,000,000.

The following figure shows a master plan of the site that codifies Buildings A, B, C, D, and E. These five buildings are the basis for the demand and financial feasibility analyses conducted in Chapters 9 and 10 of this report.

Figure 8-1



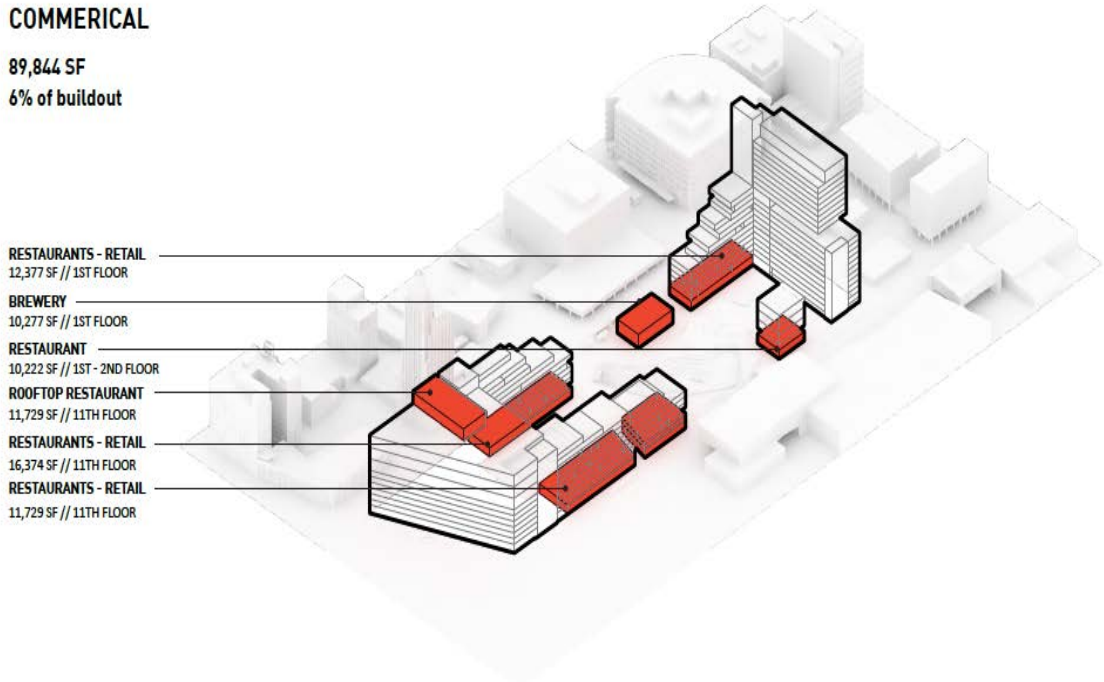
The figure below shows a rendering of the use by type for the proposed development.

Figure 8-2

As shown, nearly 70 percent of the development is comprised of residential and parking uses. The hotel is planned to be developed on top of the parking structure, with an event facility located on the top floor of the hotel. The movie theater is proposed to be elevated on the opposite end of the site.

The rendering below shows the proposed commercial areas in the Project.

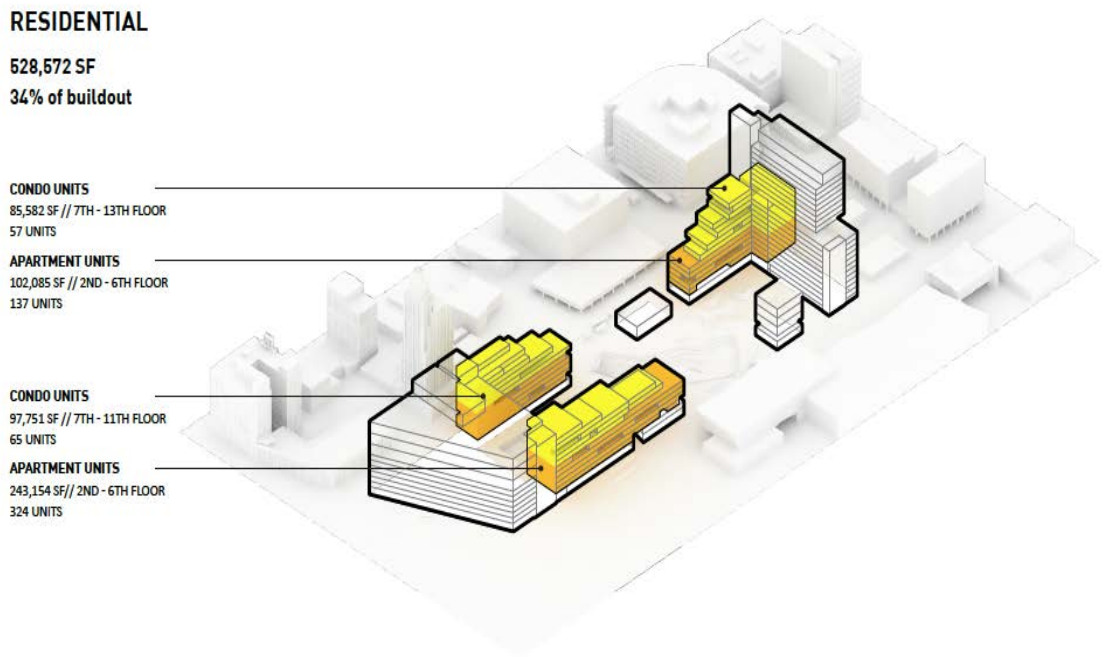
Figure 8-3



The 89,994 square feet of commercial space will constitute six percent of the total buildout when completed.

The rendering below shows the proposed residential areas in the development. This includes both apartments and condominiums.

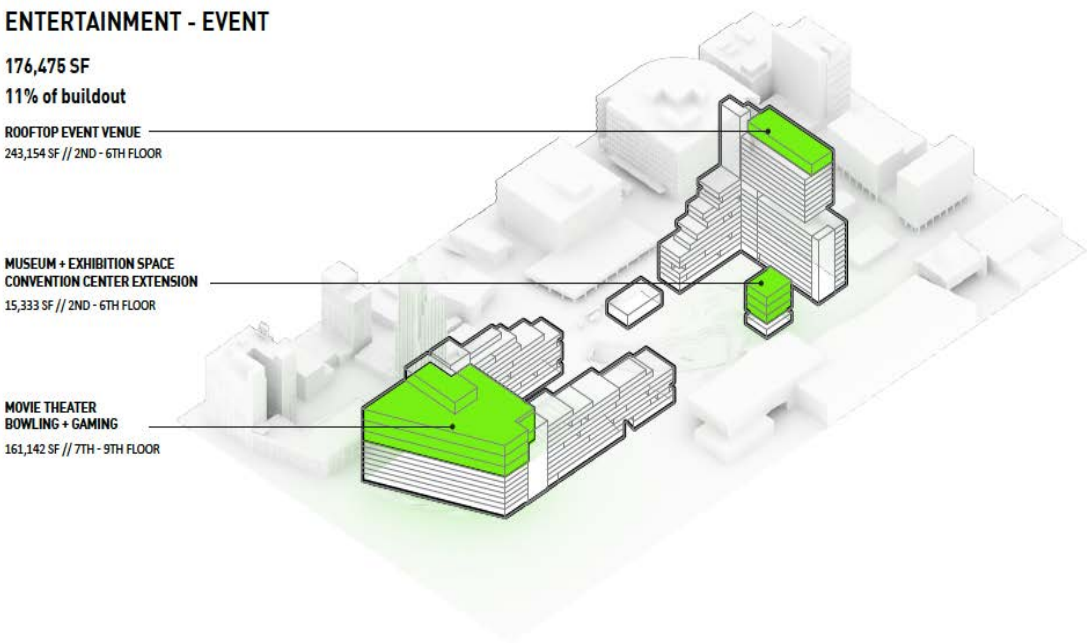
Figure 8-4



The 528,572 square feet of residential development, which includes 461 apartments and 122 condos, will constitute 34 percent of the total Project when completed.

The rendering below shows the two proposed entertainment areas in the Project.

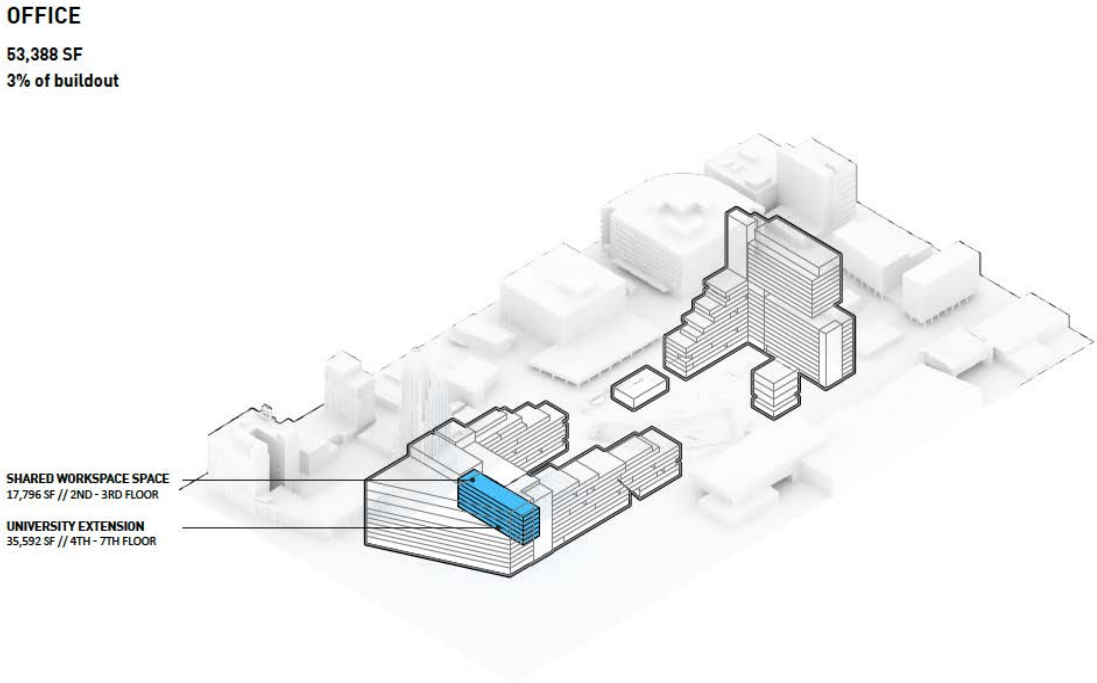
Figure 8-5



The entertainment venues, which include a movie theater and rooftop event space, will constitute 11 percent of total buildout when completed.

The rendering below shows the proposed office space in the Project.

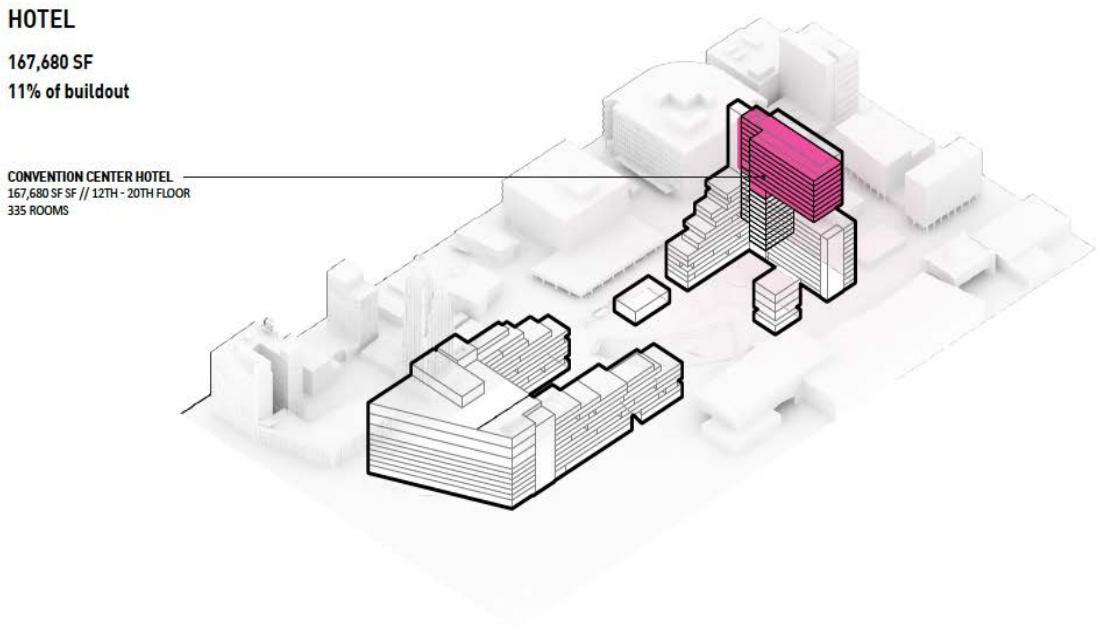
Figure 8-6



The shared workspace and university office space will constitute three percent of the total Project when the final phase of development completed.

The rendering below shows the proposed location of the 335-room full service convention hotel.

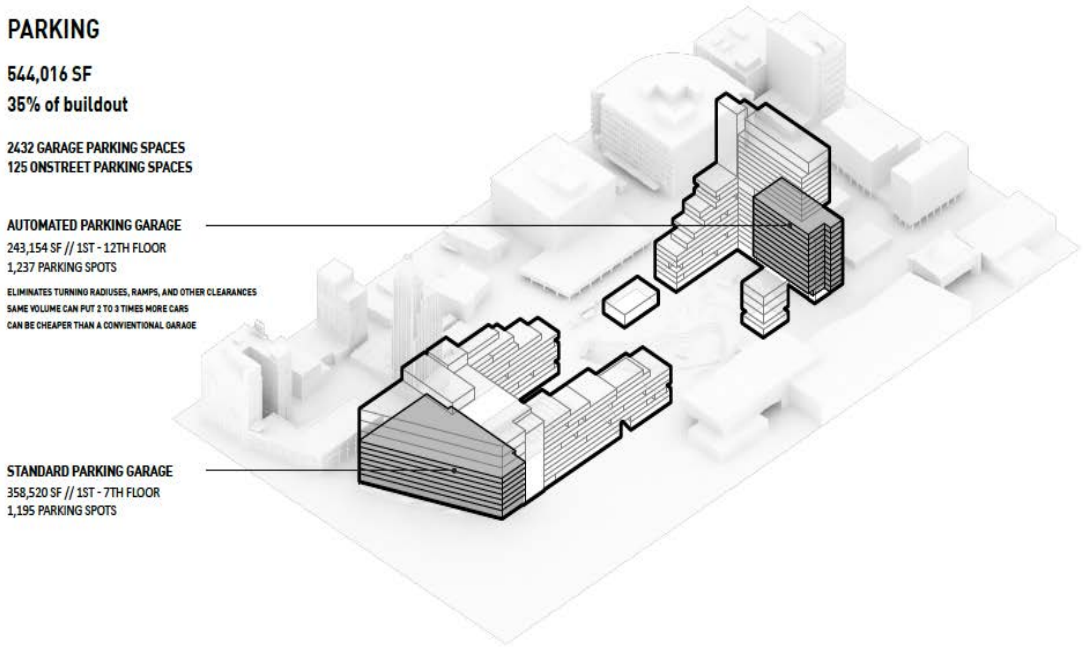
Figure 8-7



The 335-room hotel, which is proposed to be located on floors 12 through 20 of Building C, will constitute 11 percent of the total buildout when completed.

The rendering below shows the proposed locations of the two parking structures.

Figure 8-8



In total, these two parking structures will add 2,432 parking spaces to Downtown Jackson.

Buildings

The 1.6-million-square foot target Project is comprised of five separate buildings that will likely be developed in phases over a 10- to 12-year period.

The table below, provided by Dale Partners, summarizes the use mix of Building A, which is the smallest building in the Project.

Table 8-2

	Building A				
	Total SF	Units	SF/Unit	Floors	Amenities/Notes
Total Building	10,277 SF			2	
Commercial	10,277 SF			2	rooftop seating, outdoor seating
Commerical - Food Hall					
Commerical - Brewery/Distillery					
	Total Development Cost	Dev Cost/SF			
Projected Cost	$3,934,160	$383			

Source: Dale Partners Architects

Building A is proposed to feature more than 10,000 square feet of commercial space on two floors. The space is designed to accommodate a brewery, food hall, or other casual dining option. The two-story building also plans to feature outdoor and rooftop seating. Including soft costs, building A is projected to cost $3.93 million.

The table below summarizes the mix of Building B.

Table 8-3

Building B	Total SF	Units	SF/Unit	Floors	Amenities
Total Building	119,644 SF			13	
Commercial	12,377 SF			1	
Commerical - Restaurants	12,377 SF			story 1	outdoor seating
Residential	107,267 SF			10	
Residential - Condos	45,382 SF	30	1,500 SF	story 7 - story 13	private rooftop terraces
Residential - Rentals	61,885 SF	83	700 SF	story 2 - story 6	shared rooftop terraces
	Total Development Cost	Dev Cost/SF			
Projected Cost	$33,491,030	$280			

Source: Dale Partners Architects

Building B, which is proposed to feature 13 stories and offer more than 119,000 square feet, includes 113 residential units (83 apartments and 30 condos) and 12,300 square feet of additional dining establishments. The 1,500-square foot condos are proposed to feature private rooftop terraces, while the 700-square foot apartments will offer residents a shared rooftop terrace. The total development cost of Building B is projected to be $33.49 million.

The following table summarizes the mix of Building C.

Table 8-4

Building C	Total SF	Units	SF/Unit	Floors	Amenities
Total Building	433,576 SF			21	
Hotel	167,680 SF			20	
Hotel - Rooms	167,680 SF	335		story 1 - story 20	
Residential	80,400 SF			10	
Residential - Condos	40,200 SF	27	1,500 SF	story 7 - story 13	
Residential - Rentals	40,200 SF	54	700 SF	story 2 - story 6	
Parking	185,496 SF			12	
Parking - Garage	185,496 SF	1,237	150 SF	story 1 - story 12	16,928 SF per floor
	Total Development Cost	Dev Cost/SF			
Projected Cost	$84,371,249	$195			

Source: Dale Partners Architects

The 433,000-square foot Building C features the 335-room convention hotel and a 1,237-space parking garage, in addition to 81 additional residential units. The total development cost of Building C is projected to be $84.37 million.

The following table summarizes the mix of Building D.

Table 8-5

Building D	Total SF	Units	SF/Unit	Floors	Amenities
Total Building	25,555 SF			5	
Entertainment/Event Space	15,333 SF			3	
Entertainment/Event Space	15,333 SF			story 3 - story 5	large rooms, 20 ft ceiling heights
Commerical	10,222 SF			2	
Commerical - Restaurant	10,222 SF			story 1 - story 2	outdoor seating, rooftop seating
	Total Development Cost	Dev Cost/SF			
Projected Cost	$7,680,875	$301			

Source: Dale Partners Architects

Building D features more than 15,000 square feet of event/entertainment space and an additional two-story restaurant with outdoor and rooftop seating. The three-story entertainment venue is proposed to feature 20-foot ceilings across multiple rooms. The total development cost of Building D is projected to be $7.68 million.

The following table summarizes the mix of Building E, the largest building in the development.

Table 8-6

	Building E				
	Total SF	Units	SF/Unit	Floors	Amenities
Total Building	970,923 SF			12	
Entertainment	161,142 SF			3	
Entertainment - Movie Theater	161,142 SF			story 7 - story 9	
Commerical	56,968 SF			2	
Commerical - Restaurants	45,239 SF			story 1	outdoor seating
Commerical - Rooftop Bar	11,729 SF			story 12	rooftop seating
Office	53,388 SF			6	
Office - Shared Workspace	17,796 SF			story 2 - story 3	
Office - University Research Extension	35,592 SF			story 4 - story 7	
Residential	340,905 SF			10	
Residential - Condos	97,751 SF	65	1,500 SF	story 7 - story 11	private rooftop terraces
Residential - Rentals	243,154 SF	324	700 SF	story 2 - story 6	shared rooftop terraces
Parking	358,520 SF			7	
Parking - Garage	358,520 SF	1,195	300 SF	story 1 - story 7	44,815 SF per floor
	Total Development Cost	Dev Cost/SF			
Projected Cost	$211,322,941	$218			

Source: Dale Partners Architects

The 970,000-square foot Building E comprises more than half of all development in the conceptual Project. The building features a three-story movie theater, more than 56,000 square feet of additional commercial space, 53,000 square feet of office space, and 389 residential units. The building also features a seven-story parking garage that is proposed to offer 1,195 spaces. The total development cost of Building D is projected to be $211.32 million.

Phasing

As previously mentioned, due to the size and scope of the Project, the various components will likely be developed on a phased timeline. While exact phasing of the Project likely will not be determined until a developer is selected, HSP made phasing assumptions for the Project in order to generate the demand, financial, and economic impact projections detailed in Chapters 9 and 10 of this report. The table below summarizes the assumed phasing for the analysis.

Table 8-6

Downtown Jackson Phasing Matrix - Summary

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Phase I	Building A	Restaurant	10,277	10,277	10,277	10,277	10,277	10,277	10,277	10,277	10,277	10,277	10,277	10,277
	Building C	Hotel (335)	167,680	167,680	167,680	167,680	167,680	167,680	167,680	167,680	167,680	167,680	167,680	167,680
		Residential (81)	80,400	80,400	80,400	80,400	80,400	80,400	80,400	80,400	80,400	80,400	80,400	80,400
		Parking (1,237)	185,496	185,496	185,496	185,496	185,496	185,496	185,496	185,496	185,496	185,496	185,496	185,496
Phase II	Building D	Entertainment				15,333	15,333	15,333	15,333	15,333	15,333	15,333	15,333	15,333
		Restaurant				10,222	10,222	10,222	10,222	10,222	10,222	10,222	10,222	10,222
Phase III	Building B	Residential (113)							107,267	107,267	107,267	107,267	107,267	107,267
		Restaurant							12,377	12,377	12,377	12,377	12,377	12,377
Phase IV	Building E	Entertainment										161,142	161,142	161,142
		Restaurant										56,968	56,968	56,968
		Residential (389)										340,905	340,905	340,905
		Office										53,388	53,388	53,388
		Parking (1,195)										358,520	358,520	358,520
		Totals	443,853	443,853	443,853	469,408	469,408	469,408	589,052	589,052	589,052	1,559,975	1,559,975	1,559,975

Source: Hunden Strategic Partners

HSP's market analysis indicated that it is important to generate a critical mass of residents in Downtown Jackson to support the other commercial and entertainment concepts that have been proposed for the Project. In addition, the Jackson Convention Center, one of Downtown Jackson's best assets, continues to suffer due to the lack of headquarter convention hotel.

HSP's analysis assumes that the first phase of development, shown in Year 1, includes both Building A and Building C. This phase of development will include 81 residential units and a 335-room hotel, in addition to a new brewery restaurant and parking garage. HSP assumes that Phase II (Building D) would be completed by Year 4 and Phase III (Building B) would be completed by Year 7. HSP assumes that the largest development, Building E, would likely be the final phase of development and would be complete nearly one decade after Phase I.

CONCLUSION

While the proposed target mix detailed in this chapter is purely conceptual at this time, and while the mix of uses and development concepts are certain to change as the City of Jackson works with potential developers, this chapter provides an overview of the potential scope and associated costs of this type of project in Downtown Jackson. The Project details and phasing assumptions presented in this chapter are also necessary generate the demand, financial, and economic impact projections that are shown in Chapters 9 and 10 of this analysis.

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DEMAND AND FINANCIAL PROJECTIONS

In this chapter, HSP estimates the demand, performance, and financial feasibility for all five proposed buildings detailed in Chapter 8. These projections assume the development timeline that was also detailed in Chapter 8 of this report.

Assumptions

Considering both the quality and scope of the proposed target program mix, as well as the results of the market analysis, HSP made market-supported assumptions for each use-type to generate demand and financial projections for the total Project.

The following table lays out the key assumptions related to the fiscal modeling shown in this chapter.

Table 9-1

Jackson Assumptions For Financial Projections

Element	Assumption
Commercial	
Lease Rate Per SF (Base Year)	$24.30
Stabilized Occupancy	80%
Residential	
Rental Rate Per SF/Month (Base Year)	$1.50
Stabilized Occupancy	75%
Condominium Sales Price	$150,000
Hotel	
ADR (Year 1)	$152.75
Stabilized Occupancy	67%
Entertainment	
Event Space $/SF	$160
Movie Theater $/SF	$100
Office	
Lease Rate (Base Year)	$21.00
Stabilized Occupancy	85%
Parking	
Occupancy	80%
Annual Revenue/Space (Base Year)	$1,200
Annual Inflation	2.5%

Source: City of Jackson

It is important to note that all rates shown in Table 9-1 are for the base year (Year 1). For instance, if Phase III of the project opens in Year 7, then the lease rate would have grown with inflation (2.5 percent) for six additional years. This is factored into the analysis. It is also important to note that each use type will be absorbed at different rates, so the stabilized occupancy levels are for shown Year 15, after the final phase of development has been open for five years.

PHASE I

Building A

The cash flows of a development are used to repay bank loans and investor equity. Banks have a variety of rules or guidelines for providing loans for hotels and these vary from year to year, from cycle to cycle.

The model used by HSP assumes the following, based on bank and lending requirements, as well as investor equity expectations:

- 1.3x - 1.4x minimum debt service coverage in every year beginning in Year 2.
- Loan interest rate of 7.5 percent.
- Loans are full recourse.
- Refinance after stabilization.
- Construction mini-perm upfront, which funds construction for up to two years and the first three years of operations.
- Equity required return of 18 percent averaged over ten years.

The supportable equity and debt for Building A, which is proposed to include 10,277 square feet of commercial space, is shown below.

Table 9-2

Supportable Financing - Building A

	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Net Operating Income	$0	$0	$259	$265	$272	$279	$286	$293	$300	$308	$316	$323	$2,901
Interest and Debt Reserve W/D	$42	$127	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	$42	$127	$259	$265	$272	$279	$286	$293	$300	$308	$316	$323	
Debt Service Payment	($42)	($127)	($202)	($202)	($202)	($188)	($188)	($188)	($188)	($188)	($188)	($188)	
Net Income to Repay Equity	$0	$0	$57	$64	$70	$91	$98	$105	$113	$120	$128	$136	$981
Princ. Amount***	$563	$1,688	$2,250	$2,217	$2,181	$2,140	$2,107	$2,072	$2,035	$1,995	$1,951	$1,905	
Interest	$42	$127	$169	$166	$164	$155	$153	$150	$148	$145	$141	$138	
Less Payment	($42)	($127)	($202)	($202)	($202)	($188)	($188)	($188)	($188)	($188)	($188)	($188)	
Loan Balance	$563	$1,688	$2,217	$2,181	$2,143	$2,107	$2,072	$2,035	$1,995	$1,951	$1,905	$1,855	
Assumptions						Refi							
Loan Amount ($000's)	$2,250					$2,140							
Amortization Period (Years)	25					25							
Loan Interest Rate	7.50%					7.25%							
Annual Debt Service Payment ($000's)	($202)					($188)							
Equity:													
Developer's Equity ($000's)	$550	14%											
Private Debt	$2,250	57%											
Total Supportable Private Financing	$2,800	71%											
Gap/Subsidy/Grants	$1,134	29%											
Project Amount ($000's)	$3,934	100%	$382.81 per SF										
													10-Yr Avg
Debt (Private) Coverage Ratio			1.28	1.32	1.35	1.49	1.52	1.56	1.60	1.64	1.68	1.72	1.52
Return on Private Equity/Leveraged IRR*			10.4%	11.6%	12.8%	16.6%	17.8%	19.1%	20.5%	21.8%	23.2%	24.7%	17.8%

On developer's equity only.

***On project cost.*

****Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2*

Source: Hunden Strategic Partners

The anticipated project cost for Building A is $3.93 million. Based on the projected net income levels (shown in the top line), HSP projects that supportable debt for the project is $2.25 million and supportable equity is $550,000. This results in a $1.13 million financing gap for Building A.

The following table shows a valuation analysis for Building A based on discounted cash flows.

Table 9-3

Value Analysis - Building A (000s)

Calendar Year	*Construction* 1	2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Cash Flow	$0	$0	$259	$265	$272	$279	$286	$293	$300	$308	$316	$323
									Yr 10 Net Cash Flow			$323
									Terminal Cap Rate			8.50%
									Yr 10 Residual Value			$3,805
									Less Closing Costs (2.5%)			$95
									Net Reversion Proceeds			$3,710
Cash Flow to Investor	$0	$0	$259	$265	$272	$279	$286	$293	$300	$308	$316	$4,033
Present Value	$0	$0	$192	$178	$165	$153	$142	$132	$122	$113	$105	$98
Cash on Cash Return	0.0%	0.0%	9.4%	9.6%	9.8%	10.1%	10.3%	10.6%	10.9%	11.1%	11.4%	145.7%

Discount Rate	10.5%
Square Feet	10,277

Present Value Summary	$000s	
PV Residual	$1,367	
PV Income Stream	$1,401	Per Square Foot
Present Value	$2,768	$269

Based on this method of valuation, HSP projects that Building A is valued at $2.77 million, resulting in a $1.17 million financing gap.

Building C

The supportable financing model used for Building C assumes all banking and investment parameters previously detailed (1.3x – 1.4x debt coverage, loan interest of 7.5 percent, average return on equity of 18 percent).

The supportable equity and debt for Building C, which is proposed to include 81 residential units, a 1,237-space parking garage, and a 335-key convention hotel, is shown below.

Table 9-4

Supportable Financing - Building C

	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Net Operating Income	$0	$0	$6,130	$6,248	$6,581	$6,542	$6,764	$6,791	$6,965	$7,136	$7,299	$7,465	$67,922
Interest and Debt Reserve W/D	$938	$2,813	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	$938	$2,813	$6,130	$6,248	$6,581	$6,542	$6,764	$6,791	$6,965	$7,136	$7,299	$7,465	
Debt Service Payment	($938)	($2,813)	($4,486)	($4,486)	($4,486)	($4,179)	($4,179)	($4,179)	($4,179)	($4,179)	($4,179)	($4,179)	
Net Income to Repay Equity	$0	$0	$1,645	$1,763	$2,095	$2,364	$2,585	$2,612	$2,786	$2,958	$3,120	$3,287	$25,214
Princ. Amount***	$12,500	$37,500	$50,000	$49,264	$48,474	$47,620	$46,894	$46,115	$45,279	$44,383	$43,422	$42,392	
Interest	$938	$2,813	$3,750	$3,695	$3,636	$3,452	$3,400	$3,343	$3,283	$3,218	$3,148	$3,073	
Less Payment	($938)	($2,813)	($4,486)	($4,486)	($4,486)	($4,179)	($4,179)	($4,179)	($4,179)	($4,179)	($4,179)	($4,179)	
Loan Balance	$12,500	$37,500	$49,264	$48,474	$47,624	$46,894	$46,115	$45,279	$44,383	$43,422	$42,392	$41,286	
Assumptions						Refi							
Loan Amount ($000's)	$50,000					$47,620							
Amortization Period (Years)	25					25							
Loan Interest Rate	7.50%					7.25%							
Annual Debt Service Payment ($000's)	($4,486)					($4,179)							
Equity:													
Developer's Equity ($000's)	$14,000	17%											
Private Debt	$50,000	59%											
Total Supportable Private Financing	$64,000	76%											
Gap/Subsidy/Grants	$20,371	24%											
Project Amount ($000's)	$84,371	100%											
													10-Yr Avg
Debt (Private) Coverage Ratio			1.37	1.39	1.47	1.57	1.62	1.63	1.67	1.71	1.75	1.79	1.59
Return on Private Equity/Leveraged IRR*			11.7%	12.6%	15.0%	16.9%	18.5%	18.7%	19.9%	21.1%	22.3%	23.5%	18.0%

**On developer's equity only.*
***On project cost.*
****Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2*

Source: Hunden Strategic Partners

The anticipated project cost for Building C is $84.37 million. Based on the projected net income levels (shown in the top line), HSP projects that supportable debt for the project is $50 million and supportable equity is $14 million. This results in a $20.4 million financing gap for Building C.

The following table shows a valuation analysis for Building C based on discounted cash flows.

Table 9-5

Value Analysis- Building C (000s)

Calendar Year	*Construction* 1	2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Cash Flow	$0	$0	$6,130	$6,248	$6,581	$6,542	$6,764	$6,791	$6,965	$7,136	$7,299	$7,465
									Yr 10 Net Cash Flow			$7,465
									Terminal Cap Rate			8.5%
									Yr 10 Residual Value			$87,829
									Less Closing Costs (2.5%)			$2,196
									Net Reversion Proceeds			$85,633
Cash Flow to Investor	$0	$0	$6,130	$6,248	$6,581	$6,542	$6,764	$6,791	$6,965	$7,136	$7,299	$93,099
Present Value	$0	$0	$4,544	$4,191	$3,995	$3,594	$3,362	$3,055	$2,836	$2,629	$2,434	$2,253
Cash on Cash Return	0.0%	0.0%	9.5%	9.7%	10.2%	10.2%	10.5%	10.5%	10.8%	11.1%	11.3%	144.5%

Discount Rate	10.5%
Square Feet	433,576

Present Value Summary	$000s	
PV Residual	$31,552	
PV Income Stream	$32,892	Per Square Foot
Present Value	$64,443	$149

Based on this method of valuation, HSP projects that Building C is valued at $64.4 million, resulting in a $19.93 million financing gap.

PHASE II

Building D

The supportable financing model used for Building D assumes all banking and investment parameters previously detailed (1.3x – 1.4x debt coverage, loan interest of 7.5 percent, average return on equity of 18 percent).

The supportable equity and debt for Building D, which is proposed to include 10,222 square feet of commercial space and 15,300 square feet of entertainment space, is shown below.

Table 9-6

Supportable Financing - Building D

	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Net Operating Income	$0	$0	$861	$883	$905	$927	$950	$974	$999	$1,024	$1,049	$1,075	$9,647
Interest and Debt Reserve W/D	$120	$360	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	$120	$360	$861	$883	$905	$927	$950	$974	$999	$1,024	$1,049	$1,075	
Debt Service Payment	($120)	($360)	($574)	($574)	($574)	($535)	($535)	($535)	($535)	($535)	($535)	($535)	
Net Income to Repay Equity	$0	$0	$287	$308	$331	$392	$415	$439	$463	$488	$514	$540	$4,178
Princ. Amount***	$1,600	$4,800	$6,400	$6,306	$6,205	$6,100	$6,007	$5,907	$5,800	$5,685	$5,562	$5,430	
Interest	$120	$360	$480	$473	$465	$442	$436	$428	$421	$412	$403	$394	
Less Payment	($120)	($360)	($574)	($574)	($574)	($535)	($535)	($535)	($535)	($535)	($535)	($535)	
Loan Balance	$1,600	$4,800	$6,306	$6,205	$6,096	$6,007	$5,907	$5,800	$5,685	$5,562	$5,430	$5,289	
Assumptions						Refi							
Loan Amount ($000's)	$6,400					$6,100							
Amortization Period (Years)	25					25							
Loan Interest Rate	7.50%					7.25%							
Annual Debt Service Payment ($000's)	($574)					($535)							
Equity:													
Developer's Equity ($000's)	$1,871	23%											
Private Debt	$6,400	77%											
Total Supportable Private Financing	$8,271	100%											
Gap/Subsidy/Grants	$0	0%											
Project Amount ($000's)	$8,271	100%	$323.67 per SF										
													10-Yr Avg
Debt (Private) Coverage Ratio			1.50	1.54	1.58	1.73	1.78	1.82	1.87	1.91	1.96	2.01	1.77
Return on Private Equity/Leveraged IRR*			15.3%	16.5%	17.7%	21.0%	22.2%	23.5%	24.8%	26.1%	27.5%	28.9%	22.3%

**On developer's equity only.*
***On project cost.*
****Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2*

Source: Hunden Strategic Partners

The anticipated project cost for Building D is $8.27 million (Year 4). Based on the projected net income levels (shown in the top line), HSP projects that supportable debt for the project is $6.4 million and supportable equity is $1.87 million. HSP's analysis suggests that Building D does not have a financing gap and is *feasible*.

The following table shows a valuation analysis for Building D based on discounted cash flows.

Table 9-7

Value Analysis - Building D (000s)

Calendar Year	*Construction* 1	2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Cash Flow	$0	$0	$861	$883	$905	$927	$950	$974	$999	$1,024	$1,049	$1,075
									Yr 10 Net Cash Flow			$1,075
									Terminal Cap Rate			8.5%
									Yr 10 Residual Value			$12,652
									Less Closing Costs (2.5%)			$316
									Net Reversion Proceeds			$12,335
Cash Flow to Investor	$0	$0	$861	$883	$905	$927	$950	$974	$999	$1,024	$1,049	$13,411
Present Value	$0	$0	$638	$592	$549	$509	$473	$438	$407	$377	$350	$325
Cash on Cash Return	0.0%	0.0%	9.4%	9.6%	9.8%	10.1%	10.3%	10.6%	10.9%	11.1%	11.4%	145.7%

Discount Rate	10.5%
Square Feet	25,555

Present Value Summary	$000s	
PV Residual	$4,545	
PV Income Stream	$4,658	Per Square Foot
Present Value	$9,203	$360

Based on this method of valuation, HSP projects that Building D is valued at $9.20 million, indicating that there is no feasibility gap for Building D.

PHASE III

Building B

The supportable financing model used for Building B assumes all banking and investment parameters previously detailed (1.3x – 1.4x debt coverage, loan interest of 7.5 percent, average return on equity of 18 percent).

The supportable equity and debt for Building B, which is proposed to feature 12,377 square feet of commercial space and 113 residential units, is shown below.

Table 9-8

Supportable Financing - Building B

	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Net Operating Income	$0	$0	$4,147	$1,497	$1,536	$1,439	$1,336	$1,173	$1,202	$1,232	$1,263	$1,295	$16,119
Interest and Debt Reserve W/D	$263	$788	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	$263	$788	$4,147	$1,497	$1,536	$1,439	$1,336	$1,173	$1,202	$1,232	$1,263	$1,295	
Debt Service Payment	($263)	($788)	($1,256)	($1,256)	($1,256)	($1,170)	($1,170)	($1,170)	($1,170)	($1,170)	($1,170)	($1,170)	
Net Income to Repay Equity	$0	$0	$2,891	$241	$280	$269	$167	$3	$33	$63	$93	$125	$4,163
Princ. Amount***	$3,500	$10,500	$14,000	$13,794	$13,573	$13,330	$13,127	$12,909	$12,675	$12,424	$12,155	$11,866	
Interest	$263	$788	$1,050	$1,035	$1,018	$966	$952	$936	$919	$901	$881	$860	
Less Payment	($263)	($788)	($1,256)	($1,256)	($1,256)	($1,170)	($1,170)	($1,170)	($1,170)	($1,170)	($1,170)	($1,170)	
Loan Balance	$3,500	$10,500	$13,794	$13,573	$13,335	$13,127	$12,909	$12,675	$12,424	$12,155	$11,866	$11,557	
Assumptions						Refi							
Loan Amount ($000's)	$14,000					$13,330							
Amortization Period (Years)	25					25							
Loan Interest Rate	7.50%					7.25%							
Annual Debt Service Payment ($000's)	($1,256)					($1,170)							
Equity:													
Developer's Equity ($000's)	$2,300	6%											
Private Debt	$14,000	36%											
Total Supportable Private Financing	$16,300	42%											
Gap/Subsidy/Grants	$22,539	58%											
Project Amount ($000's)	$38,839	100%	$324.62 per SF										
													10-Yr Avg
Debt (Private) Coverage Ratio			3.30	1.19	1.22	1.23	1.14	1.00	1.03	1.05	1.08	1.11	1.34
Return on Private Equity/Leveraged IRR*			125.7%	10.5%	12.2%	11.7%	7.2%	0.1%	1.4%	2.7%	4.1%	5.4%	18.1%

**On developer's equity only.*
***On project cost.*
****Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2*

Source: Hunden Strategic Partners

The anticipated project cost for Building B is $38.8 million (Year 7). Based on the projected net income levels (shown in the top line), HSP projects that supportable debt for the project is $14 million and supportable equity is $2.3 million. This results in a $22.5 million financing gap for Building B.

The following table shows a valuation analysis for Building B based on discounted cash flows.

Table 9-9

Value Analysis - Building B (000s)

Calendar Year	*Construction* 1	2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Cash Flow	$0	$0	$4,147	$1,497	$1,536	$1,439	$1,336	$1,173	$1,202	$1,232	$1,263	$1,295
									Yr 10 Net Cash Flow			$1,295
									Terminal Cap Rate			8.50%
									Yr 10 Residual Value			$15,231
									Less Closing Costs (2.5%)			$381
									Net Reversion Proceeds			$14,851
Cash Flow to Investor	$0	$0	$4,147	$1,497	$1,536	$1,439	$1,336	$1,173	$1,202	$1,232	$1,263	$16,145
Present Value	$0	$0	$3,073	$1,004	$932	$790	$664	$528	$489	$454	$421	$391
Cash on Cash Return	0.0%	0.0%	29.2%	10.5%	10.8%	10.1%	9.4%	8.2%	8.5%	8.7%	8.9%	113.5%

Discount Rate	10.5%
Square Feet	119,644

Present Value Summary	$000s	
PV Residual	$5,472	
PV Income Stream	$8,747	Per Square Foot
Present Value	$14,219	$119

Based on this method of valuation, HSP projects that Building B is valued at $14.2 million, resulting in a $24.6 million financing gap.

PHASE IV

Building E

The supportable financing model used for Building E assumes all banking and investment parameters previously detailed (1.3x – 1.4x debt coverage, loan interest of 7.5 percent, average return on equity of 18 percent).

The supportable equity and debt for Building E, which is proposed to feature 53,388 square feet of office space, 56,698 square feet of commercial space, a movie theater, a 1,195-space parking garage, and 389 residential units, is shown below.

Table 9-10

Supportable Financing - Building E

	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Net Operating Income	$0	$0	$16,302	$13,546	$13,211	$13,592	$13,490	$13,375	$13,246	$13,578	$13,917	$14,265	$138,522
Interest and Debt Reserve W/D	$2,156	$6,469	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	$2,156	$6,469	$16,302	$13,546	$13,211	$13,592	$13,490	$13,375	$13,246	$13,578	$13,917	$14,265	
Debt Service Payment	($2,156)	($6,469)	($10,317)	($10,317)	($10,317)	($9,611)	($9,611)	($9,611)	($9,611)	($9,611)	($9,611)	($9,611)	
Net Income to Repay Equity	$0	$0	$5,985	$3,230	$2,894	$3,980	$3,879	$3,764	$3,635	$3,966	$4,306	$4,653	$40,292
Princ. Amount***	$28,750	$86,250	$115,000	$113,308	$111,490	$109,530	$107,859	$106,068	$104,146	$102,085	$99,875	$97,505	
Interest	$2,156	$6,469	$8,625	$8,498	$8,362	$7,941	$7,820	$7,690	$7,551	$7,401	$7,241	$7,069	
Less Payment	($2,156)	($6,469)	($10,317)	($10,317)	($10,317)	($9,611)	($9,611)	($9,611)	($9,611)	($9,611)	($9,611)	($9,611)	
Loan Balance	$28,750	$86,250	$113,308	$111,490	$109,535	$107,859	$106,068	$104,146	$102,085	$99,875	$97,505	$94,962	
Assumptions						Refi							
Loan Amount ($000's)	$115,000					$109,530							
Amortization Period (Years)	25					25							
Loan Interest Rate	7.50%					7.25%							
Annual Debt Service Payment ($000's)	($10,317)					($9,611)							
Equity:													
Developer's Equity ($000's)	$22,500	9%											
Private Debt	$115,000	44%											
Total Supportable Private Financing	$137,500	52%											
Gap/Subsidy/Grants	$126,413	48%											
Project Amount ($000's)	$263,913	100%	$271.82 per SF										
													10-Yr Avg
Debt (Private) Coverage Ratio			1.58	1.31	1.28	1.41	1.40	1.39	1.38	1.41	1.45	1.48	1.41
Return on Private Equity/Leveraged IRR*			26.6%	14.4%	12.9%	17.7%	17.2%	16.7%	16.2%	17.6%	19.1%	20.7%	17.9%

**On developer's equity only.*
***On project cost.*
****Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2*

Source: Hunden Strategic Partners

The anticipated project cost for Building E is $263.9 million (Year 10). Based on the projected net income levels (shown in the top line), HSP projects that supportable debt for the project is $115 million and supportable equity is $22.5 million. This results in a $126 million financing gap for Building E.

The following table shows a valuation analysis for Building E based on discounted cash flows.

Table 9-11

Value Analysis - Building E (000s)

Calendar Year	*Construction* 1	2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Cash Flow	$0	$0	$16,302	$13,546	$13,211	$13,592	$13,490	$13,375	$13,246	$13,578	$13,917	$14,265
									Yr 10 Net Cash Flow			$14,265
									Terminal Cap Rate			8.50%
									Yr 10 Residual Value			$167,822
									Less Closing Costs (2.5%)			$4,196
									Net Reversion Proceeds			$163,627
Cash Flow to Investor	$0	$0	$16,302	$13,546	$13,211	$13,592	$13,490	$13,375	$13,246	$13,578	$13,917	$177,892
Present Value	$0	$0	$12,082	$9,086	$8,019	$7,466	$6,706	$6,017	$5,393	$5,003	$4,640	$4,304
Cash on Cash Return	0.0%	0.0%	12.6%	10.5%	10.2%	10.5%	10.5%	10.4%	10.3%	10.5%	10.8%	137.9%

Discount Rate	10.5%
Square Feet	970,923

Present Value Summary	$000s	
PV Residual	$60,288	
PV Income Stream	$68,718	Per Square Foot
Present Value	$129,006	$133

Based on this method of valuation, HSP projects that Building E is valued at $129 million, resulting in a $135 million financing gap.

Summary

The table below summarizes the size, cost, value, and projected funding gap for the five buildings included in the target program mix.

Table 9-12

Matrix of Building Costs & Values - Market Analytics as of Mid-2018

Use	Size (SF)	Cost	Cost/SF or Unit	Value	Value /SF or Unit	Estimated Funding Gap
PHASE I (YEAR 1)						
Building A	10,277	$3,930,000	$382	$2,800,000	$269	$1,130,000
Building C	433,576	$84,370,000	$195	$64,000,000	$149	$20,370,000
PHASE II (YEAR 4)						
Building D	25,555	$8,270,000	$324	$8,271,000	$360	None
PHASE III (YEAR 7)						
Building B	119,644	$38,840,000	$325	$16,300,000	$119	$22,540,000
PHASE IV (YEAR 10)						
Building E	970,923	$263,910,000	$272	$137,500,000	$133	$126,410,000

Source: Hunden Strategic Partners

As shown, Building D is the only project component that is not expected to require funding assistance for development. All other buildings, based on the supportable market metrics, projected performance, and expected returns on investment, will require a level of public assistance.

Better-Case Scenario

HSP conducted a second projection scenario in which it assumed improved economic conditions for all of downtown Jackson. The section details the value and gap analysis for the “better-case” scenario.

The following table lays out the key assumptions related to the fiscal modeling shown in this scenario.

Table 9-13

Better Case Assumptions For Financial Projections	
Element	Assumption
Commercial	
Lease Rate Per SF (Base Year)	$28.80
Stabilized Occupancy	80%
Residential	
Rental Rate Per SF/Month (Base Year)	$1.80
Stabilized Occupancy	75%
Condominium Sales Price	$180,000
Hotel	
ADR (Year 1)	$166.74
Stabilized Occupancy	67%
Entertainment	
Event Space $/SF	$180
Movie Theater $/SF	$120
Office	
Lease Rate (Base Year)	$26.00
Stabilized Occupancy	85%
Parking	
Occupancy	80%
Annual Revenue/Space (Base Year)	$1,400
Annual Inflation	2.5%

Source: City of Jackson

As shown, HSP assumed approximately 20 percent rate increases for all uses in the better-case scenario.

PHASE I

Building A

The supportable financing model used for this scenario assumes all banking and investment parameters previously detailed (1.3x – 1.4x debt coverage, loan interest of 7.5 percent, average return on equity of 18 percent).

The supportable equity and debt for Building A in the better-case scenario is shown below.

Table 9-14

Supportable Financing - Building A (Better Case Scenario)

	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Net Operating Income	$0	$0	$311	$319	$327	$335	$343	$352	$360	$369	$379	$388	$3,482
Interest and Debt Reserve W/D	$46	$138	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	$46	$138	$311	$319	$327	$335	$343	$352	$360	$369	$379	$388	
Debt Service Payment	($46)	($138)	($220)	($220)	($220)	($204)	($204)	($204)	($204)	($204)	($204)	($204)	
Net Income to Repay Equity	$0	$0	$91	$99	$107	$130	$139	$147	$156	$165	$174	$184	$1,391
Princ. Amount***	$613	$1,838	$2,450	$2,414	$2,375	$2,330	$2,294	$2,256	$2,215	$2,172	$2,125	$2,074	
Interest	$46	$138	$184	$181	$178	$169	$166	$164	$161	$157	$154	$150	
Less Payment	($46)	($138)	($220)	($220)	($220)	($204)	($204)	($204)	($204)	($204)	($204)	($204)	
Loan Balance	$613	$1,838	$2,414	$2,375	$2,334	$2,294	$2,256	$2,215	$2,172	$2,125	$2,074	$2,020	
Assumptions						Refi							
Loan Amount ($000's)	$2,450					$2,330							
Amortization Period (Years)	25					25							
Loan Interest Rate	7.50%					7.25%							
Annual Debt Service Payment ($000's)	($220)					($204)							
Equity:													
Developer's Equity ($000's)	$780	20%											
Private Debt	$2,450	62%											
Total Supportable Private Financing	$3,230	82%											
Gap/Subsidy/Grants	$704	18%											
Project Amount ($000's)	$3,934	100%	$382.81 per SF										
													10-Yr Avg
Debt (Private) Coverage Ratio			1.41	1.45	1.49	1.64	1.68	1.72	1.76	1.81	1.85	1.90	1.67
Return on Private Equity/Leveraged IRR*			11.7%	12.7%	13.7%	16.7%	17.8%	18.9%	20.0%	21.1%	22.3%	23.5%	17.8%

**On developer's equity only.*
***On project cost.*
****Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2*
Source: Hunden Strategic Partners

As shown, HSP projects a financing gap of $704,000 for Building A in the better-case scenario, compared to $1.13 million in the original projections.

The following table shows a valuation analysis for Building A in this scenario based on discounted cash flows.

Table 9-15

Value Analysis - Building A (Better Case Scenario)

Calendar Year	*Construction* 1	2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Cash Flow	$0	$0	$311	$319	$327	$335	$343	$352	$360	$369	$379	$388
									Yr 10 Net Cash Flow			$388
									Terminal Cap Rate			8.50%
									Yr 10 Residual Value			$4,566
									Less Closing Costs (2.5%)			$114
									Net Reversion Proceeds			$4,452
Cash Flow to Investor	$0	$0	$311	$319	$327	$335	$343	$352	$360	$369	$379	$4,840
Present Value	$0	$0	$230	$214	$198	$184	$171	$158	$147	$136	$126	$117
Cash on Cash Return	0.0%	0.0%	9.4%	9.6%	9.8%	10.1%	10.3%	10.6%	10.9%	11.1%	11.4%	145.7%

Discount Rate	10.5%
Square Feet	10,277

Present Value Summary	$000s	
PV Residual	$1,640	
PV Income Stream	$1,681	Per Square Foot
Present Value	$3,321	$323

Based on this method of valuation, HSP projects that Building A is valued at $3.32 million in the better-case scenario, compared to $2.77 million in the original projections.

Building C

The supportable financing model used for Building C assumes all banking and investment parameters previously detailed (1.3x – 1.4x debt coverage, loan interest of 7.5 percent, average return on equity of 18 percent).

The supportable equity and debt for Building C in the better-case scenario is shown below.

Table 9-16

Supportable Financing - Building C (Better Case Scenario)

	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Net Operating Income	$0	$0	$7,155	$7,133	$7,407	$7,352	$7,599	$7,611	$7,807	$8,001	$8,184	$8,370	$76,619
Interest and Debt Reserve W/D	$1,031	$3,094	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	$1,031	$3,094	$7,155	$7,133	$7,407	$7,352	$7,599	$7,611	$7,807	$8,001	$8,184	$8,370	
Debt Service Payment	($1,031)	($3,094)	($4,934)	($4,934)	($4,934)	($4,597)	($4,597)	($4,597)	($4,597)	($4,597)	($4,597)	($4,597)	
Net Income to Repay Equity	$0	$0	$2,220	$2,199	$2,473	$2,755	$3,001	$3,014	$3,210	$3,404	$3,586	$3,773	$29,635
Princ. Amount***	$13,750	$41,250	$55,000	$54,191	$53,321	$52,390	$51,591	$50,734	$49,815	$48,829	$47,772	$46,638	
Interest	$1,031	$3,094	$4,125	$4,064	$3,999	$3,798	$3,740	$3,678	$3,612	$3,540	$3,463	$3,381	
Less Payment	($1,031)	($3,094)	($4,934)	($4,934)	($4,934)	($4,597)	($4,597)	($4,597)	($4,597)	($4,597)	($4,597)	($4,597)	
Loan Balance	$13,750	$41,250	$54,191	$53,321	$52,386	$51,591	$50,734	$49,815	$48,829	$47,772	$46,638	$45,422	
Assumptions						Refi							
Loan Amount ($000's)	$55,000					$52,390							
Amortization Period (Years)	25					25							
Loan Interest Rate	7.50%					7.25%							
Annual Debt Service Payment ($000's)	($4,934)					($4,597)							
Equity:													
Developer's Equity ($000's)	$16,500	20%											
Private Debt	$55,000	65%											
Total Supportable Private Financing	$71,500	85%											
Gap/Subsidy/Grants	$12,871	15%											
Project Amount ($000's)	$84,371	100%											
													10-Yr Avg
Debt (Private) Coverage Ratio			1.45	1.45	1.50	1.60	1.65	1.66	1.70	1.74	1.78	1.82	1.63
Return on Private Equity/Leveraged IRR*			13.5%	13.3%	15.0%	16.7%	18.2%	18.3%	19.5%	20.6%	21.7%	22.9%	18.0%

**On developer's equity only.*
***On project cost.*
****Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2*

Source: Hunden Strategic Partners

HSP projects a $12.8 million financing gap for Building C in this scenario, compared to $20.4 million in the original projections.

The following table shows a valuation analysis for Building C based on discounted cash flows for this scenario.

Table 9-17

Value Analysis- Building C (Better Case Scenario)

Calendar Year	*Construction* 1	2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Cash Flow	$0	$0	$7,155	$7,133	$7,407	$7,352	$7,599	$7,611	$7,807	$8,001	$8,184	$8,370
									Yr 10 Net Cash Flow			$8,370
									Terminal Cap Rate			8.5%
									Yr 10 Residual Value			$98,476
									Less Closing Costs (2.5%)			$2,462
									Net Reversion Proceeds			$96,014
Cash Flow to Investor	$0	$0	$7,155	$7,133	$7,407	$7,352	$7,599	$7,611	$7,807	$8,001	$8,184	$104,385
Present Value	$0	$0	$5,303	$4,784	$4,496	$4,039	$3,777	$3,424	$3,179	$2,948	$2,729	$2,526
Cash on Cash Return	0.0%	0.0%	9.9%	9.8%	10.2%	10.1%	10.5%	10.5%	10.8%	11.0%	11.3%	143.8%

Discount Rate	10.5%
Square Feet	433,576

Present Value Summary	$000s	
PV Residual	$35,376	
PV Income Stream	$37,204	Per Square Foot
Present Value	$72,581	$167

Based on this method of valuation, HSP projects that Building C is valued at $72.6 million, compared to $64.4 million in the original projections.

PHASE II

Building D

The supportable financing model used for Building D assumes all banking and investment parameters previously detailed (1.3x – 1.4x debt coverage, loan interest of 7.5 percent, average return on equity of 18 percent).

The supportable equity and debt for Building D in this scenario is shown below.

Table 9-18

Supportable Financing - Building D (Better Case Scenario)

	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Net Operating Income	$0	$0	$966	$990	$1,015	$1,040	$1,066	$1,093	$1,120	$1,148	$1,177	$1,206	$10,822
Interest and Debt Reserve W/D	$120	$360	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	$120	$360	$966	$990	$1,015	$1,040	$1,066	$1,093	$1,120	$1,148	$1,177	$1,206	
Debt Service Payment	($120)	($360)	($574)	($574)	($574)	($535)	($535)	($535)	($535)	($535)	($535)	($535)	
Net Income to Repay Equity	$0	$0	$392	$416	$441	$505	$531	$558	$585	$613	$642	$671	$5,352
Princ. Amount***	$1,600	$4,800	$6,400	$6,306	$6,205	$6,100	$6,007	$5,907	$5,800	$5,685	$5,562	$5,430	
Interest	$120	$360	$480	$473	$465	$442	$436	$428	$421	$412	$403	$394	
Less Payment	($120)	($360)	($574)	($574)	($574)	($535)	($535)	($535)	($535)	($535)	($535)	($535)	
Loan Balance	$1,600	$4,800	$6,306	$6,205	$6,096	$6,007	$5,907	$5,800	$5,685	$5,562	$5,430	$5,289	
Assumptions						Refi							
Loan Amount ($000's)	$6,400					$6,100							
Amortization Period (Years)	25					25							
Loan Interest Rate	7.50%					7.25%							
Annual Debt Service Payment ($000's)	($574)					($535)							
Equity:													
Developer's Equity ($000's)	$1,871	23%											
Private Debt	$6,400	77%											
Total Supportable Private Financing	$8,271	100%											
Gap/Subsidy/Grants	$0	0%											
Project Amount ($000's)	$8,271	100%	$323.67 per SF										
													10-Yr Avg
Debt (Private) Coverage Ratio			1.68	1.72	1.77	1.94	1.99	2.04	2.09	2.15	2.20	2.25	1.98
Return on Private Equity/Leveraged IRR*			20.9%	22.2%	23.6%	27.0%	28.4%	29.8%	31.3%	32.8%	34.3%	35.9%	28.6%

**On developer's equity only.*
***On project cost.*
****Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2*

Source: Hunden Strategic Partners

Consistent with the original projections, HSP's analysis suggests that Building D does not have a financing gap.

The following table shows a valuation analysis for Building D for the better-case scenario based on discounted cash flows.

Table 9-19

Value Analysis - Building D (Better Case Scenario)

Calendar Year	*Construction* 1	2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Cash Flow	$0	$0	$966	$990	$1,015	$1,040	$1,066	$1,093	$1,120	$1,148	$1,177	$1,206
									Yr 10 Net Cash Flow			$1,206
									Terminal Cap Rate			8.5%
									Yr 10 Residual Value			$14,192
									Less Closing Costs (2.5%)			$355
									Net Reversion Proceeds			$13,837
Cash Flow to Investor	$0	$0	$966	$990	$1,015	$1,040	$1,066	$1,093	$1,120	$1,148	$1,177	$15,044
Present Value	$0	$0	$716	$664	$616	$571	$530	$492	$456	$423	$392	$364
Cash on Cash Return	0.0%	0.0%	9.4%	9.6%	9.8%	10.1%	10.3%	10.6%	10.9%	11.1%	11.4%	145.7%

Discount Rate	10.5%
Square Feet	25,555

Present Value Summary	$000s	
PV Residual	$5,098	
PV Income Stream	$5,225	Per Square Foot
Present Value	$10,323	$404

Based on this method of valuation, HSP projects that Building D is valued at $10.32 milion, compared to $9.20 million in the original projections.

PHASE III

Building B

The supportable financing model used for Building B assumes all banking and investment parameters previously detailed (1.3x – 1.4x debt coverage, loan interest of 7.5 percent, average return on equity of 18 percent).

The supportable equity and debt for Building B in the better-case scenario is shown below.

Table 9-20

Supportable Financing - Building B (Better Case Scenario)

	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Net Operating Income	$0	$0	$5,437	$1,888	$1,912	$1,772	$1,625	$1,403	$1,438	$1,474	$1,511	$1,549	$20,010
Interest and Debt Reserve W/D	$281	$844	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	$281	$844	$5,437	$1,888	$1,912	$1,772	$1,625	$1,403	$1,438	$1,474	$1,511	$1,549	
Debt Service Payment	($281)	($844)	($1,346)	($1,346)	($1,346)	($1,254)	($1,254)	($1,254)	($1,254)	($1,254)	($1,254)	($1,254)	
Net Income to Repay Equity	$0	$0	$4,091	$543	$566	$518	$371	$149	$184	$220	$257	$295	$7,195
Princ. Amount***	$3,750	$11,250	$15,000	$14,779	$14,542	$14,290	$14,072	$13,838	$13,588	$13,319	$13,030	$12,721	
Interest	$281	$844	$1,125	$1,108	$1,091	$1,036	$1,020	$1,003	$985	$966	$945	$922	
Less Payment	($281)	($844)	($1,346)	($1,346)	($1,346)	($1,254)	($1,254)	($1,254)	($1,254)	($1,254)	($1,254)	($1,254)	
Loan Balance	$3,750	$11,250	$14,779	$14,542	$14,287	$14,072	$13,838	$13,588	$13,319	$13,030	$12,721	$12,389	
Assumptions						Refi							
Loan Amount ($000's)	$15,000					$14,290							
Amortization Period (Years)	25					25							
Loan Interest Rate	7.50%					7.25%							
Annual Debt Service Payment ($000's)	($1,346)					($1,254)							
Equity:													
Developer's Equity ($000's)	$4,000	10%											
Private Debt	$15,000	39%											
Total Supportable Private Financing	$19,000	49%											
Gap/Subsidy/Grants	$19,839	51%											
Project Amount ($000's)	$38,839	100%	$324.62 per SF										
													10-Yr Avg
Debt (Private) Coverage Ratio			4.04	1.40	1.42	1.41	1.30	1.12	1.15	1.18	1.20	1.24	1.55
Return on Private Equity/Leveraged IRR*			102.3%	13.6%	14.2%	13.0%	9.3%	3.7%	4.6%	5.5%	6.4%	7.4%	18.0%

**On developer's equity only.*
***On project cost.*
****Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2*

Source: Hunden Strategic Partners

HSP projects a $19.9 million financing gap for Building B in this scenario, compared to $22.5 million in the original projections.

The following table shows a valuation analysis for Building B based on discounted cash flows for the better-case scenario.

Table 9-21

Value Analysis - Building B (Better Case Scenario)

Calendar Year	*Construction* 1	2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Cash Flow	$0	$0	$5,437	$1,888	$1,912	$1,772	$1,625	$1,403	$1,438	$1,474	$1,511	$1,549
Cash Flow to Investor	$0	$0	$5,437	$1,888	$1,912	$1,772	$1,625	$1,403	$1,438	$1,474	$1,511	$19,314
Present Value	$0	$0	$4,030	$1,267	$1,160	$974	$808	$631	$586	$543	$504	$467
Cash on Cash Return	0.0%	0.0%	31.0%	10.8%	10.9%	10.1%	9.3%	8.0%	8.2%	8.4%	8.6%	110.3%

Yr 10 Net Cash Flow	$1,549
Terminal Cap Rate	8.50%
Yr 10 Residual Value	$18,221
Less Closing Costs (2.5%)	$456
Net Reversion Proceeds	$17,765

Discount Rate	10.5%
Square Feet	119,644

Present Value Summary	$000s	
PV Residual	$6,546	
PV Income Stream	$10,969	Per Square Foot
Present Value	$17,515	$146

Based on this method of valuation, HSP projects that Building B is valued at $17.5 million, compared to $14.2 million in the orignal projections.

PHASE IV

Building E

The supportable financing model used for Building E assumes all banking and investment parameters previously detailed (1.3x – 1.4x debt coverage, loan interest of 7.5 percent, average return on equity of 18 percent).

The supportable equity and debt for Building E in the better-case scenario is shown below.

Table 9-22

Supportable Financing - Building E (Better Case Scenario)

	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Net Operating Income	$0	$0	$18,407	$15,313	$14,934	$15,355	$15,242	$15,115	$14,971	$15,345	$15,729	$16,122	$156,532
Interest and Debt Reserve W/D	$2,288	$6,863	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	$2,288	$6,863	$18,407	$15,313	$14,934	$15,355	$15,242	$15,115	$14,971	$15,345	$15,729	$16,122	
Debt Service Payment	($2,288)	($6,863)	($10,945)	($10,945)	($10,945)	($10,197)	($10,197)	($10,197)	($10,197)	($10,197)	($10,197)	($10,197)	
Net Income to Repay Equity	$0	$0	$7,462	$4,368	$3,989	$5,158	$5,045	$4,918	$4,774	$5,148	$5,532	$5,925	$52,320
Princ. Amount***	$30,500	$91,500	$122,000	$120,205	$118,276	$116,200	$114,428	$112,527	$110,488	$108,302	$105,957	$103,442	
Interest	$2,288	$6,863	$9,150	$9,015	$8,871	$8,425	$8,296	$8,158	$8,010	$7,852	$7,682	$7,500	
Less Payment	($2,288)	($6,863)	($10,945)	($10,945)	($10,945)	($10,197)	($10,197)	($10,197)	($10,197)	($10,197)	($10,197)	($10,197)	
Loan Balance	$30,500	$91,500	$120,205	$118,276	$116,202	$114,428	$112,527	$110,488	$108,302	$105,957	$103,442	$100,745	
Assumptions						Refi							
Loan Amount ($000's)	$122,000					$116,200							
Amortization Period (Years)	25					25							
Loan Interest Rate	7.50%					7.25%							
Annual Debt Service Payment ($000's)	($10,945)					($10,197)							
Equity:													
Developer's Equity ($000's)	$29,000	11%											
Private Debt	$122,000	46%											
Total Supportable Private Financing	$151,000	57%											
Gap/Subsidy/Grants	$112,913	43%											
Project Amount ($000's)	$263,913	100%	$271.82 per SF										
													10-Yr Avg
Debt (Private) Coverage Ratio			1.68	1.40	1.36	1.51	1.49	1.48	1.47	1.50	1.54	1.58	1.50
Return on Private Equity/Leveraged IRR*			25.7%	15.1%	13.8%	17.8%	17.4%	17.0%	16.5%	17.8%	19.1%	20.4%	18.0%

**On developer's equity only.*
***On project cost.*
****Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2*

Source: Hunden Strategic Partners

HSP projects a financing gap of $113 million for Building E, compared to $126 million in the original projections.

The following table shows a valuation analysis for Building E in the better-case scenario based on discounted cash flows.

Table 9-23

Value Analysis - Building E (Better Case Scenario)

Calendar Year	*Construction* 1	2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Cash Flow	$0	$0	$18,407	$15,313	$14,934	$15,355	$15,242	$15,115	$14,971	$15,345	$15,729	$16,122
									Yr 10 Net Cash Flow			$16,122
									Terminal Cap Rate			8.50%
									Yr 10 Residual Value			$189,672
									Less Closing Costs (2.5%)			$4,742
									Net Reversion Proceeds			$184,930
Cash Flow to Investor	$0	$0	$18,407	$15,313	$14,934	$15,355	$15,242	$15,115	$14,971	$15,345	$15,729	$201,052
Present Value	$0	$0	$13,642	$10,271	$9,065	$8,435	$7,577	$6,800	$6,095	$5,654	$5,245	$4,865
Cash on Cash Return	0.0%	0.0%	12.6%	10.5%	10.2%	10.5%	10.5%	10.4%	10.3%	10.5%	10.8%	137.9%

Discount Rate	10.5%
Square Feet	970,923

Present Value Summary	$000s	
PV Residual	$68,137	
PV Income Stream	$77,648	Per Square Foot
Present Value	$145,786	$150

Based on this method of valuation, HSP projects that Building E is valued at $146 million, compared to $129 million in the original projections.

Summary – Better Case Scenario

The table below summarizes the size, cost, value, and projected funding gap for the five buildings included in the target program mix for the better-case scenario.

Table 9-24

Matrix of Building Costs & Values - Market Analytics as of Mid-2018 (Better Case Scenario)

Use	Size (SF)	Cost	Cost/SF or Unit	Value	Value /SF or Unit	Estimated Funding Gap
PHASE I (YEAR 1)						
Building A	10,277	$3,930,000	$382	$3,230,000	$323	$700,000
Building C	433,576	$84,370,000	$195	$71,500,000	$167	$12,870,000
PHASE II (YEAR 4)						
Building D	25,555	$8,270,000	$324	$8,271,000	$404	None
PHASE III (YEAR 7)						
Building B	119,644	$38,840,000	$325	$19,000,000	$146	$19,840,000
PHASE IV (YEAR 10)						
Building E	970,923	$263,910,000	$272	$151,000,000	$150	$112,910,000

Source: Hunden Strategic Partners

While the estimated funding gaps in this scenario decreased, Building D is still the only project component that is not expected to require funding assistance for development.

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ECONOMIC, FISCAL AND EMPLOYMENT IMPACT ANALYSIS

The development of the mix of uses will generate a significant amount of economic activity and will support a number of new jobs onsite. New housing brings in new residents and their disposable income. New employment in offices brings in new employees and their spending. New attractions bring in visitors, while new restaurants, bars and entertainment bring in new spending to the community as people from the area patronize the tenants. Finally, hotels both induce and capture lodging and restaurant spending. All of these uses create their own impact when built and then as they operate over time (or house residents or employees).

The sheer size of the Project area and the volume of mixed-use developments will have a major impact on downtown Jackson. In essence, a new neighborhood is being created.

The critical analysis is the amount of *new* spending generated by the Project are in the community. HSP projected the net new spending, earnings, jobs, and construction impact for the proposed development in Downtown Jackson.

Economic, Earnings, Employment and Fiscal Impact

HSP uses the IMPLAN input-output multiplier model, which determines the level of additional activity in the Jackson economy due to additional inputs. For example, for every dollar of direct new spending in Jackson, the IMPLAN model provides multipliers for the indirect and induced spending that will result.

The net new and recaptured direct spending discussed earlier in the chapter is considered to be the Direct Impact.

From the direct spending figures, further impact analyses will be completed.

- Indirect Impacts are the supply of goods and services resulting from the initial direct spending. For example, a visitor's direct expenditure on a hotel room causes the hotel to purchase linens and other items from suppliers. The portion of these hotel purchases that are within the local economy is considered an indirect economic impact.
- Induced Impacts embody the change in spending due to the personal expenditures by employees whose incomes are affected by direct and indirect spending. For example, a waitress at a restaurant may have more personal income as a result of the visitor's visit. The amount of the increased income that the employee spends in the area is considered an induced impact.
- Fiscal Impacts represent the incremental tax revenue collected by the city and county due to the net new economic activity. The fiscal impact represents the government's share of total economic benefit. Fiscal impacts provide an offset to the potential public expenditures required to support the development.
- Employment Impacts include the incremental employment provided not only onsite, but due to the spending associated with it. For example, the direct, indirect and induced impacts generate spending, support new and ongoing businesses, and ultimately result in ongoing employment for citizens. HSP will show the number of ongoing jobs supported by the project and provide the resulting income and income taxes generated.

Direct, Indirect and Induced Impacts

The table below shows the direct net new spending of the entire Project, based on the analysis. It includes net new spending on all categories shown from new hotel visitor spending, new resident and employee spending, and spending at all restaurants proposed for the Project.

Because the construction of the Project is proposed to occur on a phased timeline, these projections do not include 20-year impacts for all five buildings. For instance, the table below includes Phase I impacts (Buildings A and C) for all 20 years, but only includes Phase IV impacts for the final 11 years (Opening in Year 10). As previously mentioned, annual spending is inflated at 2.5 percent (beyond natural growth) for all categories.

Table 10-1

Direct Net New/Recaptured Spending to Downtown Jackson (000s)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Total
Food & Beverage	$4,693	$6,187	$7,002	$10,336	$10,702	$18,151	$34,695	$39,255	$436,827
Lodging	$5,830	$10,355	$12,706	$13,623	$14,306	$16,186	$18,313	$20,720	$319,773
Retail	$609	$1,044	$1,273	$1,361	$1,428	$2,094	$2,625	$2,970	$40,653
Transportation	$1,071	$1,714	$2,059	$2,189	$2,293	$5,005	$6,957	$7,872	$95,315
Other	$905	$1,464	$1,764	$5,180	$5,351	$28,012	$32,678	$36,972	$397,589
Total	*$13,108*	*$20,764*	*$24,805*	*$32,689*	*$34,080*	*$69,448*	*$95,269*	*$107,789*	$1,290,157

Source: Hunden Strategic Partners

Spending on food and beverage and rooms are the largest component of direct net new spending to Jackson, followed by lodging. The other spending components are minimal by comparison. Over the 20-year period, a total of $1.29 billion in direct net new/recaptured Jackson spending is projected from the Project.

The next table shows the direct, indirect and induced spending from the Project, based on the IMPLAN multipliers for Jackson.

Table 10-2

Direct, Indirect & Induced Net New Spending to Downtown Jackson (000s)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Total
Net New Spending									
Direct	$13,108	$20,764	$24,805	$32,689	$34,080	$69,448	$95,269	$107,789	$1,290,157
Indirect	$4,449	$7,013	$8,368	$10,969	$11,435	$23,014	$31,936	$36,133	$432,216
Induced	$5,152	$8,164	$9,754	$13,038	$13,590	$28,852	$39,187	$44,336	$527,691
Total	*$22,708*	*$35,942*	*$42,927*	*$56,696*	*$59,104*	*$121,314*	*$166,392*	*$188,257*	$2,250,065

Source: Hunden Strategic Partners

The direct spending totals more than $1.29 billion over the period, while the indirect and induced spending add another $432 and $528 million, respectively. In total, $2.25 billion in economic impact is projected over the period.

The following table shows the new earnings associated with the new economic activity.

Table 10-3

Net New Earnings from Direct, Indirect & Induced Spending (000s)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Total
Net New Earnings									
From Direct	$4,650	$7,344	$9,151	$12,345	$13,947	$26,274	$35,043	$39,648	$488,389
From Indirect	$1,434	$2,278	$2,723	$3,528	$3,679	$7,270	$10,009	$11,325	$136,420
From Induced	$1,547	$2,450	$2,927	$3,930	$4,096	$8,696	$11,806	$13,358	$158,918
Total	*$7,630*	*$12,073*	*$14,802*	*$19,802*	*$21,722*	*$42,240*	*$56,859*	*$64,331*	$783,727

Source: Hunden Strategic Partners

By the fifth year of operation, $21.7 million of new direct, indirect, and induced earnings are projected, with a total of more than $783 million over the period.

The table below shows the estimated full-time equivalent jobs created by the Project.

Table 10-4

Net New Full-Time Equivalent Jobs from Direct, Indirect & Induced Earnings (000s)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20
Net New FTE Jobs								
From Direct	226	341	395	537	548	548	548	548
From Indirect	77	116	135	181	185	365	425	451
From Induced	89	135	156	216	221	221	221	221
Total	*393*	*592*	*686*	*934*	*953*	*1,133*	*1,193*	*1,220*

Source: Hunden Strategic Partners

New full-time equivalent jobs (FTE's) are projected to vary over the period based on the net new spending and total 1,133 by the tenth year.

Construction Impact

The construction of the Project will impact the area as spending will occur via the purchase of materials the payment of labor and service providers. The net Jackson impacts are shown below for the construction impact. HSP assumes that of the approximately $385 million in development, 40 percent flows to materials purchases, while 60 percent flows to labor (in construction or soft costs).

Table 10-5

Construction Impact

	Total
Direct Materials Spending	$ 154,320,102
Indirect Spending	$ 43,190,000
Induced Spending	$ 68,830,000
Total	$ 266,340,102
Direct Labor Spending	$ 231,480,000
Employment (Job Years)	4,273

Source: Hunden Strategic Partners

The total spending from direct materials spending is estimated to total more than $154 million (creating additional impact of another $154 million in the economy), while there is expected to be more than $110 million in total earnings from indirect and induced spending. Direct labor spending is expected to generate more than $230 million. This development activity will support approximately 4,273 "job-years" over the ten-year construction period, which is one full-time job for one year.

Fiscal Impact

The fiscal impact of the Project is the benefit to the city via taxes generated, essentially through new hotel taxes, sales tax, and property tax. Local taxes considered for this analysis include:

- Sales tax (1%)
- Local share of state sales tax (approximately 1.3%)
- Hotel tax (3% of room revenue)
- Hotel tax ($0.75 per room night)
- Property tax

The following table shows the projections of fiscal impact.

Table 10-6

Fiscal Impact - Jackson Tax Impacts from Net New Spending (000s)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Total
Net New State Taxes Collected									
Sales Tax (1%)	$73	$104	$121	$191	$198	$533	$770	$871	$9,704
Local Share of State Sales Tax	$94	$135	$157	$247	$256	$690	$997	$1,128	$12,566
Hotel Tax ($0.75/RN)	$29	$50	$59	$62	$64	$64	$64	$64	$1,218
Hotel Tax (3% of Room Rev)	$175	$311	$381	$409	$429	$486	$549	$622	$9,593
Property Tax	$2,005	$2,005	$2,005	$2,179	$2,179	$7,736	$7,736	$7,736	$106,465
Total	*$2,375*	*$2,604*	*$2,723*	*$3,087*	*$3,126*	*$9,508*	*$10,115*	*$10,420*	*$139,547*

Source: Hunden Strategic Partners

Over the 20-year period, HSP projects a total fiscal impact of nearly $140 million.

The following matrix summarizes the development cost and estimated property taxes for the various phases of the Project.

Table 10-7

Development Cost & Estimated Property Taxes (000s)

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Phase I	Building A	Restaurant	3,934	3,934	3,934	3,934	3,934	3,934	3,934	3,934	3,934	3,934	3,934	3,934
	Building C	Hotel Mixed-Use	84,371	84,371	84,371	84,371	84,371	84,371	84,371	84,371	84,371	84,371	84,371	84,371
Phase II	Building D	Ent & Restaurant				7,681	7,681	7,681	7,681	7,681	7,681	7,681	7,681	7,681
Phase III	Building B	Residential (113) + Rest							33,491	33,491	33,491	33,491	33,491	33,491
Phase IV	Building E	Mixed-Use										211,323	211,323	211,323
		Total Development Cost	$ 88,305	$ 88,305	$ 88,305	$ 95,986	$ 95,986	$ 95,986	$ 129,477	$ 129,477	$ 129,477	$ 340,800	$ 340,800	$ 340,800
		Est. Property Tax	$ 2,005	$ 2,005	$ 2,005	$ 2,179	$ 2,179	$ 2,179	$ 2,939	$ 2,939	$ 2,939	$ 7,736	$ 7,736	$ 7,736

Source: Hunden Strategic Partners

Following the opening of the final phase of development in in Year 10, property taxes are expected to total more than $7.7 million for the Project.

Summary

The following table shows the summary of impacts for the Project.

Table 10-8

Summary of 20-Year Impacts	
Net New Spending	(millions)
Direct	$1,290
Indirect	$432
Induced	$528
Total	$2,250
Net New Earnings	(millions)
From Direct	$488
From Indirect	$136
From Induced	$159
Total	$784
Net New FTE Jobs	Jobs
From Direct	548
From Indirect	365
From Induced	221
Total	1,133
Net New Local Taxes Collected	(millions)
Sales Tax (1%)	$9.7
Local Share of State Sales Tax	$12.6
Hotel Tax ($0.75/RN)	$1.2
Hotel Tax (3% of Room Rev)	$9.6
Property Tax	$106.5
Total	$139.5
Construction Impact	(millions)
New Materials Spending	$266.3
New Labor Spending	$231.5
Construction Job-Years, Actual	4,273

Source: Hunden Strategic Partners

The net new spending for the Project totals $2.25 billion over the 20-year period from ongoing operation. HSP projects $784 million in net new earnings, $140 million in fiscal impact, 1,220 new full-time equivalent jobs and 4,273 job years from construction over the 20-year period as a result of the project.

Direct, Indirect and Induced Impacts – Better Case Scenario

Consistent with the detailed gap and value analyses shown in Chapter 9, HSP also conducted impact projections for the better-case scenario. The table below shows the direct net new spending of the entire Project in the improved scenario.

Table 10-9

Direct Net New/Recaptured Spending to Downtown Jackson (000s)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Total
Food & Beverage	$5,234	$6,748	$7,581	$11,480	$11,875	$20,610	$40,106	$45,377	$499,879
Lodging	$6,364	$11,304	$13,871	$14,871	$15,617	$17,669	$19,991	$22,618	$349,070
Retail	$624	$1,064	$1,295	$1,384	$1,452	$2,216	$2,816	$3,186	$42,939
Transportation	$1,147	$1,812	$2,172	$2,306	$2,414	$5,624	$7,917	$8,957	$106,838
Other	$963	$1,539	$1,850	$5,268	$5,444	$32,508	$37,961	$42,950	$456,594
Total	*$14,332*	*$22,467*	*$26,768*	*$35,310*	*$36,801*	*$78,628*	*$108,792*	*$123,088*	$1,455,319

Source: Hunden Strategic Partners

Over the 20-year period, a total of $1.46 billion in direct net new/recaptured Jackson spending is projected from the Project in the better-case scenario.

The next table shows the direct, indirect and induced spending from the Project in this scenario, based on the IMPLAN multipliers for Jackson.

Table 10-10

Direct, Indirect & Induced Net New Spending to Downtown Jackson (000s)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Total
Net New Spending									
Direct	$14,332	$22,467	$26,768	$35,310	$36,801	$78,628	$108,792	$123,088	$1,455,319
Indirect	$4,867	$7,588	$9,028	$11,858	$12,358	$26,046	$36,475	$41,268	$487,635
Induced	$5,629	$8,827	$10,518	$14,056	$14,647	$32,713	$44,785	$50,670	$595,667
Total	*$24,828*	*$38,881*	*$46,314*	*$61,224*	*$63,805*	*$137,387*	*$190,052*	*$215,026*	$2,538,622

Source: Hunden Strategic Partners

The direct spending totals more than $1.57 billion over the period, while the indirect and induced spending add another $487 and $595 million, respectively. In total, $2.54 billion in economic impact is projected over the period in this scenario,

The following table shows the new earnings associated with the new economic activity.

Table 10-11

Net New Earnings from Direct, Indirect & Induced Spending (000s)									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Total
Net New Earnings									
From Direct	$5,030	$7,869	$9,755	$13,152	$14,785	$29,045	$39,179	$44,327	$538,916
From Indirect	$1,568	$2,465	$2,940	$3,814	$3,976	$8,220	$11,419	$12,920	$153,742
From Induced	$1,691	$2,650	$3,158	$4,238	$4,416	$9,861	$13,494	$15,267	$179,415
Total	*$8,288*	*$12,985*	*$15,852*	*$21,203*	*$23,176*	*$47,125*	*$64,092*	*$72,514*	$872,073

Source: Hunden Strategic Partners

By the fifth year of operation, $23.176 million of new direct, indirect, and induced earnings are projected, with a total of more than $872 million over the period.

The table below shows the estimated full-time equivalent jobs created by the Project.

Table 10-12

Net New Full-Time Equivalent Jobs from Direct, Indirect & Induced Earnings (000s)								
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20
Net New FTE Jobs								
From Direct	247	368	425	578	590	590	590	590
From Indirect	85	126	145	195	199	415	486	517
From Induced	98	146	168	232	237	237	237	237
Total	*430*	*639*	*738*	*1,005*	*1,026*	*1,241*	*1,312*	*1,344*

Source: Hunden Strategic Partners

New full-time equivalent jobs (FTE's) are projected to vary over the period based on the net new spending and total 1,241 by the tenth year in the better-case scenario.

Fiscal Impact

The following table shows the projections of fiscal impact for the better-case scenario.

Table 10-13

Fiscal Impact - Jackson Tax Impacts from Net New Spending (000s)									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Total
Net New State Taxes Collected									
Sales Tax (1%)	$80	$112	$129	$204	$212	$610	$888	$1,005	$11,062
Local Share of State Sales Tax	$103	$145	$167	$265	$274	$789	$1,150	$1,301	$14,326
Hotel Tax ($0.75/RN)	$29	$50	$59	$62	$64	$64	$64	$64	$1,218
Hotel Tax (3% of Room Rev)	$191	$339	$416	$446	$469	$530	$600	$679	$10,472
Property Tax	$2,005	$2,005	$2,005	$2,179	$2,179	$7,736	$7,736	$7,736	$106,465
Total	*$2,407*	*$2,649*	*$2,776*	*$3,156*	*$3,197*	*$9,729*	*$10,438*	*$10,784*	*$143,544*

Source: Hunden Strategic Partners

Over the 20-year period, HSP projects a total fiscal impact of more than $143 million in the better-case scenario.

Summary – Better Case Scenario

The following table shows the summary of impacts for the Project in the better-case scenario.

Table 10-14

Summary of 20-Year Impacts	
Net New Spending	(millions)
Direct	$1,455
Indirect	$488
Induced	$596
Total	$2,539
Net New Earnings	(millions)
From Direct	$539
From Indirect	$154
From Induced	$179
Total	$872
Net New FTE Jobs	Jobs
From Direct	590
From Indirect	415
From Induced	237
Total	1,241
Net New Local Taxes Collected	(millions)
Sales Tax (1%)	$11.1
Local Share of State Sales Tax	$14.3
Hotel Tax ($0.75/RN)	$1.2
Hotel Tax (3% of Room Rev)	$10.5
Property Tax	$106.5
Total	$143.5
Construction Impact	(millions)
New Materials Spending	$266.3
New Labor Spending	$231.5
Construction Job-Years, Actual	4,273

Source: Hunden Strategic Partners

The net new spending for the Project totals $2.54 billion over the 20-year period from ongoing operation. HSP projects $872 million in net new earnings, $143.5 million in fiscal impact, and 1,241 new full-time equivalent jobs as a result of the project in the better-case scenario.