
Pensacola Waterfront Development Plan 2000

Creating an Environment for Economic Development

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Community Redevelopment Agency

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I. Premise

Pensacola is a city that dates back more than 400 years. Nestled along a picturesque stretch of coastline in northwest Florida, its history is one that has been shaped and driven by the waters alongside which it lies. Early inhabitants recognized that the meeting point of land and sea was an ideal site for establishing trade and commerce routes. Pensacola quickly became one of the most active seaports in the region, importing numerous trade goods as well as exporting timber and red snapper to ports around the world. The historic architecture found throughout the City's downtown and within its older residential communities reflects this centuries old relationship.

Throughout the coastal United States urban waterfronts are being transformed from underutilized, contaminated industrial sites to popular tourist destinations, prime residential developments and numerous, dynamic combinations of commercial, office, retail and waterborne uses. The size of the community has little impact on how it views and uses its waterfront. Over the past several decades, small cities such as Fernandina Beach, Florida, as well as larger cities like Portland, Oregon and Baltimore, Maryland have recognized the special qualities and unique opportunities waterfronts have to offer. The unifying factor in all these successful projects has been the belief that these land/water edges should be "people places" that encourage a variety of experiences for both residents and visitors alike.

With a population of 60,994, Pensacola is a medium sized city located within a metropolitan area of approximately 414,247 people. Like other coastal cities, the Pensacola downtown waterfront was originally used for waterborne transportation and industrial activities. In the late 1970's and early 1980's the City initiated a transition from an industry dominated waterfront to one that provided opportunities for improved public access and private investment in residential, commercial and marina uses. The City focused its efforts on improving the public realm through investment in infrastructure and enhanced streetscapes, parks and parking facilities. These public investments, occurring over the last 20 years, have helped to create an environment that is continuing to stimulate private investment.



II. Introduction

The purpose of this document is to produce both a long term vision and a near term implementation oriented approach that will initiate mixed use phased development in the Pensacola Waterfront Area. This plan also provides the flexibility to respond to the market while testing development options.

Development planning is not new to Pensacola. In 1980, the Pensacola City Council designated itself as the Community Redevelopment Agency (CRA) to provide guidance in the effort to restore a number of blighted areas in its downtown. Today, the CRA is charged with coordinating downtown development, exploring economic opportunities, creating a public environment through infrastructure improvements to stimulate private investment, and working with the business community and the public to plan and develop City and CRA owned downtown and waterfront properties through partnerships.

The CRA adopted the original Community Redevelopment Plan in 1984. The plan focused on reversing blighted conditions in the Urban Core Community Redevelopment Area. The CRA has conducted a plan review every five years since the original plan's adoption. In 1989, the Community Redevelopment Plan was amended after a six-month public workshop process which identified 12 priority capital infrastructure and affordable housing projects for implementation in a three to five year period, as well as 15 other capital projects proposed for consideration over a longer time period. The majority of the projects identified in the 1989 plan have been completed or are underway. Additional amendments to the plan have added new projects in the Belmont/DeVilliers commercial core area and the Old East Hill neighborhood.

In the summer of 1994 the CRA initiated a second plan review process in conjunction with representatives of the Trillium Corporation, the landowner of the largest vacant waterfront parcel in the downtown area. The CRA approved the development of a waterfront redevelopment plan, employing Land Design Research, Inc., (now LDR International, Inc.) as the urban design consultant and Hammer Siler George as the economic analyst for the South Palafox marina project. The Trillium Corporation retained its own urban design firm and economist. Together, the two teams collaborated to prepare the Pensacola Waterfront Development Plan, 1995. A series of public workshops and meetings were conducted from July 1994 through April 1995 as part of this planning process. As a result, five projects were identified for implementation and scheduled for completion over a three to five year period. Four of these projects are currently underway or are budgeted for construction within the next 12-18 months.

Over the last two decades, the philosophy of the CRA has been to fund infrastructure and open space/park improvements that set the stage for future development, providing an enhanced environment for private investment. Through City and CRA leadership, this approach has served as a catalyst for change in the form of renovated and fully occupied buildings, marinas, downtown housing and a flourishing cultural focus. Since 1980, the public investment in the Urban Core area has generated \$ 43.5 million and leveraged \$142.5 million in investment by the private sector in the form of hotel rooms, offices, retail space and residential projects.

In late 1999, the City Council initiated a process to review and update earlier redevelopment plans to include changes since 1995:

- Over the past five years, conditions offering redevelopment and public access opportunities, such as the City's acquisition of the Trillium property were introduced.

- The Eight Year Local Option Sales Tax , a revenue source endorsed by a referendum in 1997, includes several major projects in the downtown area such as a waterfront festival park, the relocation of the Bayfront Auditorium and new downtown parking facilities, with a total allocation of \$18.2 million. These projects should be viewed in a comprehensive manner and related to completed and planned public and private redevelopment improvements.

The 1999/2000 plan update focuses on the waterfront area generally located between the Pensacola Bay Bridge and "A" street. Two consulting firms collaborated to develop the concepts and economic evaluations presented in the 1999/2000 plan. The City retained LDR International as the urban design firm and added Basile Baumann Prost & Associates (BBPA) to evaluate the market potential and economic feasibility of the various land use alternatives LDR recommended during the planning process. The 1999/2000 planning process followed a similar approach to the one utilized in the Pensacola Waterfront Redevelopment Plan, 1995 retaining the Port of Pensacola as a viable economic center and operating port.

The consulting team of LDR and Basile Baumann Prost & Associates was directed by the City to consider the Port as an active seaport and an integral part of the downtown waterfront. The firms were also responsible for presenting recommendations for enhancing port boundaries and identifying landside and waterside opportunities for compatible development by the Port, including off-port opportunities for partnerships between the Port, the CRA and private investors.

Community participation began with a *Waterfront Development Plan Strategic Citizens Advisory Committee* assembled early in the planning process. The 43-member committee appointed by the City Council and the City Manager represents a cross-section of the Pensacola community. Four public workshops were conducted over a six month period to formulate ideas and concepts which are presented in this plan. BBPA completed an economic market overview in May 1999. This was followed by a strategic economic plan, development programs for each site, and an evaluation of each concept. The project includes a financial/funding stage as well as an implementation strategy and action plan.

III. Summary of Project Findings

LDR, in conjunction with Basile Baumann Prost and Associates (BBPA), conducted a strategic assessment of downtown waterfront development opportunities in Pensacola. This analysis is built on a review and update of previous development planning and economic analysis and new opportunities which have been identified for development. LDR and BBPA worked closely with client representatives to identify development opportunities and constraints along the downtown waterfront. This included a series of community participation meetings, workshops and forums. An economic market overview was conducted and development planning and implementation issues evaluated.

Based upon physical opportunities and constraints, and market reconnaissance, a series of development programs were evaluated for identified waterfront sites. These waterfront sites included Bruce Beach, Trillium, Commendencia Slip/Palafox Pier and the CRA owned waterview parcel adjacent to the Aragon residential project.

For each development site program, alternatives and initial project profiles were prepared. These were based upon development objectives which included enlivening the waterfront, optimizing positive economic impacts, enhancing public access to the waterfront, supporting adjacent land uses, providing potential for expansion, maximizing the impact of public sector infrastructure and parking investments, creating potential city land lease revenues and optimizing economic and fiscal impacts. All these criteria were evaluated in light of creating a high quality design environment that could be market and economy supported through public/private partnerships.

Development Programs

A series of development programs were formulated for each site. Based on comments received from community participation meetings, emphasis was placed on mixed-used development, its relationship with adjacent uses, and perceived market opportunities.

The Bruce Beach development site is 12.5 acres in size. Given adjacent uses, and proximity to the sewage treatment plant, it is envisioned to be a long-term development opportunity consisting of 59,500 SF of commercial, predominately office related space.

The Trillium site totals 27.5 acres and thus offers the greatest opportunity for mixed-use development, as well as providing a significant amount of public open space. A citizen participation process guided the determination that this site was most appropriate for the relocation of the existing civic auditorium based on its size and potential as a major park and open space. This site could provide approximately 16 acres of park and open space, including a formal park space of approximately 10 acres and 5-6 acres of shoreline and boulevard space. The civic auditorium is proposed initially to provide 55,000 SF with the potential to expand to approximately 75,000 SF. This public use combined with approximately 142,000 SF of mixed-use development could be accommodated utilizing surface parking. In the future, as development opportunities increase, it may be possible for additional development to be provided on the site through utilization of structured parking.

The Commendencia Slips/Palafox Pier site is 2.48 acres in size. The phased development program includes a total of 63,200 SF of development, with 42,100 SF designated for commercial space and 21,050 SF for residential space. This would be combined with 622 surface parking spaces in the recently filled Commendencia Slip site to accommodate additional development and to meet previous city commitments.

A small 1.8 acre out parcel, owned by the CRA, has been identified adjacent to the Aragon residential project on the east side of 9th Avenue. This site is programmed for approximately 22 dwelling units with structured parking located beneath the units. Approximately 0.4 acres would be devoted to open space. Another 1.8-acre parcel to the north of the Aragon project is proposed for 24,000 SF of office/commercial development and 116 surface parking spaces.

The Port Royal development site includes two parcels, both of which are proposed for residential development. The 1-acre West parcel consists of 24,000 SF of residential development (24 units) and 48 parking spaces. The 0.7-acre East parcel will be developed for 15,000 gross SF of residential development (15 units) and 32 parking spaces.

The three major development areas that have been the primary focus of this planning study are illustrated in the Bayfront concept plan. Three smaller city-owned sites were also evaluated to determine potential use. These six project areas are discussed in detail on the following pages.

The concept plan also illustrates how the Bayfront walkway system is extended west to Bruce Beach and east to Wayside Park. Pedestrian overlooks will be introduced at six locations along the waterfront walk to view Pensacola Bay. New waterfront-oriented parks will be created at the south terminus of Palafox Street and on the south portion of the Trillium property.

Traffic signals are shown at four intersections along the Bayfront Parkway. One existing traffic signal provides a safe crossing for pedestrians at Palafox Street. Three new traffic signals are proposed to provide safe pedestrian access from the Government Center, the Seville Historic District and the Aragon residential neighborhood along 9th Avenue. The 9th Avenue traffic signal will also provide for safe access to the Hawkshaw Memorial. These additional signals will help to reduce the speed of traffic on the Bayfront Parkway. (Refer to Plan 1)

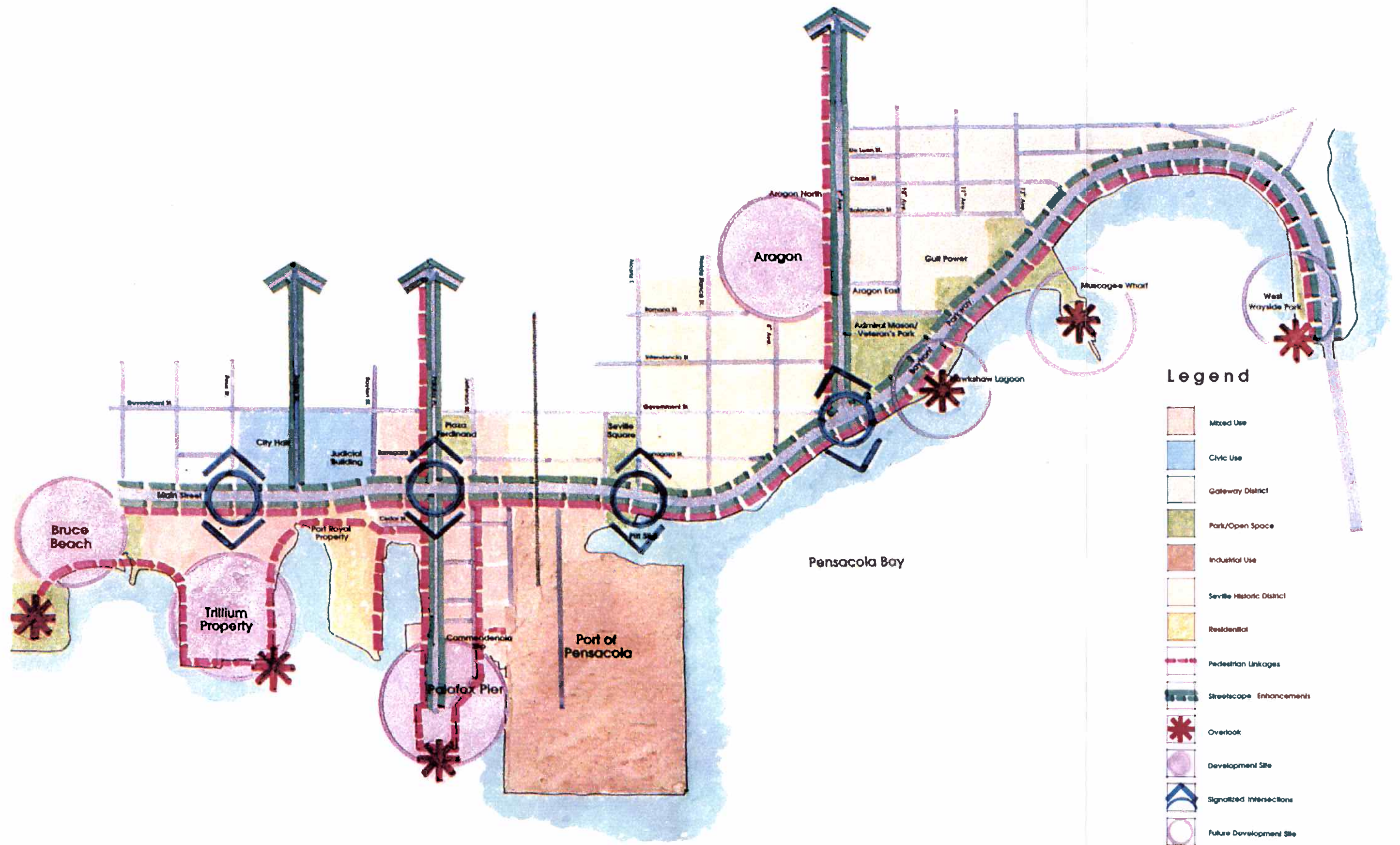
Economic Impact

These real estate investments can bring significant economic impacts into the surrounding Pensacola area. The consultant team presented the land use alternatives and a preliminary projection of their economic impact at a public workshop on July 25, 2000.

The economic impact projections have been reviewed and improved since the July 25th public workshop to optimize land area, maximize fiscal impacts to the City, and maintain realistic marketable projects. Results from this refinement process were design modifications, a standardization of pro forma assumptions, and a conservative approach for calculating Tax Increment Finance (TIF) revenue calculations.

Updates to the computations include the following:

- Soft costs were standardized to equal 28% of hard construction costs for both commercial and residential development.
- Construction TIF revenues were calculated from hard construction costs rather than total development costs. This is a more conservative estimate for the fair market value of each development.
- Calculation of hard construction costs was modified from a net to a gross basis.
- Additional costs, generally incurred on site for improvements, such as stormwater management systems, are not included in the calculations due to the lack of detailed construction plans for the development sites.



Plan 1
**Pensacola Bayfront
 Concept Plan**

The benefits these projects can introduce have been quantified as an increase in development value of more than \$60 million on the 47.8 acres identified. These projects would generate approximately \$186,700 in retail sales taxes during the construction period. In addition, each year the projects would generate \$100,000 in annual retail sales, and \$525,000 in annual property taxes. The income stream related to these annual funds would represent a net present value of approximately \$8 million at an 8% discount rate (derived by dividing the annual income stream by .08 and adding the construction period sales taxes).

Table 1

Site Name	Acreage	Developed	Construction Period			Annual Benefits			Capitalized
		Value	Taxes	Jobs	Payroll	Taxes	Jobs	Payroll	Tax Value
Bruce Beach	12.5	\$6.6 M	\$20,000	27	\$667,000	\$92,000	185	\$3.8 M	\$1,170,000
Trillium	27.5	\$27.8M	\$88,000	117	\$2.9 M	\$230,000	516	\$10.3 M	\$2,963,000
Palafox Pier (Phase I)	2.48 (Both Phases)	\$2.4 M	\$7,000	9	\$232,000	\$30,000	43	\$880,000	\$382,000
Palafox Pier (Phase II)	2.48 (Both Phases)	\$11.1 M	\$39,000	52	\$1.5 M	\$147,000	98	\$2.2 M	\$1,876,500
Aragon North	1.8	\$2.7 M	\$8,000	11	\$274,000	\$38,000	75	\$1.4 M	\$483,000
Aragon East	1.79	\$4.6 M	\$12,000	16	\$393,000	\$43,000	2	\$48,000	\$549,500
Port Royal	1.7	\$4.9 M	\$13,000	17	\$418,000	\$45,000	2	\$48,000	\$575,500
Totals	47.8	\$60.1 M	\$187,000	249	\$6.3 M	\$626,000	921	\$18.7 M	\$8,012,000

In addition, an estimated 249 jobs during the construction period, and 921 permanent jobs created by the projects during operation would also be introduced to the local economy, generating \$6.3 and \$18.7 million in payroll, respectively. Approximately 154 new residents would relocate downtown, bringing a combined annual household income of \$6.2 million into the City. During the construction period, direct consumer expenditures from employees would total \$4 million. Once the projects were completed, annual direct consumer expenditures from the new downtown residents and employees would total \$15.2 million per year. These new development projects would clearly and effectively exhibit the significant potential of the downtown, attracting additional private development, supporting adjacent development, creating a quality downtown waterfront environment, and generating additional opportunities for other public/private development.

The close proximity of the proposed development sites to high-quality public open space, promenades and plazas, coupled with the current and continued projected demand for office, residential, and retail space, presents an excellent opportunity to introduce these mixed-use development projects.

IV. Economic Market Overview

Opportunities & Constraints

The Pensacola MSA (Metropolitan Statistical Area) has exhibited continued growth in population, purchasing power, retail sales, real estate sales and job opportunities. Although largely influenced by the military sector (25% of the economy), the region is transitioning toward a more diverse economy, reflecting a healthy economic outlook capable of supporting new development. These new development projects will accentuate the region's already positive future, attracting more investment and offering a broader range of opportunities for current and future residents.

Demographic Analysis and Economic Trends

This economic and demographic analysis of the Pensacola study region provides a basic overview of the downtown and Pensacola area economy. This section identifies economic and demographic trends and projections related to population, households, median income, employment and recent changes in commercial space square footage. Information on recent trends, projects under construction, both planned and proposed, are also identified.

Population

The Pensacola MSA includes both Escambia and Santa Rosa Counties. These population figures grow at a higher rate from Year 2000 to Year 2005 expanding at 5.9% for the time period.:

Escambia and Santa Rosa Counties Population Projections

Year	Population
1997	307,085
2000	445,961
2005	472,402

Source: Analysis of Pensacola Amenities and Demographics

Recent US Census data reports that the total population for the Pensacola MSA in 1998 was 399,625. The majority of residents are in the age range of 25-65+, with more than half of these individuals being older than 45 years of age.

This recent study of the Pensacola Market (MSA)¹ indicates the following projections for the growth in the number of households.

Total Number of Households

1997	2002	2005
143,900	151,400	168,700

Source: Analysis of Pensacola Amenities and Demographics

¹ "Analysis of Pensacola Amenities and Demographics," Convention Sports & Leisure.

Retail sales are reported at consistently positive growth rates, a good indicator of the economy's health and ability to support new development projects.

Total Retail Sales

1990	1997	1998	1999 (estimated)
\$2,700,000,000	\$3,883,929,856	\$3,999,931,889	\$4,147,200,000

Source: Pensacola Area Chamber of Commerce

Retail Sales by Establishment for the Pensacola MSA² in 1996 can be split into the following sectors (\$1,000s). As presented, automobile sales are the leading retail transaction, followed by Food Store purchases, and General Merchandise sales.

Food Stores	\$587,139	17%
Supermarket	\$567,380	
Eating & Drinking	\$393,633	11%
General Merchandise	\$563,178	16%
Department Store	\$452,992	
Apparel/Accessories	\$114,313	3.3%
Furniture/Appliances	\$221,770	6.4%
Furniture	\$104,893	
Auto Dealers	\$1,018,505	30%
Gas Stations	\$227,843	6%
Building Material/Hardware	\$188,054	5%
Drug Stores	\$125,218	3.6%
TOTAL	\$3,439,653	

Consumer Expenditures³ for the same time period are presented below (\$1,000s):

Food Consumed at Home	\$408,158	9%
Food Consumed Out	\$254,258	6%
Housing	\$1,450,794	33%
Apparel	\$162,891	4%
Healthcare	\$251,560	6%
Transportation	\$837,289	19%
Entertainment	\$234,061	5%
Personal Care	\$59,849	1%
Reading	\$25,346	0.5%
Education	\$63,908	1%
Tobacco	\$41,297	4%
Personal insu/pensions	\$487,453	11%
Housekeeping Supplies	\$63,029	1%
TOTAL	\$4,339,893	

As shown above, leading consumer expenditures are housing, transportation, personal insurance/pensions, and food consumed at home.

² Demographics USA, 1997 Edition; Bayfront Auditorium Replacement Study

³ Demographics USA, 1997 Edition; Bayfront Auditorium Replacement Study

Employment Changes

Census data indicates that Escambia County represented 1.6% of the total employment establishments and 1.8% of all workers employed in the State of Florida in 1997. The county represented the following employment participation for these sectors in the state in 1997.

Sector	Escambia County (97)
	Employees as % of Total Florida Workforce
Agriculture	1.19%
Mining	2.1%
Construction	2.3%
Manufacturing	1.8%
Transportation	1.3%
Wholesale Trade	1.75%
Retail Trade	1.9%
Finance, Insur RE	1.08%
Services	1.97%
Unclassified Services	1.66%

Source: 1997 Census

Changes in Escambia County's workforce are presented in the table below. Employment has grown by 10.6% from 1993 to 1997, however some sectors expanded while others have contracted. For example, growth was apparent in Agriculture, Construction, Wholesale Trade, Retail Trade, FIRE and Services. However, employment opportunities in the Manufacturing and Transportation sectors declined. The greatest growth in employment is represented in the Services sector, with over an 18% increase in employment from 1993 to 1997.

Sector	Escambia County	Escambia County
	Employees by Sector (1993)	Employees by Sector (1997)
Agriculture	476	673
Mining	168	170
Construction	6960	7743
Manufacturing	9027	8876
Transportation	5376	4599
Wholesale Trade	5314	6005
Retail Trade	23418	25200
Finance, Insur RE	4117	4631
Services	37755	44578*
Unclassified Services	59	41
TOTAL	92,670	102,516

*Leading services: health services (93= 14,083; 97=14,628); business (93=6,735; 97=11,757); social (93=3,152; 97=3,881)

Source: 1997 Census

By 1998, total employment for Escambia County was reported to be 116,703 (and 48,942 for Santa Rosa County, for a total of 165,644).

Real Estate Sales

For Escambia County, the number and value of all real estate transactions for the time period 1995 to 1997 is presented in the table below:

Year	1995	1996	1997
Number of Real Estate Transactions	9,489	11,316	11,196
Volume of Real Estate Transactions (\$000s)	\$698,670	\$869,365	\$1,024,944
Average Value of Transaction	\$73,629	\$76,826	\$91,545
Number of Mortgages	5,773	6,913	6,684
Volume of Mortgages (\$000s)	\$493,897	\$666,897	\$691,677

Home Sales

Residential Real Estate Sales for Escambia County in 1998 totaled 7,130 transactions, with 65% of these as re-sales, 21% as new home sales, and just over 1% as townhome/condo sales. The total volume of these residential sales was over \$668 million, with each single family re-sale averaging \$78,871, each single family new sale averaging \$112,326, and each townhouse/condo sale averaging \$137,054.

Construction Report

In 1997, the county of Escambia handled over 1,870 permits for renovation, relocation, addition or demolition. There were over 1,556 permits for single family dwelling construction, 663 permits for business or commercial projects and 58 permits for duplexes and multifamily dwellings.

Commercial Building Activity

The latest available Smith and Company Office Building Occupancy Report for Pensacola, Florida published in Spring 2000 indicated that there were 216,129 GSF available out of a total of 1,697,334 GSF (only 12.7% GSF available). Rents for all office space average approximately \$12 per square foot. Reported rents range from \$6.50 to \$23.50.

Additional economic and demographic information may be found in the appendix.

Interviews

Mr. James Prost, of BBPA, conducted a series of interviews with a variety of stakeholders to glean general trends and impressions of development potential and opportunities in the Pensacola region. Overall, this interview series indicated that retail in the downtown was weak in the current market, but demand for office and residential space was high.

The information gathered from these interviews indicated a particularly strong office market with rents ranging from \$16-\$20 SF. Many interviewees stressed the need for the creation of a comprehensive vision that planned the improvement of the waterfront property over the long term. Respondents also indicated that parking availability was a growing concern, that there was a strong demand for reasonably priced residential space, that there was an overall need for high quality projects on the waterfront, and that any projects considered should provide 'rateables' (income generators) for the city. This drive for quality development has increased significance given the overwhelming success of new projects in the neighboring communities of

Seaside and Sandestin. Other respondents were of the opinion that the auditorium should be relocated to a less prominent location, citing the fact that it served primarily small scale users and hosted few major, large scale events.

Development Outlook

Of all the commercial markets, the office market has the greatest absorption rates. In comparison, retail properties have experienced limited absorption. The office market, almost 95% occupied, has rents now approaching \$20 per square foot near the airport, and \$15 - \$16 per square foot for older downtown space. Most deals in the current office market involve clients acquiring 1,000 - 6,000 SF spaces, with tenant improvements, length of lease and parking negotiated. Parking requirements have increased significantly from the traditional three spaces per thousand square feet for office use. Retail growth in the downtown has been very weak, while retail in the suburbs has been strong with new leases at \$12 per SF for small (1,800 average SF stores with minimal finishing) spaces. However, there may be future potential for downtown retail, as mall space in is running \$25 per SF. This trend is evident as vacancy for retail has gone from 50% to 10% in the downtown core where retail rates are reported at \$8 - \$10 per SF.

There is an increasing demand for residential properties in the downtown and along the waterfront. However, any new residential development considered must be of a high quality and have strong links to the water. This quality demand is driven by the residential projects in Seaside and Sandestin. A strong residential market is available for Aragon Court and Port Royal providing sales prices remain under \$200,000.

Current Development Projects

The tables below reflect the positive development trends occurring in the Pensacola downtown area. During 1998, the following development projects were reported as under construction or recently completed in the downtown area:

Property	Use	SF	Cost
Network Telephone	Comm Office	4975 SF	\$50,000
Automatic Data Processing	Fortune 500 Service Center	3000 SF	\$3,600,000
Seville Dinner Theater	Restaurant	===	\$600,000
Citizen's & People's Bank	Branch Banking	12,320 SF	\$754,000
Horizon Bank	Branch Banking	16,000 SF	\$225,000
Drug Free Workplace	Offices	3,000 SF	\$150,000
Wendy's	Restaurant	2,950 SF	\$1,000,000
Jackson's Restaurant	Restaurant	4,500 SF	\$1,000,000
Marriott Residence Inn	Motel	51,500 SF (78 motel suites)	\$6,000,000
Palafox Pier	Marina	92 slips	\$1,500,000
Civic Center/Park and Trolley	Parking lot	142 spaces	\$253,530
TOTAL SF BY USE		39,295 SF office 51,500 SF hotel 7,450 SF restaurant	

Source: CRA Memo, 1999

Projects completed or planned during 1999 in the City of Pensacola downtown area include the following:

Property	Use	SF	Cost
Harbor Master Building	Office, Ship Store, Restaurant	7,200 SF	\$1,100,000
17 Cedar Street	Offices	8,600 SF	\$1,800,000
Port Royal II	Residential	64,000 (est) SF	\$1,300,000
Everman's Natural Food	Groceries	11,735 SF	\$800,000
City Desk, W Garden Street	Deli/Wine Bar	5,336 SF	\$250,000
Synovos Securities	Bank	6,000 SF	\$1,000,000
Copeland's	Restaurant	8,614 SF	\$1,200,000
People's First Community Bank	Bank	2,000 SF	\$250,000
17 S.De Villiers	Probation Office	4,000 SF	----
Gem Quality Investments	Residential	10,000 SF	\$1,000,000
Park & Trolley Phase II Lot	Parking Lot	162 spaces	\$130,000
Dueling Oaks Heinberg & 17 th Ave	Residential	42 units	\$16,000,000
TOTAL SF BY USE		19,800 SF office	
		25,071 SF other	
		74,000+ SF residential	
		13,950 SF restaurant	

Source: CRA Memo, 1999

A few of the projects currently under construction include the \$12 million mixed use development project on Palafox Pier, the \$1.3 million Port Royal Project, the \$35 million Aragon Redevelopment project and the \$9 million Trillium Park Development.

The Aragon project includes 141 lots, with the lowest priced lots selling in the range of \$30,000 each. The property is being sold to builders and individuals, both of whom must comply with Architectural Review Board guidelines. Response to this project, which includes townhomes, cottages, single family homes, and 1-2 story homes in a "Charleston" style, has been overwhelming.

The Port Royal II project has 16 lots in three different sectors. Homes located away from the water range from \$350,000 to \$500,000. Sector one has three lots, two of which have construction projects underway. This area has a minimum size of 1,500 SF but is averaging 2,550 SF per unit with an average value of \$330,000. Sector two, with five lots at 50 x 160 feet are selling at \$100,000 to \$125,000. Three of these five lots have sold and have projects moving ahead – with an average value ranging from \$450,000 to \$500,000. The final section, located along the waterway, has minimum construction requirements of 2400 SF with an additional 835-1035 SF for a "carriage house" above a 2-3 car garage. Projects in this section are averaging 3,500 SF for the main structure and over 1,000 SF for the carriage house. When completed, this section of Port Royal II will have homes with values averaging more than \$1.2 million. The Port Royal II project management oversees lot sales, advises builders and clients of construction guidelines, and has an architect on board to review designs.

V. Development Program

Civic Auditorium Location

As presented earlier in this report, one of the improved conditions that prompted the 1999/2000 Plan update was the ability to fund public facilities in the downtown area with the Local Option Sales Tax. One of the key projects on this list, the new civic auditorium, presents an opportunity to place a public attraction in a key location. The new civic auditorium introduces an economic "engine" to stimulate investment around the new building.

The consultant team, in conjunction with the city staff, evaluated alternative locations for the civic auditorium. In the process of the evaluation, meetings were held with the project advisory committee to determine the most appropriate site to relocate the auditorium. The key criteria identified for selecting the new site included the following:

- The need for all sites considered to be in a prominent location in close proximity to both the downtown and waterfront.
- The ability to continue the present function of the auditorium. Specifically, to maintain its strong relationship with local organizations and exhibitors.
- Assurance that the site would have adequate potential for expansion, as well as sufficient parking and loading capacity.
- Clearly outlined alternative development uses for each prospective site.
- The impact on adjacent land uses.
- Potential "spin-off" benefit.
- The cost of site development and associated parking;
- Intangible factors (indirect jobs, consumer expenditure, fiscal impact, etc.)

Given these criteria, the site selection process focused on waterfront and downtown sites including but not limited to Bruce Beach, Trillium, Commendencia Slip/Palafox Pier, and sites east of the downtown.

The consultant team, along with the advisory committee, conducted an evaluation of the alternative sites with regard to the above criteria. It was determined that the Trillium site best satisfied the established requirements. In addition to maintaining its location on the waterfront, relocating the auditorium to the Trillium property offered the added benefit of positioning a major public use adjacent to the City's most significant public open space, the proposed "Festival Park". The Trillium site provided adequate space for both public and private development. Consistent with current market conditions, it was perceived that the auditorium did not preclude, but rather enhanced the opportunities for private sector office and commercial development.

Alternative sites provided either inadequate size, required expensive structured parking or were too remote from near term development potential, thereby offering fewer opportunities to leverage private sector development and create synergy between public open space, private development and the auditorium. The two tables in Appendix C present the criteria and evaluation of the alternative sites considered for the new civic auditorium.

Bruce Beach

Several uses considered for this site included a maritime museum or marina type facility to complement the existing infrastructure. However, this site is impacted by its close proximity to a waste-water treatment plant and oil storage facility. This location is also isolated from the core downtown area. Although the introduction of an "attractor" like a civic auditorium would serve to bring people to Bruce Beach and take advantage of the waterfront location, it was ultimately determined that the Trillium site could accomplish this without the negative impacts.

The 12.5 acre site is better suited for longer term development opportunities, consisting of 59,500 SF of largely office and commercial related uses with a projected parking resource of 240 spaces. Open space acreage would be located along the natural coastline. (Refer to Plan 2)

Trillium Site

The 27.5 acre Trillium site should aim to serve multiple markets, including retail and office. because demand is not sufficient for development of a single use. Building modules should be two to three stories in height with a 60 foot depth, flexible for mixed used development and able to accommodate retail, restaurant, and small user office space. The ground floor should have a maximum amount of animated retail space to attract people and take advantage of the park and water view. There is a possible longer term residential opportunity on the eastern edge near Port Royal.

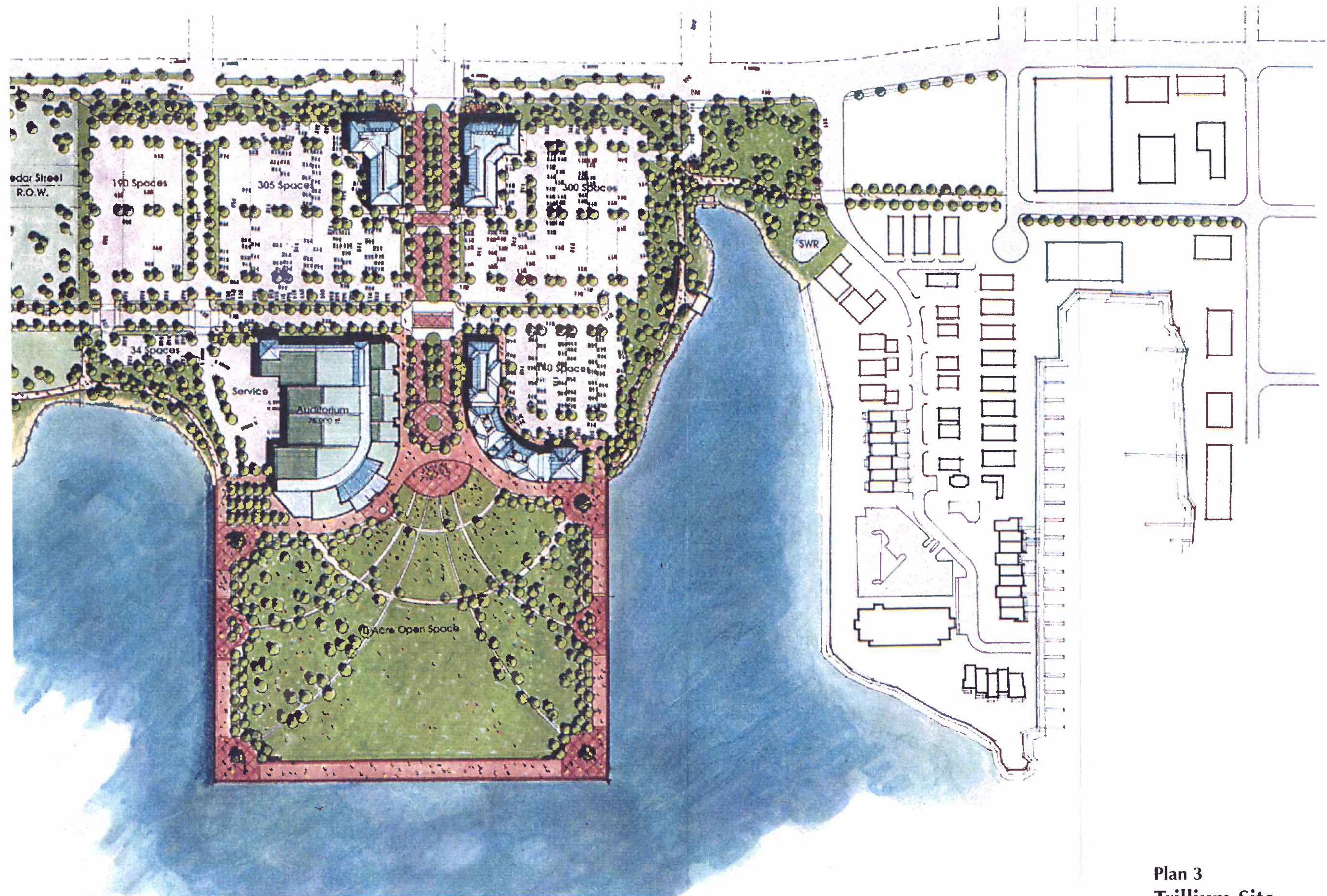
Future development of additional uses (such as upper story residential on the eastern edge of the site or additional office uses) should be accommodated. This additional use would require a modest amount of structured parking and should maximize opportunities for shared parking. Future prices would have to be sufficient to support this structured parking.

The Trillium site is the largest vacant parcel, has the greatest potential for a mix of uses, and provides a significant amount open space. Over half of the acreage will be park and open space land, with 10 acres for formal park space and 5-6 acres as shoreline and boulevard space. The 55,000 square foot auditorium, (with capacity to expand to 75,000 SF) and 142,000 square feet of mixed-use development can be supported on this site. Parking will include 969 surface spaces to accommodate the multiple uses of the project. (Refer to Plan 3)





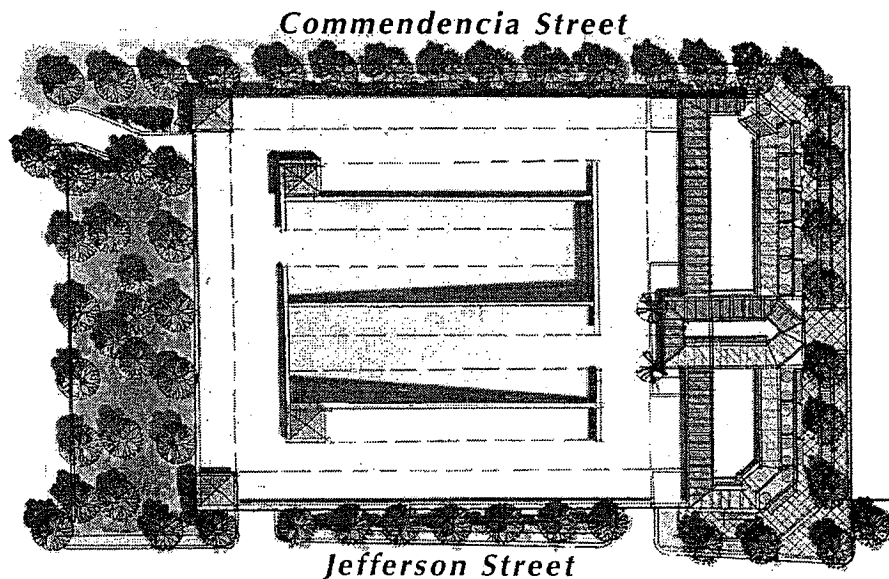
Plan 2
Bruce Beach



Plan 3
Trillium Site

Commendencia Slip/Palafox Pier

This 2.48 acre site has a phased development plan and will contain 0.5 acres for open space. The first phase will provide nearly 20,000 SF of mixed-use commercial and residential space. The second phase will also contain commercial and retail space spread over 43,000 SF. Parking will total 622 spaces, with 112 surface spaces introduced in Phase I, and 510 structured spaces at the completion of Phase II. The structured parking, while excessive in relation to this site's specific development, is required to support other infill development already underway on Palafox Pier to the south. (Refer to Plan 4)

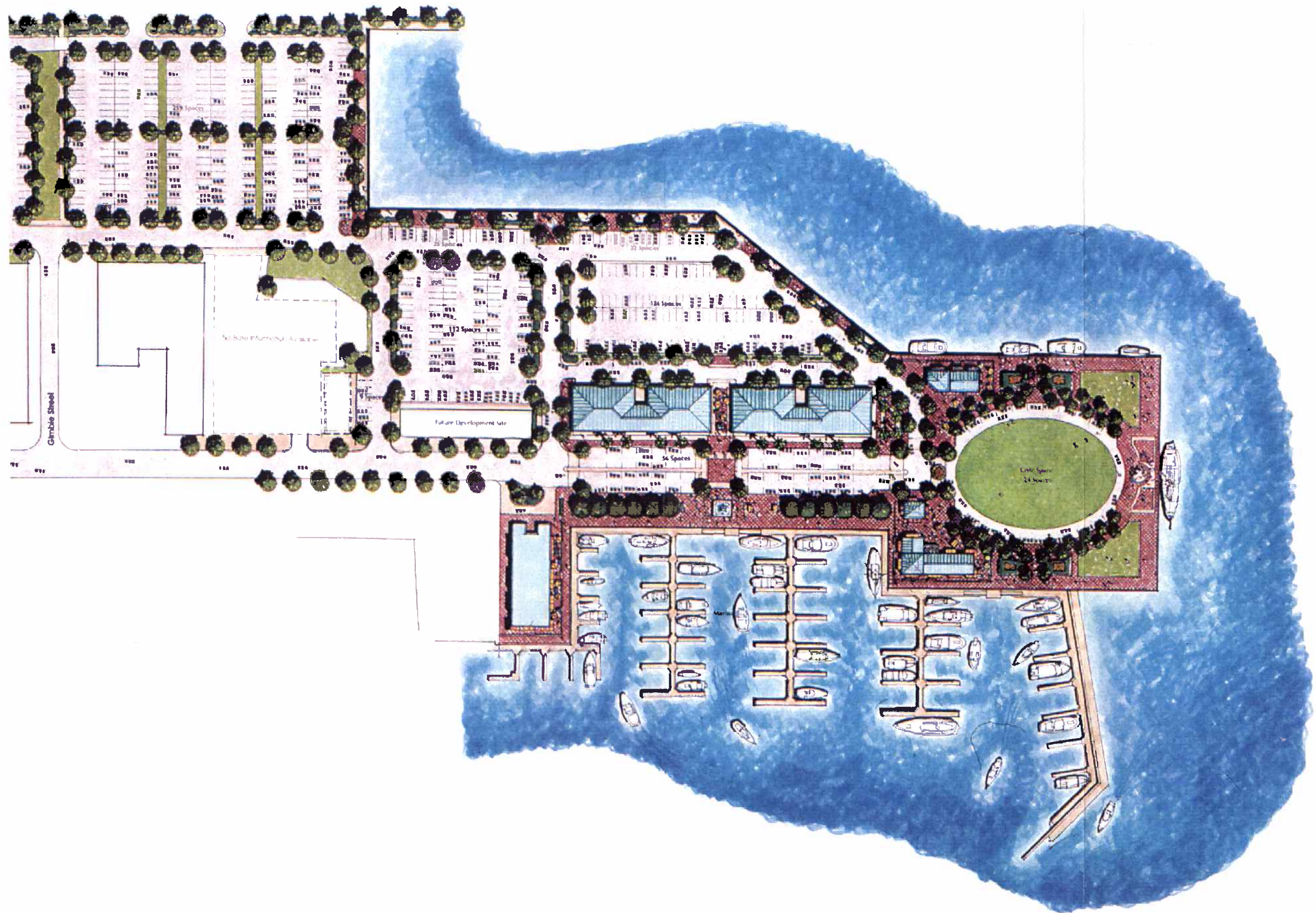


Phase II: Commendencia Slip/Palafox Pier Infill Development

Aragon/Bayfront Parkway Development Area

- *Aragon East*

A small 1.8-acre parcel owned by the CRA, this site was identified adjacent to the Aragon residential project on the east side of 9th Avenue. Development on this site focuses on residential use, with 22 dwelling units and 48 parking spaces. To the north, another 1.8-acre parcel was identified for 24,000 SF of office/commercial development and 116 surface parking spaces.



Plan 4
Commendencia Slip/
Palafox Pier

- *Aragon North*

The development program for this site includes a single one story building of approximately 24,000SF with a parking resource of 116 spaces. The proposed use for this development would be primarily commercial/retail.

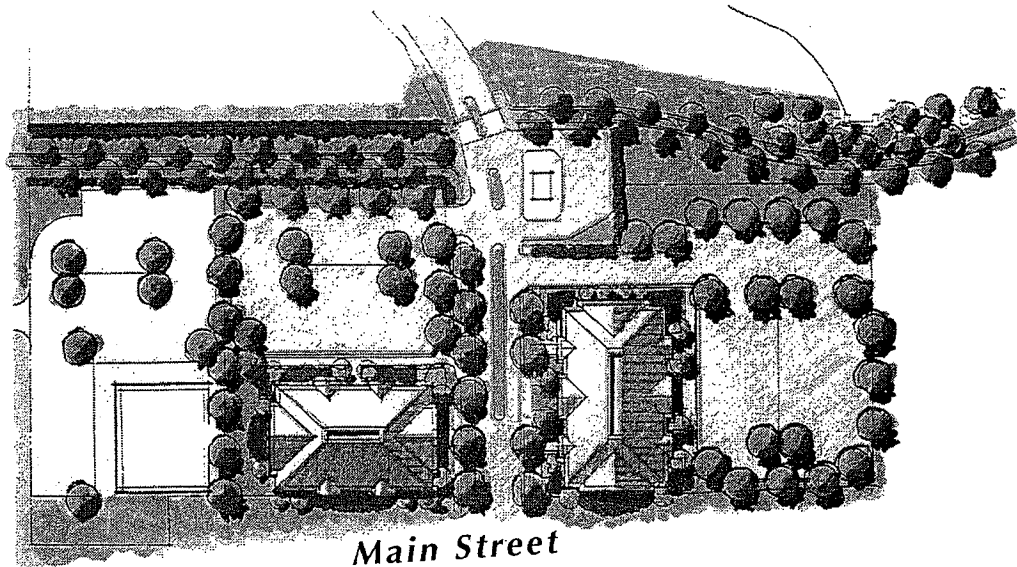
- *Muscogee Wharf*

Muscogee Wharf, currently privately owned, is an open space reclamation project aimed at providing additional park space outside the immediate downtown core area, and strengthening pedestrian linkages along the waterfront. Unlike the structured open space on Palafox Pier and the proposed Festival Park, Muscogee Wharf offers a naturalistic setting away from private sector development, thereby increasing the variety of experiences available to visitors and residents along the waterfront. Limited parking is available on-site in the form of approximately 24 surface spaces. No private sector development is planned for this site. (Refer to Plan 5)

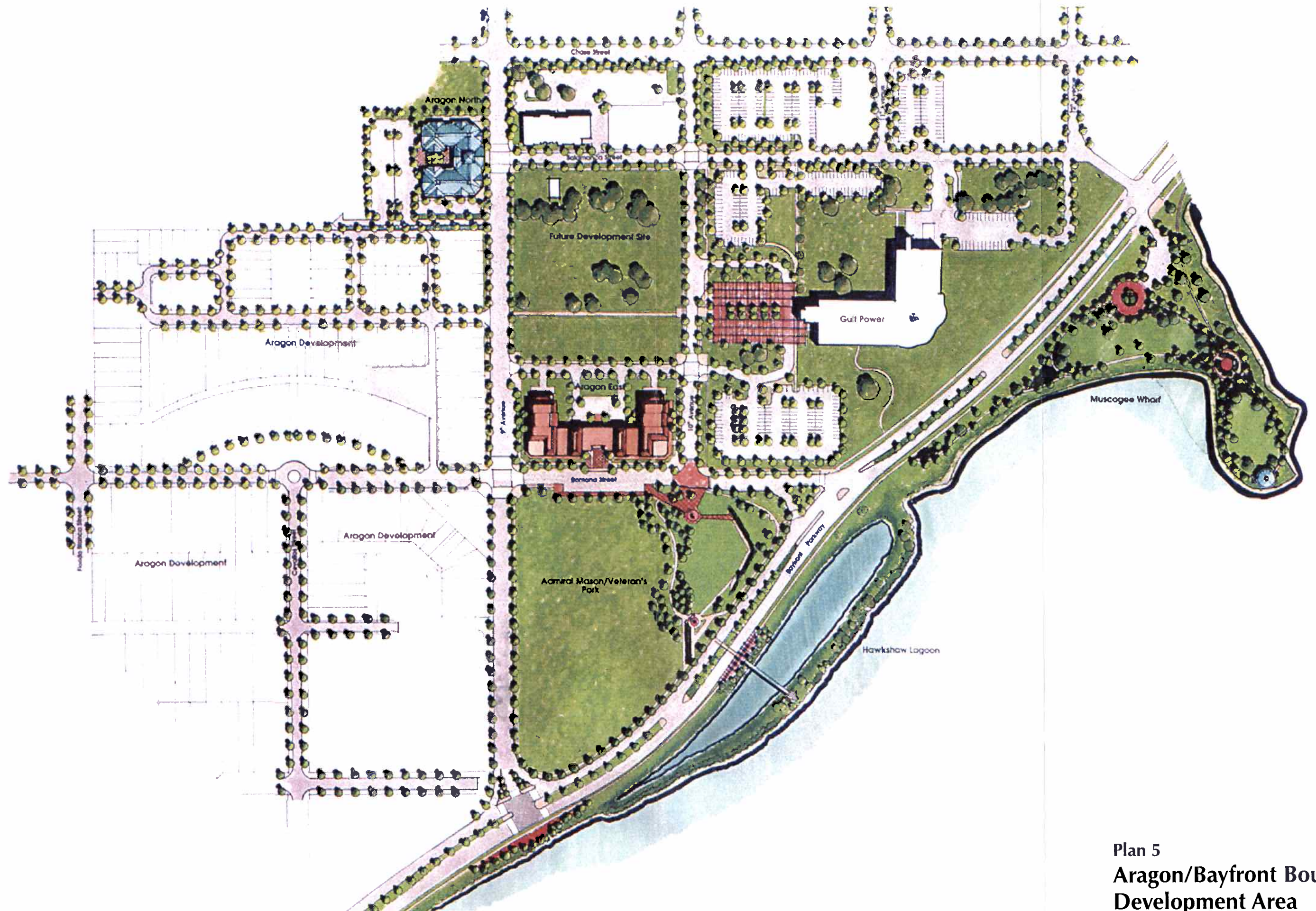
Other Sites

- *Port Royal Phase III (Port Royal West and Port Royal East)*

The current development program for Port Royal Phase III site includes two parcels, both of which are planned for residential development on Main Street. The 1-acre West parcel consists of 24,000 SF of residential development and 48 parking spaces. The .7-acre East parcel is proposed for 15,000 gross SF of residential development and 32 parking spaces. Both sites have the potential for commercial development as well.



Phase III: Port Royal Infill Development



Plan 5
Aragon/Bayfront Boulevard
Development Area

- *CSX Parcel*

Located to the east of an existing warehouse building at the corner of Main Street and Commendencia Street, this site will include a surface parking to support the reuse of the existing building. Currently a County Maintenance Facility (CMF), the program provides for the relocation of the CMF and the creation of 35,000 SF of office space. This project is in the civil engineering stage and is currently in the process of mitigating brownfields issues related to storm water management. The project is expected to be completed by 2002.

- *Port Barracks Street Intermodal Project*

The Port Barracks Street Intermodal Expansion project, under construction at a cost of \$1.1 million, is designed to alleviate traffic congestion at the Port due to the high level of tractor trailer activity. This is a three-phase project with an estimated completion date of December, 2000. The Port Administration Building Phase of the project, constructed for \$464,000, will consolidate administrative and operations personnel in new offices. A 72-space parking lot is being constructed as part of this public project for use by the port staff and dock workers during business hours and the general public on weekday evenings and weekends.

- *West Side of Pensacola Bay Bridge*

West Wayside Park is an open space improvement project to be implemented in collaboration with the Florida Department of Transportation. An extension of the existing Wayside Park, it is critical that this prime open space be maintained and improved, as it is the key gateway element to the City from the South.

VI. Evaluation of Individual Projects

Introduction

The following is a brief summary of the key findings and conclusions of the pro forma, economic, and fiscal evaluations related to the proposed development alternatives for the Bruce Beach, Trillium, Palafox Pier, Aragon Out Parcels, and Port Royal Phase III development sites. The purpose of these analyses is to evaluate each alternative's financial feasibility and the economic and fiscal impacts of the options on Pensacola's economy.

For a detailed explanation of the economic terms used herein (i.e. terms such as capitalization rate, capitalized economic value, residual value, soft costs, and direct and indirect economic impacts), please refer to the economic methodological section located in the appendix.

Bruce Beach

The recommended reuse option for the 12.5-acre Bruce Beach site is office space. BBPA evaluated the economic impacts of a 60,000 gross SF office development, requiring 240 parking spaces.

The office development's capitalized economic value is \$7.3 million and will cost a total of \$6.6 million (including construction, soft costs, and parking), an amount less than the capitalized economic value. Thus, the project has a residual value of approximately \$0.8 million (\$7.34M - \$6.57M = \$.76M).

Table 2-B shows the economic impacts of the construction period on the local economy for the Bruce Beach development. In sum, the total direct and indirect impact from constructing the \$6.6 million development results in 27 jobs, \$667,000 in payroll, and \$416,000 in direct consumer expenditures. The construction period creates a retail sales tax revenue of \$20,000.

Table 2-C shows the annual permanent economic impact on the local economy associated with the Bruce Beach development project. The Bruce Beach development's annual impact is 185 full time jobs, \$3.8 million in payroll, and \$2 million in direct consumer expenditures. Annually, this creates Tax Increment Financing (TIF) revenue of \$72,000 and retail sales tax revenue of \$20,000.

Table 2-A				
Bruce Beach				
Development Program				
	Square		Development	Parking
Development	Feet	Owner	Value	Design
12.5 Acres	60,000	City	\$6.6 Million	240 Surface

Table 2-B				
Bruce Beach Development				
Construction Period Impacts				
		Material	Consumer	Retail Sales
Jobs	Payroll	Purchases	Expenditures	Tax Revenue
27	\$667,000	\$1.6 Million	\$416,000	\$20,000

Table 2-C				
Bruce Beach Development				
Annual Operations Impacts				
	Annual	Consumer	TIF	Retail Sales
Full Time Jobs	Payroll	Expenditures	Revenue	Tax Revenue
185	\$3.8 Million	\$2 Million	\$72,000	\$20,000

Trillium

The development program for the 27.5-acre Trillium site includes a 55,000 gross SF auditorium with potential to expand to 75,000 SF, as well as 142,000 SF of mixed use commercial development, 969 surface parking spaces, and 16 acres of open park space. BBPA evaluated the economic impacts of the auditorium, mixed use development, and parking spaces on the local economy.

The office portion has a capitalized economic value of \$17.5 million and will cost a total of \$15.8 million (including construction, soft costs, and parking), an amount less than the capitalized economic value. Thus, the office project has a residual value of approximately \$1.7 million. The auditorium's total development cost is nearly \$12 million. Economic value was not computed for the auditorium because it is tax exempt property and therefore will not pay real property taxes.

Table 3-B presents the economic impacts of the construction period on the local economy for the Trillium development, including the office and auditorium. In sum, the total direct and indirect impact from constructing the \$27.8 million development results in 117 jobs, \$2.9 million in payroll, and \$1.8 million in direct consumer expenditures. The construction period creates retail sales tax revenue of \$88,000.

Table 3-C presents the annual permanent economic impact on the local economy for the Trillium development project. Trillium development's annual impact is 516 full time jobs, \$10.3 million in payroll, and \$5.6 million in direct consumer expenditures. Annually, this creates TIF revenue of \$174,000, and retail sales tax revenue of \$56,000.

Table 3-A				
Trillium				
Development Program				
	Square		Development	Parking
Development	Feet	Owner	Value	Design
27.5 Acres	197,000	City	\$27.8 Million	969 Surface

Table 3-B				
Trillium Development				
Construction Period Impacts				
		Material	Consumer	Retail Sales
Jobs	Payroll	Purchases	Expenditures	Tax Revenue
117	\$2.9 Million	\$7 Million	\$1.8 Million	\$88,000

Table 3-C				
Trillium Development				
Annual Operations Impacts				
	Annual	Consumer	TIF	Retail Sales
Full Time Jobs	Payroll	Expenditures	Revenue	Tax Revenue
516	\$10.3 Million	\$5.6 Million	\$174,000	\$56,000

Palafox Pier

The development program for the 2.48-acre Palafox Pier site consists of two phases. The first phase includes 6,650 SF of residential development (5 residential units), 13,300 SF of mixed use commercial development, and 112 surface parking spaces. The second phase includes 14,400 SF of residential development (11 residential units), 28,800 SF of office development, and 510 surface and structured parking spaces. BBPA evaluated the economic impacts of both phases in the Palafox Pier development program on the City of Pensacola.

The first phase's office development has a capitalized economic value of \$1.6 million. The office development costs a total of \$1.6 million (including soft costs and parking), an amount equal to the capitalized economic value. Thus, the office development has an expected return equivalent to its required return, with no residual value.

The required sales price for each residential unit in the first phase development program for a 15% return totals approximately \$208,000 (this includes necessary allowances for parking, marketing, land costs, and a 15% profit).

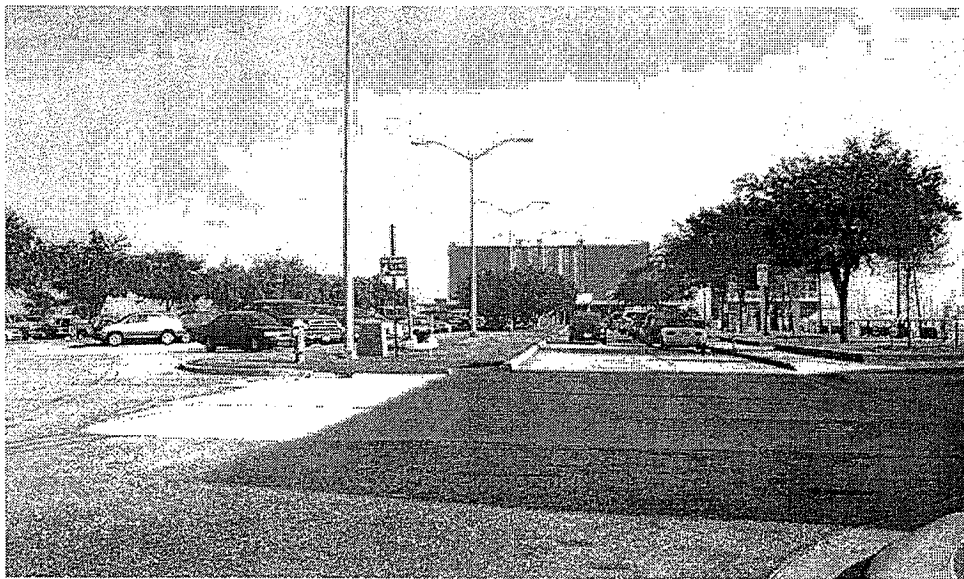


Table 4-B shows the economic impacts of the construction period on the local economy for the Palafox Pier first phase development. In sum, the total direct and indirect impact from constructing the \$2.4 million office and residential developments results in 9 jobs, \$232,000 in payroll, and \$144,000 in direct consumer expenditures. The first phase construction period creates retail sales tax revenue of \$7,000.

Table 4-C shows the annual economic impact on the local economy for the Palafox Pier first phase development project. The first phase development's direct and indirect annual impact is 43 full time jobs, \$880,000 in payroll, 10 residents (2 per unit), \$417,000 in household income, and \$811,000 in direct consumer expenditures. Annually, this creates TIF revenue of \$25,000, and retail sales tax revenue of \$5,000.

Table 4-A				
Palafox Pier Phase I				
Development Program				
	Square		Development	Parking
Development	Feet	Owner	Value	Design
2.48 Acres	19,950	City	\$2.4 Million	112 Surface

Table 4-B				
Palafox Pier Phase I				
Construction Period Impacts				
		Material	Consumer	Retail Sales
Jobs	Payroll	Purchases	Expenditures	Tax Revenue
9	\$232,000	\$555,000	\$144,000	\$7,000

Table 4-C						
Palafox Pier Phase I						
Annual Operations Impacts						
	Annual	Consumer		Household	TIF	Retail Sales
Full Time Jobs	Payroll	Expenditures	Residents	Income	Revenue	Tax Revenue
43	\$880,000	\$811,000	10	\$417,000	\$25,000	\$5,000

The second phase's office development has a capitalized economic value of \$3.6 million. The office development costs a total of \$9 million (including soft costs and parking), an amount greater than the capitalized economic value. Thus, the office development has a negative residual value of approximately \$5.5 million. A large amount of expensive structured parking accounts for the negative residual value.

The large number of parking spaces proposed as structured parking are required to support the 241 spaces already allocated to the Palafox Pier private development and other spaces the City is constructing to continue to support South Palafox private development. Any infill development will have to consider these existing requirements.

Structured parking is four times as expensive as surface parking. In order for the capitalized economic value of this project to equal total development costs, parking may include a maximum of either 48 structured spaces or 300 surface parking spaces. Since 115 spaces are proposed based on a parking requirement of 4 spaces per 1,000 gross square feet, some surface parking will be needed for the project to break even.

The required sales price for each residential unit in the second phase development program for a 15% return totals approximately \$236,000 (this includes necessary allowances for parking, marketing, land costs, and a 15% profit).

Table 5-B shows the economic impacts of the construction period on the local economy for the Palafox Pier second phase development. In sum, the total direct and indirect impact from constructing the \$11.1 million office and residential developments results in 52 jobs, \$1.5 million in payroll, and \$904,000 in direct consumer expenditures. The second phase construction period creates retail sales tax revenue of \$39,000.

Table 5-C shows the annual economic impact on the local economy for the Palafox Pier second phase development project. The second phase development's direct and indirect annual impact is 98 full time jobs, \$2.2 million in payroll, 22 residents, \$1 million in household income, and \$2.1 million in direct consumer expenditures. Annually, this creates TIF revenue of \$136,000, and retail sales tax revenue of \$11,000.

Table 5-A				
Palafox Pier Phase II				
Development Program				
	Square		Development	Parking
Development	Feet	Owner	Value	Design
2.48 Acres	43,200	City	\$11.1 Million	510 Structured

Table 5-B				
Palafox Pier Phase II				
Construction Period Impacts				
		Material	Consumer	Retail Sales
Jobs	Payroll	Purchases	Expenditures	Tax Revenue
52	\$1.5 Million	\$3 Million	\$904,000	\$39,000

Table 5-C						
Palafox Pier Phase II						
Annual Operations Impacts						
	Annual	Consumer		Household	TIF	Retail Sales
Full Time Jobs	Payroll	Expenditures	Residents	Income	Revenue	Tax Revenue
98	\$2.2 Million	\$2.1 Million	22	\$1 Million	\$136,000	\$11,000

Aragon East and Aragon North Parcels

The development program for the Aragon area includes two parcels; a 1.8-acre parcel to the north of the 20 acre Aragon project that includes 24,000 SF of office/commercial development and 116 surface parking spaces, and the other, a 1.79-acre parcel on the east side of 9th Avenue that includes 37,400 gross SF of residential development (22 units) and 48 surface parking spaces. BBPA evaluated the economic impacts of the developments on the City of Pensacola.

The 1.8-acre northern parcel's commercial development has a capitalized economic value of \$3 million. The office development costs a total of \$2.7 million (including soft costs and parking), an amount less than the capitalized economic value. Thus, the office development has a residual value of approximately \$.3 million.

Table 6-B presents the economic impacts of the northern parcel's construction period on the local economy. In sum, the total direct and indirect impact from constructing the \$2.7 million development results in 11 jobs, \$274,000 in payroll, and \$171,000 in direct consumer expenditures. The construction period creates retail sales tax revenue of \$8,000.

Table 6-C shows the annual economic impact on the local economy for the Aragon North development project. Aragon North development's direct and indirect annual impact is 75 full time jobs, \$1.4 million in payroll, and \$765,000 in direct consumer expenditures. Annually, this creates TIF revenue of \$30,000, and retail sales tax revenue of \$8,000.

Table 6-A				
Aragon North				
Development Program				
	Square		Development	Parking
Development	Feet	Owner	Value	Design
1.8 Acres	24,000	City	\$2.7 Million	116 Surface

Table 6-B				
Aragon North Development				
Construction Period Impacts				
		Material	Consumer	Retail Sales
Jobs	Payroll	Purchases	Expenditures	Tax Revenue
11	\$274,000	\$656,000	\$171,000	\$8,000

Table 6-C				
Aragon North Development				
Annual Operations Impacts				
	Annual	Consumer	TIF	Retail Sales
Full Time Jobs	Payroll	Expenditures	Revenue	Tax Revenue
75	\$1.4 Million	\$765,000	\$30,000	\$8,000

The 1.79-acre parcel on the east side of 9th Avenue has a required sales price per residential unit of approximately \$265,000 for a 15% return. (This includes necessary allowances for parking, marketing, land costs, and a 15% profit).

Table 7-B shows the economic impacts of the parcel's construction period on the local economy. In sum, the total direct and indirect impact from constructing the \$4.6 million development will provide 16 jobs, \$393,000 million in payroll, and \$245,000 in direct consumer expenditures. The construction period will generate retail sales tax revenue of \$12,000.

Table 7-C shows the annual economic impact on the local economy for the development project of the east side parcel. The development's direct and indirect annual impact is 2 full time jobs, \$48,000 in payroll, 44 residents, \$2.3 million in household income, and \$1.9 million in direct consumer expenditures. Annually, this creates TIF revenue of \$43,000.

Table 7-A				
Aragan Out - East Side of 9th Avenue				
Development Program				
	Square		Development	Parking
Development	Feet	Owner	Value	Design
1.79 Acres	37,400	City	\$4.6 Million	48 Surface

Table 7-B				
Aragan Out - East Side of 9th Avenue				
Construction Period Impacts				
		Material	Consumer	Retail Sales
Jobs	Payroll	Purchases	Expenditures	Tax Revenue
16	\$393,000	\$942,000	\$245,000	\$12,000

Table 7-C					
Aragan Out - East Side of 9th Avenue					
Annual Operations Impacts					
	Annual	Consumer		Household	TIF
Full Time Jobs	Payroll	Expenditures	Residents	Income	Revenue
2	\$48,000	\$1.9 Million	44	\$2.3 Million	\$43,000

Port Royal

The current development program for the Port Royal site includes two parcels, both of which are planned for residential development but could also be easily developed into commercial sites. The 1-acre West parcel consists of 24,000 SF of residential development (24 units) and 48 parking spaces. The .7-acre East parcel consists of 15,000 gross SF of residential development (15 units) and 32 parking spaces. BBPA evaluated the economic impacts of these developments on the City of Pensacola.

The required sales price for each residential unit in the development program for a 15% return totals approximately \$159,000 (this includes necessary allowances for parking, marketing, land costs, and a 15% profit).

Table 8-B shows the economic impacts of the construction period on the local economy for the Port Royal development. In sum, the total direct and indirect impact from constructing the \$4.9 million development results in 17 jobs, \$418,000 million in payroll, and \$260,000 in direct consumer expenditures. The construction period creates retail sales tax revenue of \$13,000.

Table 8-C shows the annual economic impact on the local economy for the Port Royal development project. Port Royal development's direct and indirect annual impact is 2 full time jobs, \$48,000 in payroll, 78 residents, \$2.5 million in household income, and \$2 million in direct consumer expenditures. Annually, this creates TIF revenue of \$45,000.

Table 8-A				
Port Royal				
Development Program				
	Square		Development	Parking
Development	Feet	Owner	Value	Design
1.7 Acres	39,000	City	\$4.9 Million	80 Surface

Table 8-B				
Port Royal Development				
Construction Period Impacts				
		Material	Consumer	Retail Sales
Jobs	Payroll	Purchases	Expenditures	Tax Revenue
17	\$418,000	\$1 Million	\$260,000	\$13,000

Table 8-C					
Port Royal Development					
Annual Operations Impacts					
	Annual	Consumer		Household	TIF
Full Time Jobs	Payroll	Expenditures	Residents	Income	Revenue
2	\$48,000	\$2 Million	78	\$2.5 Million	\$45,000

VII. Financial Funding Approach

Required Public Investments

The City has identified several sources of funding that can be combined to construct the public improvements proposed in the **Development Program**, Section V. of the plan. These sources include:

- Community Redevelopment Agency (CRA) Tax Increment Financing (TIF) Funds
- The City's primary source of capital construction funds, the Local Option Sales Tax (LOST) Eight Year Revenue
- Florida Seaport Transportation Economic Development (FSTED) Funds
- Other internal City funding sources still being discussed

Over the past 20 years, the City has effectively used TIF funds and LOST funds to improve and enhance the public realm in the downtown area, access to the Pensacola Bay shoreline (including more pedestrian friendly sidewalks), the quality of street lighting, parking facilities, and acquisition and improvement of open space.

The Waterfront Development Plan, 2000, prioritizes the capital projects shown in Table 9 for construction over the next three to five years. Each project is listed with an estimated construction cost, a recommended time line and potential funding sources. (The estimated construction costs are considered preliminary and subject to change with more detailed design information).

Table 9 lists capital projects that total \$ 28,380,630. The City and the CRA have identified a source or multiple sources of funding for \$20,450,630 of the estimated construction costs from a combination of Community Redevelopment Agency TIF revenues, LOST revenues, Florida Community Trust (FCT) acquisition grant funds, and FSTED grant funds. A variety of other sources of funding are currently being explored to secure the balance of \$7,930,000 that is estimated to be needed to complete the public improvements prioritized in the 2000 plan.

The projected construction costs shown in Table 9 are considered to be very preliminary and subject to change once the projects are designed. Soil conditions and unknown subsurface conditions may also pose design challenges along the waterfront that may increase the individual projects' costs.

In Section II. **Introduction** of the plan, the role of the Port of Pensacola was described as an integral partner in the ongoing redevelopment planning for Pensacola's waterfront. Table 9 includes several major construction projects such as the Commendencia Slip fill and parking lot project and the bulkheading of the Trillium property that involve the Port and FSTED funds in the partnership with the City and the CRA. The Commendencia Slip project provides new parking capacity for the redeveloping area along Palafox Street, adds a revenue stream to the Port from parking fees, and offers new non-traditional maritime berthing opportunities and revenues for the Port from the 725 feet of improved bulkhead/berthing space in the slip. The bulkhead improvements to the southern edge of the Trillium property, a CRA/Port partnership also provides an additional 760 feet of improved berthing space that will be promoted for visiting research and military vessels, tall sailing ships, short distance excursion boats and possibly smaller cruise ship operations. These berthing fees will also be a source of revenue for the Port.

**Table 9 Pensacola Waterfront Plan Public Projects
Projected Schedule 2000-2005**

Project	Estimated Cost	Commencement/ Completion	Funding Sources
Palafox Pier Phase II Promenade/Street	\$900,000	Dec. 2000 – Dec. 2001	City Lease Payment
Palafox Pier Phase III Private Development Site		Not scheduled yet	Proposed to be funded by private lease payment
Palafox Pier Public Plaza (southern end of pier)	1,120,640	Aug. 2003 – Feb. 2004	Community Redevelopment Agency (CRA) TIF Funds
Trillium Site			
Acquisition of Land	3,630,000	Complete	LOST Funds and FCT Grant
Bulkhead Repair	5,000,000	Jan. 2001 – Feb. 2002	LOST Funds and FSTED Grant
Festival Park/Entrance Road	4,500,000	Jan 2002 – Jan. 2003	LOST Funds
Civic Auditorium	12,000,000	Jan 2002 – Jan. 2003	LOST Funds/Partially unfunded
Commendancia Slip Parking	530,000	Oct. 200 – Apr 2001	LOST Funds and CRA TIF
Bayfront Parkway/Main Street Pedestrian Improvements			
Hawkshaw Lagoon – 17 th Ave	150,000	Oct. 2000 – May 2001	CRA TIF Funds
Port Royal to "A"	131,460	Sept. 2001 – Mar. 2002	CRA TIF Funds
Cedar Street Pedestrian Improvements			
Commendancia St. – Baylen St.	120,160	Sept. 2001 – Mar. 2002	CRA TIF Funds
Baylen St. – Spring St.	128,370	Sept. 2001 – Mar. 2002	CRA TIF Funds
Pensacola Bay Bridge (northwest entrance)	170,000	Schedule depends on DOT participation	FDOT
Total	\$28,380,630		

One project that is not listed in Table 9, but is included as a potential opportunity for a private mixed use infill project is shown on page 18. The Phase II development of the Commendancia Slip/Palafox Pier site, currently the site of the Commendancia Slip parking lot, is not projected to occur until 2005 or later. Considering that this site supplies 241 of the parking spaces to support existing development or development scheduled to come out of the ground in early 2001 on Palafox Pier, the Phase II development opportunity requires a multilevel parking garage to accommodate the existing development already completed or approved for construction and the new infill opportunity. Based on the most current construction cost information for multi-level parking facilities in the downtown area, the cost per space is estimated to range from \$11,000 to \$14,000. Using this range, the 510-space garage required to support the infill opportunity and the existing users of the Palafox Pier is projected to range from \$5,610,000 to \$7,140,000. The funds for this parking facility are not budgeted at this time.

Potential Fiscal Impacts

The potential fiscal impacts of the redevelopment sites examined in the plan include annual property taxes (ad valorem tax revenue), sales tax revenues, and the generation of jobs, both temporary construction and permanent jobs. Tables 1 through 8 summarize the four impacts outlined above for each development site, along with other impacts including payroll, material purchases, and consumer expenditures.

Tax Increment Financing (TIF)

Since the establishment of the CRA in 1980, and the adoption of Ordinance No. 13-84 in 1984 that created the Redevelopment Trust Fund through tax increment financing (TIF), Pensacola has used the TIF resource as a key funding tool for public infrastructure construction in the 1308 acre Urban Core area. The annual projected TIF impact as a result of the build-out of the projects described in Section VI. Evaluation of Individual Projects, is estimated at \$525,000.

The TIF revenue source has increased from \$69,496 in fiscal year 1985, the year it was established, to \$ 2,152,626 (projected) in fiscal year 2001. Over the past year, the growth in the TIF was reported at 59.3 %, the highest increase in this revenue source since fiscal year 1989. This growth is a result of several large private sector projects that have recently been completed. Several other large scale projects, such as the 20 acre Aragon Court traditional neighborhood development project, will be built-out over the next three to five years and it is anticipated that with the fiscal year 2001 increase and these additional projected projects coming on line, TIF funds will continue to be one of the primary funding tools the City can depend on for construction of public realm improvements.

IX. Implementation Strategy/Action Plan

Overview

Section III. Summary of Project Findings, of this plan describes the objectives that guided the formulation of the Waterfront Development Plan, 2000:

- Enliven the waterfront
- Optimize positive economic impacts
- Enhance public access to the waterfront
- Support adjacent land uses
- Provide potential for expansion
- Maximize the impact of public sector infrastructure and parking investments
- Create potential City land lease revenues
- Optimize economic and fiscal impacts

The 2000 plan clearly calls for the continued public/private relationship on the key development sites that were identified as future development opportunities. The majority of the public infrastructure projects designed to improve the public realm or provide new park and open space and waterfront access within the study area can be accomplished in the next five (5) years. BBPA believes that a considerable amount of private development is feasible in this same time period on the key project sites, unless local market conditions change significantly.

Private/Public Roles and Responsibilities

The public sector in Pensacola has taken the lead in setting the stage for downtown waterfront development. The City has taken a proactive posture in undertaking predevelopment planning, identifying development opportunities and constraints, providing design and planning guidelines, acquiring and consolidating development parcels and constructing necessary infrastructure improvements. The City has financing and funding mechanisms in place such as the Local Option Sales Tax and Tax Increment Financing as well as the availability of state and federal grants to further facilitate public/private development.

The City of Pensacola has laid the foundation for positive future growth. The next steps will rely heavily on local officials and require:

- Financing and construction of the capital projects shown in Table 9 on page 23
- Determination of the best method of identifying qualified developers to be partnered with the City in downtown waterfront development.

BBPA believes the developer solicitation process should emphasize knowing the strengths and weaknesses of potential private sector business partners. In the past, the City of Pensacola has typically offered properties for lease or sale through a one step Request for Proposal (RFP) process when there has been considerable interest in particular parcels and when there is a need to achieve broad-based participation in the disposition and subsequent use of the property. Some communities decide to create a two step process first issuing a Request for Qualifications (RFQ) followed by Request for Proposals (RFP) to the most qualified developers to proceed with a contemplated project. Page 32 in the appendix presents the policy adopted by the City Council in January, 2000 for the disposition of City owned and CRA owned real property.

In structuring a developer solicitation process, BBPA recommends the following criteria be considered, at a minimum, when selecting a developer or development team:

- The developers "track record" and experience with public entities
- The strength of any operator/tenant and/or financing commitments the developer can deliver
- The developer's ability and commitment to perform their chosen role, i.e., being an efficient manager who assembles the right team and possesses the proper experience to deliver the desired project on time and within budget.

The City should also undertake necessary predevelopment, economic and market evaluations on their own behalf to prepare for proper negotiations and discussions with the private sector. The City should recognize that the strength of the economic marketplace will determine in large measure the strength of the public sector's negotiating position and the ability to generate greater long term public sector benefits. The City should evaluate the full range of tools and resources it has available to both negotiate with and meet the needs of the specific project.

Financing and Funding

Table 9 on page 33 presents the nine (9) capital construction projects proposed to be funded by the City over the next five (5) years within the waterfront study area. A variety of funding sources, including locally generated funds such as the sales tax (LOST) and the tax increment finance (TIF) funds and State grant funds have been identified to support the projects included on Table 9. Additional local public sector infrastructure funding in the amount of \$7.9 million is needed to complete all of the projects listed on the table (\$28.3 million).

The actual development of these sites, including the northern portion of the Trillium property, Bruce Beach, Port Royal Phase III, Commendencia Slip/Palafox Pier and the two Aragon out parcels will be funded by private developers or development groups.

Private sector development pro forma financial analysis has been prepared for each of the projects demonstrating the financial viability of the projects and/or any necessary funding gaps. In general, the projects are financially viable with minimum public sector assistance. Projects which require a significant environmental remediation and/or provision of parking beyond the individual needs of the project will require financial assistance.

More detailed financing and funding evaluations need to be conducted showing the required "draw down" of the public sector funds over time and a comparison of the fiscal impact and benefit flows. This will identify any financing and funding requirements to "bridge the gap" in the need for "upfront" public sector infrastructure investments with subsequent generation of long term public sector fiscal benefits. The future additional local public sector infrastructure investment needed is approximately \$7.9 million. This will supply an estimated \$48.7 million in private sector investment (the developments' capitalized economic value), or \$6 of private sector investment for every \$1 of future local public sector infrastructure investment.

An estimated 248 jobs during the construction period, and 921 permanent jobs created by the projects during operation would also be introduced to the local economy, generating \$6.3 and \$18.7 million in payroll respectively. In addition, an estimated 154 new residents would relocate downtown, bringing a combined annual household income of \$6.2 million. Direct consumer expenditures would total approximately \$4 million during the construction period and approximately \$15.2 million from the permanent jobs and new residents annually.

Amendments to Land Use Regulations

The majority of the study area the Waterfront Development Plan, 2000 focused on is located within the City's zoning category Waterfront Redevelopment District (WRD). This district was established in the 1987 in the early stages of a transition from a more industrialized waterfront west of Palafox Street to a mixed-use waterfront. The WRD land use regulations have not been amended since the regulations were adopted. The majority of the property within this district is owned by the City of Pensacola and has been identified for redevelopment in uses that are less intense than industrial and heavy commercial activities.

The consultant team and the City Staff believe there are a number of permitted uses in the WRD zoning category that are no longer compatible with the redevelopment activity that has already occurred in the district and the redevelopment activity that is projected to continue to occur, based on the six month planning process just completed. These uses relate to heavier commercial activity such as boat sales/rental, marine construction and repair and cargo shipping terminals. Activities such as these typically generate more truck traffic through the downtown area and require large parcels and open storage areas that are difficult to screen or buffer from adjacent properties.

The City's consultant team and citizen's advisory committee has recommended a mixture of land uses on the vacant properties in the WRD that include residential, office and commercial activities. The WRD regulations permit these types of uses with site plan and architectural review by the City Planning Board and City Council.

Marketing and Merchandising Plan

The Pensacola waterfront is an exciting inviting and vibrant location with significant development opportunities. The City and the private sector must work together to publicize the image of the Pensacola waterfront in a positive light. The approach must be to aggressively communicate the restoration and revitalization of the historic waterfront and its many specialty features. This includes the opportunity to target investors and developers. The opportunity to live, work, dine and be entertained in a high quality environment with significant public access to the waterfront, should be emphasized.

Marketing of this area should highlight the images of the historic character of the City combined with the attraction of the waterfront. The image will also draw on the emerging art, culture, entertainment, special events and public facilities that take place in and along the waterfront. Specific amenities associated with the development opportunities such as waterfront access and views, availability of public open space, adequate parking and access, proximity to downtown services and amenities, regional accessibility, high quality labor force and a growing tourism market, should be outlined in marketing material.

Basic marketing strategies should include implementing a marketing campaign based upon an understanding of the positive attributes affecting the market and the waterfront development parcels. The development plans, financial analysis and urban design concepts can be utilized to create marketing material. Utilization of City facilities proximate to the waterfront (such as City Hall) should be utilized to create an onsite marketing center where renderings and storyboards are featured to continually reinforce the positive image, features and benefits of developing living, working and occupying space on the downtown waterfront.

Collateral marketing and merchandising material should be created to portray a positive image for the City downtown, and waterfront as a unique, revitalized place in the Northwest

Florida/South Alabama region. Marketing material could include direct mailing pieces, website development, direct mail information packages, and news releases.

As appropriate, direct prospecting for potential developers and tenants could take place. This could work through existing contact points such as the Chamber of Commerce and the Downtown Improvement Board emphasizing prospective developers and tenants that recognize and appreciate the unique attributes of a downtown waterfront location.

A specific developer solicitation process should ultimately take place. This should consist of initial developer contacts, the creation of marketing and merchandising material, and the subsequent issuing of a full development Request for Proposals.

APPENDIX

Appendix A: Economic Methodological Note

Appendix B: Process for Disposal of City Property

Appendix C: Bayfront Auditorium Criteria Analysis and Relocation Alternatives

Appendix D: Additional Economic and Demographic Information for Pensacola

Appendix A: Economic Methodological Note

Capitalization Rate: An economic variable employed to determine the economic worth of a project based on a project's cash flow stream over time. Considerations accounted for in the rate include the presumed amount of equity and debt financing and the required return for cash flow given this financial makeup, tax implications for debt and equity financing, and the potential to sell the asset in the future. Consequently, it is used to determine what a reasonable investor would pay for this project, given its risk and estimated stream of cash flows as determined by the net operating income. An 11% capitalization rate was used to determine each project's capitalized economic value.

Capitalized Economic Value: The amount of money a reasonable investor would pay for a project, given a specific capitalization rate. This is deduced by dividing the Net Operating Income (NOI) by the capitalization rate. When the capitalized economic value exceeds the total development cost of a project, the project is said to have a positive residual value. When the capitalized economic value is less than the total development cost of a project, the project is said to have a negative residual value.

Residual Value: An amount equal to the difference between the capitalized economic value and the total development cost. A negative residual value indicates the project's return is not enough to adequately compensate a reasonable investor and therefore adjustments should be made to the development proposal. A positive residual value indicates the project's expected return is greater than its required return for a reasonable investor and is therefore a desired investment opportunity.

Leaseable Space: 85% of the total square footage for each office development is assumed to be leaseable to tenants. It is also assumed that the rent per square foot of leaseable office space is \$24/sf, based on the Smith and Company Occupancy Report. The leaseable space multiplied by the assumed rent per square foot calculates the annual potential rent.

Net Operating Income (NOI): NOI is the annual income a project is estimated to earn, determined by subtracting operating expenses and an allocation from losses due to vacancies from gross income. Net operating income is divided by the capitalization rate (11% for the projects under consideration) to determine the capitalized economic value.

Building Construction Costs: Estimated to be \$80/sf, which is multiplied by the total square footage to yield a construction cost. This amount does not include soft costs.

Soft Costs: Costs included in the pro formas analyses that account for expenses not directly related to the development's construction, or costs other than direct materials and labors. Such costs include an allowance for contingencies, interim financing costs, design permits, lawyer expenses, etc., and are estimated to equal 28% of the building construction costs.

Household Income: Determined by dividing the required sales price of a housing unit for a given development site by 2.5. This estimate of household income is multiplied by the number of units planned for a development site in order to determine the total household income for the site.

Direct Economic Impact: Impacts that occur from employing labor to construct the development and then annually from the people working or living in the development. Thus there are two stages of direct impacts, the construction phase impacts and the annual operation impacts. Direct economic impacts include increased employment, payroll, and taxes.

Indirect Economic Impacts: Direct economic impacts create indirect impacts through multiplier effects, which were added to direct impacts to calculate the total economic impact of each project.

Direct Consumer Expenditures: Calculated by using the following formula, which represents the amount of income that is consumed: $\text{Total Income} \times 87\% = \text{Disposable Income}$; $\text{Disposable Income} \times 92\% = \text{Consumer Expenditures}$.

Appendix B: Process for Disposal of City Property

The following guidelines are to be used for the disposition (by sale or lease) of City-owned property.

Types of Disposal by Sale or Lease

1. Open Bid
2. Request for Proposal (RFP)
3. Direct Negotiation

Process

1. Staff identifies City property as surplus or otherwise available for disposal, utilization or development and recommends to City Council through the appropriate committee a method of transaction (open bid, RFP or direct negotiation).
2. City Council confirms property availability and determines the transaction method as outlined below.
3. Open Bid Option:
 - Obtain appraisal.
 - Prepare bid specifications.
 - Accept public sealed bids.
 - Council accepts or rejects bid.
4. RFP Option:
 - Obtain appraisal.
 - Identify development or utilization criteria based on comprehensive plan, master plans, economic or market conditions, impact on adjacent neighborhoods, neighborhood input, and physical characteristics of property.
 - Prepare RFP requirements and specifications.
 - Accept public sealed proposal(s).
 - Council accepts or rejects proposal(s).
5. Direct Negotiation Option:
 - Obtain appraisal (unless property is of little or no value)
 - Administration negotiates agreement.
 - Council accepts or rejects bid.

Appendix C:

Bayfront Auditorium Criteria Analysis

Site Name	Impact of Adjacent Land Use	Potential for Expansion	Additional Costs for Structured Parking	Potential for Land lease
Bruce Beach	— Water filtration	+	+	? Impacts of adjacent land use
Trillium Site	+ Festival Park Project	+	+	+
Commendancia Slip Site	+ Could provide "buffer from port operations for redevelopment projects	—	—	+

Bayfront Auditorium Relocation Alternatives

Site Name	Acreage	City Owned	Value	Parking Design	Potential to Attract Private
Bruce Beach	12.6	✓	\$1.50	500 spaces	Medium
Trillium Site	12.0	✓	\$1.56	500 spaces	High
Commendancia Slip Site	2.48	✓	\$1.14	477 spaces structure	High
Civic Center	TBD	County Owned	TBD	Shared with Civic Center	Medium

Appendix D:

Additional Economic and Demographic Information for Pensacola

This economic and demographic analysis of the Pensacola study region provides a basic overview of the downtown and Pensacola area economy. This section identifies economic and demographic trends and projections in terms of population, households, median income, employment and recent changes in commercial space square footage.

Military

Employment opportunities at local military bases also contribute to the health of the local economy. Naval employment in Escambia County provides over 23,000 jobs (over 16,700 military and nearly 6,300 civilian).

In a recent study of the Pensacola MSA⁴ a listing of major employers indicated that in 1997, nearly 60% of the employed population worked in the government sector. Over half of these government workers were employed in positions at three local military bases.

In a recent regional report⁵ indications for increased job opportunities in the study region were presented. By the end of the second quarter in 1999, Escambia County has attracted over 4,200 new jobs and Santa Rosa nearly 2,000 jobs.

The recent relocation of the Naval Technical Training Center (NATTC) has supported further growth in the Pensacola region. Nearly \$340 million was invested to update the Naval Aviation Depot (BRAC 1993). Pensacola was also selected as one of twenty-six Defense Finance and Accounting Centers –projected to bring 500 new jobs and an additional payroll impact of \$12.5 million. These positive developments provide a brighter future for the Naval Air Station, and the surrounding region.

New Job Opportunities

The Pensacola region's Chamber of Commerce and Committee of One Hundred have been pushing an aggressive campaign to acquire new job opportunities and encourage an influx of new capital investment. Recent achievements are presented in the table below:

⁴ "Analysis of Pensacola Market Amenities and Demographics," Conventions Sports & Leisure

⁵ Economic Impact of Visitor Spending," Rick Harper, Haas Center for Business Research, the University of West Florida

Employer	Type	Number of Jobs	Capital Investment	SF
Champion International	Dimensional Lumber Mill	120	\$ 61 million	229,600
Comm Structures	Installs cell towers for telecom industry	127	\$1.7 million	30,000
Network Telephone	Telecom	196	\$4 million	27,000
Wayne Dalton	Electric Motors	54	\$0.6 million	----
Southern Hardwoods	Lumber importer and manufacturer	90	\$2 million	40,000
Aristar	Financial Services Center	300	\$11.7 million	50,000
Dial America	Outbound telemarketing	185	\$2 million	7,000
Dana/Pacer	Original Equipment Manufacturer	200	\$3.9 million	-----
Thompsons Produce	Bulk and custom fruit and vegetable	100	\$3 million	100,000
World Net Services	Insurance customer service	150	\$1 million	----
KMC Telecom	Digitally switched high speed service provider	25	\$15 million	50,000
Magnum Design	After Market automobile parts re-manufacturer	70	0.4 million	40,000
Rate Watch	Interest Rate survey firm	25	\$0.550 million	9,000

Wages by Industry in 1997 for the Pensacola MSA are provided in the table below:

Industry	Wage
Agriculture	\$16,183
Construction	\$24,047
Manufacturing	\$37,199
Transportation	\$30,249
Wholesale Trade	\$27,673
Retail Trade	\$13,848
Finance	\$26,767
Services	\$23,110
Government	\$28,149

The table below presents the average manufacturing wage for Escambia County and surrounding counties in 1996:

County	Wage	Number of Jobs
Escambia	\$36,754	143,960
Baldwin	\$25,906	66,240
Santa Rosa	\$26,882	51,625
Okaloosa	\$26,485	84,575

Unemployment

Census data reports that for Escambia County, the unemployment rate has fallen from 5.6% in 1990 to 5.1% in 1994 to 4.1% by 1996.

Local Area Unemployment Statistics⁶ compares unemployment rates between the Second Quarter 1998 to the Second Quarter 1999. These rates are reported as:

	2 nd Quarter 1998	2 nd Quarter 1999
Escambia	4.0	3.6
Santa Rosa	4.4	3.7
Florida	4.3	4.0

Median Income

The median income reported the last quarter in 1998 for the Pensacola MSA⁷ was \$41,900. This compares with median income in the United States for the same time period, a total of \$40,257⁸— making the median income in the Pensacola MSA's 3.9% higher than the average for the United States.

Personal Income

Census data (BEA) also indicates that Personal Income on a per capita basis has improved from \$15,011 in 1990 to \$16,899 in 1993 to \$17,661 in 1994 to \$19,064 by 1996 for the Pensacola MSA

However, the percent of persons living below poverty levels has increased from 17% in 1989 to 20.3% in 1993. This compares with the percent of population below the poverty level for the entire state which was 14.4% in 1990 which later fell to 13.1% by 1998.

Cost of Living Index for First Quarter 1999

The Pensacola MSA enjoys the third lowest Composite Index (Daytona Beach and Jacksonville are the lowest and second lowest) at 96.4. which compares with the USA Constant Index of 100. However, within the mix of the composite, the Pensacola MSA has a variety of ratings. For Grocery Items 102.2, Housing 82.6, Utilities 94.2, Transportation 100.4, Health Care 109.1 and Miscellaneous Goods & Services 102.6. The Composite breakdown shows Pensacola as having the second lowest housing costs, the third lowest utility costs, and the second highest health care costs for the Florida MSAs.

⁶ "Economic Impact of Visitor Spending," Rick Harper, Haas Center for Business Research, the University of West Florida

⁷ US Department of Housing and Urban Development, Orlando, FL

⁸ Woods & Poole Economics Inc.