Highlands County, Florida

Housing Study

May 2019 | FINAL

COUNTY OF HIGHLANDS
1921
STATE OF FLORIDA

Kimley»Horn

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1. Introduction

In 2018, Highlands County received a Community Planning Technical Assistance grant to investigate market-rate, non-subsidized multi-family housing that can be profitably delivered while still affordable to meet the needs of existing and future residents. Kimley-Horn was retained by Highlands County to conduct the analysis of the County's housing market and provide recommendations for addressing the need for more market-rate rental options.

1.1 Project Description & Need

A community roundtable with industry leaders hosted in 2018 and ongoing informal conversations with the Highlands County Economic Development Department have highlighted the challenges in attracting a qualified workforce, in part, due to the limited availability of market-rate rental housing in Highlands County. The shortage of rental units is due to several interconnected factors, including construction costs, wages, and a seasonal population of retirees.

In effort to better understand and respond to the challenge, this housing study examines Highlands County's existing conditions and trends of the local rental market, employment and demographic profiles, and forecasts the demand for market-rate apartments. To further understand the nuances of the area's housing challenges, interviews with local stakeholders representing area employers were conducted. The stakeholders consulted represented companies and organizations focused on agriculture, education, healthcare, manufacturing, and employment and business resources. Key takeaways from these conversations are integrated into this report and informed the demand forecast and recommended strategies. Notes from the stakeholder interviews are provided in Appendix A.

Additionally, a supplemental financial feasibility analysis and proforma are provided to investigate residential density scenarios required to support and attract private development of multi-family rental product in Highlands County. Pro forma results from a test project are presented in Appendix B. Following the completion of the housing market study and financial feasibility study, amendments to the County's 2030 Comprehensive Plan Housing Element, Future Land Use Element, and Future Land Use Map will be drafted to support the study's findings and recommendations.

1.2 Area Description

Highlands County is situated in the Florida Heartland, approximately 80 miles southwest of Tampa and 80 miles south of Orlando. The region is primarily rural in nature, with Highlands County being the most populous of the six-county Heartland region. There are more than 100 lakes in the County, ranging from less than 10 acres to nearly 28,000 acres.

The primary transportation corridor in Highlands County is US 27, a north-south highway that bisects the County and runs from the South Florida Metropolitan Area to the Tallahassee Metropolitan Statistical Area (MSA) in Florida. US 98 shares a common section with US 27 in the northern part of the County before veering east south of Sebring. Notable state routes include FL-17 and FL-70.

Highlands County is home to two cities (Sebring and Avon Park) and a town (Lake Placid), all of which are situated along US 27. The County also contains several unincorporated communities and improvement districts. Sebring is in the northwestern part of Highlands County, where most of the County's population is concentrated. In 2018, there were approximately 11,000 residents. Sebring is the principal city of the Sebring MSA, which is coterminous with Highlands County. It is also the county seat and the primary employment center for Highlands County, with many of the County's governmental offices located in the downtown area.

Much of Sebring's commercial development is situated around Lake Jackson, a dominant recreational feature of the City. Sebring's Community Redevelopment Agency (CRA) is responsible for encouraging the economic revitalization of the downtown area through improving new and existing buildings, funding necessary infrastructure improvements, and marketing the area businesses. Sebring is served by Amtrak from the Sebring station near downtown. Outside the city limits is the Sebring Regional Airport, which actively serves private and commercial air traffic, an industrial park, and the Sebring International Raceway, which is one of the oldest continuously operating race tracks in the country.

Figure 1: Downtown Sebring, FL

Avon Park, the County's oldest municipality, is in the northwestern corner of the County, north of Sebring. There were approximately 9,300 residents in 2018. Note that while this analysis relies on Environmental Systems Research Institute (ESRI) for demographic metrics, local Florida forecasting sources indicate that Avon Park is nearing or has exceeded the population of Sebring. Like Sebring, Avon Park also has a CRA, which supports economic development in three districts – Main Street, Airport, and Southside. A segment of the City's Main Street in downtown Avon Park is a nationally designated historic district. Avon Park is also home to the main campus of South Florida State College, which is profiled in the next section.

Highland County's only town, Lake Placid, is located approximately 16 miles south of Sebring. It is adjacent to Lake June in Winter, a large recreational attraction with a state park on the western shore. As of 2018, the town was home to approximately 2,300 residents. There are an estimated 47 murals painted on buildings throughout the town, resulting in the nickname "Town of Murals". It is also considered "The Caladium of Capital of the World" due to the 14 caladium farms spanning approximately 1,200 acres.

1.3 Economic Anchors

1.3.2 Nucor

Figure 2: Nucor Public Information Session

Nucor Corporation is in the process of developing a new steel rebar mill on a 400-acre site off US 27 in Polk County, near the border with Highlands County. The new $240 million facility will be a 'micro-mill' that produces 350,000 tons of rebar per year for the construction industry. The site in Polk County was selected in part due to its convenient access to the Orlando, Tampa, and Miami markets, which have a strong need for rebar due to substantial construction activity. Other attractive factors included access to a railroad and major highway, proximity to Duke Energy due to the facility's heavy energy load, and favorable demographics for their workforce. The Central Florida Development Council, Enterprise Florida, Duke Energy, Polk County, and the City of Frostproof worked together on recruiting the company to locate locally. Since the announcement, Highlands County has worked with Nucor to provide necessary infrastructure for the site.

Nucor, which is headquartered in Charlotte, NC, currently employs approximately 650 workers in Florida. The new micro-mill is expected to host 250 new high-paying jobs by the end of 2020. The average annual salary is anticipated to be $66,000, well above the County median wage of $33,818. A wide variety of positions will be created, including equipment operators, finance, purchasing, sales, and communications. Only a small share of the positions will be filled by existing employees transferring to the facility. No technical experience is required for the production positions as Nucor has partnered with Polk State College on offering a certified production training program.

In addition to Nucor's direct employees, more than 1,000 indirect jobs are expected to be generated by suppliers and contractors that establish facilities near the micro-mill. The wages of these indirect jobs are typically lower than those provided by Nucor. Additionally, the micro-mill expects to have 100 inbound and outbound loads per day which will create new trucking jobs.

1.3.3 South Florida State College

Figure 3: South Florida State College

The main campus of the South Florida State College (SFSC) sits on 35 acres between Avon Park and Sebring. Other locations include the Hardee Campus, DeSoto Campus, and Lake Placid Center. The public college was founded in 1965 as the South Florida Junior College and became the South Florida Community College in 1984. The school got its current name in 2012.

More than 19,000 residents of Highlands, Hardee, and DeSoto Counties are served annually across all campuses. The undergraduate enrollment at the main campus is approximately 2,885. There are 67 faculty, 134 adjuncts, 18 administrators, and 494 full- and part-time employees. Academic offerings include college credit and occupational certificates and associate degrees in more than 60 fields of study. Select Bachelors, Masters, and a Doctoral degree are offered in partnership with four-year colleges and universities. The coursework offered at SFSC includes a mix of traditional classroom and distance learning instruction. Specialized courses are geared for adult education needs.

While there is no on-campus student housing, housing is made available to full-time students at The Jacaranda Hotel, a historic mixed-use building in downtown Avon Park that also hosts the public for short-term stays. There are accommodations reserved for 81 SFSC students. The lack of quality student housing has impacted SFSC's ability to attract students. State law prohibits public colleges from owning student housing; however, there is interest in leasing land owned by the school to a private developer to construct modern student housing.

1.3.4 Healthcare Industry

Healthcare is Highlands County's leading industry, in part as a response to the County's large share of senior residents. AdventHealth Sebring, formerly known as Florida Hospital Heartland Medical Center, is the oldest of the County's hospitals. It was founded in 1948 as the Walker Memorial Sanitarium and Hospital by a subsidiary of the Seventh-Day Adventist Church. The current facility was built in 1997 and is located in the Sun 'N Lake Improvement District. It serves Highlands County, southern Polk County, and, along with AdventHealth Wauchula, Hardee County. The non-profit hospital has 197 beds and offers a wide range of services, including heart and vascular care, emergency and urgent care, sleep care, and imaging services.

Figure 4: AdventHealth Sebring

AdventHealth also has physician offices and clinics elsewhere in Sun 'N Lake, Sebring, Avon Park, and Lake Placed. AdventHealth Lake Placid, formerly Florida Hospital Heartland Medical Center Lake Placid, opened in 1982 and serves southern Highlands County. The facility includes an emergency department, physical therapy center, radiology rooms, surgical suites, general medical unit, intensive care unit, and inpatient mental health unit.

Figure 5: Heartland Regional Medical Center

Highlands Regional Medical Center (HRMC) is a general medical and surgical facility that opened in Sebring in 1965. It is still located in the original County-owned building, which has been remodeled several times. The full-service hospital has 126 beds and approximately 350 employees. The hospital specializes in orthopedics and cardiology, and is in the process of launching an institute for minimally invasive surgery and robotics that is expected to be completed in 2020. In addition, HRMC offers a range of other services, including emergency services, operating suites, cancer care, wound care, women's health services, imaging services, rehabilitation, and senior services.

In 2017, Community Health Systems sold HRMC to HCA, a healthcare network made up of locally managed facilities in 21 states and the United Kingdom. The hospital pays over $2 million in taxes annually and has paid more than $53 million in taxes since 1984.

2. Economic Characteristics

This section analyzes annual employment and wage trends by industry over the last five years for Highlands County, describing overall growth and shifts between sectors. Job concentrations and commuting patterns for the County are also provided.

2.1 Major Employers

Table 1 inventories the 15 largest employers operating in Highlands County. The County's largest employer is AdventHealth, which has more than 1,600 employees within the County. In fact, five of the top 15 largest employers in Highlands County are in the Healthcare & Social Services industry. Two-thirds are classified as private, with the balance primarily representing County and municipal administration jobs.

Table 1: Largest Employers by Job Count, Highlands County, 2019

Employer	Industry	Sector	Estimated Employees
AdventHealth	Health & Social Services	Private	1,628
School Board	Education	Public	1,569
Walmart	Retail	Private	727
Agero	Other Services, Call Center	Private	550
Publix	Retail	Private	505
South Florida State College	Education	Public	466
Alan Jay Automotive Network	Retail	Private	390
Highlands County Sheriff's Office	Law Enforcement	Public	376
Board of County Commissioners	Government	Public	359
Highlands Regional Medical Center	Health & Social Services	Private	350
Avon Park Correctional Institute	Law Enforcement	Public	300
Lake Placid Health Care	Health & Social Services	Private	244
The Palms of Sebring	Health & Social Services	Private	234
Costa Delray Farms	Agriculture	Private	216
Royal Care of Avon Park	Health & Social Services	Private	140

Source: Highlands County Economic Development; Kimley-Horn

2.2 Annualized Employment by Industry

As shown in *Table 2*, employment in Highlands County increased by 417 jobs, or 1.5%, between 2012 and 2017. Total annual employment in 2017 was 27,823. Healthcare & Social Assistance represented the largest share of employment in the region at 20.9%, followed by Retail Trade (16.8%) and Accommodation and Food Services (9.6%). Together, these three sectors comprise 47.4% of the total County-wide employment.

Of the 20 most commonly reported industry sectors, 16 reported gains over the last five years that data is available. The following industries showed the most significant employment gains in Highlands County since 2012:

- Retail Trade (+554)
- Accommodation and Food Services (+483)
- Healthcare and Social Assistance (+482)
- Construction (+357)
- Arts, Entertainment, and Recreation (+214)

Table 2: Annualized Employment by Industry, Highlands County, 2012-2017

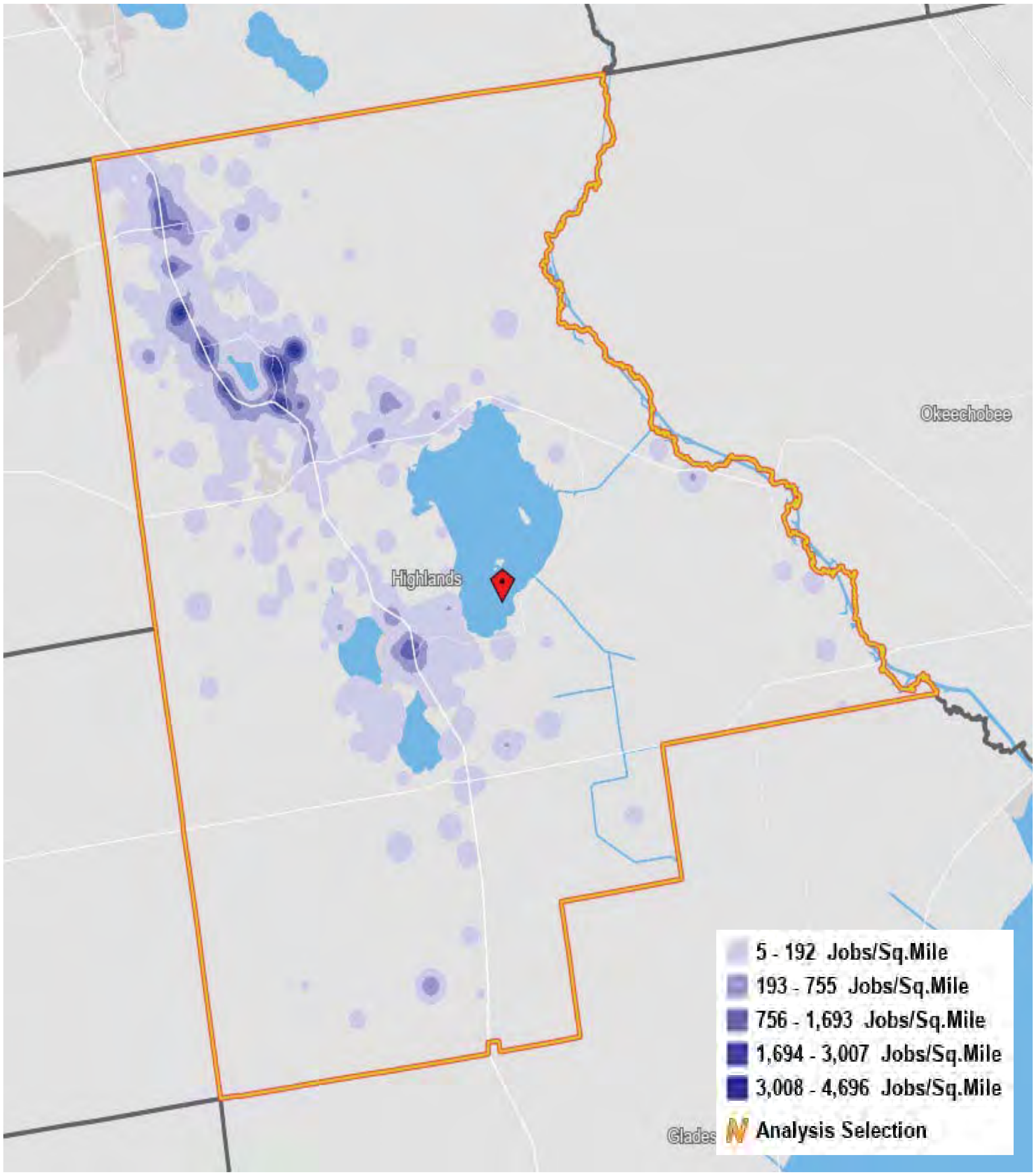
Industry	2012	2017	2012-2017 Δ #	2012-2017 Δ %
Retail Trade	4,125	4,679	554	13.4%
Accommodation and Food Services	2,198	2,681	483	22.0%
Healthcare and Social Assistance	5,334	5,816	482	9.0%
Construction	915	1,272	357	39.0%
Arts, Entertainment, and Recreation	561	775	214	38.1%
Administrative and Waste Services	1,776	1,951	175	9.9%
Manufacturing	635	733	98	15.4%
Other Services, Ex. Public Admin	560	641	81	14.5%
Real Estate and Rental and Leasing	259	334	75	29.0%
Educational Services	2,325	2,392	67	2.9%
Management of Companies and Enterprises	62	104	42	67.7%
Transportation and Warehousing	392	426	34	8.7%
Wholesale Trade	412	442	30	7.3%
Professional and Technical Services	667	679	12	1.8%
Information	161	166	5	3.1%
Finance and Insurance	493	498	5	1.0%
Mining	5	0	-5	-100.0%
Public Administration	1,618	1,539	-79	-4.9%
Utilities	203	94	-109	-53.7%
Agriculture, Forestry, Fishing & Hunting	4,705	2,601	-2,104	-44.7%
Total	**27,406**	**27,823**	**417**	**1.5%**

Source: Florida Dept. of Economic Opportunity; Kimley-Horn

Losses were experienced in four sectors, with most of the total decline captured by Agriculture, Forestry Fishing and Hunting. This sector, which is heavily influenced by the citrus industry in Highlands County, lost more than 2,100 jobs in the last five years, a trend consistent with other areas that have strong concentrations of citrus production.

Map 1 shows where jobs are concentrated in Highlands County. Generally, employment is concentrated along the US 27 corridor. The primary employment centers in the County are located in Sebring around Lake Jackson. A wide variety of jobs are hosted in these nodes, including those in Retail Trade, Public Administration, Healthcare and Social Assistance, Educational Services, Finance and Insurance, and Professional and Technical Services. Less dense concentrations are also centered on the downtown areas of Avon Park and Lake Placid.

Map 1: Employment Concentrations, Highlands County, 2015



Source: LEHD On the Map; Kimley-Horn

2.3 Annualized Wages by Industry

In 2017, the average annual wage in Highlands County was $33,818, an increase of $4,199 from 2012, or 14.2% (*Table 3*). Employees working in Utilities recorded the highest average annual wage at $70,491, followed by Management of Companies and Enterprises at $64,674. All but four of the 20 employment industries posted an increase in wages over the five-year period from 2012 to 2017, with the most significant growth as follows:

- Construction (+$8,361)
- Agriculture, Forestry, Fishing, and Hunting (+$7,657)
- Finance and Insurance (+$7,623)

- Arts, Entertainment, and Recreation (+$6,954)
- Transportation and Warehousing (+$5,723)

Table 3: Annualized Wages by Industry, Highlands County, 2012-2017

			2012-2017 Δ	
Industry	**2012**	**2017**	**#**	**%**
Construction	$26,404	$34,765	$8,361	31.7%
Agriculture, Forestry, Fishing & Hunting	$19,429	$27,086	$7,657	39.4%
Finance and Insurance	$42,516	$50,139	$7,623	17.9%
Arts, Entertainment, and Recreation	$15,361	$22,315	$6,954	45.3%
Transportation and Warehousing	$38,174	$43,897	$5,723	15.0%
Professional and Technical Services	$33,515	$39,008	$5,493	16.4%
Administrative and Waste Services	$25,400	$29,976	$4,576	18.0%
Public Administration	$39,771	$43,924	$4,153	10.4%
Healthcare and Social Assistance	$40,190	$44,230	$4,040	10.1%
Educational Services	$35,176	$38,775	$3,599	10.2%
Manufacturing	$34,644	$38,197	$3,553	10.3%
Information	$40,765	$42,975	$2,210	5.4%
Other Services, Ex. Public Admin	$22,194	$24,069	$1,875	8.4%
Accommodation and Food Services	$14,851	$16,671	$1,820	12.3%
Retail Trade	$24,836	$26,088	$1,252	5.0%
Wholesale Trade	$50,934	$50,765	-$169	-0.3%
Real Estate and Rental and Leasing	$29,112	$28,744	-$368	-1.3%
Utilities	$71,202	$70,491	-$711	-1.0%
Management of Companies and Enterprises	$70,928	$64,674	-$6,254	-8.8%
Mining	$38,269	N/A	N/A	N/A
Average	**$29,619**	**$33,818**	**$4,199**	**14.2%**

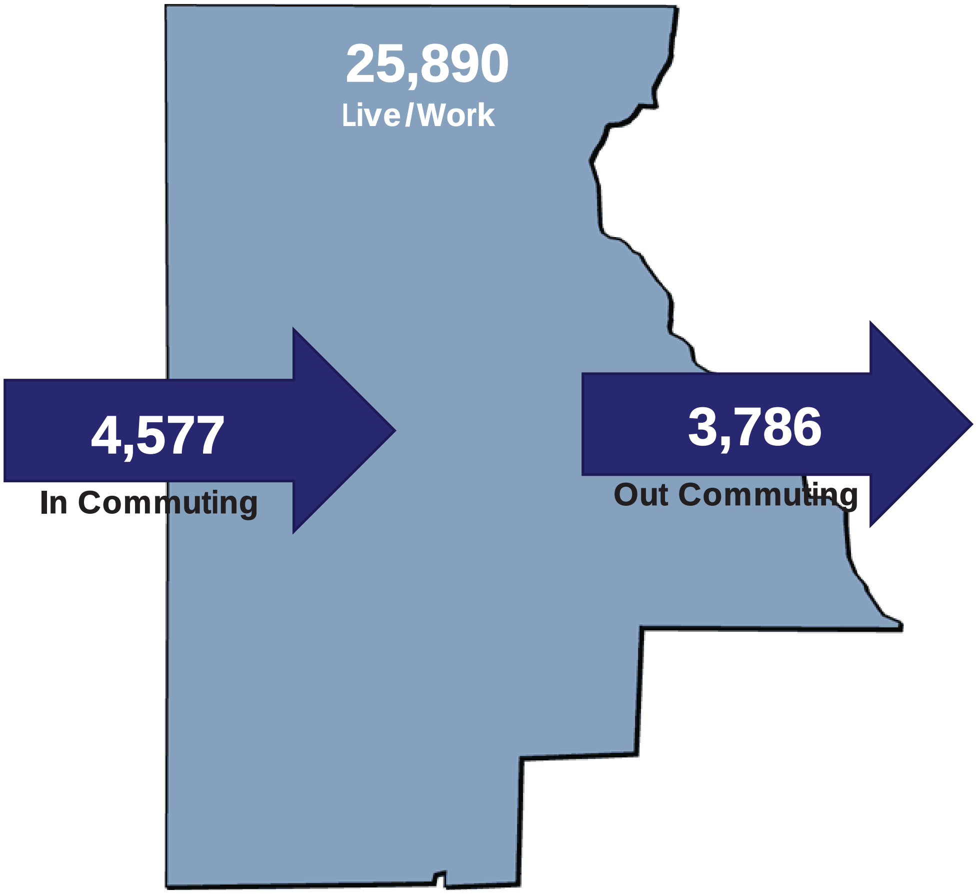
Source: Florida Dept. of Economic Opportunity; Kimley-Horn

The County's largest employment sector, Healthcare and Social Assistance, reported average earnings of $44,230 in 2017, higher than the County-wide average. Retail Trade and Accommodation & Food Services, the next two largest industry sectors, had significantly lower averages of $26,088 and $16,671, respectively. It should be noted that Utilities, which posted the highest average annual wage in 2017, comprised only 0.3% of the total County-wide employment.

2.4 Commuting Trends

Commuting data for Highlands County is provided by datasets from JobsEQ, as provided by Highlands County. As of year-end 2018, the most recent period for which data is available, 4,577 people traveled into Highlands County for employment and approximately 3,786 of the County's employed population commuted out (*Figure 6*). The County has over 25,000 people that live and work there. While the majority of the County's employed residents work locally, other popular commuting locations include Polk and Lee counties.

Figure 6: Commuting Patterns, Highlands County, 2018



Source: JobsEQ; Kimley-Horn

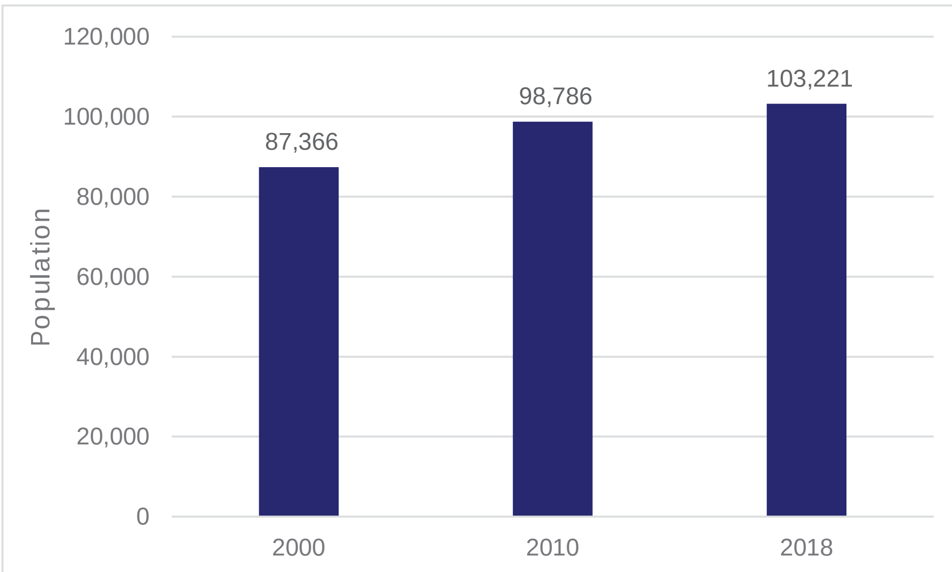
3. Demographic Characteristics

This section analyzes population and household trends by age, income, and tenure for Highlands County. These factors are influential in creation of demand for housing, including for-sale and rental opportunities.

3.1 Population

Highlands County had an estimated total population of 103,221 in 2018. As shown in *Graph 1*, the County exhibited strong population growth between 2000 and 2010, an increase of 13.1% or 11,420 people. Growth has been more modest since 2010, with the County growing by 4.5% between 2010 and 2018.

Graph 1: Population Trends, Highlands County, 2000-2018



Source: ESRI; Kimley-Horn

Born roughly between 1981 and 1997, Millennials have overtaken the Baby Boomers as the largest generation in the United States. Millennials now comprise roughly 23.8% of the population (slightly more than 23.7% for Baby Boomers). The largest segment of the generation is still in their early- to mid-20s, meaning that the generation's impact, particularly on housing choices, will only continue to grow. As a whole, Florida offers a divergence from this national trend, particularly in coastal and rural areas, due to the high share of retirees.

The age cohorts representing Baby Boomers, aged 55 to 74, exhibited the strongest absolute and percentage growth between 2010 and 2018 in Highlands County (*Table 4*). The age cohort encompassing the older segment of Millennials, aged 25 to 34, experienced notable growth as well with an increase of 12.9%, which equates to 1,108 new residents. The largest cohort in the County is adults aged 65 to 74, making up 18.0% of the total population. An estimated 45.2% of County residents are over the age of 55.

Table 4: Population by Age Cohort, Highlands County, 2010-2018

			2010-2018 Δ	
Cohort	**2010**	**2018**	**#**	**%**
0 - 14	14,719	14,244	-475	-3.2%
15 - 24	9,681	9,290	-391	-4.0%
25 - 34	8,594	9,703	1,108	12.9%
35 - 44	8,891	8,671	-220	-2.5%
45 - 54	11,756	10,219	-1,537	-13.1%
55 - 64	12,842	14,761	1,918	14.9%
65 - 74	16,398	18,580	2,181	13.3%
75 - 84	11,262	12,799	1,538	13.7%
85+	4,149	5,264	1,115	26.9%
Total	**98,786**	**103,221**	**4,435**	**4.5%**

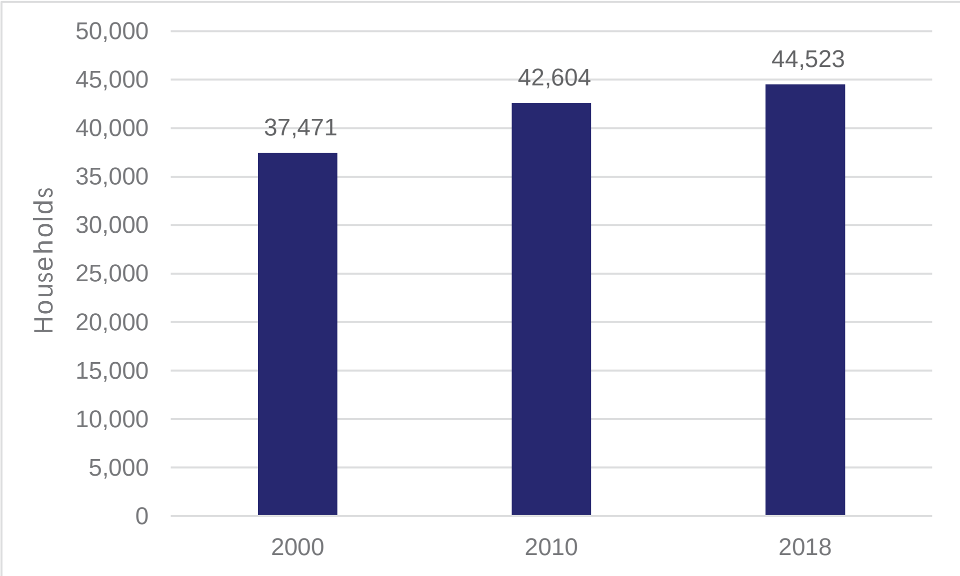
Source: ESRI; Kimley-Horn

While some Baby Boomers will seek higher-density rental options, downsizing from high-maintenance family homes, many still prefer homeownership. Baby Boomers were the first generation that grew up in the suburbs so it is not surprising that they still possess high homeownership rates, upwards of 70%. However, Baby Boomers have accounted for the largest net increase in renter households in the last five years. As baby boomers age, a wide array of housing options, including facilities offering a continuum of care, will be in demand to accommodate this group.

3.2 Households

Highlands County added nearly 2,000 households between 2010 and 2018, representing a 4.5% growth rate (*Graph 2*). Households grew at the same pace as population, indicating a stable household size. Like population, the number of households in the County grew at a faster rate between 2000 and 2010 than in more recent years.

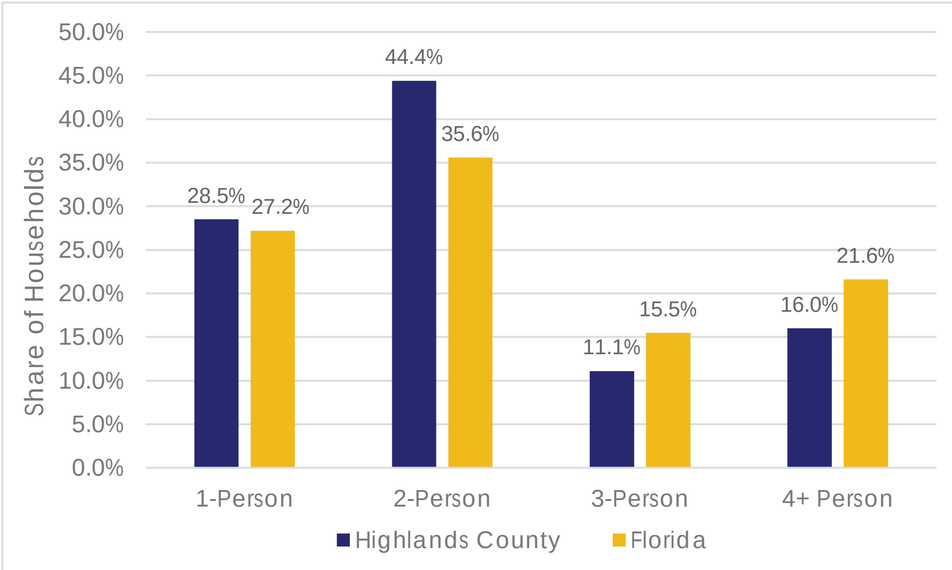
Graph 2: Household Trends, Highlands County, 2000-2018



Source: ESRI; Kimley-Horn

As of the 2010 Census, approximately 44.4% of the County's households contained two people, representing the highest share (*Graph 3*). Singles, including young professionals and retirees, made up approximately 28.5% of the total households. The County has significantly lower shares of larger household sizes than the entire state of Florida.

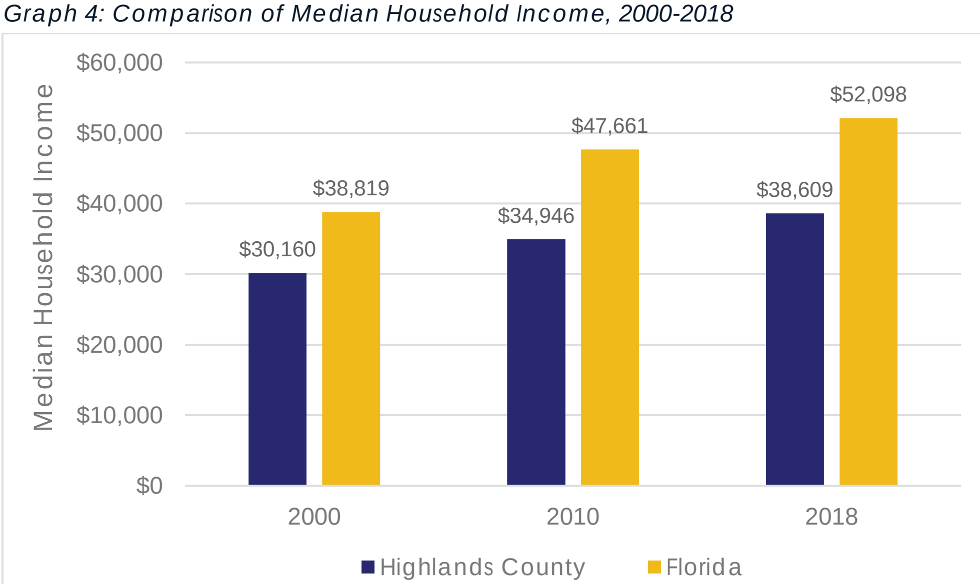
Graph 3: Comparison of Shares of Households by Size, 2010



Source: ESRI; Kimley-Horn

As of 2018, the median household income of $38,609 in Highlands County is approximately 26% lower than $52,098 for the entire state of Florida (*Graph 4*). However, both geographies demonstrated increases since 2000. Highlands County increased $8,449 between 2000 and 2018, representing 28.0% growth. Florida increased by 34.2% during the same period.

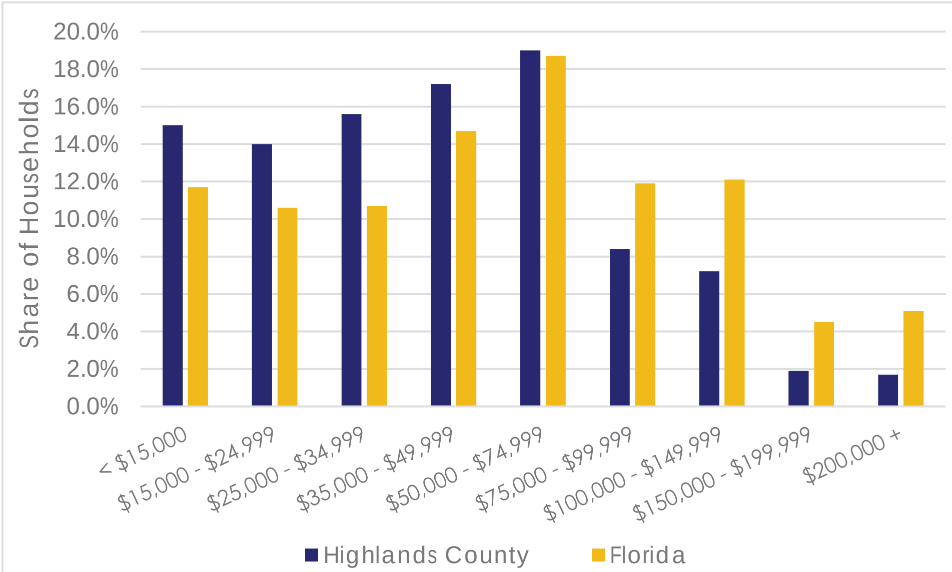
Graph 4: Comparison of Median Household Income, 2000-2018



Source: ESRI; US Census; Kimley-Horn

As of 2018, households earning $50,000 to $74,999 annually are the most prevalent cohort in Highlands County, with a share of 19.0% (*Graph 5*). This income cohort also comprises the largest share of all households in Florida.

Graph 5: Comparison of Households by Income Cohort, 2018



Source: ESRI; Kimley-Horn

The County has larger shares of households earning below $75,000 per year than the state; more than half of all County households (61.8%) earn less than $75,000 compared with 47.7% of all households in Florida. This is likely influenced by a higher concentration of retirees in Highlands County, some of whom are living on retirement income, reflecting a lower median for the household. Conversely, the State has higher shares of high-earning households.

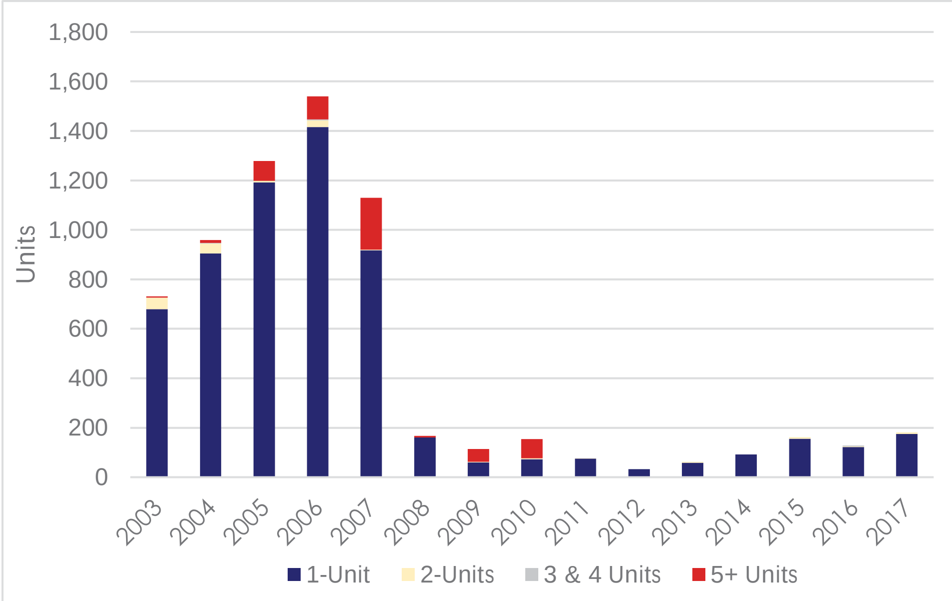
A standard benchmark for an appropriate level of spending on housing as a share of total income is typically 30%. In many markets the share is much higher. According to Zillow, residents in the Lakeland market, the closest reported geography to Highlands County, spent 17.2% of their income on owner-occupied housing (mortgages) and 29.8% on rent. Based on the median household income, a good target for housing expenditures in Highlands County would be approximately $950 to $1,000 per month.

3.3 Housing Units

3.3.1 Building Permits

Based on data from the US Census, 181 residential building permits were issued in Highlands County in 2017, the most recent year for which complete data is available (*Graph 6*). Although building permits have more than doubled since 2012, marking the annual period with the slowest activity since 2003, the region is performing well behind pre-Recession levels. Single-family units continue to comprise most of the permits issues; no permits for buildings with five or more units have been pulled since 2010 and only one permit for one building containing four units was issued during this time.

Graph 6: Residential Building Permit Trends, Highlands County, 2003-2017

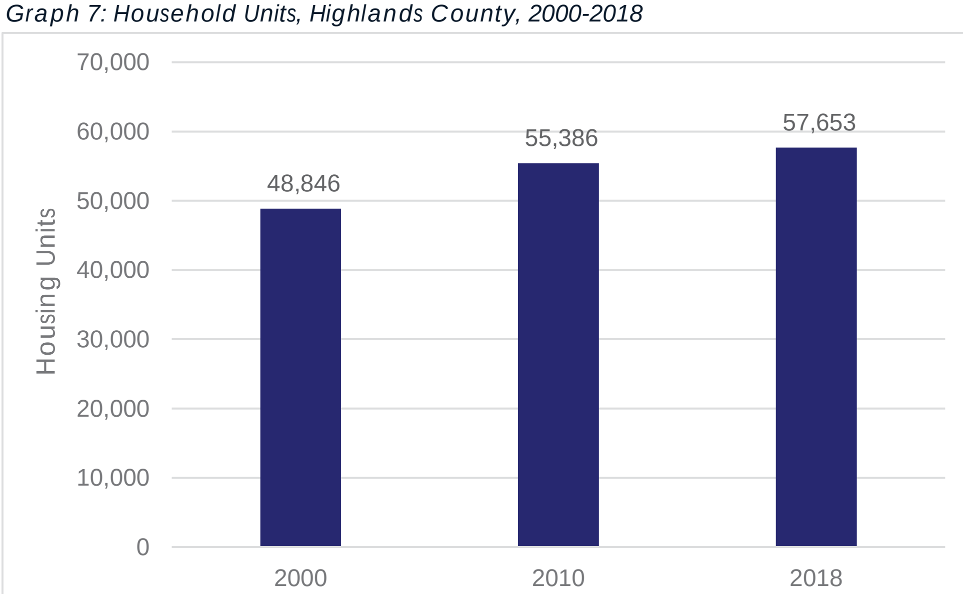


Source: US Census; Kimley-Horn

3.3.2 Housing Unit Characteristics

Highlands County had approximately 57,653 housing units in 2018 (*Graph 7*). Like population and household trends, the number of housing units added between 2010 and 2018 (4.1%) was approximately one-third of the growth exhibited between 2000 and 2010 (13.4%). This is reflective of a slow-down in development during and following the 2007-2009 Recession.

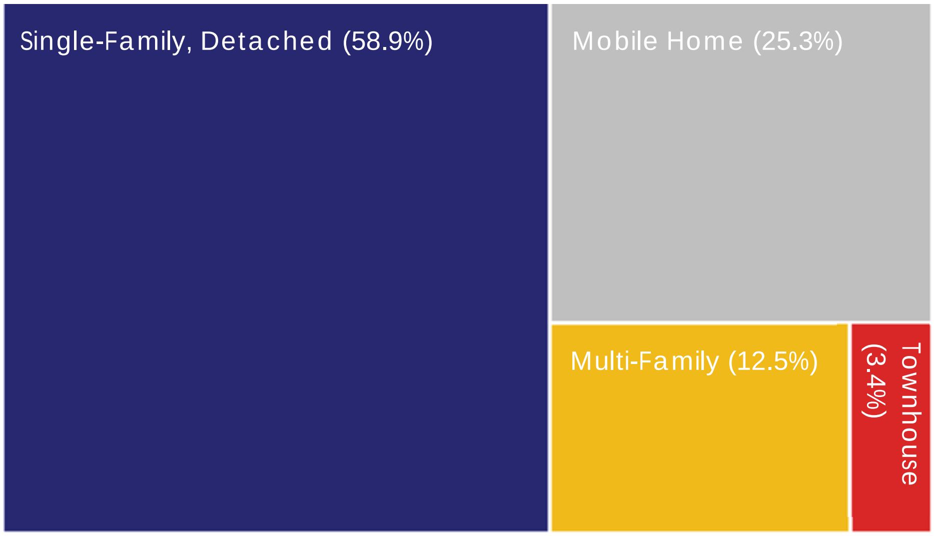
Graph 7: Household Units, Highlands County, 2000-2018



Source: ESRI; Kimley-Horn

As shown in *Graph* 8, single-family detached housing makes up the largest share by type in Highlands County, representing nearly 60% of all units. Multi-family product comprised 12.5% of the total inventory in 2016, up from 5.1% in 2000. The shares of single-family attached (townhouses) housing units and mobile homes experienced decreases between 2000 and 2016.

Graph 8: Housing Units by Type, Highlands County, 2016

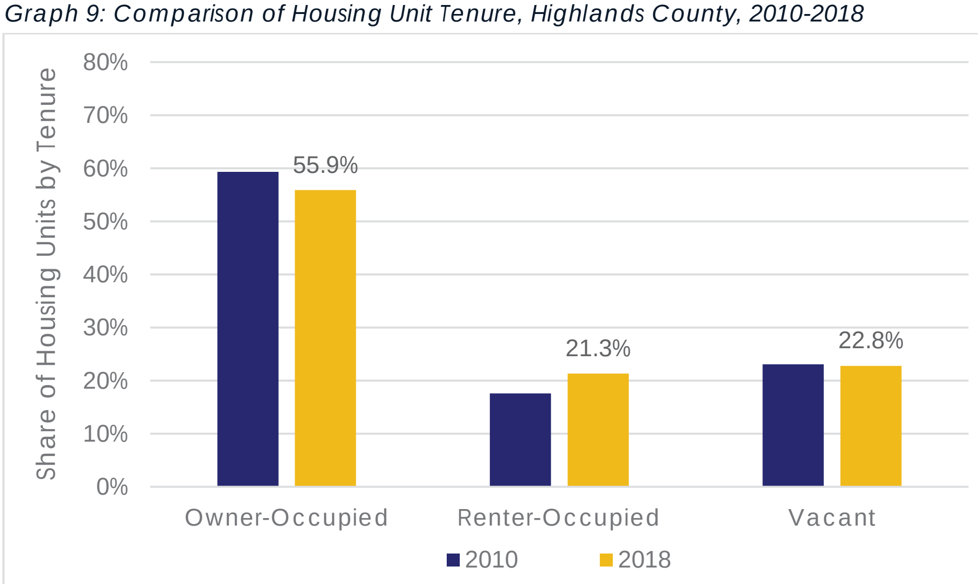


Source: ESRI; Kimley-Horn

3.3.3 Housing Unit Tenure

As shown in *Graph 9*, the County had a 2018 owner-occupied share of 55.9% and a renter-occupied share of 21.3%. The share of owner-occupied housing units declined slightly between 2010 and 2018, while renter-occupancy increased. The growth in renter-occupied units is consistent with national trends during and after the 2007-2009 Great Recession. Vacant housing units made up approximately 22.8% of the total inventory in 2018, a negligible decrease from 2010. The high housing unit vacancy rates in Highlands County are consistent with state-wide trends and are reflective of the significant second-home or seasonal market.

Graph 9: Comparison of Housing Unit Tenure, Highlands County, 2010-2018

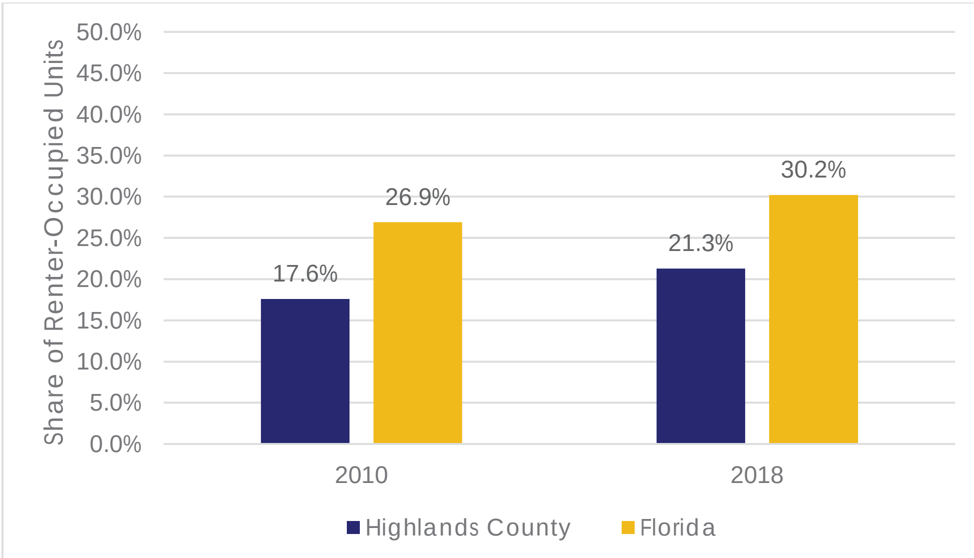


Source: ESRI; Kimley-Horn

Florida has a higher renter-occupied share than Highlands County, which is in a relatively rural part of the state (*Graph 10*). In 2018, the County's 21.3% renter-occupied share was 8.9% lower than Florida's share of 30.2%. Although the renter shares in each geography increased between

2010 and 2018, it is likely that they will remain constant in the near future. This is consistent with national trends showing a stabilization of renter-households over the next five years as the older segment of the Millennial generation enter the workforce and form new households. While Millennials have been slower to purchase housing than other generations, it is widely agreed that they will eventually seek homeownership.

Graph 10: Comparison of Renter-Occupied Housing Unit Tenure, 2018



Source: ESRI; Kimley-Horn

4. Multi-Family Market Performance

4.1 Current Rental Inventory

To develop an inventory of rental units within Highlands County, a review of 252 current and recent rental listings was performed. Market-rate rental units in both small- and medium-scale multi-family buildings, as well as investor-owned single-family units, were considered. Rental units in multi-family buildings are more prevalent than single-family rentals; however, a larger share of the single-family homes for rent are available to lease than the share of vacant apartments. This was affirmed by several stakeholders who mentioned that many of the County's apartment communities have waiting lists.

Overall, the average unit size for the market-rate inventory is 1,050 square feet. Single-family units were larger than the multi-family units on average, with averages of 1,254 square feet and 982 square feet, respectively. The aggregate monthly rental rate for the inventory is $927, or $0.93 per square foot. At $1,062, the monthly rate for single-family rentals is nearly 25% higher than for apartments ($860). Given the larger sized units, the average price per square foot is lower for single-family units ($0.87) than for units in multi-family buildings ($0.97).

4.2 Multi-Family Market Trends

To better understand historic multi-family trends in Highlands County, data from CoStar on the multi-family market was analyzed. It is important to note that this data encompasses all professionally-managed multi-family properties in the County, including market-rate, income-restricted, senior, and student housing. Typically, these communities would be over 25 units in size. While this data gives a high-level indication of the rental market in Highlands County, as noted in Section 4.1, many available renter units are in investor-owned single-family detached and attached units.

4.2.1 Net Absorption

Table 5 demonstrates that multi-family inventory has been stagnant the past five years with no new units delivered in the County. This trend is confirmed by residential building permit trends. The County averaged approximately five units of net absorption annually over the five-year period. Lacking the delivery of new supply, demand (net absorption) has been low with limited ability for new move-ins to occur. Stakeholders echoed this sentiment, noting that new employees relocating to Highlands County are often challenged in finding rental units.

Table 5: Net Change in Inventory and Net Absorption, Highlands County, 2014-2018

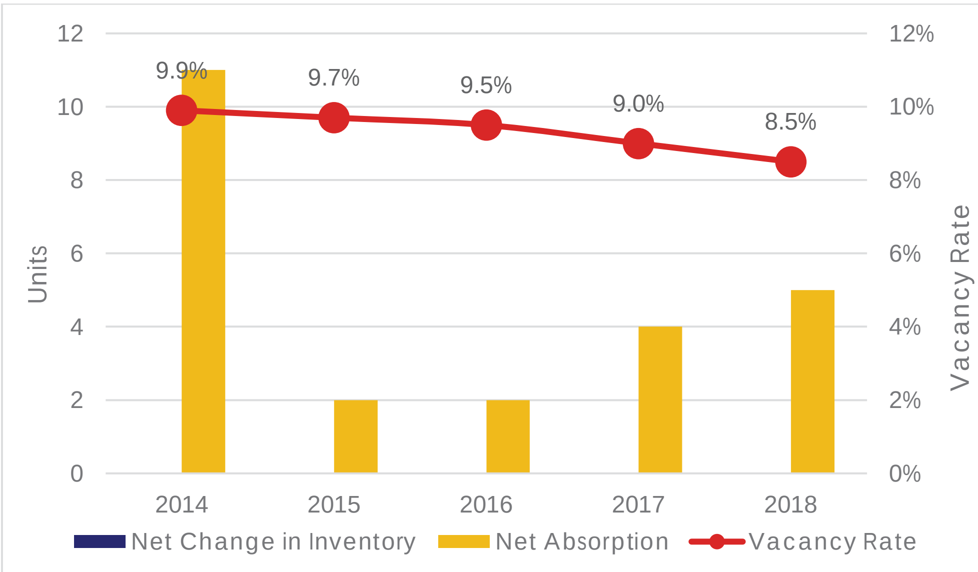
Year	Net Change in Inventory	Net Absorption	(Over)/ Under Supply
2014	0	11	11
2015	0	2	2
2016	0	2	2
2017	0	4	4
2018	0	5	5
Total	**0**	**24**	**24**
Ann. Avg.	**0**	**5**	**5**

Source: CoStar; Kimley-Horn

4.1.3 Vacancy Trends

Based on data from CoStar, the aggregate vacancy rate in the Highlands County multi-family market has consistently remained between 8.5% and 9.9% in the last five years (*Graph 11*). During this period, vacancy peaked at 9.9% in 2014, and has steadily declined in the years since to 8.5% in 2018. The industry-standard representing a healthy rental market is usually quoted at 7.0%. Markets with vacancy in this range can support the elasticity of rentals allowing for both inter- and intra-market moves.

Graph 11: Vacancy Rate Trends, Highlands County, 2014-2018



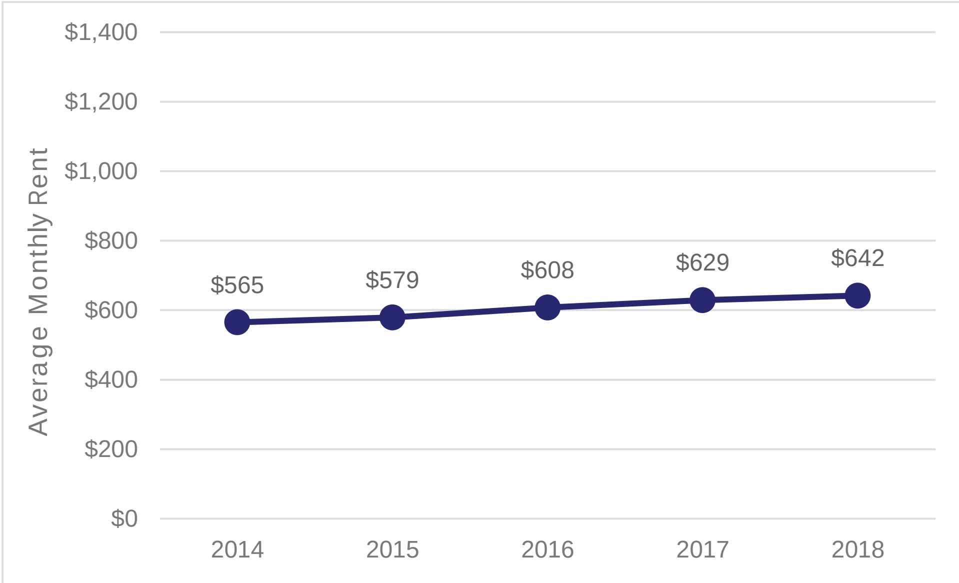
Source: CoStar; Kimley-Horn

The quoted vacancy rates from CoStar are not likely reflective of the actual rental market in Highlands County. Based on an inventory of available units, it is likely that the available product does not meet the needs of people relocating to the County. Particularly, CoStar's data points include units that are restricted by age, income, and student-status, which results in a higher overall vacancy rate not reflective of how market-rate product performs. As previously noted, availability in traditional multi-family communities is very low.

4.1.4 Rent Trends

Average monthly rent for multi-family housing units in Highlands County increased approximately 13.6% from $565 in 2014 to $642 in 2018 (*Graph 12*). These averages include affordable tax credit units where quoted rents are reduced based on the area median income. Annual monthly rent increases range from 2.1% in the one-year period between 2017 and 2018 to 5.0% between 2014 and 2015. No new product was introduced to into the market during this time, so price increases are influenced by low supply.

Graph 12: Average Monthly Rent Trends, Highlands County, 2014-2018



Source: CoStar; Kimley-Horn

Average rents per square foot in Highlands County also increased 13.6% between 2014 and 2018 (*Graph 13*). In 2018, the County's average rent per square foot reached $1.00 after steadily increasing from $0.88 in 2014.

Graph 13: Average Monthly Rent/Sq.Ft. Trend, Highlands County, 2014-2018

Source: CoStar; Kimley-Horn

5. New Apartment Developments

Since there has been no new commodity multi-family development in Highlands County in recent years, additional research was prepared on the Lakeland apartment market. Overall product, vacancy, and rent trends, specific to market-rate product, was compiled.

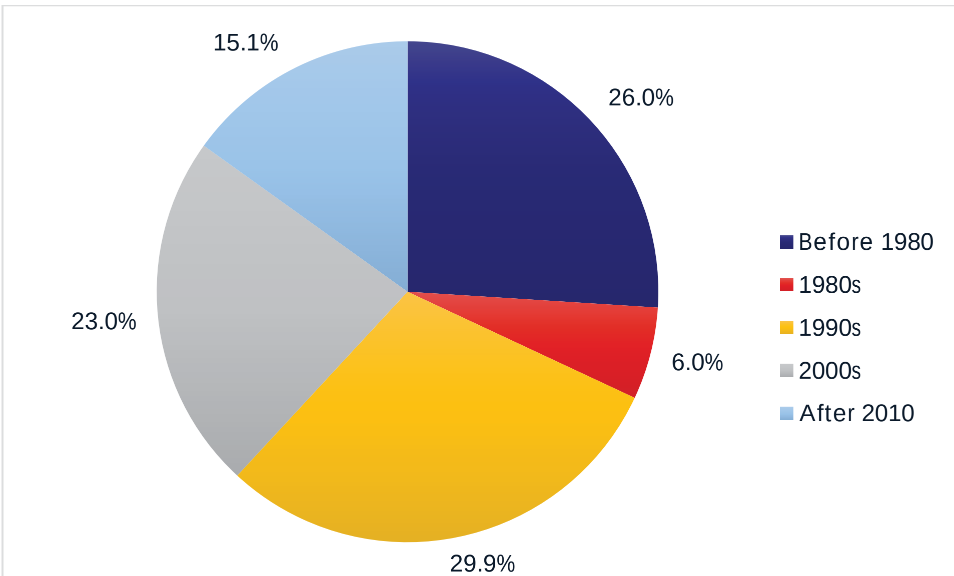
Additionally, three new apartment developments were selected and profiled. The three communities have been summarized to demonstrate how new product in a nearby market differs from the existing inventory. This information will be used to help set target rents for new development in Highland County.

5.1 Lakeland Market Overview

5.1 Apartment Inventory

The Lakeland apartment market, which is defined as Polk County, has nearly 8,200 market-rate apartments in professionally-managed communities. As shown in *Graph 14*, approximately 29.9% of the inventory was completed in the 1990s, making it the most active decade of activity. Over 1,200 units have been completed since 2010, comprising 15.1% of the total.

Graph 14: Apartment Inventory by Decade Completed, Lakeland Market, 2018

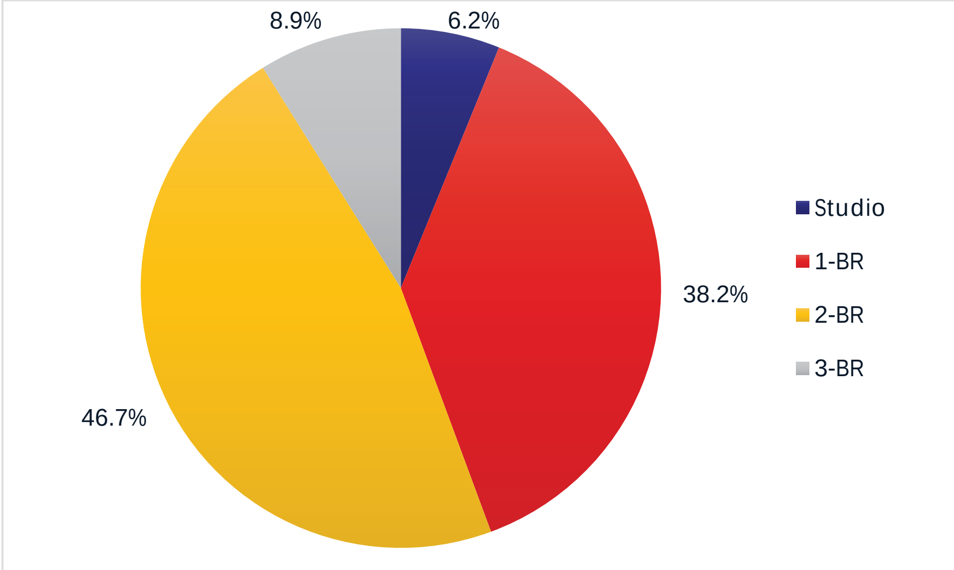


Source: REIS; Kimley-Horn

Class A product, defined as the most competitive, luxury units which are typically less than ten years old, comprises 41.7% of the total inventory in the Lakeland market. Older Class B/C product makes up the balance at 58.3%.

Two-bedroom units are the most common in the Lakeland market, comprising 46.7% of the total. One-bedrooms make up the next highest share at 38.2% (*Graph 15*). Nationally, the newest communities have experienced a shift towards smaller floorplans, reflective of the Millennial's influence in apartment product. This phenomenon is not universal, however, with market demographics playing a major role in determining successful unit mixes.

Graph 15: Apartment Inventory by Unit Type, Lakeland Market, 2018

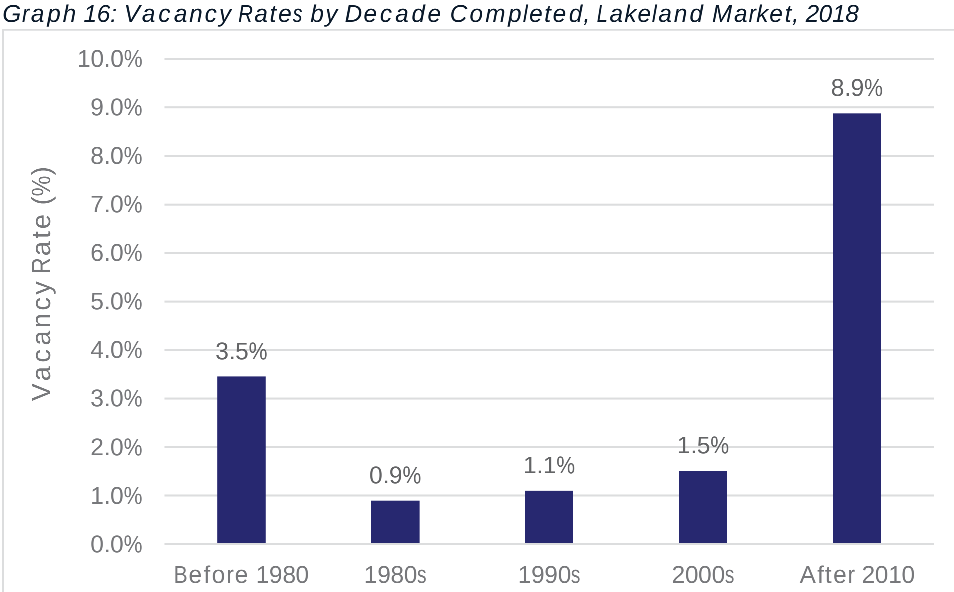


Source: REIS; Kimley-Horn

5.1.2 Vacancy Rate

The market-rate vacanacy rate in Lakeland is estimated at 3.0%, represnting a very tight market with limited inventory to accommodate new relocations or households seeking an upgrade. This measure is well below the industry-standard 7.0% benchmark. By decade completed, units completed in the 1980s, 1990s, and 2000s all have vacancy rates less than 2.0% (*Graph 16*). Newer communities, which represents both those stabilized and in lease-up, have a higher vacancy rate of 8.9% as apartments get absorbed.

Graph 16: Vacancy Rates by Decade Completed, Lakeland Market, 2018

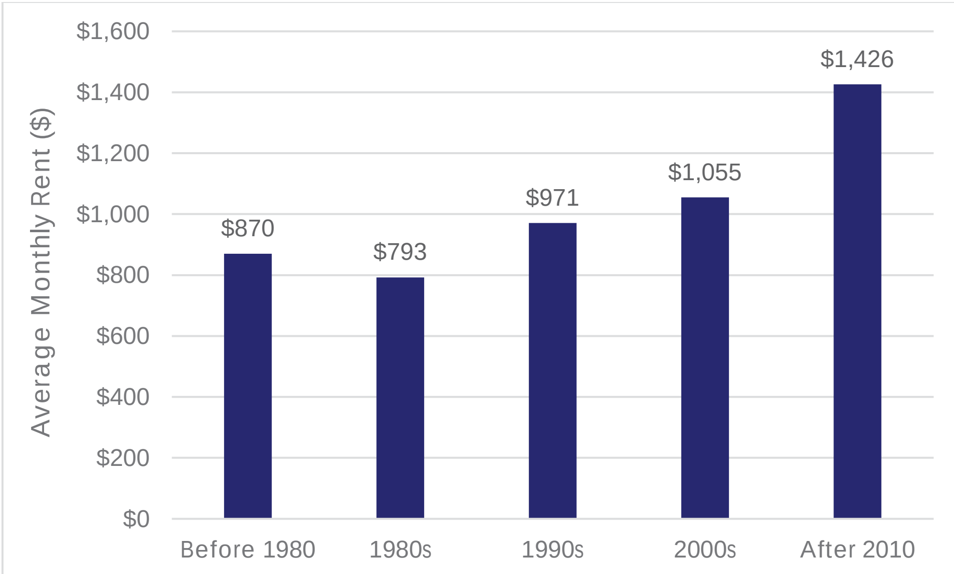


Source: REIS; Kimley-Horn

5.1.3 Average Rents

The aggregate average rent in the Lakeland apartment market was $1,022 per month at year's end 2018. As shown in *Graph 17*, the newest units, completed since 2010, have the highest average monthly rent at $1,426. Older units range from $870 per month for units completed before 1980 to $1,055 for those built in the 2000s.

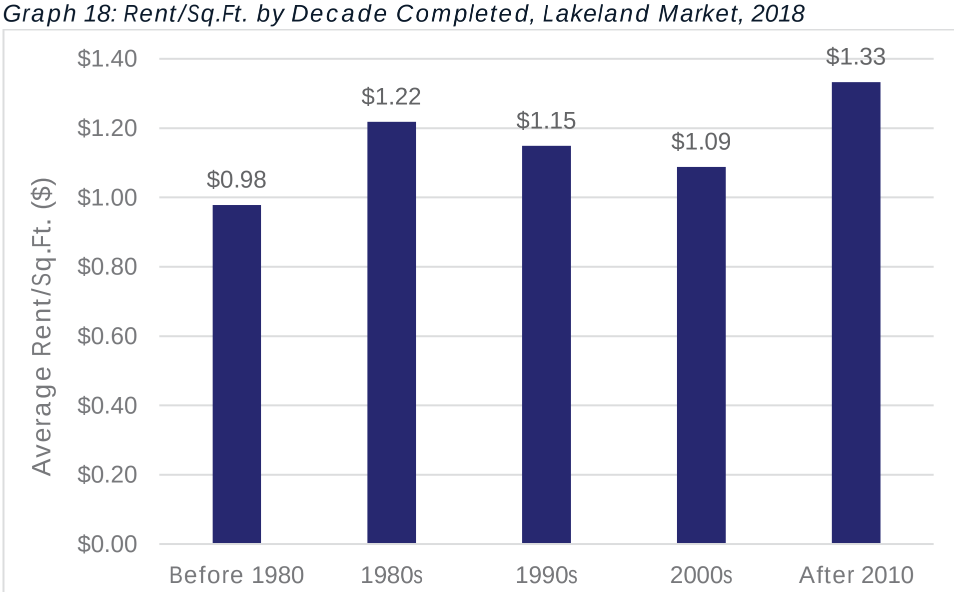
Graph 17: Monthly Rent by Decade Completed, Lakeland Market, 2018



Source: REIS; Kimley-Horn

Average rents per square foot for apartments in the Lakeland market follow a similar pattern, with the newest communities commanding the highest rent at $1.33 (*Graph 18*). Communities completed in the 1980s have the second highest average rent per square foot at $1.22. This is directly reflective of the average unit size for properties built in the 1980s, which have the smallest size of any decade at 651 square feet on average.

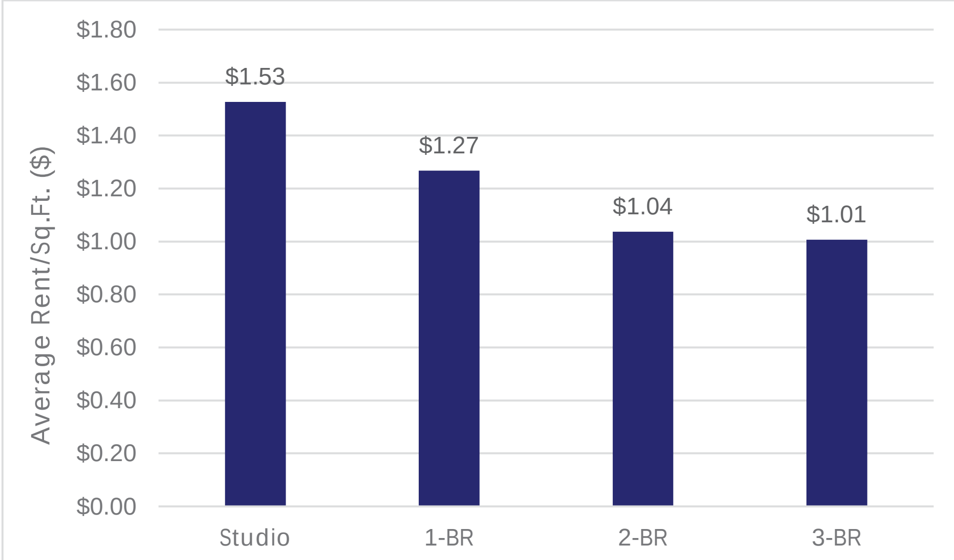
Graph 18: Rent/Sq.Ft. by Decade Completed, Lakeland Market, 2018



Source: REIS; Kimley-Horn

With the smallest average size, studio units have the highest aggregate rent per square foot of $1.53 when compared to other floorplans (*Graph 19*). One-bedrooms average $1.27, and larger two- and three-bedroom units have rents of $1.04 and $1.01, respectively.

Graph 19: Rent/Sq.Ft. by Unit Type, Lakeland Market, 2018



Source: REIS; Kimley-Horn

5.2 Out-of-Market New Construction Projects

5.2.1 Ariva Apartments, Lakeland

Located in southeastern Lakeland, near Highland City, Century Ariva is a Class A apartment community built in 2017. The project is adjacent to a Publix-anchored shopping center, with access to Clubhouse Road and Bartow Road (Highway 98 South). As shown in *Table 6*, the 312-unit community offers one-, two-, and three-bedroom floorplans. The average 1,083-square-foot unit currently rents for $1,419 per month, or $1.35 per square foot.

Table 6: Unit Mix and Rents, Ariva Apartments, 2019

Unit Type	Total Units	Unit Size (Sq.Ft.)	Monthly Rent	Rent/ Sq.Ft.
1BR/1BA	114	776	$1,251	$1.61
2BR/2BA	174	1,243	$1,501	$1.21
3BR/3BA	24	1,379	$1,624	$1.18
Total/Avg.	**312**	**1,083**	**$1,419**	**$1.35**

Source: REIS; Kimley-Horn

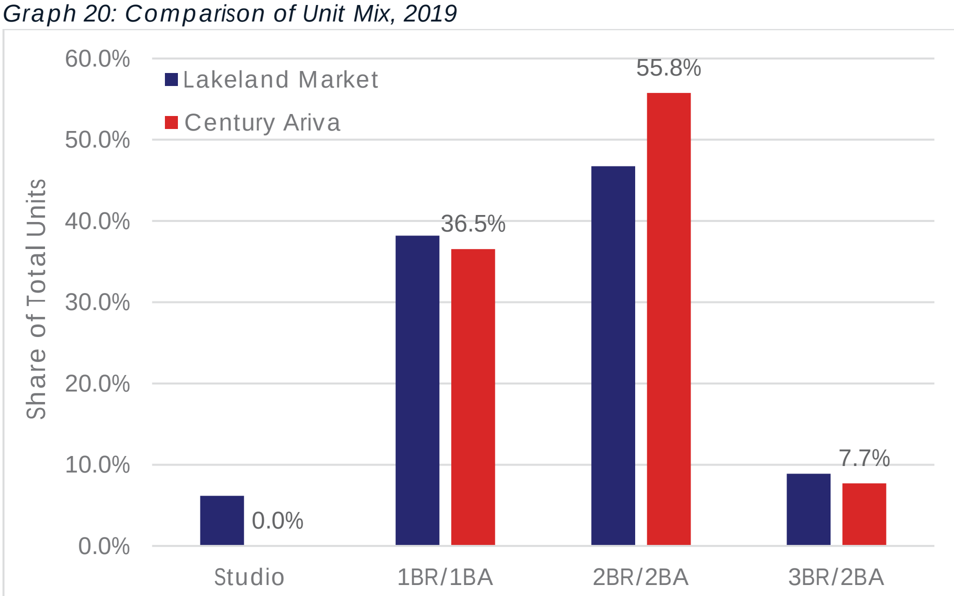
The apartments feature high ceilings, ceiling fans, and a patio or balcony. Kitchens have black appliances, granite countertops, and built-in microwaves. Flooring materials include carpeting and faux hardwood. The base monthly rent includes a washer and dryer in every unit.

This community offers an extensive list of amenities: swimming pool, club house, fitness center, business center, theater/media room, and valet waste removal. Other outdoor amenities include grilling stations, lounge areas, a one-mile jogging path, playground, and a dog park. A surface lot is provided for resident parking.

Figure 7: Century Ariva Apartments, Lakeland, FL

When compared to the larger Lakeland apartment market, Ariva has a similar unit mix. The community has a 55.8% share of two-bedroom units, a 36.5% share of one-bedrooms, and a 7.7% share of three-bedrooms (Graph 20).

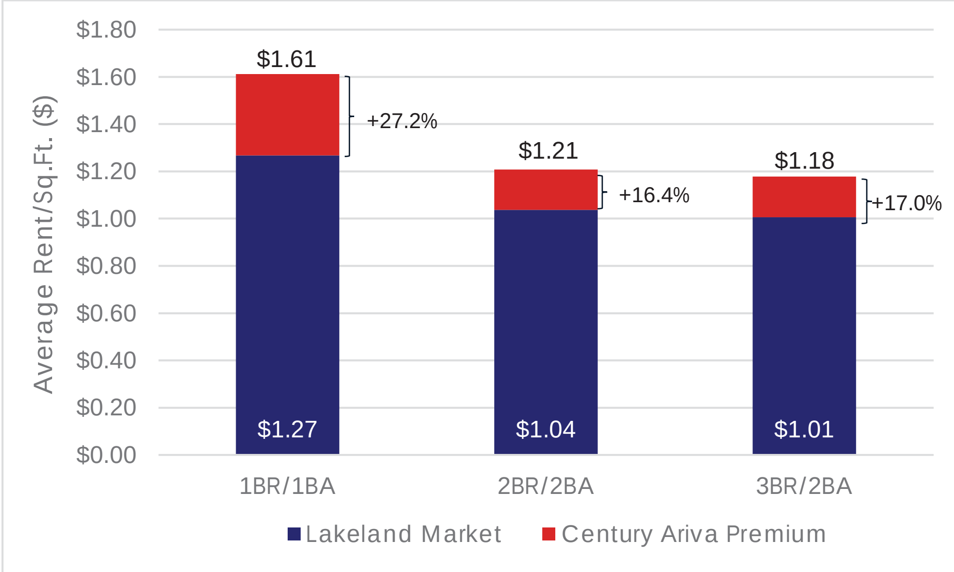
Graph 20: Comparison of Unit Mix, 2019



Source: REIS; Kimley-Horn

On average, quoted rents at Ariva represent a 20% premium over the Lakeland market. The one-bedroom floorplan represents the largest premium over existing inventory at 27.2%. Two- and three-bedroom units have similar premiums at 16.4% and 17.0% respectively (Graph 21).

Graph 21: Rent/Square Foot Premiums, Century Ariva, 2019



Source: REIS; Kimley-Horn

5.2.2 Legacy Union Square, Davenport

Legacy Union Square is a 318-unit market-rate apartment community located in Davenport in Polk County. Situated between Lakeland and Orlando, Davenport has experienced strong growth in recent years. Davenport captures momentum from the Orlando market, coupled with lower development costs and strong quality of life metrics. Two new market-rate apartment projects have come online in the last year in Davenport, including Legacy Union Square.

Legacy Union Square contains 318 one-, two-, and three-bedroom units with an average floorplan size of 1,143 square feet (*Table 7*). Floorplan averages range from 847 for one-bedrooms to 1,515 for three-bedrooms. The community has a Walk Score of 25, which is considered car dependent, as most errands will require a vehicle.

Table 7: Unit Mix and Rents, Legacy Union Square, 2019

Unit Type	Total Units	Unit Size (Sq.Ft.)	Monthly Rent	Rent/ Sq.Ft.
1BR/1BA	110	847	$1,325	$1.56
2BR/2BA	164	1,241	$1,455	$1.17
3BR/3BA	44	1,515	$1,805	$1.19
Total/Avg.	**318**	**1,143**	**$1,458**	**$1.31**

Source: REIS; Kimley-Horn

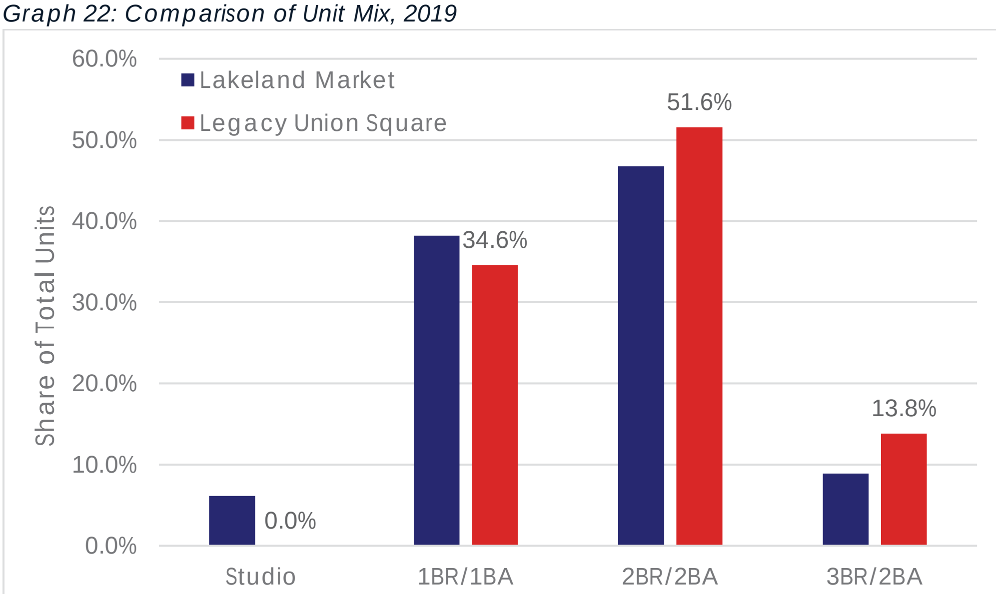
Legacy Union Square is a Class A community, developed by GCI Residential out of Cleveland, Ohio. The apartments feature high ceilings, ceiling fans, and a patio or balcony. Kitchens have stainless steel appliances, quartz countertops, and built-in microwaves. Flooring materials include carpeting and faux hardwood. The base monthly rent includes a washer and dryer in every unit.

Amenities are elevated when compared to existing inventory in Lakeland, and include a swimming pool, club house, fitness center, business center, and theater/media room. Other outdoor amenities include grilling stations, lounge areas, playground, and a dog park. A surface lot is provided for resident parking.

Figure 8: Legacy Union Square, Davenport, FL

Legacy Union Square has a similar unit mix to Ariva in Lakeland, as well as to the overall market. As shown in *Graph 22*, Legacy Union Square does not include any studio units, but offers larger floorplans. Two-bedrooms comprise the largest share of the total community inventory at 51.6%, followed by one-bedrooms (34.6%) and three-bedrooms (13.8%).

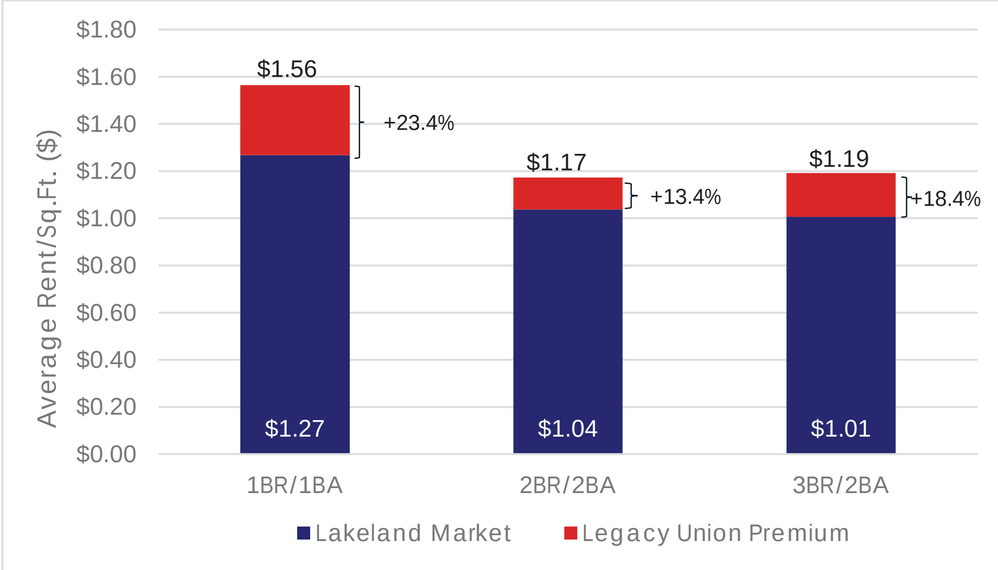
Graph 22: Comparison of Unit Mix, 2019



Source: REIS; Kimley-Horn

The average 1,143-square-foot unit at Legacy Union Square rents for $1,458 per month, or $1.31 per square foot. The average rent per square foot reported at Legacy Union Square represents a 17.0% premium over the $1.12 per square foot measure for the larger Lakeland market. As shown in *Graph 23*, one-bedroom floorplans command the largest premium over the surrounding market at 23.4%. Two- and three-bedroom units have premiums of 13.4% and 18.4%, respectively.

Graph 23: Rent/Square Foot Premiums, Legacy Union Square, 2019



Source: REIS; Kimley-Horn

5.2.3 NoBay Village, Lakeland

NoBay Village is a 55-unit community that was built in 2016. Located in the heart of downtown Lakeland, residents can easily walk to a variety of retail, restaurant, and cultural offerings. The Walk Score of NoBay Village is 75, which is considered very pedestrian friendly. NoBay Village is the first new construction residential project in downtown Lakeland in a decade. This property offers one- and two-bedroom floorplans with an average unit size of 950 square feet (*Table 8*). The project also has ground-level retail.

Table 8: Unit Mix and Rents, NoBay Village, 2019

Unit Type	Total Units	Unit Size (Sq.Ft.)	Monthly Rent	Rent/ Sq.Ft.
1BR/1BA	22	545	$1,037	$1.90
2BR/2BA	33	1,220	$1,525	$1.25
Total/Avg.	**55**	**950**	**$1,330**	**$1.51**

Source: REIS; Kimley-Horn

NoBay represents initiatives by the City of Lakeland to attract residential to the downtown area to build a day-to-night urban environment. In order to incentivize this project, the downtown CRA gave the developer (Broadway) $400,000 through its incentives programs. The project is built on top of what was once a large public parking lot. The utility department also spent over $600,000 upgrading infrastructure and burying power lines.

The apartments feature high ceilings with ceiling fans. The kitchens include stainless steel appliances, a dishwasher, solid-surface countertops, and a built-in microwave. Washer and dryer connections are provided in all units; individual units can be leased for $30-50 per month. The flooring is faux-hardwood in the living areas and carpet in the bedroom.

Community amenities are minimal at NoBay Village, focusing on the tenant's accessibility to shopping and dining in downtown; there is an elevator and controlled access for the residential stories. Surface lot parking is available at no additional cost to residents. The project also includes several outdoor living/entertaining spaces reserved for residents.

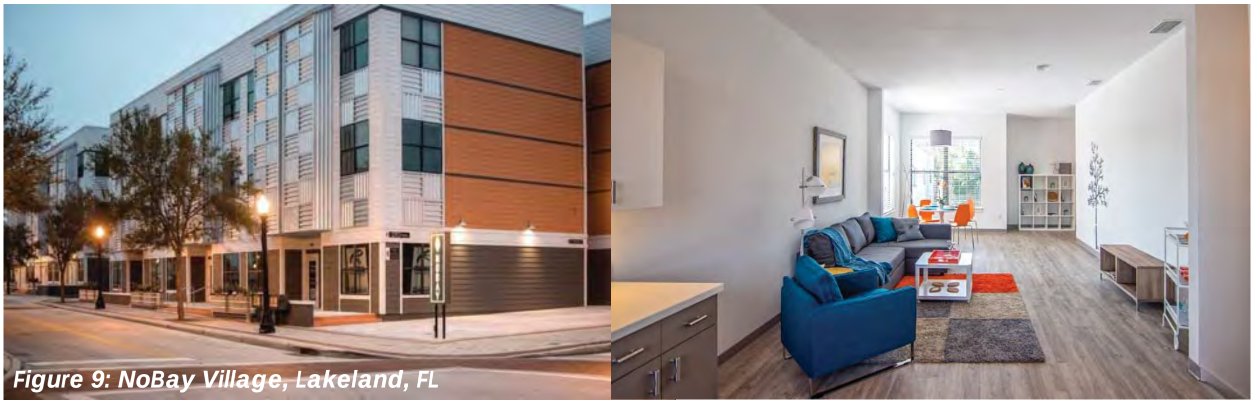
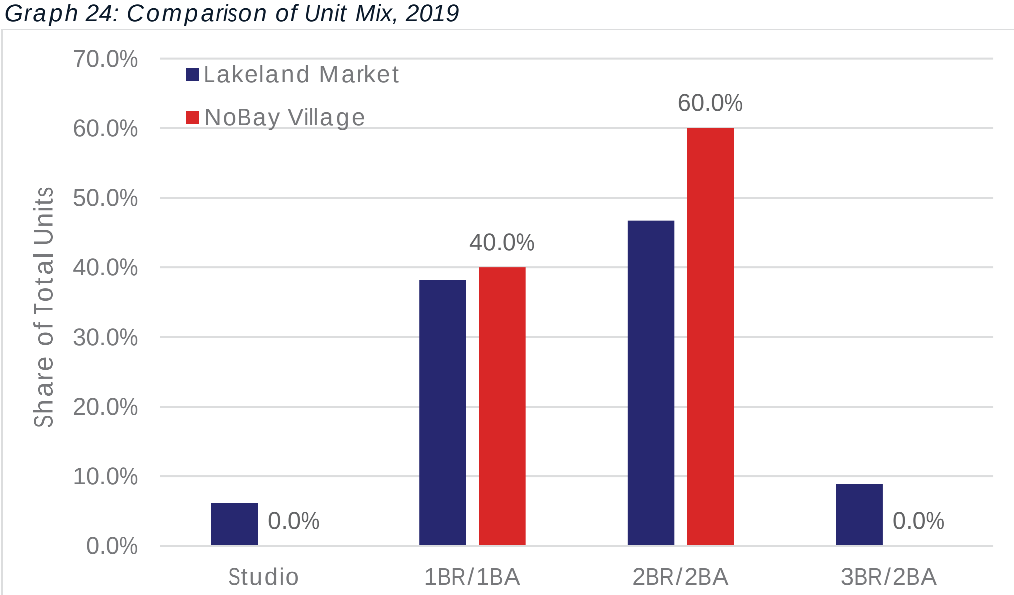


Figure 9: NoBay Village, Lakeland, FL

NoBay Village offers only one- and two-bedroom floorplans. As shown in *Graph 24*, 40.0% of the units at NoBay Village are one-bedrooms and the remaining 60.0% are two-bedrooms. Two-bedroom units are townhouse style with living areas on multiple floors.

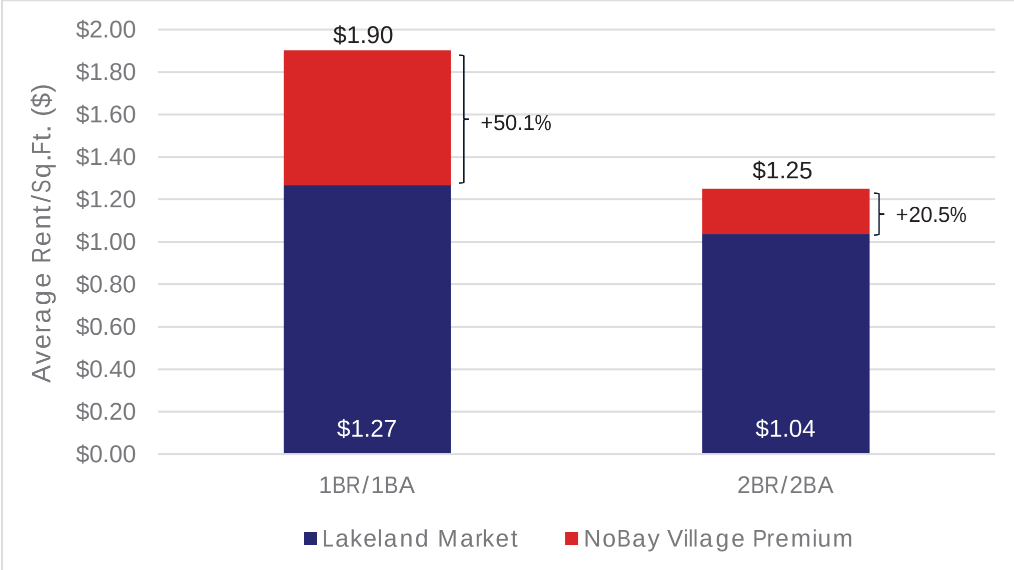
Graph 24: Comparison of Unit Mix, 2019



Source: REIS; Kimley-Horn

The average 950-square-foot unit at Legacy Union Square rents for $1,330 per month, or $1.51 per square foot. The average rent per square foot reported at NoBay Village represents a 34.8% premium over the $1.12 per square foot measure for the larger Lakeland market. As shown in *Graph 25*, one-bedroom floorplans command the largest premium over the surrounding market at over 50%. Two-bedroom units have a 20.5% premium over the market.

Graph 25: Rent/Square Foot Premiums, NoBay Village, 2019

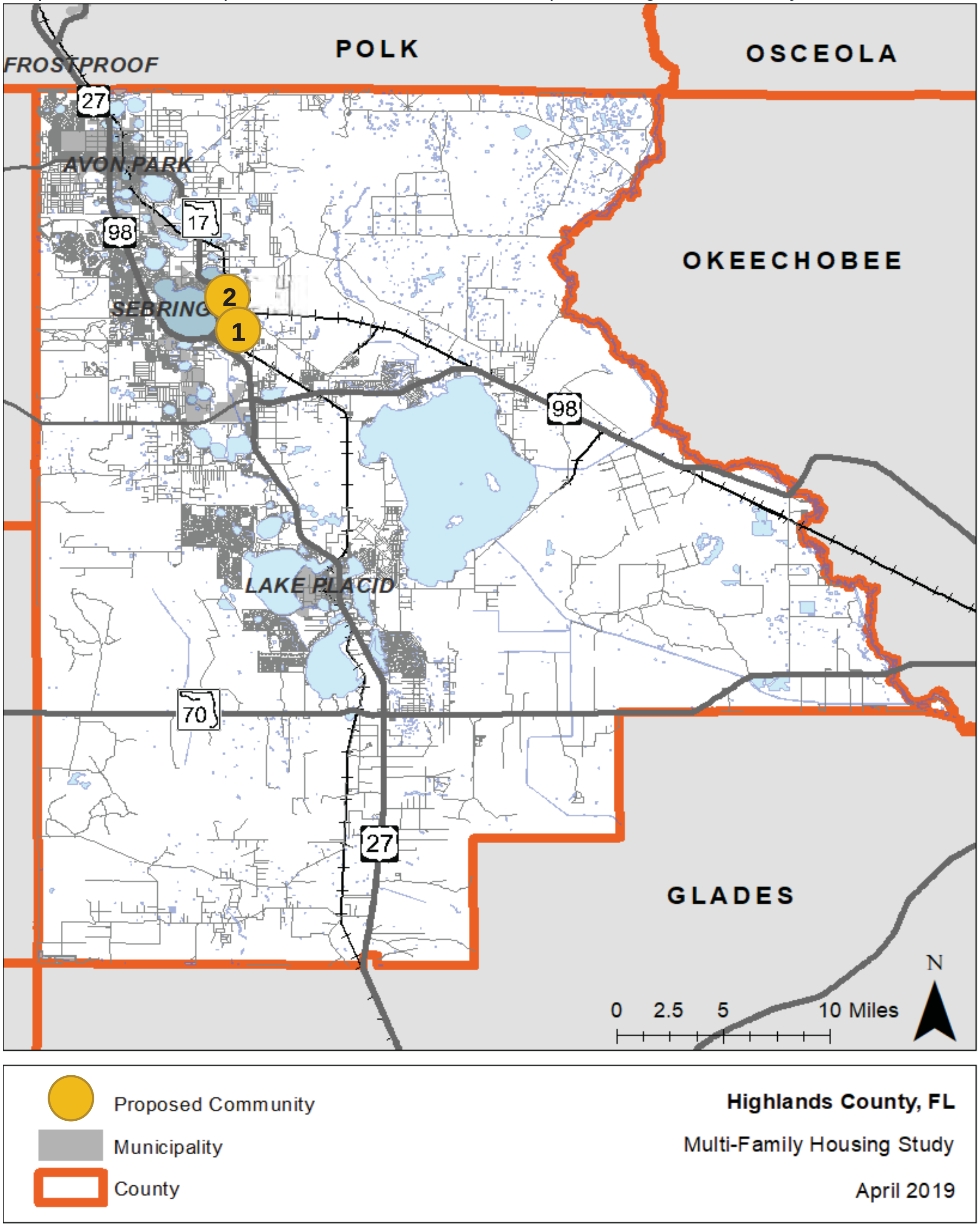


Source: REIS; Kimley-Horn

6. Development Activity

This section identifies market-rate apartment communities that are either under construction or proposed in Highlands County. No projects under construction were identified, and the two known proposed communities are shown on *Map 3*. A key is provided in *Table 9*.

Map 2: Market-Rate Apartment Communities in Development, Highlands County, 2019



Source: Kimley-Horn

6.1 Projects Under Construction

Based on feedback from Highlands County and a review of third-party data and local media sources, there are no market-rate apartments currently under construction in the County.

6.2 Proposed Projects

Proposed projects are defined as having approved entitlement or an active rezoning/site plan application. As shown in *Table 9*, there are currently two market-rate apartment communities containing an estimated total of 66 units proposed in Highlands County. Both properties are renovations of historic hotels located on North Ridgewood Drive in downtown Sebring. They are owned by the same developer.

Table 9: Proposed Apartment Communities, Highlands County, 2019

Map Key	Community	Location	Units	Expected Start
1	Nan-Cess-O-Wee	139 N Ridgewood Dr	25	2019
2	Santa Rosa	509 N Ridgewood Dr	41	2020
Total			**66**	

Source: Highlands County; Kimley-Horn

Nan-Cess-O-Wee Hotel. This 60-room historic hotel, which was built in 1923, has been closed since 2004 and is currently vacant. Occupying a central location along a main road, the restoration and activation of this site would provide a boost to downtown Sebring and the CRA. The developer purchased the 3-story, 31,575-square-foot building in 2015 and has actively been pursuing financing and support for its conversion to a mixed-use multi-family community. Construction is expected to start in mid-2019 and last for approximately 12 months.

Figure 6: Nan-Cess-O-Wee Hotel

The historic character of the building façade must be maintained, while the interior will undergo extensive renovation. Currently, the building is planned to contain 25 modern apartments and up to four ground-floor retail spaces. The apartments will be one- and two-bedroom units and will feature granite countertops and stainless-steel appliances. Planned community amenities include key fob entry, video surveillance, fitness center, and a community area with Wi-Fi. The CRA must approve the final design.

The CRA has promised $450,000 to assist with renovations, contingent on the developer securing adequate financing. If successful, this renovation will be the largest project the CRA has seen and the first residential units completed in downtown in recent history. The City of Sebring has agreed to a 40-year lease with the developer for a portion of a parking lot behind the Nan-Cess-O-Wee to provide sufficient parking for the apartments; the developer will also construct additional parking spaces on the hotel property.

Santa Rosa Hotel. This historic former hotel was also built in 1923. Current plans call for the conversion to 41 apartments. The same developer hopes to begin construction on the Santa Rosa after construction on the Nan-Cess-O-Wee begins in 2019. This analysis assumes a 2020 start date.

Figure 7: Santa Rosa Hotel

The former hotel contains 23 rooms, an owner's suite, and café. The building had been renovated in 1987 and in operation until 2005 when extensive hurricane damage caused the hotel to close permanently.

6.3 Development Timeline

The two known multi-family projects proposed in Highlands County are expected to deliver a combined 66 new units with modern amenities in the next two to three years. These communities represent the first new market-rate multi-family development in the County in recent history. Although primary research was conducted to identify all existing and proposed development in the County, additional unannounced projects could emerge. Proposed projects profiled in this analysis could also fail to move forward for various reasons, including a lack of financing.

This housing study and implementation of its recommendations are anticipated to set the stage for stimulating construction of new apartment communities over the next ten years. Several sites in the County are being actively marketed for multi-family development, most of which are in the northern half of the County near the Avon Park and Sebring. These areas are expected to attract growth first due to their proximity to jobs, including the Nucor steel mill, and utility infrastructure. The northern part of the County was also identified as the most desirable for market-rate multi-family investment during interviews with local stakeholders.

7. Supply and Demand Forecast

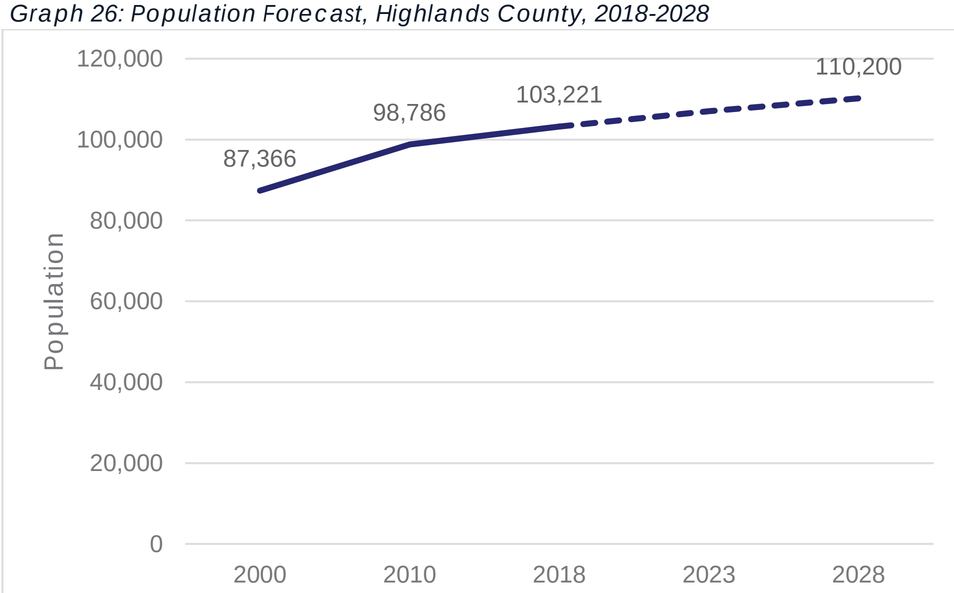
This section reconciles the potential new supply for market-rate multi-family with a net demand forecast for Highlands County. The forecast can be used to determine future demand in the County for apartments in the future and how the delivery of new units could impact the overall health of the market.

Currently, vacancy rates for market-rate multi-family units are assumed to be approximately 3%-5%. This is lower than the aggregate rate for Highlands County reported by CoStar, which also included income- and age-restricted units. The assumed measure is consistent with a review of existing inventory, feedback from stakeholders, and performance in neighboring Polk County.

7.1 Population and Household Forecasts

As shown in *Graph 26*, the population in Highlands County is expected to increase 6.8% over the next ten years, reaching approximately 110,200 residents by 2028. This equates to an increase of nearly 7,000 residents. The forecast is based on a review of several third-party demographic sources including ESRI Business Analyst Online, Bureau of Economic and Business Research, and Woods & Poole.

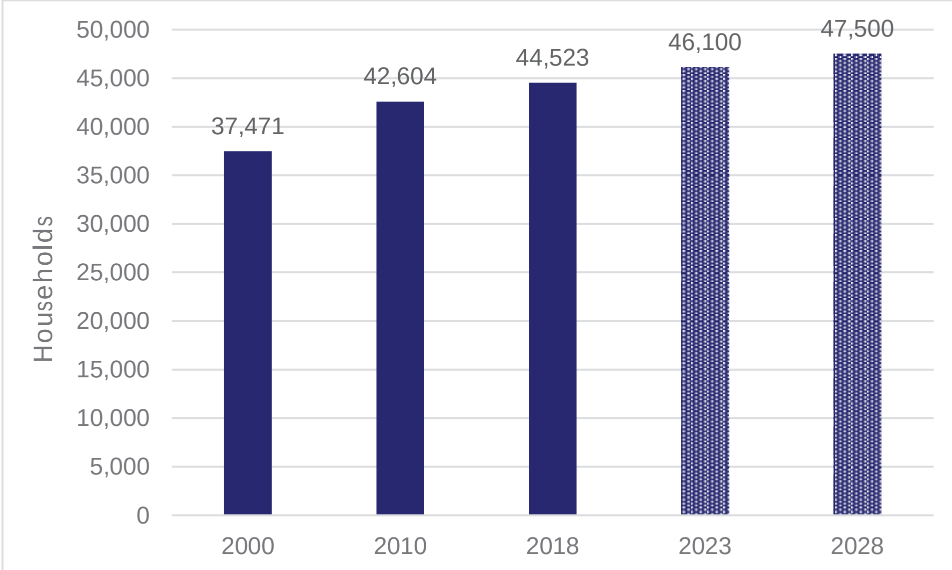
Graph 26: Population Forecast, Highlands County, 2018-2028



Source: Kimley-Horn; ESRI; BEBR; Woods & Poole

The average household size in Highlands County has remained relatively consistent since 2000 at approximately 2.32 persons. This analysis continues to hold the measure through 2028. Based on this assumption, the County could reach an estimated 47,500 households by 2028, an increase of nearly 3,000 over the next ten years (*Graph 27*).

Graph 27: Household Forecast, Highlands County, 2018-2028



Source: Kimley-Horn; ESRI; BEBR; Woods & Poole

7.2 Apartment Demand Forecast

Apartment demand has been forecasted by analyzing forecasted household growth in Highlands County between 2018 and 2028. As previously noted, Highlands County is forecasted to add nearly 3,000 new households over the next ten years, a growth rate of 6.7%. Household growth is demonstrated in the model below as item 'a'.

FORECASTED HOUSEHOLD GROWTH		
		Households
2018 (Estimate)		44,523
2028 (Projection)		47,500
a. Ten-Year Net Change in Households		**2,977**
RENTAL HOUSING DEMAND		
Share Renter-Occupied Households	23.0%	
b. Ten-Year Net New Rental Demand		**685**
NEW SUPPLY		
Total New Pipeline Supply (2019-2028)	66	
Stabilized Occupancy Rate	93.0%	
c. Planned Additions to Supply		**61**
d. Excess Demand for Rental Housing (c-b)		**623**

Source: Kimley-Horn

The 2010 U.S. Census reported a 22.9% renter share in the County. It should be noted that this analysis relies on the measure for household tenure, which excludes vacant housing units. As shown in the model above, to provide a conservative demand forecast, this analysis uses a similar 23.0% renter household share for the 2018-2023 growth increment for Highlands County.

Applying the 23.0% share to forecasted household growth indicates that approximately 685 rental units could be supported in the County over the next five years (b).

The model then takes into consideration the known new supply that is expected to enter the market. Only two market-rate projects were identified in the development pipeline, two small historic renovation projects in downtown Sebring totaling 66 units. At a stabilized occupancy rate of 93.0%, this equates to 61 units that would capture future projected demand (c).

Subtracting the planned additions to supply from the ten-year net new rental demand equates to excess need of 623 multi-family units (d). Assuming a standard size of 150 to 250 units, which is typical of modern apartment communities, this equates to three to four new projects in the next ten years.

It should be noted that this demand forecast represents a highly conservative view of future need. The following factors were not specifically incorporated into the model, and would only serve to bolster the final demand projection:

- Units removed from housing stock. This analysis does not specifically take into consideration apartments that no longer meet the needs of residents, require significant upgrades, have been permanently abandoned, or are lost from natural disaster. Measures identified through the Components of Inventory Change (CINCH) report can be used to determine changes in housing stock, including loss in supply. The most recent version of this inventory is dated 2011-2013. Annual loss rates in Highlands County at approximately 0.30%. Applying these rates to the existing housing stock could result in an estimated loss of 1,750 housing units over the ten-year analysis period. If they are lost at a similar share of current occupancy, this would equate to approximately 400 rental units replaced over the next ten years.
- Pent up demand. The vacancy rate in Highlands County is estimated at approximately 3.0%. This analysis assumes that a 7.0% vacancy rate represents a healthy, or fluid, market, meaning that there are quality units available to support inter- and intra-market moves. In order to bring the current vacancy rate up to the stabilized target, an additional 150 units would need to be leased. This measure can be used to represent the pent-up demand created by new residents seeking to live in Highlands County, but due to the lack of quality rental housing options, live elsewhere.

8. Rent Targets

Rent targets for new multi-family construction in Highlands County consider existing inventory, both in traditional apartment communities and single-family investor properties, as well as benchmarks from neighboring Polk County. Lacking a defined project, this section provides ranges based on common unit sizes and surrounding property performance. More specific recommendations are provided for a test project in the next section.

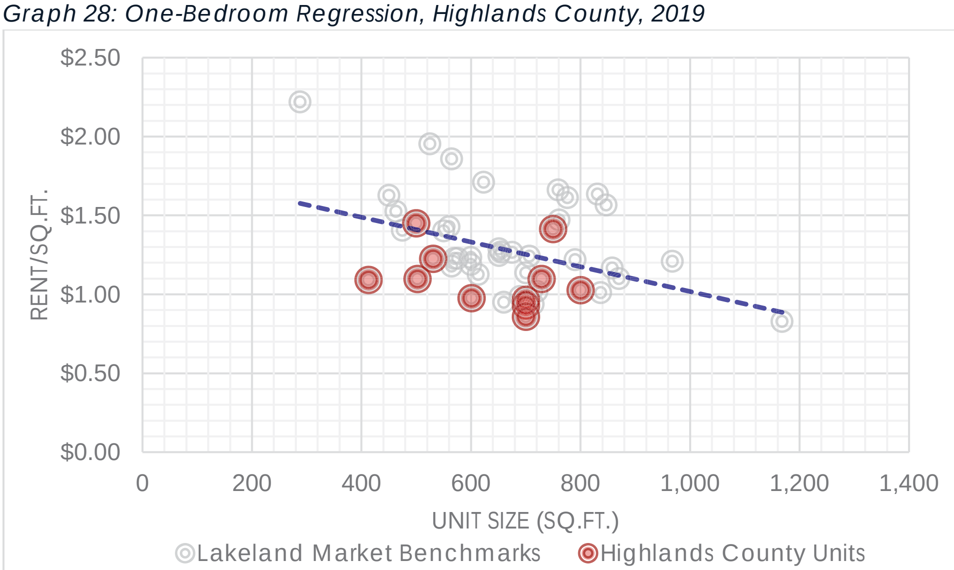
Tenants focus on monthly rents when choosing an apartment, whereas developers rely on rent per square foot as the preferred performance measure. This analysis considers both perspectives in estimating the supportable rents.

8.1 One-Bedrooms

Graph 28 demonstrates a scatter plot comparing unit size to effective rents per square foot for exiting inventory in Highlands County and the Lakeland market. One-bedrooms are attractive to young, single professionals and older lifestyle renters that have downsized from their family homes. The most common one-bedroom unit sizes are between 500 and 800 square feet. Smaller units would be attractive to renters that are willing to trade space for price sensitive housing options.

Using the trend line as guidance, new construction one-bedroom units in Highlands County are expected to command rents between $750 and $900 per month, depending on size. This equates to roughly $1.20 to $1.40 per square foot. These rent targets also consider the premiums achieved over existing product by the three new construction comparable communities in Polk County.

Graph 28: One-Bedroom Regression, Highlands County, 2019

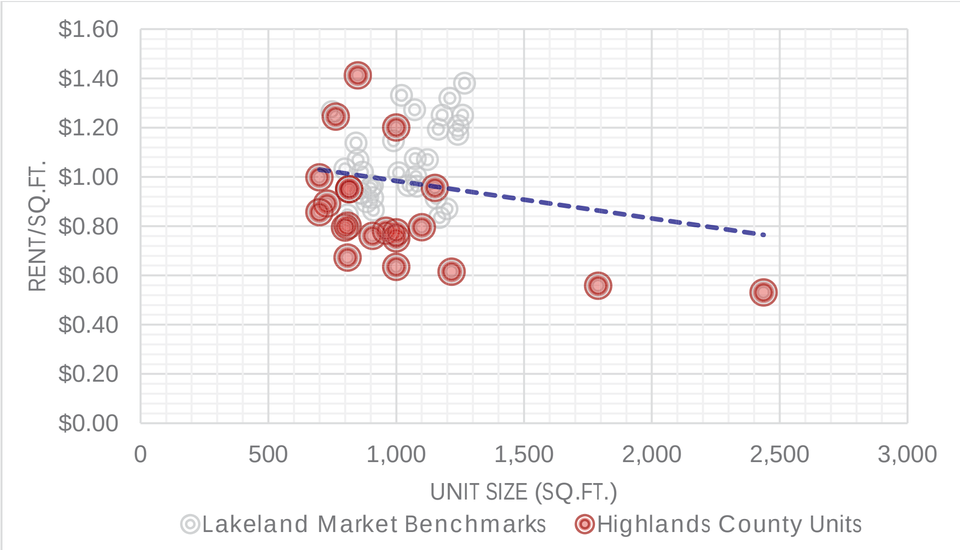


Source: Kimley-Horn; REIS; CoStar

8.2 Two-Bedrooms

Two-bedroom floorplans are attractive to singles seeking an extra bedroom or home office, couples, both young and old, and roommates. Existing two-bedroom units are most commonly sized between 900 and 1,100 square feet. Based on these common ranges, lease rate targets for new construction in Highlands County could range from $950 to 1,100 per month, or $0.90 to $1.10 per square foot (*Graph 29*).

Graph 29: Two-Bedroom Regression, Highlands County, 2019

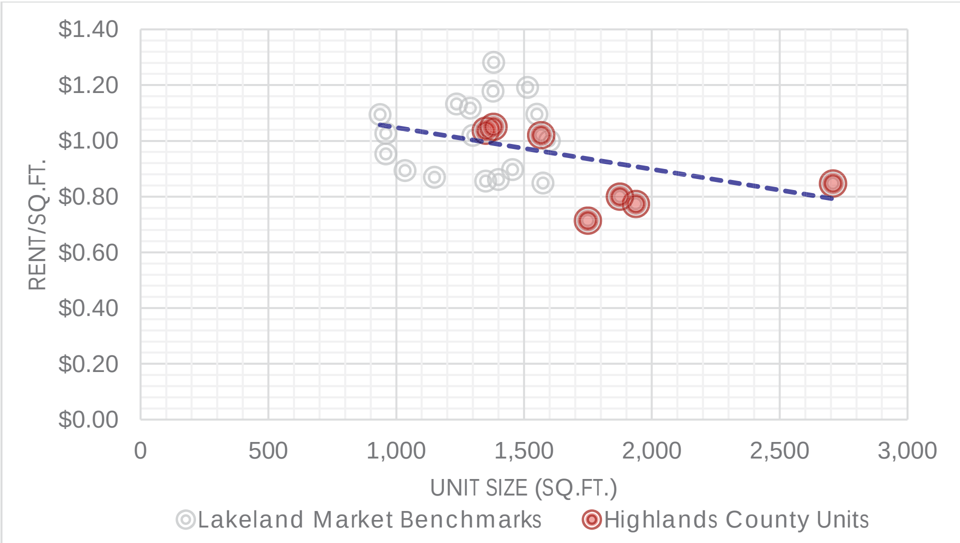


Source: Kimley-Horn; REIS; CoStar

8.3 Three-Bedrooms

Three-bedroom apartments in Highlands County will be attractive to families and roommates, as well as couples seeking more space. As shown in *Graph 30*, existing three-bedroom units are commonly between 1,200 and 1,500 square feet. This floorplan has notable variation as it is influenced by the presence of single-family investor homes, which tend to be larger than traditional apartment floorplans. Target rents for new three-bedroom units in Highland County would be $1,200 to $1,300 per month, or $0.80 to $1.00 per square foot.

Graph 30: Three-Bedroom Regression, Highlands County, 2019



Source: Kimley-Horn; REIS; CoStar

9. Strategies and Recommendations

9.1 Financial Considerations

9.1.1 Test Project Definition

One of the primary purposes of this project is to test the financial viability to attract market-rate multi-family projects that are affordable to residents but meet return goals of developers. As part of the investigation of financial considerations to multi-family development, a test project was created for input into a pro forma. As a baseline, the test project considers the current density policy of approximately 12 units per acre for multi-family projects. The scenario assumes 160 units constructed on a 13.5-acre property.

As pro forma model inputs, a unit mix was defined to determine gross revenue potential for the 160-unit project. The unit mix, sizes, and rents are based on existing inventory in Highlands County, high-level performance in Polk County, and established premiums for new construction. As shown in *Table 10*, the average 903-square-foot unit would rent for $1,054 per month or $1.17 per square foot.

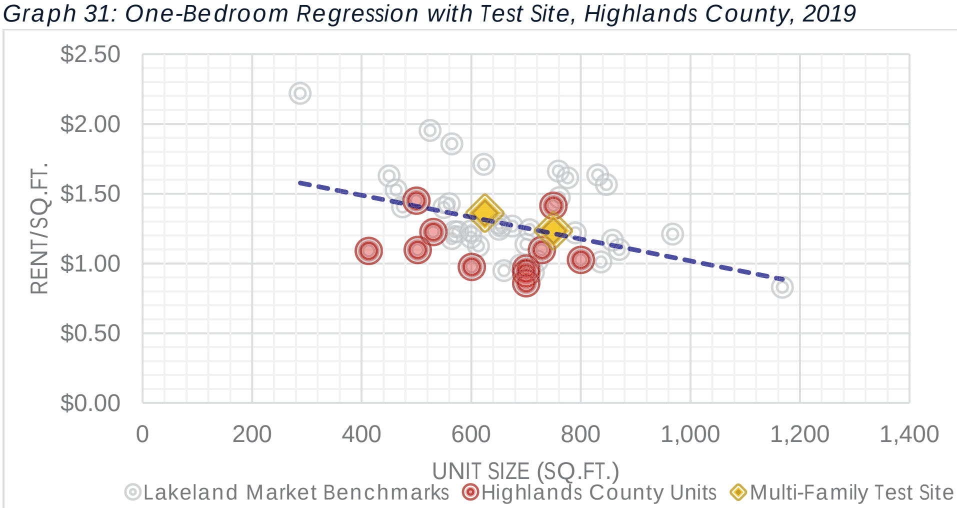
Table 10: Test Project Unit Mix and Rents, Highlands County, 2019

Floorplan	Total Units	Unit Size (Sq.Ft.)	Monthly Rent	Rent/ Sq.Ft.
1-BR (small)	25	625	$850	$1.36
1-BR (large)	40	750	$925	$1.23
2-BR	80	1,000	$1,150	$1.15
3-BR	15	1,200	$1,225	$1.02
Total/Avg.	**160**	**898**	**$1,054**	**$1.17**

Source: Kimley-Horn

One-bedroom units in the test project would range from 625 to 750 square feet and rent for $850 to $925 per month. As shown in *Graph 31*, assumed rents per square foot for the test project could range from $1.23 to $1.36, depending on unit size.

Graph 31: One-Bedroom Regression with Test Site, Highlands County, 2019

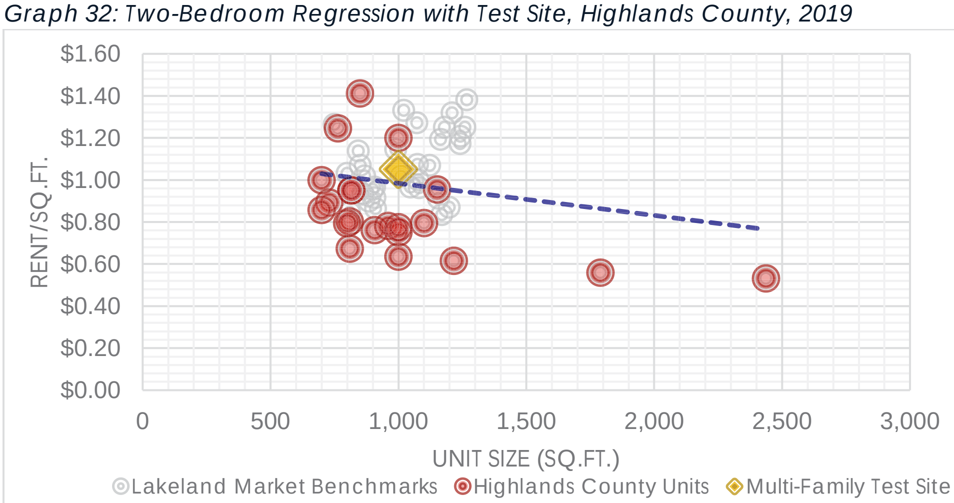


Source: Kimley-Horn

It should be noted that rents for individual projects could vary from these targets, based on premiums for walkability, proximity to retail, access to major corridors/economic anchors, or views. The recommended target rents assume an efficient, garden-style project with no more than three-stories. Parking would be provided on-site in surface parking lots.

As shown in *Graph 32*, a two-bedroom unit at the test site could command an average monthly rent of approximately $1,150, or $1.15 per square foot. This falls in line with other quoted rates for units in Highlands County, as well as Polk County.

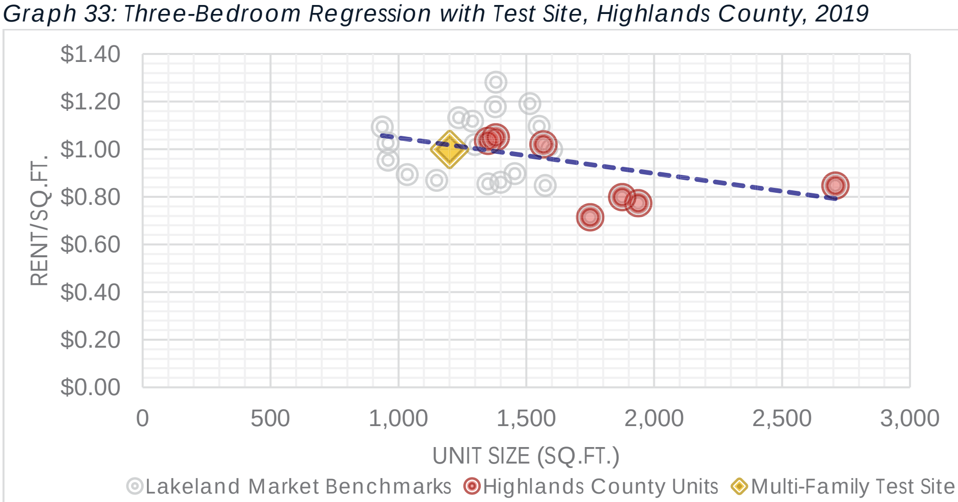
Graph 32: Two-Bedroom Regression with Test Site, Highlands County, 2019



Source: Kimley-Horn

Three-bedrooms at the test site would be expected to achieve an average lease rate of approximately $1,250 per month, or $1.02 per square foot (*Graph 33*).

Graph 33: Three-Bedroom Regression with Test Site, Highlands County, 2019



Source: Kimley-Horn

The new communities in the Lakeland apartment market achieved average premiums ranging from 20% to 35% over the base existing inventory. Assuming a base of $1.00 per square foot in Highlands County, consistent with both the CoStar report and the separate inventory compiled by Kimley-Horn, the $1.17 per square foot target would represent less than a 20% premium.

9.1.2 Development Scenarios

The financial feasibility of apartments in Highlands County was tested using cash flow models to show prospective rental revenue streams compared to construction costs, debt service, and required developer returns. Numerous assumptions were utilized as part of the financial feasibility analysis, and were based on comparable community performance, as well as local market information gathered through research and stakeholder interviews.

Rent and unit mix assumptions were held constant in the pro forma to solve for densities that would produce an initial yield of 8%. Initial yield is defined as the net operating income divided by the total development cost. An 8% yield is a widely adopted investment performance threshold in the multi-family industry. Ultimately, the project is assumed to be sold after five years at a capitalization rate of 7.5%. Capitalization rates are the ratio between the annual net operating income produced by an asset and its current market value.

Pro Forma Assumptions

Land Cost:	$6,625/door
Hard Construction:	$70/square foot
Building Efficiency:	85%
Absorption Pace:	12 units/month
Stabilized Occupancy:	7%
Operating Expenses:	$4,000/unit
Loan to Cost Ratio:	75%
Construction Loan:	6%
Inflation:	2019 constant $

Construction costs are projected for three-story garden apartment buildings with brick and hardi-plank siding. The costs also include an allowance for a clubhouse with amenity areas, as well as a pool. Interior unit features are assumed to include black or stainless-steel appliances, faux hardwood and carpeting, and laminate countertops.

Scenario 1 (Base Density). Based on the outlined pro forma assumptions, an 8% yield can be achieved at 12 units per acre and an average rent of $1,054, or $1.17 per square foot. The total project cost for the test site is estimated at $16.4 million. Based on the proposed yield, unit mix and rents, the stabilized net operating income (NOI) after the first year of construction would be $1.3 million. This equates to an initial yield of 8.0% and an internal rate of return (IRR) after a five-year hold of 20.65%.

Scenario 1: FINANCIAL SUMMARY

Equity Investment	$4,101,970	25.0%
Loan Amount	$12,305,911	75.0%
Total Project Cost	**$16,407,882**	
NOI – Year 1	$1,319,754	
Initial Yield (Overall)	8.04%	
IRR (five-year hold)	20.65%	

Scenario 2 (Low Density). A second scenario was tested using a density less than the base allowed by current land use policy in Highlands County. This scenario, which estimates performance at eight units an acre, is presented to demonstrate how a slight modification to policy can impact development potential for workforce multifamily. All other pro forma

assumptions are held constant, including land price, product rents, and absorption pace. Based on the proposed yield, unit mix and rents, the stabilized net operating income (NOI) after the first year of construction would be the same as the first scenario at $1.3 million. This equates to an initial yield of 7.79% and an internal rate of return (IRR) after a five-year hold of 17.00%. These thresholds fall below typical return targets for developers.

Scenario 2: FINANCIAL SUMMARY

Equity Investment	$4,236,970	25.0%
Loan Amount	$12,710,911	75.0%
Total Project Cost	**$16,947,882**	
NOI – Year 1	$1,319,754	
Initial Yield (Overall)	7.79%	
IRR (five-year hold)	17.00%	

Scenario 3 (High Density). A third, and final, scenario was tested using a density higher than the base allowed by current land use policy in Highlands County. This scenario estimates performance at 16 units an acre. As with the other scenarios, all other pro forma assumptions are held constant. Based on the proposed yield, unit mix and rents, the stabilized net operating income (NOI) after the first year of construction would be the same as the first scenario at $1.3 million. This equates to an initial yield of 8.17% and an internal rate of return (IRR) after a five-year hold of 22.49%, targets that would be attractive to developers.

Scenario 3: FINANCIAL SUMMARY

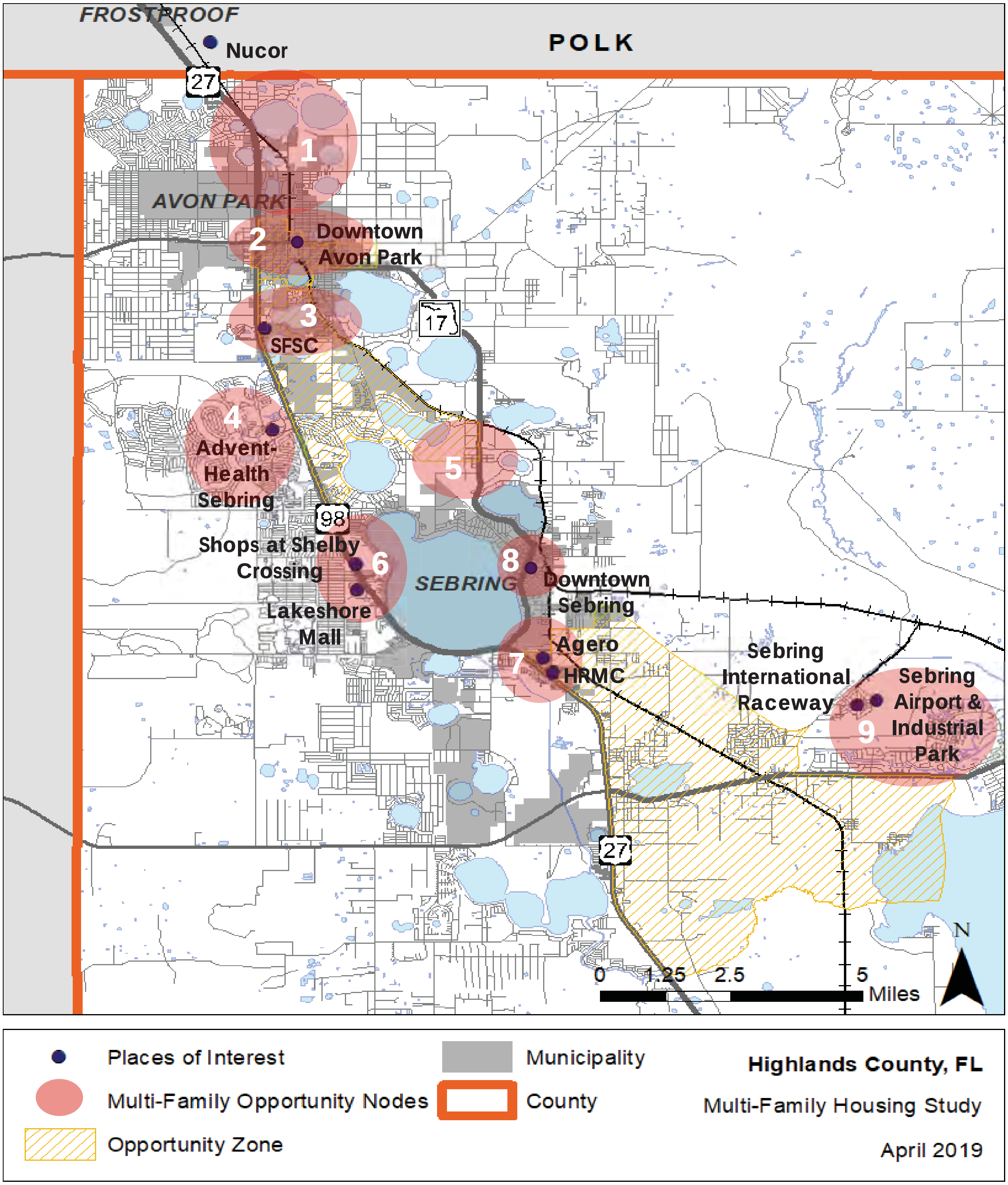
Equity Investment	$4,036,970	25.0%
Loan Amount	$12,110,911	75.0%
Total Project Cost	**$16,147,882**	
NOI – Year 1	$1,319,754	
Initial Yield (Overall)	8.17%	
IRR (five-year hold)	22.49%	

At the current density allowed by land use policy (12 units per acre), the Highlands County test apartment site performs financially as a viable project. However, it is important to note that larger national institutional real estate investors and developers would be hesitant to pursue due to the tertiary nature of the market. National developers will perceive this smaller market as a higher level of risk. Local or regional developers with strong ties to the community will be more likely to overlook initial risk in support of their 'hometown.' Allowing for a higher than base density increases performance, which could assist in attracting interest in the market.

9.2 Opportunity Nodes for Multi-Family

Map 4 shows nodal areas containing potential sites that present the strongest near- and mid-term opportunities for the development of market-rate multi-family housing in Highlands County.

Map 3: Multi-Family Opportunity Nodes, Highlands County, 2019



Source: Highlands County; Kimley-Horn

The multi-family opportunity nodes were selected based on several factors, including base entitlements, proximity to employers and amenities, site visibility, access to major roads, and local knowledge. When selecting sites, apartment developers tend to look for good visibility from major roads and proximity to area anchors. In a tertiary market like Highlands County, a prime site will be needed for initial investment. In the near-term, this is likely to be focused on the northern portion of the County offering proximity to the Nucor site, Polk County, and continuing to the greater-Orlando market. Specific parcels highlighted in red on the following graphics indicate sites that are already zoned to accommodate multi-family development (R-3).

Multi-Family Opportunity Node #1

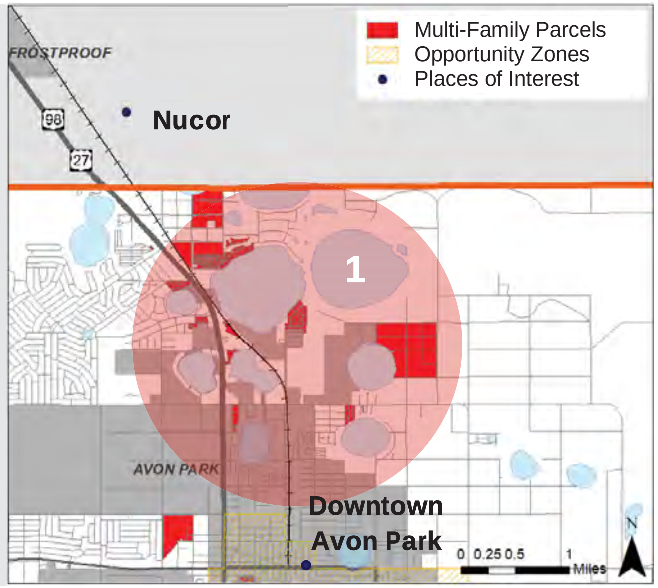
As the northernmost area identified, this area has strong potential to host new multi-family development. The site offers proximity to the Nucor facility and beyond to Lakeland, access to US 27, and is near services in Avon Park.

Key anchor: Nucor steel mill site

Attractive node attributes:

- Easy access to US 27
- Several entitled sites
- Proactive utility authority
- Proximity to Avon Park retail and jobs

Development potential: Near-term



Multi-Family Opportunity Node #2

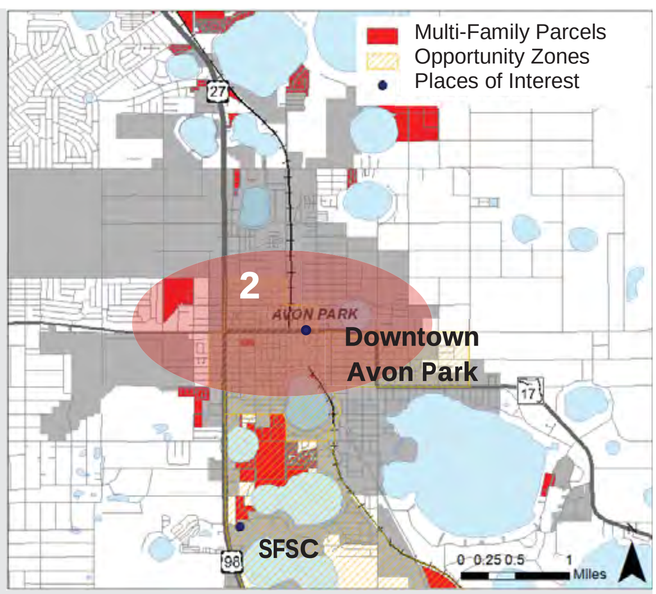
Centered on Avon Park's historic downtown, this node provides potential for new infill and adaptive reuse multi-family projects, especially given the recent preference for walkability in mixed-use environments. Developments in this node will likely be small in scale, less than 50 units.

Key anchors: Historic downtown Avon Park
Near Nucor steel mill site

Attractive node attributes:

- Potential for infill projects using historic tax credits
- Easy access to US 27
- Location within Opportunity Zone
- Proactive utility authority
- Proximity to downtown retail and jobs

Development potential: Near- to mid-term



Multi-Family Opportunity Node #3

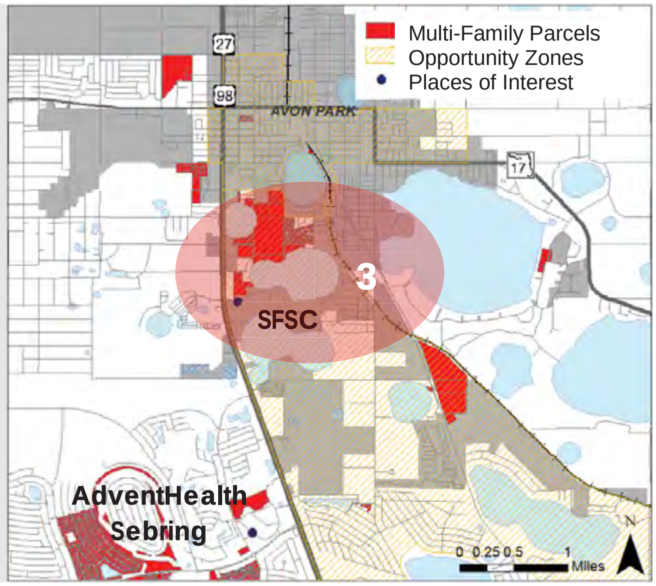
This area is situated around the SFSC campus, which has found retaining employees and attracting students challenging due to the lack of quality rental options.

Key anchor: South Florida State College

Attractive node attributes:

- Easy access to US 27
- Partnership potential with college
- Location within an Opportunity Zone
- Proactive utility authority
- Proximity to Avon Park retail and jobs

Development potential: Near-term



Multi-Family Opportunity Node #4

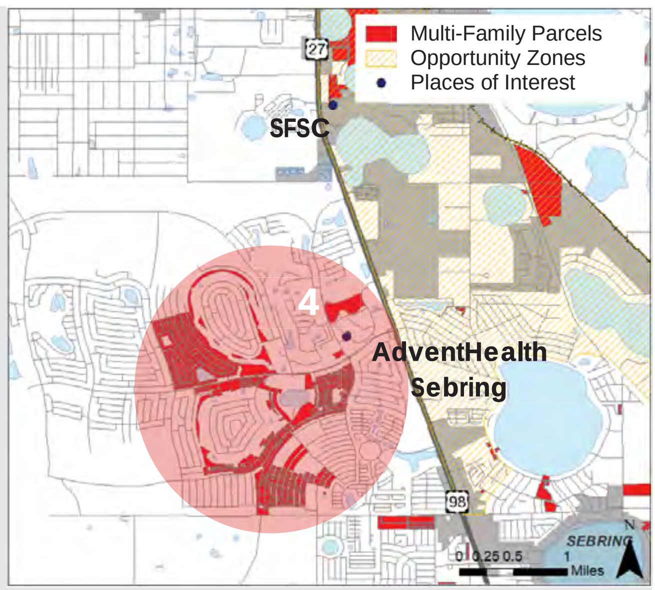
Based on feedback from previous roundtable discussions, there is significant housing demand driven by AdventHealth Sebring. This demand includes short- and long-term housing.

Key anchor: AdventHealth Sebring

Attractive node attributes:

- Easy access to US 27 & US 98
- Proximity to Sun 'N Lake retail and entertainment offerings
- Distance to AdventHealth facility, which drives demand for a variety of housing options
- Partnership potential with hospital
- Proactive utility authority

Development potential: Near- to mid-term



Multi-Family Opportunity Node #5

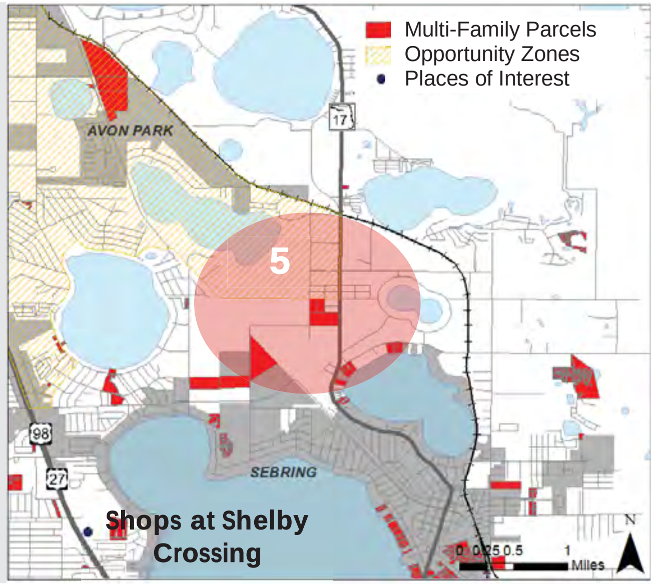
Sebring Parkway (Ph.2/3), a connector project between the first phase and Manatee Drive, is currently under construction and will unlock development potential for vacancy land in this area offering increased accessibility.

Key anchor: New roadway infrastructure

Attractive node attributes:

- Improved vehicular access
- Greenfield development opportunities
- Enhanced connection to job centers
- Partially located within an Opportunity Zone

Development potential: Mid- to long-term



Multi-Family Opportunity Node #6

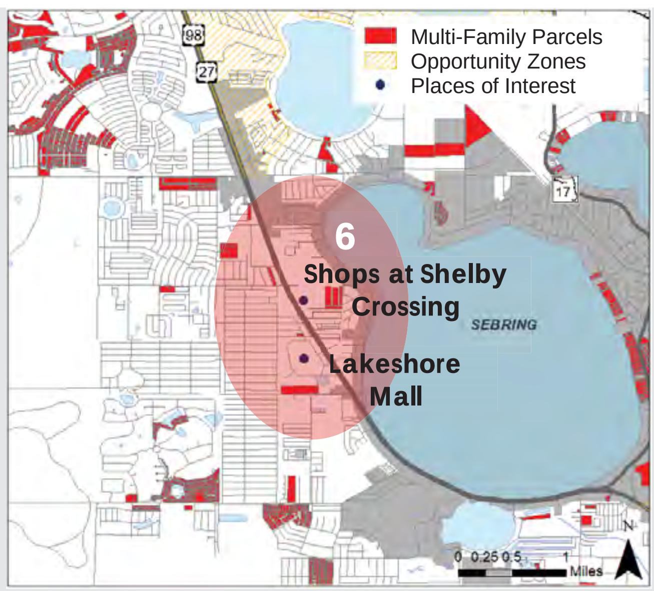
Containing two of Sebring's largest shopping centers and part of Lake Jackson, this area offers potential to capitalize on the recent trend of building new apartment communities in environments where residents can 'live, work, play'. Lake Jackson offers an amenity to residents, creating the potential for rent premiums for view sheds.

Key anchors: Shops at Shelby Crossing
Lakeshore Mall

Attractive node attributes:

- Potential for walkability to retail and recreation amenities
- Easy access to US 27
- Greenfield development opportunities

Development potential: Near-term



Multi-Family Opportunity Node #7

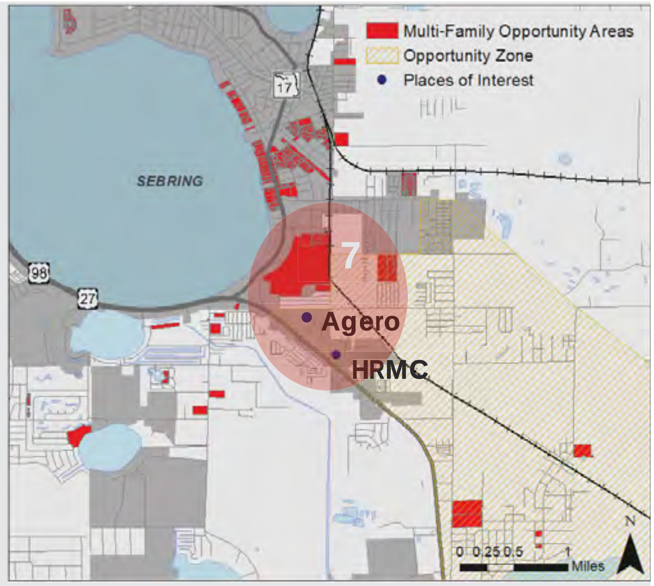
Situated south of downtown Sebring, this area is near two large employers, Heartland Regional Medical Center and Agero, both of which have employees who tend to be target markets for apartments.

Key anchors: HRMC
Agero

Attractive node attributes:

- Proximity to retail and recreation
- Partnership potential with hospital
- Easy access to US 27 & US 98
- Greenfield development opportunities
- Location within an Opportunity Zone
- Near downtown Sebring

Development Potential: Near-Term



Multi-Family Opportunity Node #8

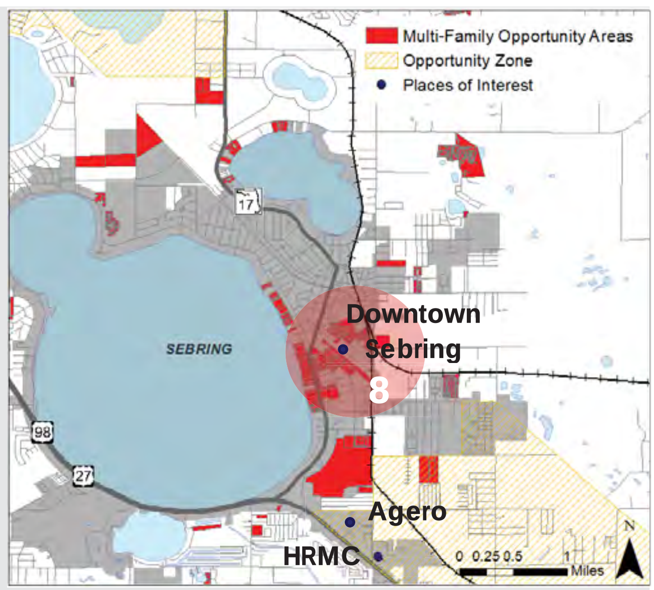
Encompassing downtown Sebring, this area has potential to develop small market-rate multi-family projects, possibly on the second floor of historic buildings or infill sites. The only pipeline projects in Highlands County are two adaptive reuse developments in downtown Sebring, totaling 66 units.

Key anchor: Historic downtown Sebring
Government offices

Attractive node attributes:

- Potential for historic tax credits and infill projects
- Location within Sebring CRA
- Proximity to downtown jobs
- Proximity to retail and recreation

Development potential: Near-term



Multi-Family Opportunity Node #9

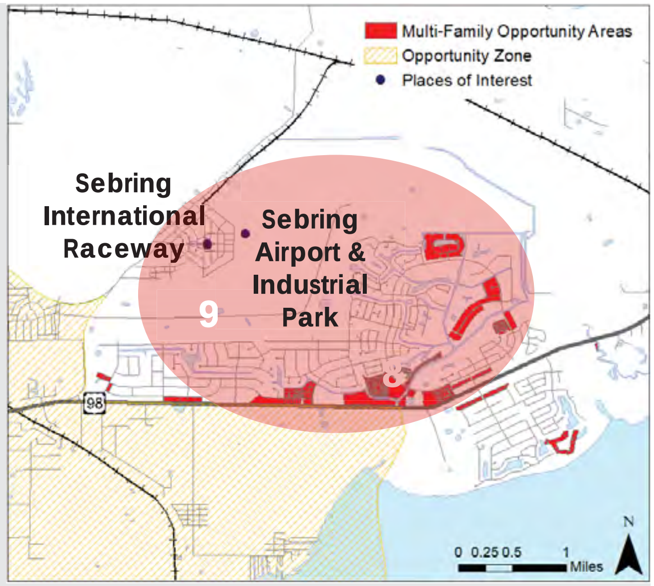
This node is located in the Spring Lake Improvement District southwest of Sebring. A developer has expressed interest in developing multi- and single-family housing, which would help build momentum for new apartment construction in the area.

Key anchor: Sebring Airport & Industrial Park
Sebring International Raceway

Attractive node attributes:

- Greenfield development opportunities
- Proximity to retail and recreation
- Easy access to US 98
- Proactive utility authority

Development potential: Near- to Mid-term



9.3 Development Strategies

As previously noted, the Highlands County test apartment site performs as a viable project financially; however, larger national institutional real estate investors and developers would be hesitant to pursue due to the tertiary nature of the market. National developers will perceive this smaller market as a higher level of risk. Even local or regional developers may require incentive to move forward with a multi-family project in Highlands County.

This section identifies public sector actions that could increase the potential for market-rate multi-family developments. Incentives can be used to bridge financing gaps for priority projects or leverage public investments to attract private development. The strategies include a mix of policy and financial incentives.

9.3.1 Policy Incentives

Zoning regulations in Highlands County should be reviewed to determine that there are ample opportunities for multi-family development in areas with visibility to major corridors and access to retail goods and services and economic anchors. A review of zoning policy should be undertaken to determine what classifications multi-family development is allowed, where those classifications are located, and at what densities residential product can be built. Particular focus should be placed on classifications that are within the identified opportunity nodes.

Density Bonus. Permitting higher densities than what is allowed under by-right zoning can be helpful in attracting development that is consistent with desired planning principals of a jurisdiction. Density bonuses have successfully been used to incentivize infill or redevelopment opportunities, the provision of affordable housing, sustainable or LEED certified construction, and environmental protection. Density bonuses need to be carefully crafted to make them attractive to developers or they will not be leveraged. Alternatively, overlay districts allowing higher residential densities could be considered for key development areas.

Accelerated Entitlement. Accelerated entitlement is useful with rezoning, site plan approval, and permitting. Streamlining entitlement can help reduce development carrying costs with a quicker approval process. It can also lower attorney fees. Accelerated entitlement is unlikely to be overly enticing in Highlands County as the process is already viewed as efficient and effective based on local stakeholder feedback.

Flexible Entitlement. Flexible entitlement allows developers to accommodate unique physical attributes of specific sites. This is particularly beneficial for infill projects with significant environmental constraints. There are numerous tools currently available to jurisdictions to grant flexibility to developers. Common implementation tools include:

- Conditional/Special Use Permits
- Conditional Zoning
- Planned Unit Developments
- Traditional Neighborhood Developments
- Zoning Overlay Districts
- Form-Based Code

9.3.2 Financial Incentives

Financial incentives may present the strongest opportunity to engage the development community to construct market-rate apartments in Highlands County. This is evidenced by incentives leveraged for the two pipeline projects proposed in downtown Sebring (CRA support) and NoBay Village in Lakeland (municipal support and infrastructure).

Site Acquisition and Preparation. Local governments can incentivize priority development by purchasing sites, commissioning environmental reports, and funding site work. The following site acquisition and preparation strategies could be used by local jurisdictions:

- Purchase and demolish existing buildings
- Commission environmental reports
- Initiate preliminary design drawings and site planning
- Pay for environmental remediation
- Donate site (whole or in part) to developers
- Issue Request for Proposals to developers to “test” the project potential
- Fund initial site work, utilities, and grading

Infrastructure (Utilities, Streets, and Parking). There are a variety of financing sources that allow local jurisdictions to assist in lowering the cost of construction, particularly in the public realm. The following financing streams represents a selection of potential tools that Highlands County has available to encourage multi-family development in key opportunity nodes.

- *Infrastructure Grant*. Infrastructure grants are project-specific and can be underwritten by either local or state governments. This implementation strategy is commonly used for curb and gutter, sidewalks, underground utilities, and signalization.
- *General Obligation Bonds*. General Obligation Bonds are municipal bonds with fixed interest rates and terms. These bonds can be used for a variety of improvements, and typically offer a lower interest rate than would be available privately.
- *Tax Increment Financing*. Tax Increment Finance, or TIF, is a widely used tool for economic development across the United States. It is generally used to stimulate economic development in depressed or underdeveloped areas. TIF designates a

specific area, or improvement district. Once the improvement district is identified, the base property value is determined. Public and private improvements will increase the value of the property over the base. Taxes are then levied on the new increment and used to pay debt service for the bonded improvements.

- *Low-Interest Loans*. Low interest loans are underwritten by a public entity to provide debt for specific projects. These loans typically offer lower interest rates than would be available in the private market.
- *Community Development Block Grants*. Community Development Block Grants (CDBGs) are available to local municipalities and counties through the U.S. Department of Housing and Urban Development. These funds are primarily used to improve housing and economic opportunities in low- and moderate-income neighborhoods.

Annual Operating Subsidies. Property tax credits, otherwise known as economic development grants, are provided by public entities to incentivize private development. Property tax credits are based on a predefined minimum level of capital investment. Private development can be "credited" property tax payments over a set period. The level of credit is jurisdiction-specific and can vary from 1% to 100%. Additionally, many jurisdictions offer a diminishing credit over the period, with the largest credits occurring in the early years.

Public-Private Partnerships. Given the presence of several economic anchors in or near Highlands County, the potential for public-private partnerships should be explored and leveraged as possible. Public-private partnerships are cooperative arrangements between two or more public and private sectors, typically of a long-term nature. The arrangement should be beneficial to all parties. Based on stakeholder feedback, several of the major employers in Highlands County have immediate housing needs for their staff, including both medical campuses and South Florida State College. Partnerships should be explored with these anchors, particularly those with access to land that could be included as part of a development deal.

Opportunity Zones. Opportunity Zones are a new community development program established as part of the Tax Cuts and Jobs Act of 2017. The program was created to encourage long-term investments in low-income urban and rural communities across the United States. Approximately 8,700 zones were identified across the country based on low-income census tracts. Highlands County has several Opportunity Zones, as previously shown on *Map 4*. Investment in projects in these identified areas allow developers or investors to defer or even eliminate capital gains tax. It is possible that the introduction Opportunity Zone benefits could be attractive enough to invest in Highlands County. These zones, however, have been largely untested in the area and the longer before investment occurs, the less benefit available based on current sunset windows.

Appendix A: Stakeholder Interviews

Summary Notes

Call with Agricultural Stakeholder 1

- It is very challenging to find people for both office and field labor; does not know if it is due directly to housing, but housing likely is a factor as well as other reasons
  - Area is more rural with lower population than other locations of operations
  - Chicken or the egg: are there not more people in area because of lack of housing or is there less housing because there is not a lot of people in the area?
  - Residents are older or retired
  - Labor participation is very low, even younger population
- Average commute of employees is probably around 45 minutes
- Given wages, many workers are probably renting and not in a position to buy
- Transportation is a major challenge for workers because not all drive, tend to rely on each other so if the driver cannot go to work, passengers will miss work also, especially since many live far away

Call with Agricultural Stakeholder 2

- To help diversify revenue streams, the company has purchased an existing apartment complex and a mobile home community
  - Both communities have basically no vacancy and keep a waiting list
- There seems to be a gap in the $800-$1,200/month rental unit range
- Construction costs are similar to coastal areas, but wages are lower in the Heartland

Call with Educational Stakeholder 1

- Employer perspective:
  - Lack of adequate, high-quality housing options has hampered quality of individuals able to recruit for professional positions
  - Orlando, Tampa, Lakewood Ranch, and Sarasota are some of the popular areas professional employees commute from
  - Long commute has ripple effects:
    - Employee retention is difficult due to long drive
    - Lack of connection to the community and less engagement since unable to stay for events outside of normal business hours
    - Teaching schedule is planned to accommodate long commutes and buffers must be built in for traffic delays
  - A few faculty members stay Monday through Wednesday at a local hotel and return home for Thursday to Sunday
  - Area is lacking housing with desirable amenities for staff level also
  - Short-term upscale apartments, some furnished preferably, would be helpful for when new faculty or administrative professionals move to the area and are seeking out a home to buy or only staying temporarily

- Student perspective:
  - School has land available that it would be willing to lease to a private developer to build and operate student housing; school would make it very accessible and attractive
    - School is not allowed to own student housing due to a state law

Call with Educational Stakeholder 2

- Difficult to find safe, quality housing that is available and affordable
  - It is not rare for employees to live together to be able to afford housing
- Most teacher hires are local, but they also recruit from out of state
  - Housing is always an issue for people moving into the area
  - Some have backed out due to difficulty finding housing
  - There is demand for short-term rentals by new employees moving into the area that are not ready to buy a home
- A majority live within Highlands County, but some employees do live outside the County
  - Some live in one city and commute to another; this happens both by choice and because of unaffordability/unavailability of housing closer to workplace
  - 20-30 minute commute is typical
- It is a struggle for new graduates to find affordable, adequate housing
  - Difficult to pay first and last month's rent upfront

Call with Healthcare Stakeholder

- Healthcare facility is very dependent on traveling staff due to seasonality of patient volume; from Thanksgiving to Easter the facility depends on 90-day contracts to meet elevated demand
  - Traveling staff stay at hotels, which is not ideal
  - There could be an appetite for playing a role in development of short-term, furnished rentals as it could help lower the cost of traveling staff; the company must pay for housing the traveling staff either way
- Most employees live in Sebring or Lake Placid, not as many in Avon Park
- Quantity of available homes is low
- Employees 10-12 years from retirement who want to downsize are having a hard time finding adequate housing
- Healthcare company would be willing to distribute a survey to new hires to learn more about challenge in finding housing if desired

Call with Manufacturing Stakeholder

- Employees relocating to area have had difficulty finding temporary/multi-family housing
  - Some just bought houses or are staying in a hotel since they could not find anything adequate to rent
  - Some employees live in Bradenton; some in Winter Haven & then Sebring
  - More would live closer if there were modern housing options available; people do not want to drive an hour
- They will have a lesser but ongoing need over next several months for temporary housing as employees in the company tend to be very mobile and relocate
- There is also a need for modern single-family developments that are not geared toward retirees, but serve working/middle class families

- There is opportunity for Avon Park to redevelop downtown as a destination for families and young people; historically, seems to have been geared toward retirees

Call with Regional Jobs and Business Resource Organization

- It is a struggle to find workforce housing in all Heartland counties they represent
    - This makes it difficult for employers to recruit talent in
    - Senior population in Highlands County makes it uniquely challenging to find available, affordable housing
    - Highlands County may have the largest inventory of housing, but it also has the most people and the most jobs so more competitions
- No good housing options for new college graduates/entry-level workers
- No good housing options for small families
- Apartment complexes have waiting lists
- Rental rates are inflated due to seasonal increase in demand by snowbirds
- Those who can may look for housing in Lakeland, Winter Haven, or Lake Wales, but once you move out there, you have a long commute and may be able to find a better-paying job closer to home

Scenario 1: Base Density

General Data	
Location:	Highlands County
Acreage:	13.3
Parking:	Surface
Construction Type:	3 Story Wood Frame
Entitled? (Y/N):	N

Financial Summary		
Equity Investment	$4,103,637	25.00%
Loan Amount	$12,310,911	75.00%
Total Project Cost	$ 16,414,548	
NOI - Year 1	$ 1,319,754	
Initial Yield (Overall)	8.04%	
IRR (5 yr hold):	20.60%	

Development Cost Analysis	Cost	Per Unit	Note(s):
Pre-Dev & Admin	$ 50,000	$ 312.50	
Land	1,066,667	$ 6,666.67	- $50k/acre (plus 10%) + grading/infra
Site Work/Parking	800,000	$ 5,000.00	- assumes surface parking
Construction	11,827,941	$ 73,924.63	- $70/gsf
Design	378,838	$ 2,367.74	- 3.0% of construction cost
Municipality Fees	59,140	$ 369.62	- 0.5% of construction cost
Developer Fee	442,365	$ 2,764.78	- 3.0% of development cost
Legal, Fin, Ins, RE Tax	128,000	$ 800.00	
Contingency	631,397	$ 3,946.23	- 5% of development cost
FF&E & Lease-Up	160,000	$ 1,000.00	
Operating Reserve	320,000	$ 2,000.00	
Construction Interest	550,200	$ 3,438.75	
Total Investment	**$ 16,414,548**	**$ 102,590.93**	

Revenue Detail

Multi-Family

Floorplan	Units	Mix %	Avg. Sq.Ft.	Avg. Rent	Rent/ Sq.Ft.
1 Bedroom (small)	25	15.6%	625	$850	$1.36
1 Bedroom (large)	40	25.0%	750	$925	$1.23
2 Bedroom	80	50.0%	1,000	$1,150	$1.15
3 Bedroom	15	9.4%	1,200	$1,225	$1.02
Total	**160**	**100%**	**898**	**$1,054**	**$1.17**

	Sqft.	Avg. Rent/Sqft		
Retail - Anchor	-	$ -	$	15,625
Retail - Small Shop	0	$ 0.00	$	30,000
Office	-	$ -	$	80,000
	0	$ 0.00	$	18,000

Note(s):

- Operating expenses for multi-family are $4,000/unit

Stabilized Operating Analysis	Budget	Per Unit
REVENUE		
Schedule Rent	$ 2,023,500	$ 12,646.88
Vacancy & Concessions	(141,645)	(885.28)
	1,881,855	11,761.59
Other Income	80,000	500.00
Total Revenue	1,961,855	12,261.59
EXPENSES		
Payroll	$ 136,000	$ 850.00
G & A	24,000	$ 150.00
Marketing	20,000	$ 125.00
Management Fee	62,101	$ 388.13
Utilities	72,000	$ 450.00
R & M	64,000	$ 400.00
Landscaping	40,000	$ 250.00
Insurance	32,000	$ 200.00
Taxes	160,000	$ 1,000.00
Replacement Reserves	32,000	200.00
Total Expenses	**$ 642,101**	**$ 4,013.13**
Net Operating Income	**$ 1,319,754**	**$ 8,248.46**

Scenario 2: Low Density

General Data	
Location:	Highlands County
Acreage:	20.0
Parking:	Surface
Construction Type:	3 Story Wood Frame
Entitled? (Y/N):	N

Financial Summary		
Equity Investment	$4,236,970	25.00%
Loan Amount	$12,710,911	75.00%
Total Project Cost	$ 16,947,882	
NOI - Year 1	$ 1,319,754	
Initial Yield (Overall)	**7.79%**	
IRR (5 yr hold):	**17.00%**	

Development Cost Analysis	Cost	Per Unit	Note(s):
Pre-Dev & Admin	$ 50,000	$ 312.50	
Land	1,600,000	$ 10,000.00	- $50k/acre (plus 10%) + grading/infra
Site Work/Parking	800,000	$ 5,000.00	- assumes surface parking
Construction	11,827,941	$ 73,924.63	- $70/gsf
Design	378,838	$ 2,367.74	- 3.0% of construction cost
Municipality Fees	59,140	$ 369.62	- 0.5% of construction cost
Developer Fee	442,365	$ 2,764.78	- 3.0% of development cost
Legal, Fin, Ins, RE Tax	128,000	$ 800.00	
Contingency	631,397	$ 3,946.23	- 5% of development cost
FF&E & Lease-Up	160,000	$ 1,000.00	
Operating Reserve	320,000	$ 2,000.00	
Construction Interest	550,200	$ 3,438.75	
Total Investment	**$ 16,947,882**	**$ 105,924.26**	

Revenue Detail

Multi-Family

Floorplan	Units	Mix %	Avg. Sq.Ft.	Avg. Rent	Rent/ Sq.Ft.
1 Bedroom (small)	25	15.6%	625	$850	$1.36
1 Bedroom (large)	40	25.0%	750	$925	$1.23
2 Bedroom	80	50.0%	1,000	$1,150	$1.15
3 Bedroom	15	9.4%	1,200	$1,225	$1.02
Total	**160**	**100%**	**898**	**$1,054**	**$1.17**

	Sqft.	Avg. Rent/Sqft		
Retail - Anchor	-	$ -	$	15,625
Retail - Small Shop	0	$ 0.00	$	30,000
Office	-	$ -	$	80,000
	0	$ 0.00	$	18,000

Note(s):

- Operating expenses for multi-family are $4,000/unit

Stabilized Operating Analysis	Budget	Per Unit
REVENUE		
Schedule Rent	$ 2,023,500	$ 12,646.88
Vacancy & Concessions	(141,645)	(885.28)
	1,881,855	11,761.59
Other Income	80,000	500.00
Total Revenue	1,961,855	12,261.59
EXPENSES		
Payroll	$ 136,000	$ 850.00
G & A	24,000	$ 150.00
Marketing	20,000	$ 125.00
Management Fee	62,101	$ 388.13
Utilities	72,000	$ 450.00
R & M	64,000	$ 400.00
Landscaping	40,000	$ 250.00
Insurance	32,000	$ 200.00
Taxes	160,000	$ 1,000.00
Replacement Reserves	32,000	200.00
Total Expenses	**$ 642,101**	**$ 4,013.13**
Net Operating Income	**$ 1,319,754**	**$ 8,248.46**

Scenario 3: High Density

General Data	
Location:	Highlands County
Acreage:	10.0
Parking:	Surface
Construction Type:	3 Story Wood Frame
Entitled? (Y/N):	N

Financial Summary		
Equity Investment	$4,036,970	25.00%
Loan Amount	$12,110,911	75.00%
Total Project Cost	$ 16,147,882	
NOI - Year 1	$ 1,319,754	
Initial Yield (Overall)	**8.17%**	
IRR (5 yr hold):	**22.49%**	

Development Cost Analysis	Cost	Per Unit	Note(s):
Pre-Dev & Admin	$ 50,000	$ 312.50	
Land	800,000	$ 5,000.00	- $50k/acre (plus 10%) + grading/infra
Site Work/Parking	800,000	$ 5,000.00	- assumes surface parking
Construction	11,827,941	$ 73,924.63	- $70/gsf
Design	378,838	$ 2,367.74	- 3.0% of construction cost
Municipality Fees	59,140	$ 369.62	- 0.5% of construction cost
Developer Fee	442,365	$ 2,764.78	- 3.0% of development cost
Legal, Fin, Ins, RE Tax	128,000	$ 800.00	
Contingency	631,397	$ 3,946.23	- 5% of development cost
FF&E & Lease-Up	160,000	$ 1,000.00	
Operating Reserve	320,000	$ 2,000.00	
Construction Interest	550,200	$ 3,438.75	
Total Investment	**$ 16,147,882**	**$ 100,924.26**	

Revenue Detail

Multi-Family

Floorplan	Units	Mix %	Avg. Sq.Ft.	Avg. Rent	Rent/ Sq.Ft.
1 Bedroom (small)	25	15.6%	625	$850	$1.36
1 Bedroom (large)	40	25.0%	750	$925	$1.23
2 Bedroom	80	50.0%	1,000	$1,150	$1.15
3 Bedroom	15	9.4%	1,200	$1,225	$1.02
Total	**160**	**100%**	**898**	**$1,054**	**$1.17**

	Sqft.	Avg. Rent/Sqft		
Retail - Anchor	-	$ -	$	15,625
Retail - Small Shop	0	$ 0.00	$	30,000
Office	-	$ -	$	80,000
	0	$ 0.00	$	18,000

Note(s):

- Operating expenses for multi-family are $4,000/unit

Stabilized Operating Analysis	Budget	Per Unit
REVENUE		
Schedule Rent	$ 2,023,500	$ 12,646.88
Vacancy & Concessions	(141,645)	(885.28)
	1,881,855	11,761.59
Other Income	80,000	500.00
Total Revenue	1,961,855	12,261.59
EXPENSES		
Payroll	$ 136,000	$ 850.00
G & A	24,000	$ 150.00
Marketing	20,000	$ 125.00
Management Fee	62,101	$ 388.13
Utilities	72,000	$ 450.00
R & M	64,000	$ 400.00
Landscaping	40,000	$ 250.00
Insurance	32,000	$ 200.00
Taxes	160,000	$ 1,000.00
Replacement Reserves	32,000	200.00
Total Expenses	**$ 642,101**	**$ 4,013.13**
Net Operating Income	**$ 1,319,754**	**$ 8,248.46**