

Hunden Partners

Leading Advisor in Destination Real Estate Development

Johnson City, Tennessee - John Sevier Center
The Case for Moving Forward

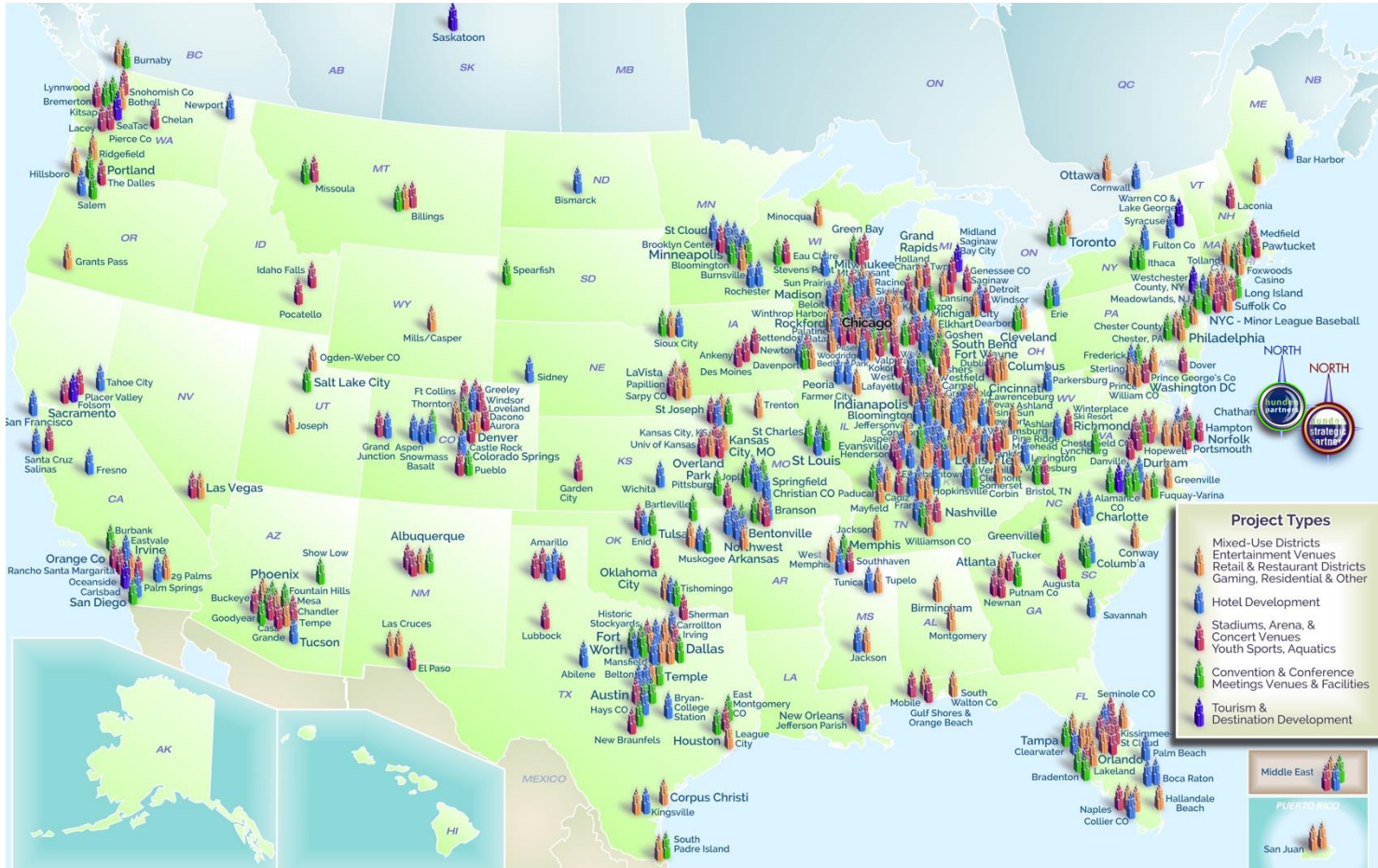
JCDA Board Presentation

September 19, 2024

hunden
partners

hunden partners

applies market realities to
Live / Work / Play / Visit placemaking



Hunden Qualifications

With more than **28 years of experience on 1,000+ projects**, Mr. Hunden and his team are relied-upon guides and advisors that provide owner's representation services, project management and strategy, and the individual components of the process: feasibility and financing studies, impact analysis, governance/management structures, deal negotiation and team-assembly – managing RFQ/P processes for developers, architects, construction, management companies and service providers.

- Entertainment Venues & Districts
- Stadiums, Arenas & Event Centers
- Convention & Conference Centers
- Headquarter, Conference & Boutique Hotels
- Tournament Sports Complexes
- Retail, Restaurant, Residential, Office
- University Assets & Districts
- Fairgrounds & Expos
- Fine Arts Venues, Distilleries & Attractions



Table of Contents

Executive Summary

1. Building Profile and Site Overview
2. Economic, Demographic & Tourism Analysis
3. Hospitality Market Analysis
4. Mixed-Use Market Analyses
 - a. Retail and Restaurant
 - b. Office
 - c. Residential
 - d. Entertainment / Eatertainment
5. Case Studies
6. Implications, Recommendations & Layouts
7. Demand and Financial Projections
8. Economic, Fiscal and Employment Impact Analysis

Next Steps:

Developer Solicitation and Selection Services

Project Introduction

John Sevier & Downtown Centre Highest & Best Use

The City of Johnson City engaged Hunden Partners to provide a **highest and best use study, including market demand, financial feasibility, and economic impact analyses for the redevelopment of the John Sevier Building & Downtown Centre (Project)**. The Hunden Partners Team (Hunden or Team), includes architectural and planning professionals from Convergence Design out of Kansas City.

Hunden's study includes a comprehensive market demand analysis of a variety of use types, including hotel, residential, retail, entertainment and office uses. The study also includes comparable facility case studies which assisted in supporting facility recommendations and scenarios, as well as robust demand, financial and economic impact modeling.

PROJECT TEAM



Local & Regional Market Engagement

Local Organizations

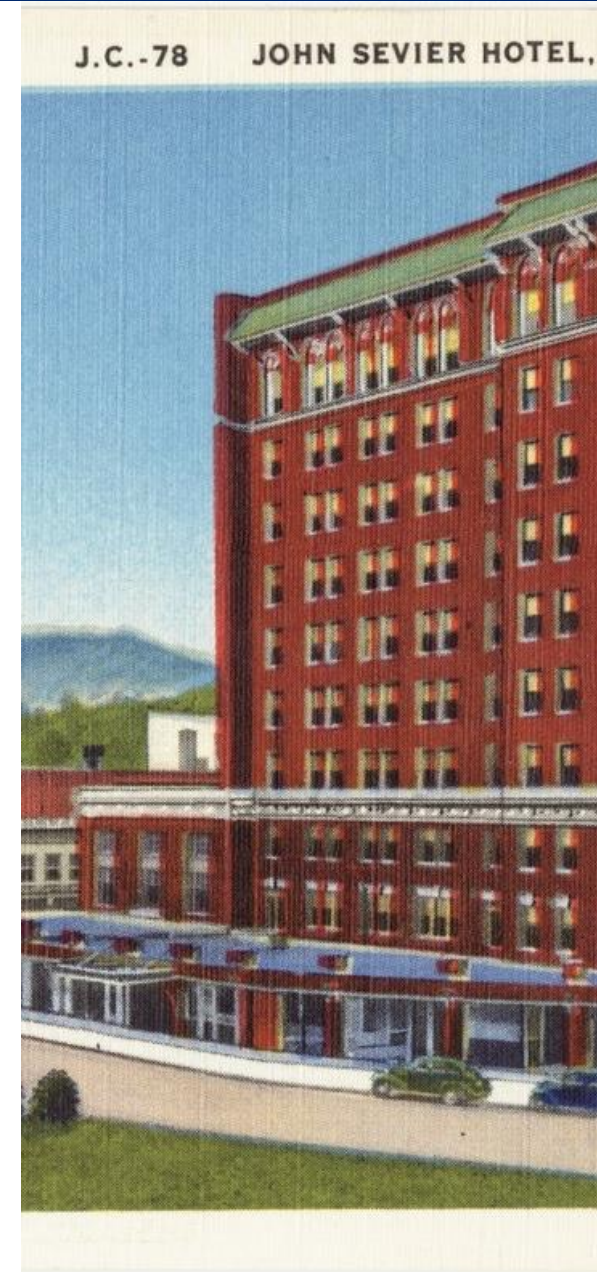
- Mitch Cox Companies
- Carnegie Hotel
- Holiday Inn Johnson City
- Home2 Suites by Hilton Johnson City
- Courtyard Johnson City
- Restaurant Owners
- Johnson City Development Authority
- Connect Downtown
- Tipton Condominiums

Regional Organizations

- Realty Trust Group
- Berkshire Hathaway HomeServices Greg Cox Real Estate
- TCAA

Developers

- Weyland Ventures
- Cornerstone Hospitality
- JLL Hotels & Hospitality Group



SWOT Overview

Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ Authenticity of the building & downtown Johnson City ▪ Recent project precedents & market growth ▪ Downtown restaurant scene & activity ▪ Connected structured parking ▪ Signature asset of the downtown skyline ▪ Potential financing tools – HTC, NMTC, TIF 	<ul style="list-style-type: none"> ▪ Adjacent use challenges ▪ Current use & perception of the building
Opportunities	Threats
<ul style="list-style-type: none"> ▪ Reestablish an upscale downtown hotel ▪ Increase the number of residents that live in downtown ▪ Build on current progress & efforts 	<ul style="list-style-type: none"> ▪ Unforeseen challenges with the building (i.e. structural) ▪ Potential for misaligned goals & objectives ▪ Projects in surrounding competitive markets ▪ Financing realities

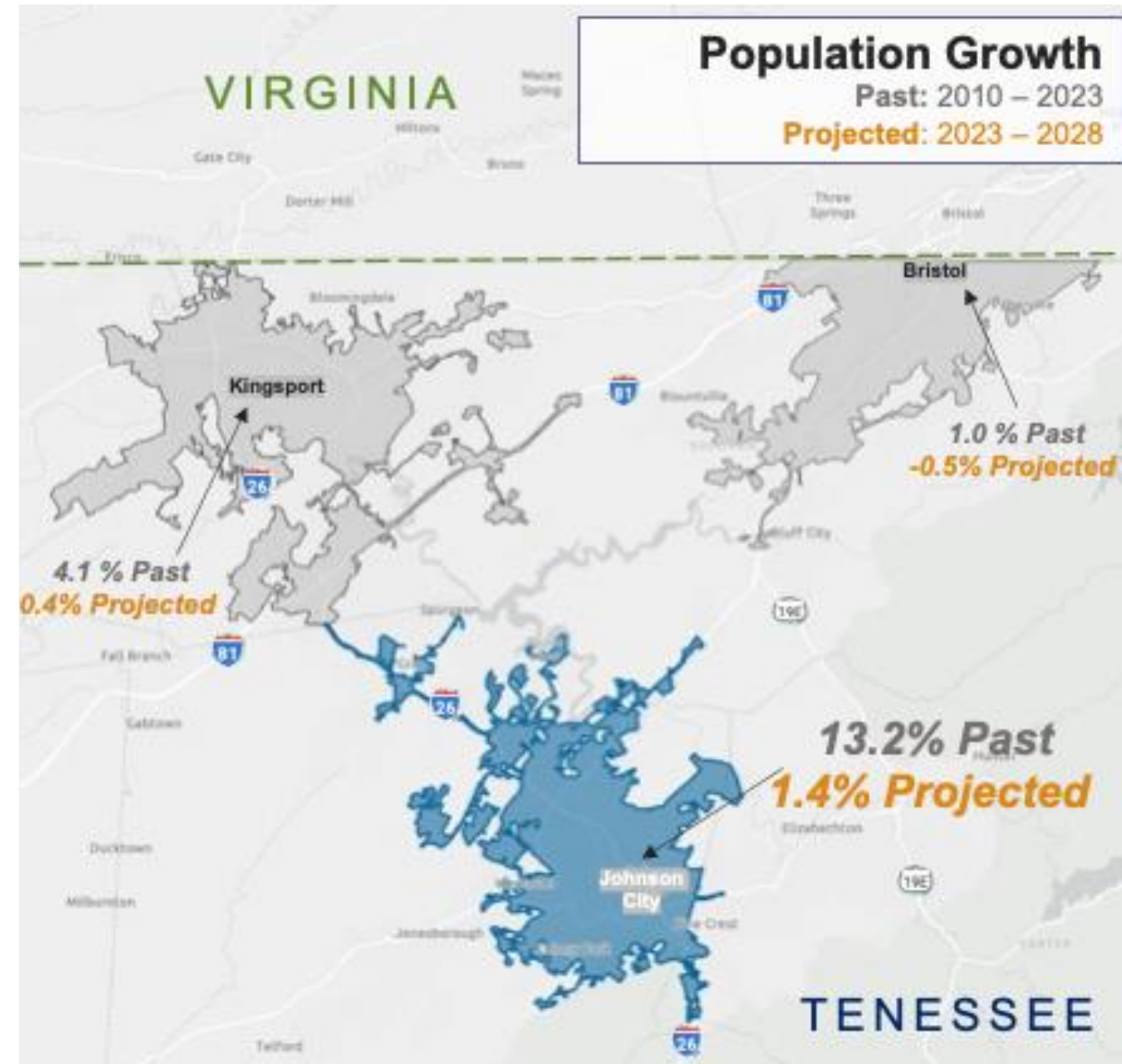


Johnson City Overview

Johnson City, part of Tennessee's Tri-Cities region alongside Kingsport and Bristol. **The city has seen substantial growth over the past decade**, driven by its educational and medical institutions, high quality of life, and abundant outdoor recreational opportunities.

Factors contributing to this growth include the presence of major healthcare facilities, the economic and cultural impact of ETSU, housing affordability, good schools, and a revitalized downtown area with diverse retail and dining options. Johnson City's appeal is further enhanced by its natural assets and access to outdoor activities, making it an attractive destination for both residents and visitors.

The area is serviced by major highways such as Interstate 23 and U.S. Routes 19W, 11E, 321 and 23. These highways connect the area to other major markets within the surrounding states of Kentucky, Virginia, North Carolina, and Georgia.



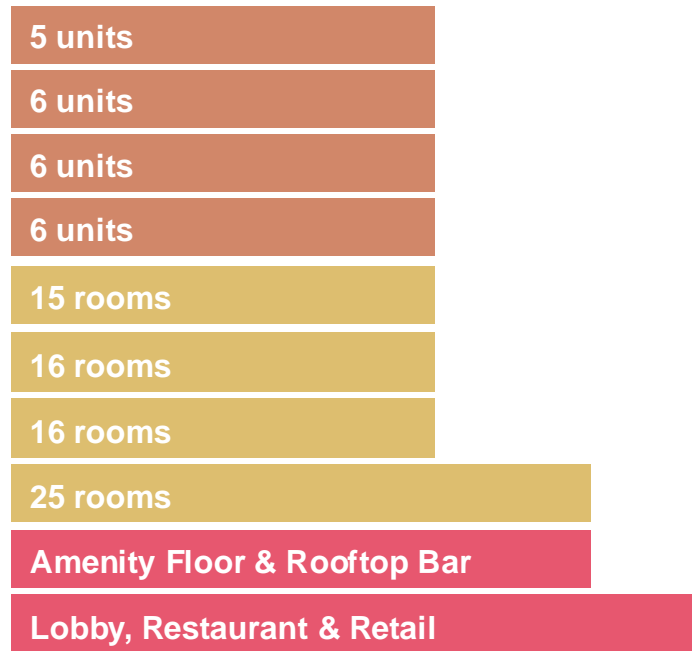
Recommendations

John Sevier Center

Hunden's preliminary recommendation for the John Sevier Center was a boutique hotel that contains a mixture of hotel rooms and for-sale condominiums with ground floor commercial space. To provide an alternate redevelopment scenario, Hunden also incorporated projections for a 110-room hotel development. Both scenarios represent a strong opportunity in the market based on Hunden's analysis.

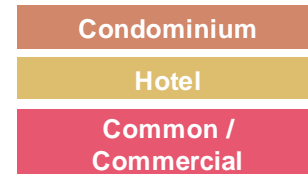
Scenario 1

72-Room Boutique Hotel & 23-Unit Condominium



Scenario 2

110-Room Boutique Hotel



Recommendations

Downtown Centre

For the Downtown Centre, Hunden recommends the following breakdown:

Entertainment Anchor: 11,000 Square Feet

Retail & Restaurant: 8,600 Square Feet

Office Space: 8,800 Square Feet (Divisible)

Total Commercial Space: 28,500 Square Feet

Parking: 343 Spaces

- *Boutique Hotel – 95 spaces*
- *Other Use – 248 Spaces*

Parking

Parking

Retail, Office & Activate Central Plaza

Downtown Centre

Financial Projections Summary

John Sevier Center & Downtown Centre

Hunden completed a comprehensive analysis of the financial performance and feasibility of the proposed redevelopment of the John Sevier Center and Downtown Centre.

The current financing environment has resulted in challenges related to the development of hospitality projects. Despite this, there are financing tools available to assist in the redevelopment of the John Sevier Center and Downtown Centre.

Based on Hunden’s financial projections, the following feasibility gaps were identified:

- **Scenario 1 – Hotel / Condo: (\$8.7 million)**
- **Scenario 2 – Hotel: (\$3.7 million)**
- **Downtown Centre: (\$10.1 million)**

Projections & Feasibility Summary					
John Sevier Center			Downtown Centre		
	Scenario 1: Hotel / Condo	Scenario 2: Hotel		Year 1	Year 5
	Year 5	Year 5			
Average Daily Rate	\$221	\$212	Retail		
Occupancy	74%	71%	Lease Rate	\$ 18.00	\$ 20.26
NOI (millions)	\$2.9	\$4.0	Vacancy	22%	18%
Operating Margin	33%	34%	Office		
			Lease Rate	\$ 15.00	\$ 16.88
			Vacancy	18%	10%
			Parking Revenues (000s)	\$ 496	\$ 587
			NOI (000s)	\$ 600	\$ 807
			Operating Expense Ratio	39%	35%
	(millions)	(millions)		(millions)	
Estimated Development Cost	\$39.6	\$39.6	Estimated Development Cost	\$18.1	
Supportable Financing	\$31.4	\$35.9	Supportable Financing	\$8.0	
Estimated Gap	\$8.2	\$3.7	Estimated Gap	\$10.1	
Percentage Gap	20.6%	9.4%	Percentage Gap	56.0%	

Source: Hunden Partners

Financing Tools



There are several potential financing tools the Project can leverage to assist in closing feasibility gaps and attracting national development teams. These include but are not exclusive of the following:

- **Historic Tax Credit Program** – a government incentive designed to encourage the preservation and rehabilitation of historic buildings. The program provides a **20% historic tax credit** for certified historic structures. Additionally, there are **potential state historic tax credits that can be leveraged** for the Project as well.
- **New Market Tax Credits (NMTC) – Qualified, Severely Distressed:** incentivizes community development and economic growth through the use of tax credits that attract private investment to distressed communities.
- **Qualified Opportunity Zone (QOZ):** QOZ’s allow for preferential tax treatment for private investments in economically distressed communities.
- The **Tourism Enhancement Grant** provides funding for tourism infrastructure projects. Managed by the Tennessee Department of Tourist Development (TDTD) in partnership with the Tennessee Department of Economic and Community Development (TNECD), this grant aims to improve the tourism economic impact in Tennessee counties.
- **Project Tax Increment Financing (TIF) District:** The City of Johnson City could utilize TIF revenues from the JCDA Downtown TIF to assist in capturing the incremental taxes generated by the Project.
- **Façade Improvement Grant:** Maximum of \$15,000 per commercial structure.

Onsite Tax Projections	
TIF (Property Tax)	\$1,790,000
PV of Sales Tax	\$5,530,000
PV of Hotel Tax	\$5,370,000

Project Overview – Site Plan



John Sevier Center

- Improved **entrance & drop-off**
- **Inviting frontage**
- Large lobby space with **coffee shop, bar, large lounge area, and restaurant space**

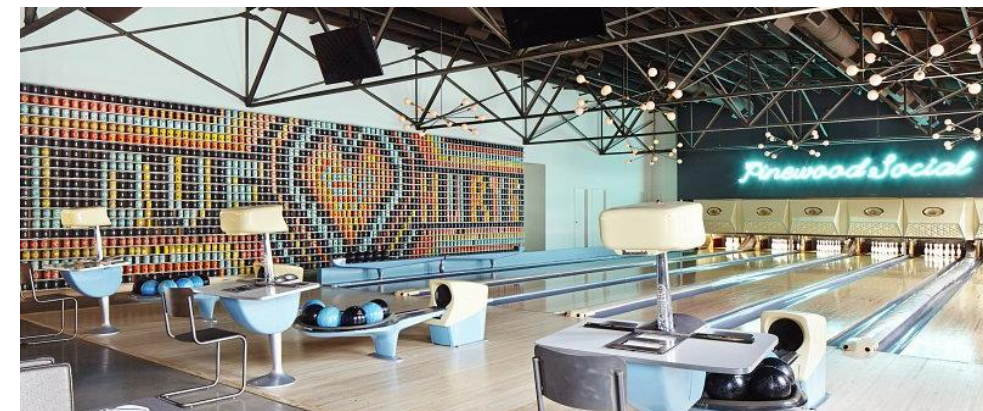
Downtown Centre

- Inviting **ground floor glass storefronts**
- **Activated alleyways** to breakup large continuous street frontage, aligned with the **alleyway that connects to Main St.**
- **Lively central plaza** with potential lawn games, lighting, small stage for outdoor performances, patio space for tenants, etc.

John Sevier Center - Inspiration



Downtown Centre - Inspiration



Front Building - Inspiration



30 – Year Impact Summary

Over the 30-Year period the John Sevier Center & Downtown Centre is estimated to generate the following impacts for the City of Johnson City:

- **\$591 million** in Net New Spending
- **\$316 million** in Net New Earnings
- **136+** Net New FTE Jobs
- **\$40.1 million** in Tax Impact



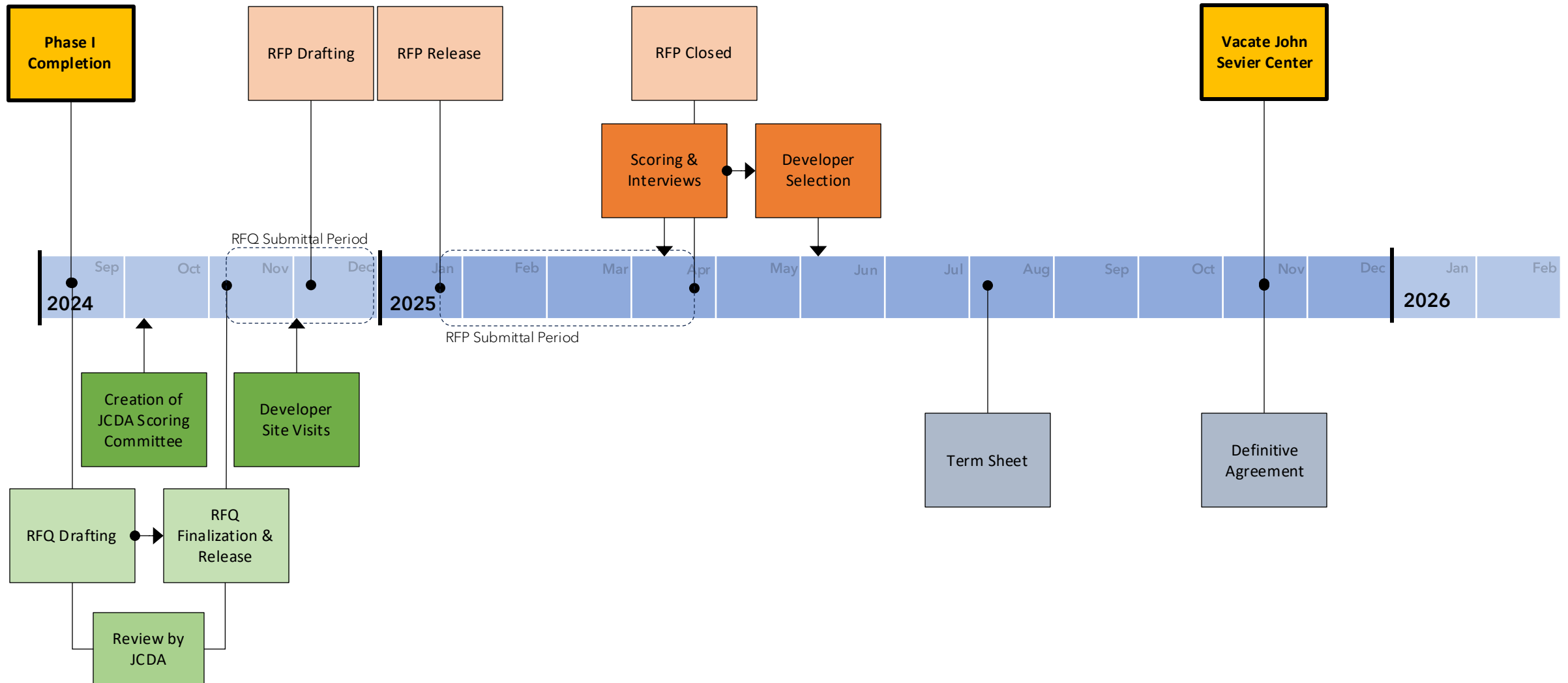
Construction Impacts - Combined	
Development Hard Cost (000s)	
Labor (60%)	\$ 34,644
Materials (40%)	\$ 23,096
Total	\$ 57,740
Taxes Generated (000s)	
State - Sales Tax (7.0%)	\$ 3,314
County Sales Tax (2.5%)	\$ 217
City Sales Tax (2.5%)	\$ 115
Total	\$ 3,646

Source: Hunden Partners

30-Yr. Summary of Impacts - Combined	
Net New Spending	(millions)
Direct	\$358
Indirect	\$125
Induced	\$109
Total	\$591
Net New Earnings	(millions)
From Direct	\$172
From Indirect	\$72
From Induced	\$72
Total	\$316
Net New FTE Jobs	Actual
From Direct	85
From Indirect	28
From Induced	23
Total	136
Net New Taxes	(millions)
State - Sales Tax (7.0%)	\$25.0
County Sales Tax (2.5%)	\$1.6
City Sales Tax (2.5%)	\$8.9
City Lodging Tax (7.0%)	\$4.5
Total City, County & State	\$40.1

Source: Hunden Partners

Preliminary Timeline



01

Building Profile and Site Overview



Situational Overview

Site – John Sevier Center & Downtown Centre



Current Conditions

JOHN SEVIER CENTER



DOWNTOWN CENTRE



02

Economic, Demographic & Tourism Analysis



Income & Housing

The City of Johnson City has a robust rental market, likely driven by the student population at East Tennessee State University. Moreover, certain university demographics such as graduate students and professors often create demand for high-end units like condos and townhomes. While the City has a notably higher poverty rate, the Project’s initiatives are anticipated to stimulate economic growth, create job opportunities, and improve the overall quality of life for residents.

The three most common industries in Washington County are health care and social assistance, retail trade, and accommodation and food services. These industries comprise 14.7 percent, 11.2 percent, and 8.7 percent of private nonfarm employment, respectively.

Income & Housing Data (2023)					
Category	United States	Tennessee	Johnson City MSA	Washington County	Johnson City
Homeownership rate	58.5%	60.7%	60.5%	59.3%	48.0%
Median Home Value	\$308,943	\$257,697	\$207,262	\$247,819	\$236,568
Average Household Size	2.53	2.45	2.28	2.29	2.22
Median Age	39.1	40.3	43.3	41.8	39.0
Median Household Income	\$72,603	\$61,449	\$53,766	\$58,508	\$52,105
Persons below poverty level (2022)	11.5%	13.3%	-	14.1%	21.7%
Employment	161,357,608	3,252,775	84,106	65,557	58,300
Unemployment Rate	4.3%	4.5%	4.9%	4.9%	6.2%

Source: ESRI, U.S. Census Bureau



White Collar
66.4%



Blue Collar
15.6%



Services
18.0%

Tapestry Segmentations

Tapestry segmentations provide insight into the most prevalent consumer behaviors and attitudes in Washington County. The top three segments for the county are summarized below:

In Style (15.7%)



This segment is comprised of professional couples or single households without children. It is a slightly older population that is beginning to plan for retirement yet embraces an urban lifestyle. This population primarily resides in single-family homes and boasts a homeownership rate of 68 percent. Although this segment is attentive to price, it is an affluent market with a high median household income supplemented by additional investments.

Set to Impress (13.6%)



One in three residents within this segment is 20 to 34 years old. This segment often resides in multiunit apartments with lower rental rates, which tend to be located in neighborhoods with other businesses or single-family homes. Many people in this market live alone and/or attend college. Although they seek the latest consumer trends and enjoy spending money on leisure activities, these consumers are also price-conscious given their economic status.

Old and Newcomers (12.6%)



This segment primarily comprises single households or married couples without children who are on a budget. Most households within this segment are either just beginning their careers or are retiring. Approximately half of this segment lives in renter-occupied units with an equal distribution of single-family homes and multiunit apartments. These consumers are price-aware, with many households receiving income from Social Security.

03

Hospitality Market Analysis



Competitive Set Performance

The Smith Travel Research (STR) trend set pulled data starting from January 2016 through April 2024. The local competitive set generally has been performing well over the eight-year period with demand steadily increasing prior to 2020. Due to the pandemic, demand experienced a sharp downturn, but then a rapid recovery in 2021 which continued into 2022. ADR and RevPAR, a product of occupancy and ADR, both experienced growth in years prior to the pandemic. **ADR and RevPAR show a strong recovery in 2022, exceeding pre-pandemic levels.**

Historical Supply, Demand, Occupancy, ADR, and RevPar for Competitive Hotels Johnson City, TN Competitive Set											
Year	Annual Avg. Available Rooms	Available Room Nights	% Change	Room Nights Sold	% Change	% Occupancy	% Change	ADR	% Change	RevPar	% Change
2016	893	326,064	–	195,571	–	60.0	–	\$108.86	–	\$65.29	–
2017	923	336,895	3.3%	197,899	1.2%	58.7	-2.1%	\$106.62	-2.1%	\$62.63	-4.1%
2018	923	336,895	0.0%	208,994	5.6%	62.0	5.6%	\$106.95	0.3%	\$66.35	5.9%
2019	923	336,864	0.0%	218,963	4.8%	65.0	4.8%	\$109.09	2.0%	\$70.91	6.9%
2020	962	351,040	4.2%	160,042	-26.9%	45.6	-29.9%	\$100.94	-7.5%	\$46.02	-35.1%
2021	1,043	380,830	8.5%	231,639	44.7%	60.8	33.4%	\$116.03	14.9%	\$70.57	53.3%
2022	1,088	397,120	4.3%	253,225	9.3%	63.8	4.8%	\$127.24	9.7%	\$81.14	15.0%
2023	1,088	397,120	0.0%	244,190	-3.6%	61.5	-3.6%	\$135.45	6.4%	\$83.29	2.7%
2024 (YTD April)	1,088	130,560	0.0%	70,576	-5.9%	54.1	-5.9%	\$131.82	2.7%	\$71.26	-3.4%
CAGR (2016-2023)	3.1%	3.1%		3.6%		0.4%		3.5%		3.9%	

Source: Smith Travel Research, Hunden Partners

Interview Feedback & Implications

Hunden interviewed local hoteliers and stakeholders familiar with the Johnson City hospitality market. A summary of the conversation is shown below.

- **There is strong support locally among hoteliers who spoke of the significant opportunity for a boutique hotel in Johnson City.**
- **A hotel in the downtown district, particularly one within walking distance and offering condos, would be highly desirable.**
- There is a strong need for meeting and gathering spaces, including conferences and meeting rooms.
- **Many organizations express interest in hosting conferences in the area, but there is a lack of sufficient hotel space and suitable venues.**
- A hotel with a restaurant that serves breakfast would be ideal for the market.
- Weekday **business is robust**, driven by hospital-related activities and **corporate visitors from the college of medicine, pharmacy, and medical representatives.**
- While summer overflow from sports events in Kingsport has decreased due to new facilities there, **the area still attracts corporate visitors during the week.**
- Leisure travel has softened somewhat, **with peak seasons in the fall**, but overall, there is less leisure travel year over year.
- **The drive market remains strong, especially since the pandemic, which contributed to hotel growth** as Tennessee stayed open.
- **Johnson City's appeal includes being a great drive-through market, a growing medical hub, expanding colleges, a new performing arts center, and offering a more authentic and low-key alternative to Asheville.**

04

Mixed-Use Market Analyses





Retail & Restaurant

Downtown Retail & Restaurant Snapshot

Johnson City has a strong downtown restaurant and bar landscape. The adjacent pictures show some of the top retail and restaurant assets in downtown that contribute to significant foot traffic.

Downtown Rates: \$15-\$17 PSF

Dining Landscape Profile: Casual, Bars & Upscale Dining



Feedback & Implications

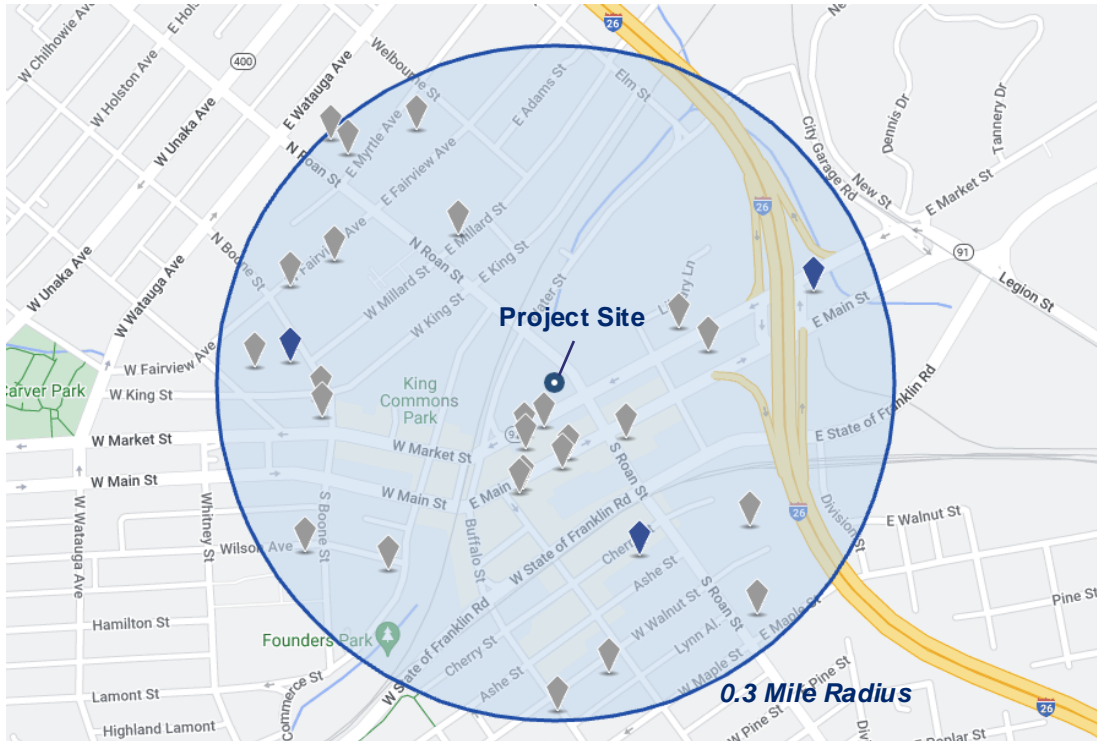
Hunden interviewed stakeholders, local restaurant owners, and brokers familiar with the restaurant & retail market in Johnson City. A summary of Hunden's findings and interviews are shown below.

- **There is a lack of service-oriented retail in downtown Johnson City, such as grocery stores and pharmacies**, which are needed to serve the downtown residents.
- **Experiential retail with food and beverage elements** presents a significant opportunity for the area.
- **More soft goods /clothing retailers** would be beneficial.
- **The retail market has improved, with second-generation spaces not staying vacant for long, but there is still room for growth.**
- Smaller retail spaces, ranging from 500 to 1,500 square feet, have lease rates of \$15-17 per square foot plus triple net.
- A **rooftop bar or a fine dining restaurant** with white tablecloth service would be attractive additions.
- There is potential to capitalize on the highest floor or rooftop of the tallest building in Johnson City.
- A **hotel with a restaurant offering breakfast would be ideal for the downtown** to increase morning activity.
- While the local mall offers some options, **Johnson City lacks the quality shopping experiences available in Knoxville or Chattanooga.**
- There is a lack of foot traffic during weekdays, but restaurants are busy at night and often have waiting lists on the weekends. **Retail spaces are rented out quickly, indicating potential for additional boutiques and locally-driven stores.**

Office

Downtown Office

No office properties have been built within a 1-mile radius of the John Sevier Center in over 30 years, with 90% of the inventory dating back to before 1980. Small office spaces have performed exceptionally well, with current spaces fully occupied. Lease rates are around \$15 per square foot and higher.



Year Built: 1921
Class: B
Size: 21,000 SF (7 stories)
Rent: \$14-17/SF



Year Built: 1928
Class: B
Size: 58,500 SF (4 stories)
Rent: \$15-19/SF



Year Built: 1908
Class: B
Size: 20,643 SF (3 stories)
Rent: \$14-17/SF



Year Built: 1908
Class: C
Size: 15,550 SF
Rent: \$11 -14/SF

Feedback & Implications

Hunden interviewed local brokers familiar with the office market in Johnson City. A summary of Hunden's office market findings and conversations are shown below.

- There is an **opportunity for office space in the downtown Johnson City market, largely small format spaces.** There is little supply of vacant office space in the downtown area.
- Office space downtown was not overbuilt, which has caused the **current supply to get snagged up quickly.**
- Although Downtown Johnson City is mainly comprised of the same type of office buildings which are outdated and built in the early 1920s, **small office space does well and is in demand.**
- There are not a lot of 10,000+ square feet office users in the market. **1,000 square feet or less offices stay full.** 3,000+ square feet office tend to sit a bit longer.
- Office space lease rates downtown are around **\$15 per square foot or higher.**
- There is not a lot of daytime traffic downtown, with very little people going downtown for work. **Bringing in 2-3 good employers could revitalize the downtown area during the week and be a catalyst to more traffic and development.**
- **Johnson City suffers from a significant shortage of Class A, high-end office space. This gap presents an opportunity to develop highly amenitized, flexible office spaces that can meet the growing trend of hybrid work schedules and the flight to quality.**

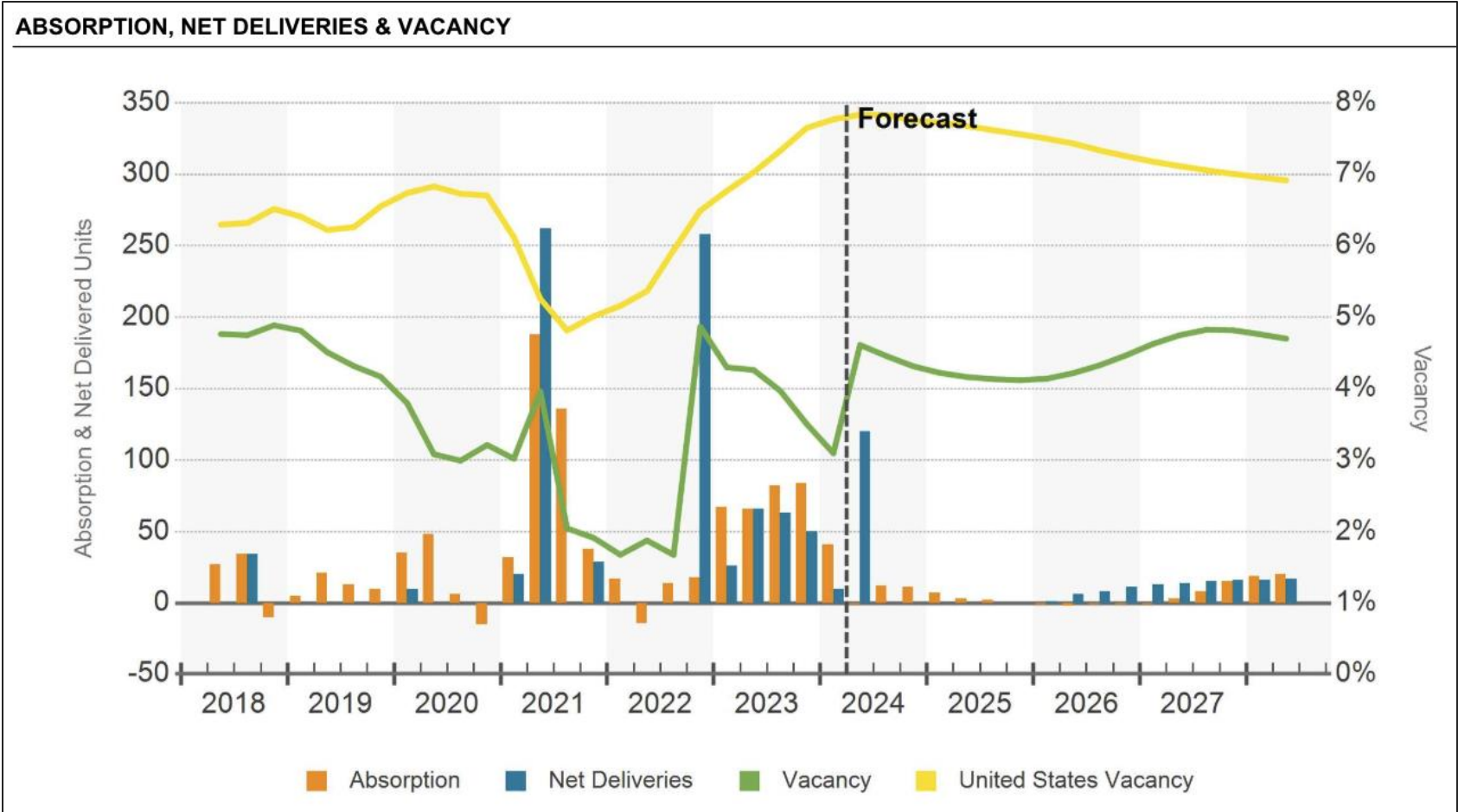


Residential

Multifamily Historical Performance

Johnson City has consistently achieved lower vacancy rates compared to the national average and has witnessed a limited number of periods with negative absorption since 2018.

After experiencing a surge in deliveries in both 2021 and 2022, the market efficiently absorbed the new supply, with the rise in vacancy levels quickly declining within the subsequent year. This suggests a robust demand for multifamily product in the market.

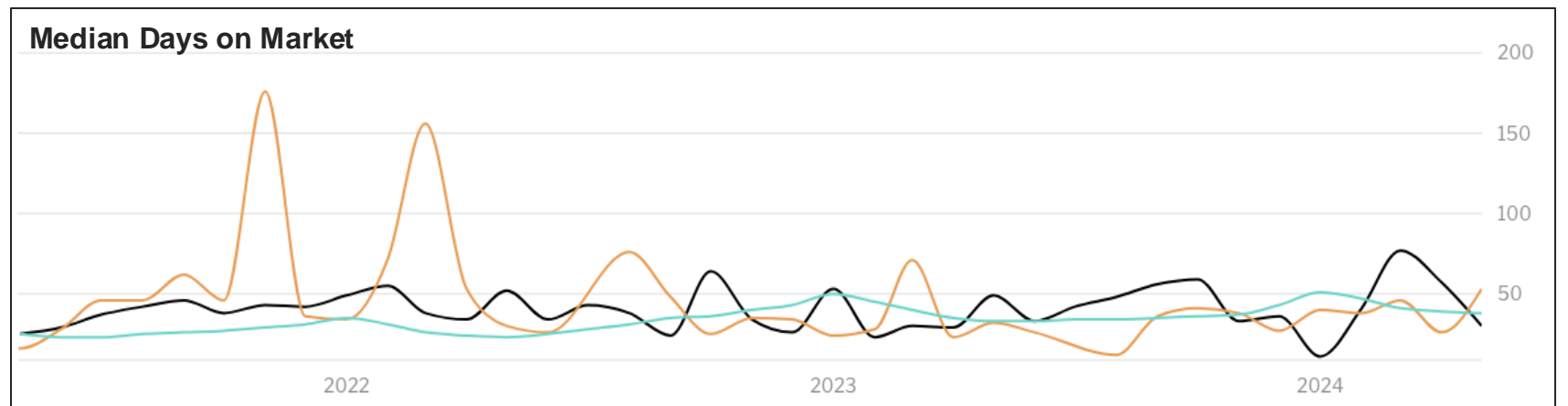
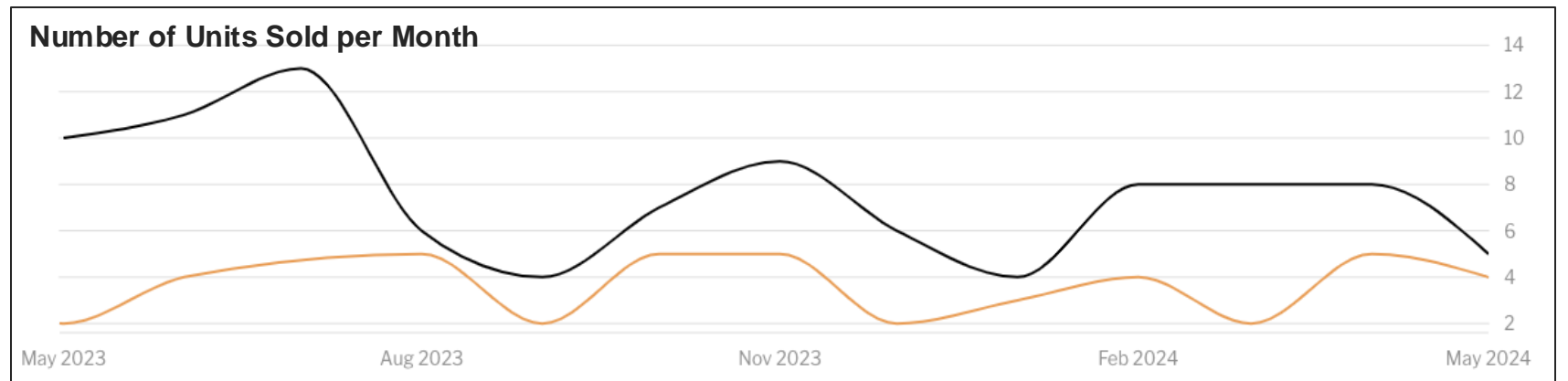
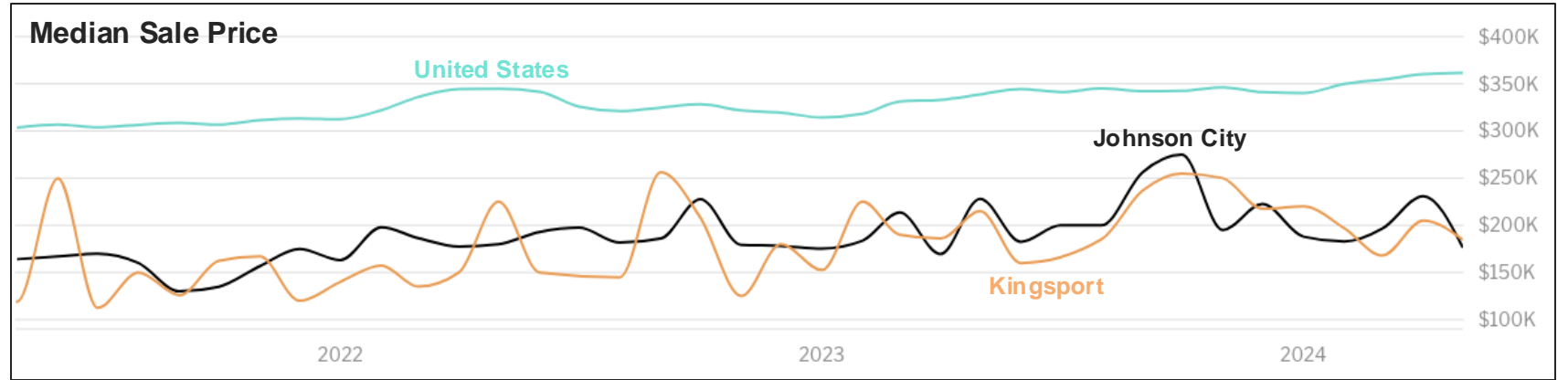


For-Sale Condos

There is a shortage of for-sale housing in the Johnson City market forcing people to rent or seek outlying markets.

Hunden used Redfin data on the for-sale condominium market to assess year-to-date performance in 2024.

As of May, 33 condos have been sold at a median sale price of approximately \$197,470. This represents a 98.4 percent sale-to-list price ratio with about 30 percent of units selling above the list price. Compared to a median of 55 days on the market for single-family homes, condos have witnessed a median of 48 days.



Condominium Competitive Set

Hunden evaluated the condominium market in downtown Johnson City to estimate the typical value of for-sale units within the local area.

Among the three 1-Bed units that are currently for sale at the Tipton Condos, the selling price ranges from \$178,000 – 245,000. 2-Bed units, both of which have made price cuts in the past month, are currently selling for over \$300,000.

The Tipton Condos formerly offered rental housing until December 2023 when it listed 27 for-sale units on the market. Although its rental units showed strong performance, the property witnessed significant demand once converted to for-sale units. Since entering the market six months ago, all but three of the property’s units have been sold.



Tipton Condos
116 Tipton St



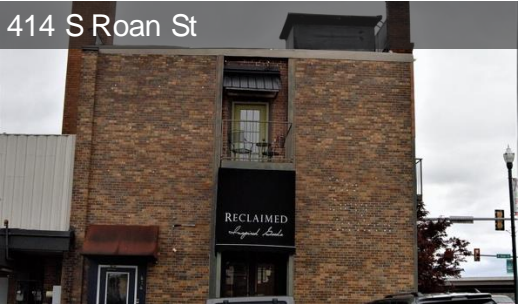
- \$178,000**
1-Bed, 1 Bath
744 SF
- \$183,000**
1-Bed, 1 Bath
768 SF
- \$245,000**
1-Bed, 2 Bath
985 SF

Downtown Towers
200 E Main St



- \$324,900**
2-Bed, 2 Bath
1,272 SF

414 S Roan St



- \$349,900**
2-Bed, 2 Bath
1,096 SF

Feedback & Implications

Hunden spoke with several real estate groups and other local stakeholders to better understand the residential market in Johnson City. The key takeaways from Hunden's analysis and these conversations are summarized below:

- Buildings that have converted rental units into for-sale condos in Johnson City have achieved significant success in selling these units. Across all mixed-use asset types, **condos present one of the strongest market opportunities for downtown Johnson City.**
- Johnson City's **daytime population is lagging.** As the work-from-home trend continues, the area's local resident population is becoming an increasingly important factor for its daytime activity, emphasizing the **need for additional residential product downtown.**
- Johnson City is facing a **major housing shortage, with demand greatly exceeding supply.** This shortage is most severe for single-family homes, driving up sale prices and homeownership costs, which in turn has benefited the multifamily market. Downtown, specifically, is witnessing strong demand for for-sale condos and high-end multifamily units.
- Johnson City is experiencing an **influx of retirees as well as younger households.** Condos, which are a particularly attractive option for retirees and first-time homebuyers, are well-positioned to capitalize on these growing segments.
- The main challenges for prospective residents will likely be related to the lack of parking and safety concerns, considering some of the City's low-income services will still be located near the John Sevier Center. Addressing these issues may be crucial for the City to maintain developer interest.



**Entertainment /
Eatertainment**

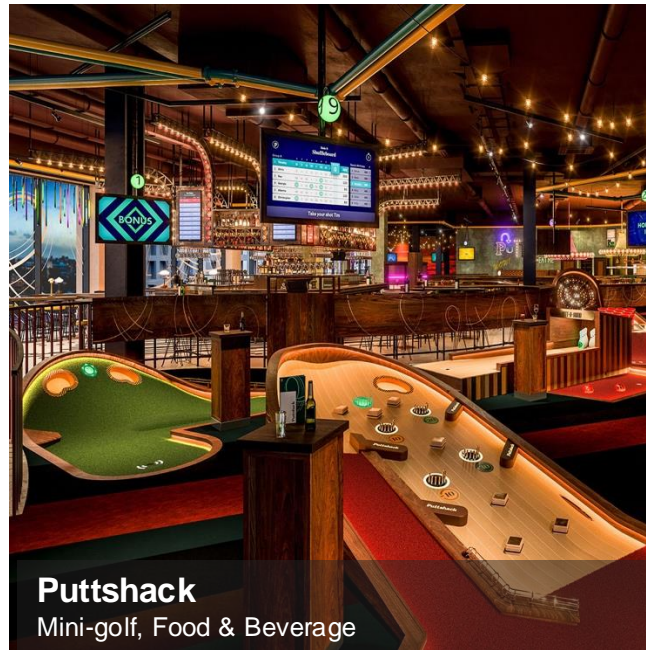
Family Entertainment / “Eatertainment”

The presence of a family entertainment / eatertainment anchor in downtown Johnson City can serve as a destination for both local residents and visitors.

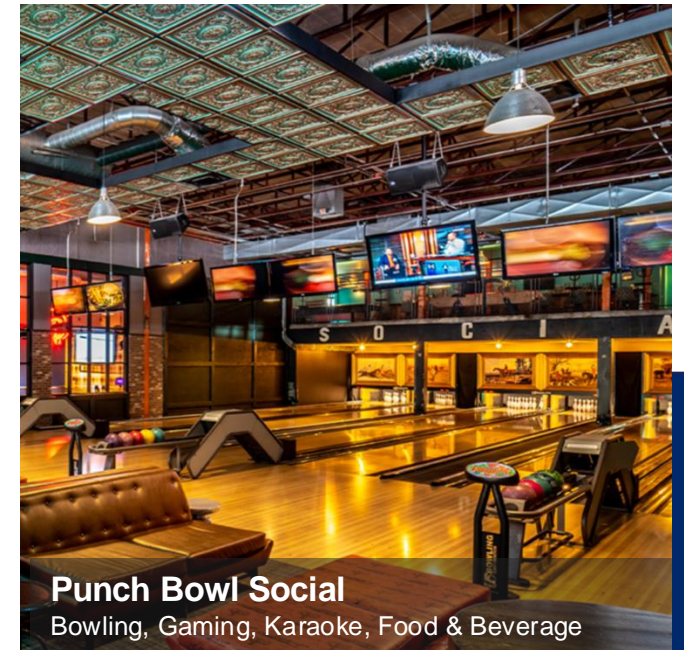
Eatertainment venues combine dining with entertainment options but are higher-end experiences than traditional arcades or bowling alleys.

Eatertainment venues are a one-stop experience for food & beverage, activities and a destination for consumers to meet with friends and family in a more active and engaging fashion than a standard restaurant.

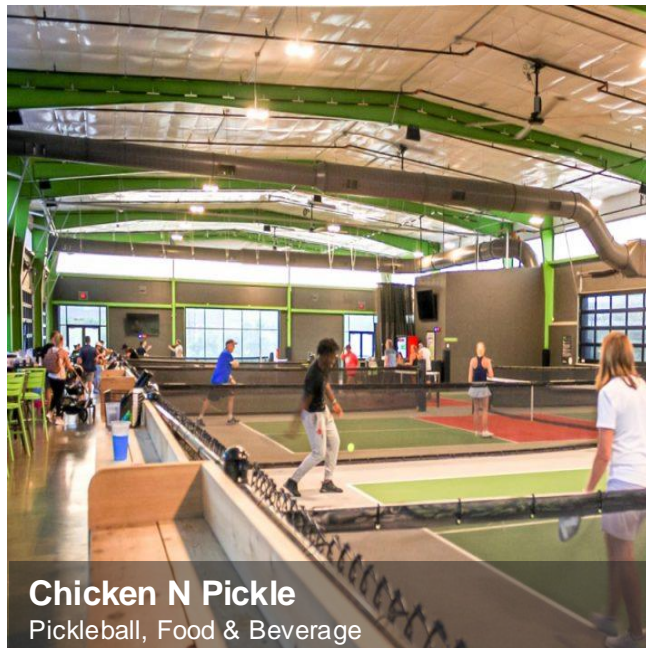
Eatertainment venues typically have an extensive footprint and are an attractive host location for large groups or events seeking entertainment and food & beverage offerings. Furthermore, these assets can serve as an anchor for a mixed-use building or district.



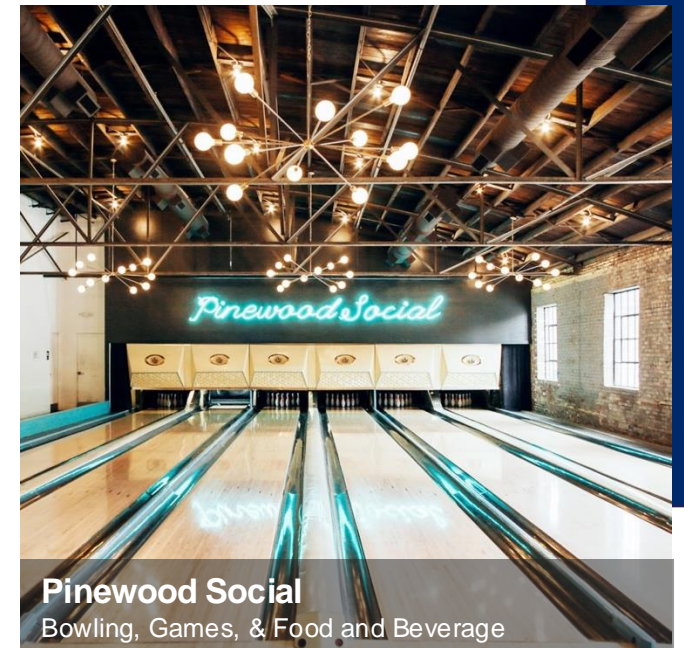
Puttshack
Mini-golf, Food & Beverage



Punch Bowl Social
Bowling, Gaming, Karaoke, Food & Beverage



Chicken N Pickle
Pickleball, Food & Beverage



Pinewood Social
Bowling, Games, & Food and Beverage

“Eatertainment” Examples



The Puttery



Flight Club



Dueling Axes



Pinstripes

Feedback & Implications

Hunden spoke with several real estate groups and other local stakeholders to better understand the entertainment market in Johnson City. The key takeaways from Hunden's analysis and these conversations are summarized below:

- Restaurants are currently the main driver for foot traffic downtown. The Project has the opportunity to feature a **unique ground-floor destination anchor** that attracts more visitors to downtown Johnson City.
- Expanding Johnson City's entertainment offerings to **cater to younger generations is crucial for attracting and retaining this demographic**. A combination of food & beverage options paired with a **compelling entertainment concept, like Puttshack or Pinewood Social in Nashville**, has strong potential to appeal to this segment in downtown Johnson City.
- The market **does not present an opportunity for a small to mid-sized music venue due to the limited demand for music acts in the region**. Furthermore, the current development of the Hard Rock Casino in Bristol, which includes plans for a 3,200-seat theater, will make it increasingly challenging for regional venues to compete.
- As the Hard Rock Casino development introduces a new music venue and enhances the entertainment offerings in Bristol, Johnson City must strengthen its own destination appeal to compete within the region.

05

Case Studies



Mayo Hotel

Location: Tulsa, OK

Opened: 1926

Developer: John Snyder – Brickhugger LLC.

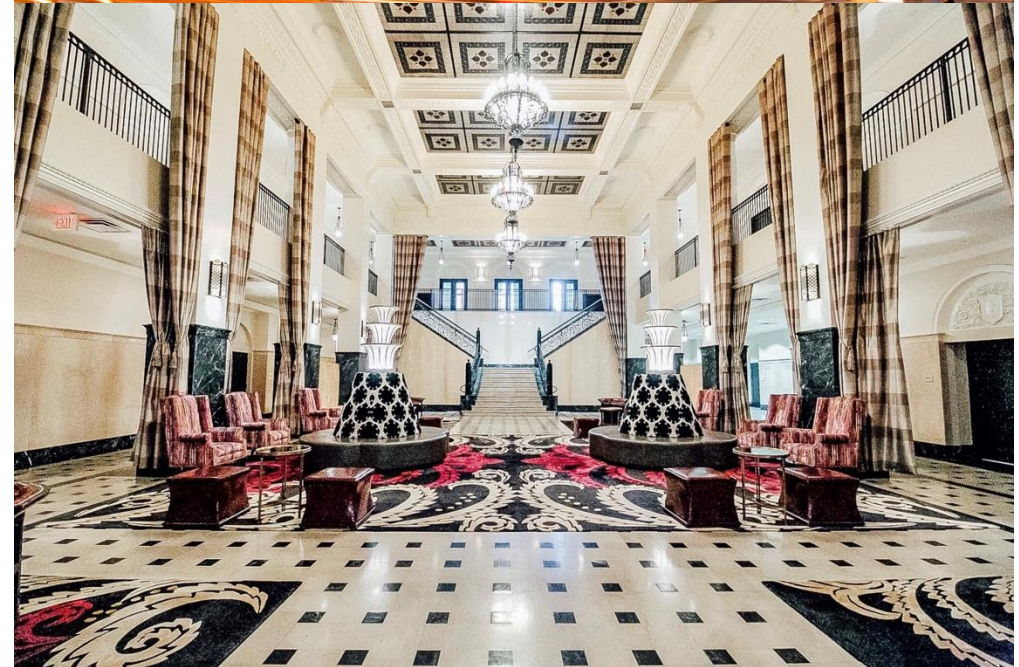
Owner: John Snyder – Brickhugger LLC.

Room Breakdown:

- Residences: **76 Units**
- Hotel Rooms: **102 Rooms**

Details:

- **2001** – John Snyder purchased the building for \$1 and the parking behind for \$250,000
- **2008/2009** – \$42m renovation – \$4.9m in public funds from the City of Tulsa as a part of “Vision 2030”
- Historic Tax Credits
- **Revenue from the garage assisted in funding the renovation of the common area space on the ground floors**



The Sessions Hotel

- **Location:** Bristol, Virginia
- **Opening Date:** June 2020
- **Rooms:** 70 (350 - 800 SF / Room)
- **Developer:** Cornerstone Hospitality
- **Operator:** Marriott International
- **Meeting Space:** 3,044 SF Flex space

History: Combining three historic buildings—the 1915 Bristol Grocery Building, the 1920 Jobbers Candy Factory, and the 1922 Simply Grand Granary Mill—the Creative Boutique Hotels development group preserved their historic elements, allowing guests to visualize their original uses. Such elements include high beams, historic wheels and pulleys, large windows, and sliding doors, all of which enhance the authenticity of the guest experience.

The Sessions Hotel preserves the historic downtown character while celebrating Bristol's musical heritage as the Birthplace of Country Music.



Sessions Hotel: Financing Detail

Capital Stack Elements

- Federal Historic Tax Credits
- State Historic Tax Credits
- Developer Equity
- Bristol Area Owners/Investors
- Fundrise Owners/Investors
- Debt Financing

Additional Sources Contributing to Debt Service

- City of Bristol – No net loss agreement
- Tourism Development Agreement

Source: NOVOGRADAC

The Bristol Hotel

- Location: Bristol, Virginia
- Opening Date: November 2018
- Rooms: 65 (250 - 817 SF / Room)
- Class: Luxury
- Operator: Charlestowne Hotels
- Meeting Space: 3,000 SF Ballroom and Boardrooms

Funding Sources: Federal & State Historic Tax Credits, New Market Tax Credits, Bank Financing, Equity Capital (McCall Capital)

History: Constructed in 1925 by Hardin Reynolds, the Reynolds Arcade initially served as a hotel before becoming the Executive Plaza, housing Bristol's prominent professionals. The building retains its Classical Revival elements, including a Roman arched entryway, stucco exterior, and display windows. Now transformed into Bristol's first boutique hotel, it offers Tennessee whiskeys and Virginia regional fare against the scenic Appalachian backdrop.

This architectural landmark connects both past and present, welcoming guests who appreciate an inspiring blend of history and modernity.



Feedback & Implications

Hunden spoke with several development groups to better understand the development of historic properties. The key takeaways from Hunden's analysis and these conversations are summarized below:

- These projects are very **difficult to execute and commonly include significant financial support from a variety of sources.**
- Including **condominiums in the mix can be an effective way to fill a piece within the overall capital stack** and is seen as an attractive option within the John Sevier.
- Project incentives may include **state & federal historic tax credits, new market tax credits, TIF, rebate of project tax generation, no net loss agreements, grants and gifts, parking.**
- Incentive packages commonly reach **upwards or above 50% of total project cost.**
- Attracting a **brand to a property, likely with a soft brand (i.e. Hilton Curio, Hilton Tapestry, Marriott Autograph, etc.) is a way to immediately attract people to the property through their loyalty program.** This can lead to higher rates and occupancies, however brand collect approximately 6-9% of total revenue.

06

Implications, Recommendations & Layouts



Project Implications

- A strong opportunity to transform the landscape of Downtown Johnson City
- Capitalize and build on downtown restaurant and bar scene
- More residents in downtown contributing to the downtown economy, increase to daytime weekday traffic
- The Project will require significant creative financing, likely beyond providing the building at a significant discount



Preliminary Budgets



Convergence Design completed high-level order of magnitude cost estimates for the redevelopment of the John Sevier Center and the Downtown Centre. Overall project costs can be variable and thus these estimates are purely for the purposes of this report.

John Sevier Center

Order of Magnitude Cost Estimate

7/23/2024

10% Fees & Testing

6% FF&E

15% Renovation Contingency

31% Total Soft Costs

John Sevier Center	Area	Unit	Const. Cost	Soft Cost	Total Project Cost	Note
Total	120,857	SF	\$ 30,300,000	\$ 9,400,000	\$ 39,600,000	full renovation

Downtown Centre	Area	Unit	Const. Cost	Soft Cost	Total Project Cost	Note
Total	172,141	SF	\$ 13,200,000	\$ 4,100,000	\$ 17,200,000	core & shell, no TI

New Building	Area	Unit	Const. Cost	Soft Cost	Total Project Cost	Note
Total	6,400	SF	\$ 2,000,000	\$ 600,000	\$ 2,600,000	core & shell, no TI

Site Development	Area	Unit	Const. Cost	Soft Cost	Total Project Cost	Note
Courtyard	9,578	SF	\$ 390,000	\$ 120,000	\$ 510,000	
Plaza	8,205	SF	\$ 330,000	\$ 110,000	\$ 430,000	
Total Site	17,783	SF	\$ 720,000	\$ 230,000	\$ 940,000	

Project Total	299,398	SF	\$ 46,220,000	\$ 14,330,000	\$ 60,340,000	
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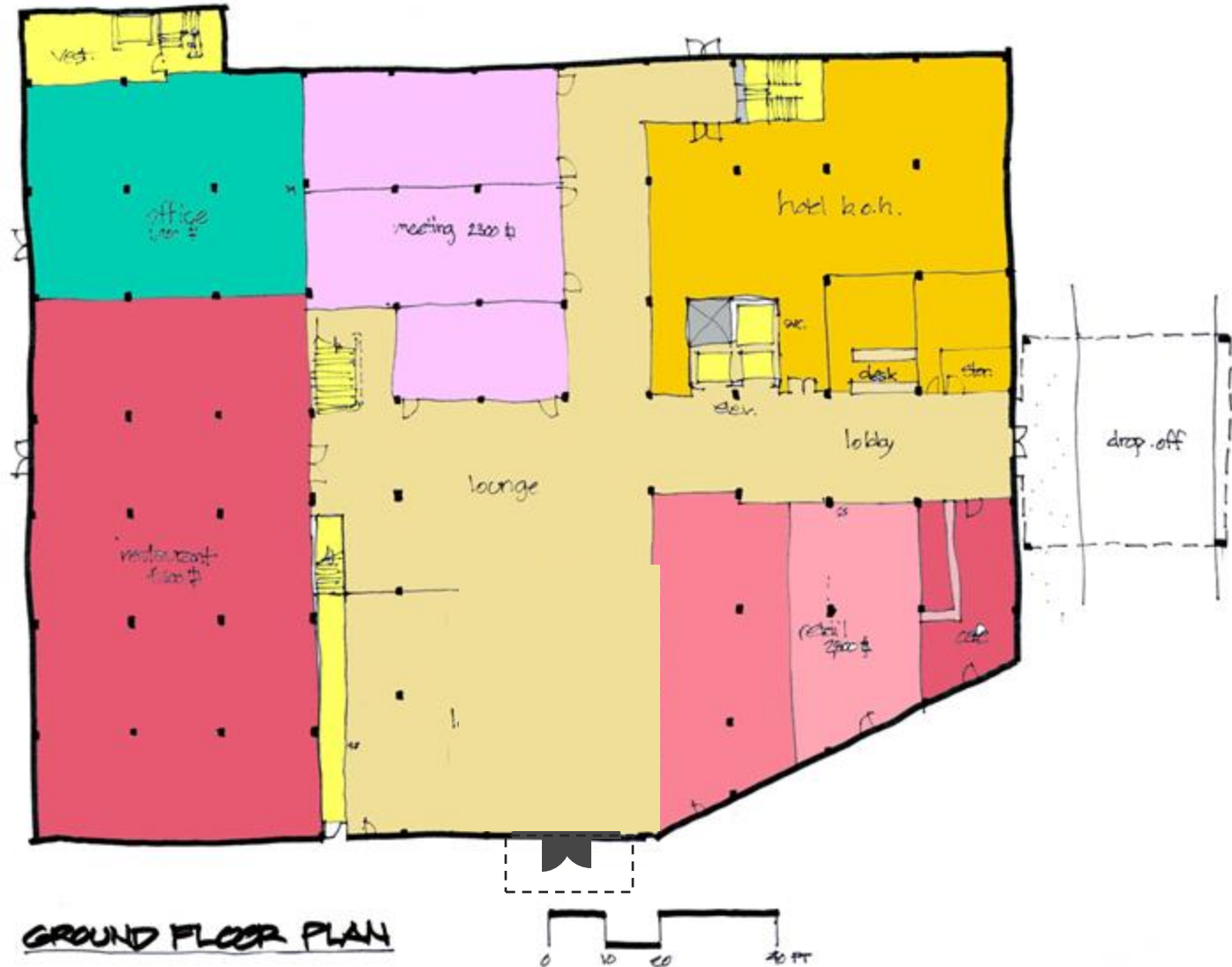
Site Plan – Ground Floor

John Sevier Center

The ground floor of the John Sevier Center is planned to include the following:

- Front Desk & Lobby Area
- Restaurant
- Retail Space
- Meeting Space
- Back-of-House & Office Space

Floor two is planned to include hotel amenities, a potential second floor rooftop bar among potentially a few hotel rooms.



Site Plan – Floor 3

John Sevier Center

THIRD FLOOR PLAN

25 ms/ft.



Site Plan – Hotel Floor

John Sevier Center

TYPICAL HOTEL FLOOR

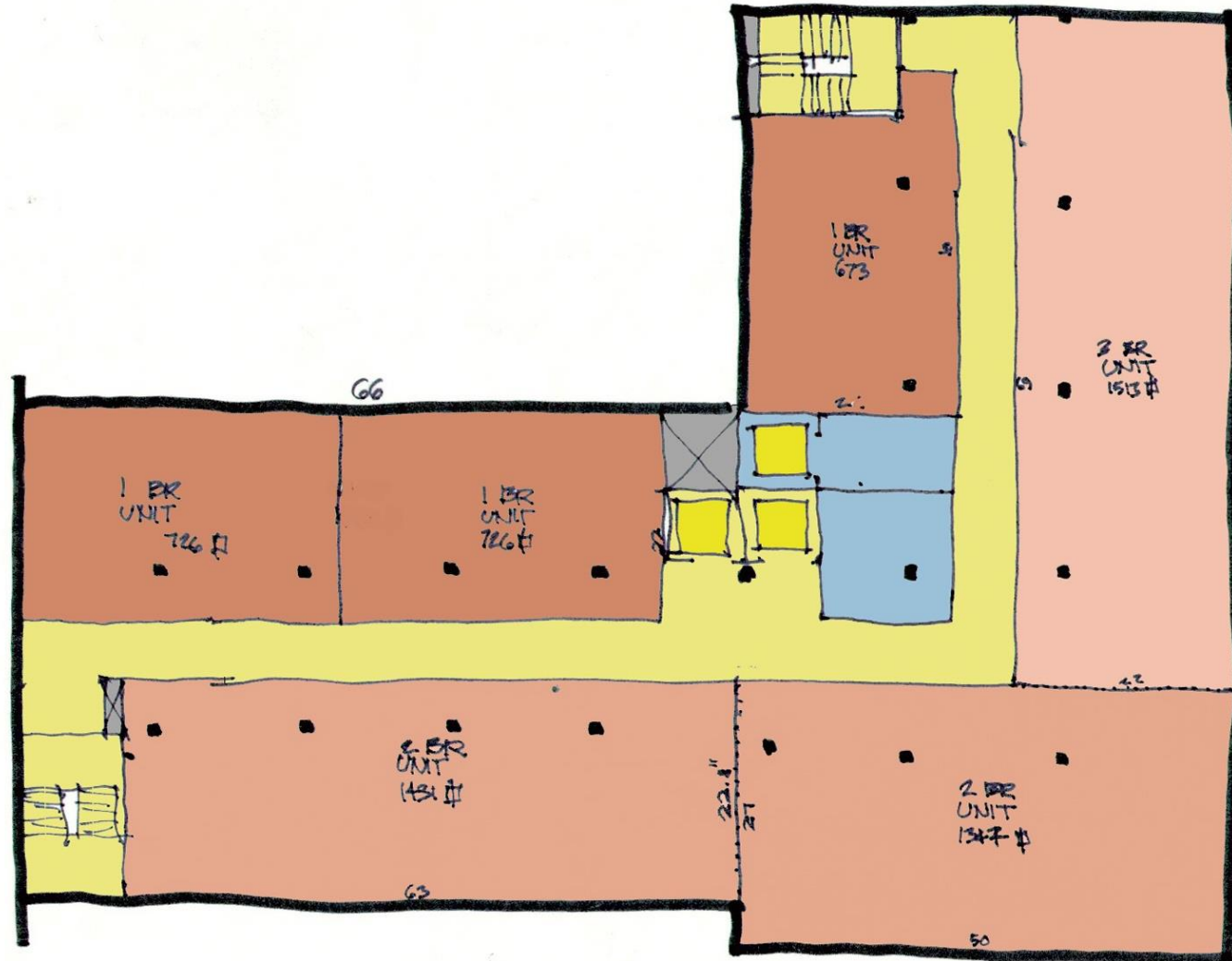
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Site Plan – Condo Floor

John Sevier Center

TYPICAL CONDO FLOOR 6 UNITS/FLR



Project Overview – Site Plan



John Sevier Center

- Improved entrance & drop-off
- Inviting frontage
- Large lobby space with coffee shop, bar, large lounge area, and restaurant space

Downtown Centre

- Inviting ground floor glass storefronts
- Activated alleyways to breakup large continuous street frontage
- Lively central plaza with potential lawn games, lighting, small stage for outdoor performances, patio space for tenants, etc.



07

Demand & Financial Projections



Johnson City Hotel Market Growth

The Johnson City hospitality market is largely driven by leisure and corporate transient travelers. Hunden estimates that in 2023 corporate transient travelers accounted for 43 percent of room nights across the City, while leisure accounted for 38 percent of room nights. Hunden projected the growth of these demand segments, as well as how the supply/demand of hotel rooms may change through 2035.

The Project is expected to be a catalyst for increased corporate transient, group, and leisure visitors staying in Johnson City. An opening in 2028 is slightly aggressive, however, was assumed for this analysis.

Estimated Competitive Set Demand Growth by Segment Johnson City, TN												
Year	Corporate Transient	% Change	Group	% Change	Leisure	% Change	Total Demand	% Change	Total Supply	% Change	Total Rooms	Occupancy
2024	106,998	1.0%	47,061	1.0%	92,573	1.0%	246,632	1.0%	397,120	0.0%	1,088	62.1%
2025	108,068	1.0%	47,532	1.0%	93,499	1.0%	249,098	1.0%	397,120	0.0%	1,088	62.7%
2026	109,149	1.0%	48,007	1.0%	94,434	1.0%	251,589	1.0%	397,120	0.0%	1,088	63.4%
2027	110,240	1.0%	48,487	1.0%	95,378	1.0%	254,105	1.0%	397,120	0.0%	1,088	64.0%
2028	115,752	5.0%	50,427	4.0%	104,916	10.0%	271,094	6.7%	423,400	6.6%	1,160	64.0%
2029	119,225	3.0%	51,435	2.0%	111,211	6.0%	281,870	4.0%	423,400	0.0%	1,160	66.6%
2030	121,609	2.0%	51,949	1.0%	114,547	3.0%	288,106	2.2%	423,400	0.0%	1,160	68.0%
2031	121,609	0.0%	51,949	0.0%	114,547	0.0%	288,106	0.0%	423,400	0.0%	1,160	68.0%
2032	121,609	0.0%	51,949	0.0%	114,547	0.0%	288,106	0.0%	423,400	0.0%	1,160	68.0%
2033	121,609	0.0%	51,949	0.0%	114,547	0.0%	288,106	0.0%	423,400	0.0%	1,160	68.0%
2034	121,609	0.0%	51,949	0.0%	114,547	0.0%	288,106	0.0%	423,400	0.0%	1,160	68.0%
2035	121,609	0.0%	51,949	0.0%	114,547	0.0%	288,106	0.0%	423,400	0.0%	1,160	68.0%

Note: Hotel is projected to become operational in 2026
Source: Hunden Partners

Estimated Competitive Set Segmentation	
Corporate Transient	43%
Group	19%
Leisure	38%
Total	100%

Source: Hunden Partners

Market Penetration & Business Segmentation

Hunden estimated how the hotel would perform comparatively to the Johnson City hotel market. With no current hotel product in the development pipeline, Johnson City hotel occupancy is expected to be higher in 2028 as the market continues to see increased demand.

The Project will be the first boutique hotel delivery in Johnson City in the past several decades. This focus along with a supply of meeting space is expected to generate increased demand across all segments.

Segment	Hotel at Stabilization	Competitive Set
Corporate	42%	42%
Group	16%	18%
Leisure	42%	39%
Total	100%	100%

Source: Hunden Partners

Year	Corporate Transient	Group	Leisure	Total Penetration	Projected Set Occupancy	Subject Occupancy
2028	102%	98%	106%	103%	64%	66%
2029	106%	98%	108%	105%	67%	70%
2030	108%	98%	114%	109%	68%	74%
2031	108%	98%	114%	109%	68%	74%
2032	108%	98%	114%	109%	68%	74%
2033	108%	98%	114%	109%	68%	74%
2034	108%	98%	114%	109%	68%	74%
2035	108%	98%	114%	109%	68%	74%
2036	108%	98%	114%	109%	68%	74%
2037	108%	98%	114%	109%	68%	74%

Source: Hunden Partners

Note:
Stabilization describes the period in which a hotel is absorbed by the market and occupancy rates reach a level that can be maintained over time.

The background features two large, faint, light blue numbers: a '0' on the left and a '7' on the right. The '0' is positioned behind the text, and the '7' is to the right of the text.

John Sevier Center

Potential Financing Tools



There are several potential financing tools the Project can leverage to assist in closing feasibility gaps and attracting national development teams. These include but are not exclusive of the following:

- **Historic Tax Credit Program** – a government incentive designed to encourage the preservation and rehabilitation of historic buildings. The program provides a **20% historic tax credit** for certified historic structures. Additionally, there are **potential state historic tax credits that can be leveraged** for the Project as well.
- **New Market Tax Credits (NMTC) – Qualified, Severely Distressed:** incentivizes community development and economic growth through the use of tax credits that attract private investment to distressed communities.
- **Qualified Opportunity Zone (QOZ):** QOZ's allow for preferential tax treatment for private investments in economically distressed communities.
- The **Tourism Enhancement Grant** provides funding for tourism infrastructure projects. Managed by the Tennessee Department of Tourist Development (TDTD) in partnership with the Tennessee Department of Economic and Community Development (TNECD), this grant aims to improve the tourism economic impact in Tennessee counties.
- **Project Tax Increment Financing (TIF) District:** The City of Johnson City could utilize TIF revenues from the JCDA Downtown TIF to assist in capturing the incremental taxes generated by the Project.



Scenario 1 – Projections

72-Room Boutique Hotel & 23-Unit Condominium

Scenario 1: Projections

Room revenue is projected to generate \$4.3 million, or approximately 50 percent of total revenue upon stabilization. Food and Beverage is projected to generate \$3.3 million, or approximately 38 percent of total revenue in Year 5.

The sales projections of the 23 condominium units are shown on the supportable financing slide to follow. Hunden assumes that there will be a homeowner's association (HOA) for the condominium units, which will include a monthly fee estimated at \$400 per month.

Net operating income is projected to be \$1.9 million in Year 1 (30.8 percent operating margin) and increase to \$2.9 million (33.2 percent operating margin) upon stabilization.

Projection of Revenue - Boutique Hotel w/ Condominiums | Johnson City, TN

	2028	2029	2030	2031	2032	2034	2035	2036	2037	2038	2043	2058
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 15	Year 30
Hotel Room Count	72	72	72	72	72	72	72	72	72	72	72	72
Condominium Unit Count - Owned	9	13	17	20	23	23	23	23	23	23	23	23
Available Room Nights	26,280	26,280	26,280	26,280	26,280	26,280	26,280	26,280	26,280	26,280	26,280	26,280
Occupancy Rates	66%	70%	74%	74%	74%	74%	74%	74%	74%	74%	74%	74%
Occupied Room Nights	17,298	18,428	19,417	19,417	19,417	19,417	19,417	19,417	19,417	19,417	19,417	19,417
Average Daily Rate	\$192.25	\$199.27	\$206.40	\$213.63	\$221.10	\$228.84	\$236.85	\$245.14	\$253.72	\$262.60	\$304.43	\$474.29
RevPAR	\$ 126.55	\$ 139.73	\$ 152.50	\$ 157.84	\$ 163.36	\$ 169.08	\$ 175.00	\$ 181.12	\$ 187.46	\$ 194.02	\$ 224.93	\$ 350.43
RevPAR % Ch. From Prior Year	-	10.4%	9.1%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.0%	3.0%
(In \$000s)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE												
Rooms	\$ 3,326	\$ 3,672	\$ 4,008	\$ 4,148	\$ 4,293	\$ 4,443	\$ 4,599	\$ 4,760	\$ 4,927	\$ 5,099	\$ 5,911	\$ 9,209
Food	\$ 1,335	\$ 1,528	\$ 1,728	\$ 1,853	\$ 1,988	\$ 2,183	\$ 2,327	\$ 2,480	\$ 2,644	\$ 2,819	\$ 3,788	\$ 9,196
Beverage	\$ 434	\$ 506	\$ 584	\$ 638	\$ 698	\$ 766	\$ 817	\$ 870	\$ 928	\$ 989	\$ 1,329	\$ 3,227
Other Food & Beverage	\$ 428	\$ 490	\$ 555	\$ 597	\$ 641	\$ 704	\$ 750	\$ 800	\$ 853	\$ 909	\$ 1,222	\$ 2,965
Other Operated Departments	\$ 325	\$ 366	\$ 407	\$ 430	\$ 453	\$ 498	\$ 530	\$ 565	\$ 603	\$ 643	\$ 864	\$ 2,096
Miscellaneous Income	\$ 131	\$ 145	\$ 159	\$ 165	\$ 171	\$ 188	\$ 201	\$ 214	\$ 228	\$ 243	\$ 326	\$ 792
Retail Lease Rev	\$ 50	\$ 52	\$ 53	\$ 55	\$ 57	\$ 60	\$ 62	\$ 64	\$ 66	\$ 68	\$ 79	\$ 122
HOA Revenue (Per Month)	\$ 43	\$ 64	\$ 87	\$ 105	\$ 124	\$ 132	\$ 136	\$ 140	\$ 144	\$ 148	\$ 172	\$ 268
Parking (Valet Only)	\$ 121	\$ 133	\$ 144	\$ 149	\$ 153	\$ 162	\$ 167	\$ 172	\$ 177	\$ 183	\$ 212	\$ 330
Total Revenue	\$ 6,193	\$ 6,957	\$ 7,726	\$ 8,140	\$ 8,578	\$ 9,136	\$ 9,588	\$ 10,066	\$ 10,569	\$ 11,100	\$ 13,903	\$ 28,206
DEPARTMENTAL EXPENSES												
Rooms	\$ 768	\$ 821	\$ 866	\$ 865	\$ 863	\$ 893	\$ 924	\$ 957	\$ 990	\$ 1,025	\$ 1,188	\$ 1,851
Food & Beverage	\$ 1,410	\$ 1,602	\$ 1,798	\$ 1,913	\$ 2,036	\$ 2,235	\$ 2,383	\$ 2,540	\$ 2,708	\$ 2,887	\$ 3,880	\$ 9,417
Other Operated Departments	\$ 218	\$ 243	\$ 267	\$ 279	\$ 290	\$ 319	\$ 340	\$ 362	\$ 386	\$ 412	\$ 554	\$ 1,344
HOA (Operating Expense Allocation)	\$ 39	\$ 59	\$ 79	\$ 96	\$ 113	\$ 120	\$ 124	\$ 128	\$ 131	\$ 135	\$ 157	\$ 245
Parking (Valet Only)	\$ 27	\$ 29	\$ 30	\$ 30	\$ 31	\$ 29	\$ 30	\$ 31	\$ 32	\$ 33	\$ 38	\$ 59
Total Dept. Expenses	\$ 2,462	\$ 2,752	\$ 3,040	\$ 3,183	\$ 3,333	\$ 3,597	\$ 3,801	\$ 4,018	\$ 4,248	\$ 4,492	\$ 5,816	\$ 12,916
Gross Operating Income	\$ 3,730	\$ 4,204	\$ 4,686	\$ 4,957	\$ 5,245	\$ 5,539	\$ 5,787	\$ 6,048	\$ 6,321	\$ 6,608	\$ 8,086	\$ 15,290
UNDIST. OP. EXPENSES												
Administrative and General (excl. Operator)	\$ 483	\$ 529	\$ 572	\$ 586	\$ 600	\$ 639	\$ 671	\$ 705	\$ 740	\$ 777	\$ 973	\$ 1,974
Information & Telecommunications	\$ 140	\$ 144	\$ 145	\$ 138	\$ 129	\$ 137	\$ 144	\$ 151	\$ 159	\$ 167	\$ 209	\$ 423
Utilities	\$ 142	\$ 146	\$ 147	\$ 138	\$ 129	\$ 137	\$ 144	\$ 151	\$ 159	\$ 167	\$ 209	\$ 423
Franchise Fees	\$ 31	\$ 35	\$ 39	\$ 41	\$ 43	\$ 46	\$ 48	\$ 50	\$ 53	\$ 56	\$ 70	\$ 141
Property Operations and Maint.	\$ 192	\$ 202	\$ 209	\$ 203	\$ 197	\$ 210	\$ 221	\$ 232	\$ 243	\$ 255	\$ 320	\$ 649
Sales & Marketing (excl. Program Fee)	\$ 464	\$ 508	\$ 549	\$ 562	\$ 575	\$ 612	\$ 642	\$ 674	\$ 708	\$ 744	\$ 931	\$ 1,890
Total Undistributed Expenses	\$ 1,453	\$ 1,563	\$ 1,659	\$ 1,668	\$ 1,673	\$ 1,781	\$ 1,870	\$ 1,963	\$ 2,061	\$ 2,165	\$ 2,711	\$ 5,500
Gross Operating Profit	\$ 2,278	\$ 2,641	\$ 3,026	\$ 3,289	\$ 3,572	\$ 3,757	\$ 3,917	\$ 4,085	\$ 4,260	\$ 4,444	\$ 5,375	\$ 9,790
FIXED EXPENSES												
Property Taxes	\$ 20	\$ 40	\$ 41	\$ 42	\$ 43	\$ 44	\$ 45	\$ 46	\$ 46	\$ 47	\$ 52	\$ 70
Insurance	\$ 61	\$ 73	\$ 75	\$ 77	\$ 77	\$ 82	\$ 86	\$ 91	\$ 95	\$ 100	\$ 125	\$ 254
Management Fee	\$ 186	\$ 209	\$ 232	\$ 244	\$ 257	\$ 274	\$ 288	\$ 302	\$ 317	\$ 333	\$ 417	\$ 846
Reserve for Replacement	\$ 66	\$ 110	\$ 155	\$ 221	\$ 343	\$ 377	\$ 395	\$ 415	\$ 435	\$ 457	\$ 571	\$ 1,152
Total Fixed Expenses	\$ 332	\$ 359	\$ 500	\$ 582	\$ 721	\$ 777	\$ 814	\$ 853	\$ 894	\$ 937	\$ 1,166	\$ 2,322
Net Operating Income	\$ 1,945	\$ 2,282	\$ 2,526	\$ 2,707	\$ 2,852	\$ 2,980	\$ 3,103	\$ 3,232	\$ 3,366	\$ 3,507	\$ 4,210	\$ 7,468
Operating Margin	31.4%	32.8%	32.7%	33.3%	33.2%	32.6%	32.4%	32.1%	31.8%	31.6%	30.3%	26.5%

Source: Hunden Partners

Scenario 1: ROI & Supportable Financing

Hunden's discounted cash flow analysis for Scenario 1 begins with a projection of the condominium unit sales. Based on Hunden's market analysis, the average list price of the condominiums in Year 1 of construction are estimated at \$345,000 and \$366,000 upon opening. Pre-sales would begin during construction, bringing in early cash flow from reservations and a significant infusion in Year 1.

The net cash flows from the hotel operations and condominium sales combine to total the unleveraged cash flows generated by the Project.

These cash flows support a value of \$31.4 million, resulting in an estimated feasibility gap of \$8.7 million, or 22 percent of the total project cost.

Discounted Cash Flow Analysis (\$000s) 72 Key Hotel, 23 Condominiums												
	Construction		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	Constr. Yr1	Constr. Yr2										
CONDOMINIUM SALES												
Number of Units Sold	2	3	4	4	4	3	3	0	0	0	0	0
Cumulative	2	5	9	13	17	20	23	23	23	23	23	23
Average Sales Price	\$ 345,050	\$ 355,402	\$ 366,064	\$ 377,045	\$ 388,357	\$ 400,008	\$ 412,008	\$ 424,368	\$ 437,099	\$ 450,212	\$ 463,718	\$ 477,630
PSF	\$ 323	\$ 333	\$ 343	\$ 353	\$ 364	\$ 375	\$ 386	\$ 397	\$ 409	\$ 422	\$ 434	\$ 447
Total Sales Revenue (000s)	\$ 69	\$ 107	\$ 3,045	\$ 1,508	\$ 1,553	\$ 1,200	\$ 1,236	\$ -	\$ -	\$ -	\$ -	\$ -
Sales & Closing Costs	\$ -	\$ -	\$ 480	\$ 151	\$ 155	\$ 120	\$ 124	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Flow - Condominiums	\$ 69	\$ 107	\$ 2,565	\$ 1,357	\$ 1,398	\$ 1,080	\$ 1,112	\$ -	\$ -	\$ -	\$ -	\$ -
Year	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Unleveraged Cash Flow	\$69	\$107	\$4,491	\$3,626	\$3,919	\$3,780	\$3,964	\$2,980	\$3,103	\$3,232	\$3,366	\$3,507

Present Value Summary (\$000s)	5 Year	10 Year
PV Residual	\$20,476	\$11,506
PV Income Stream	\$12,877	\$19,415
Present Value (Supportable Financing)	\$33,352	\$30,921
Equity		\$7,730
Debt		\$23,190
Total Project Cost		\$39,600
Total Project Cost Per Unit		\$416,842
Gap		\$8,679
		21.9%

	Year 5	Year 10
Year 5 Net CF	\$3,964	\$3,507
Terminal Cap Rate	10.0%	10.0%
Year 5 Residual Value	\$39,640	\$35,066
(-) Closing Costs (2.5%)	\$991	\$877
Net Reversion Proceeds	\$38,649	\$34,189

Assumptions:	%	Targ. Return
Equity Contribution	25.00%	14.00%
Debt Assumptions	75.00%	8.00%
Discount Rate / WACC	9.50%	
Unit Count	95	

* Assumes 25% draw in Construction Year 1; 75% average during Construction Year 2

Source: Hunden Partners



Scenario 2 – Projections

110-Room Boutique Hotel Projections

Scenario 2: Projections

Room revenue of the 110-room hotel is projected to generate \$6 million, or approximately 51 percent of total revenue upon stabilization in Year 5. Food and Beverage is projected to generate \$4.7 million, or approximately 40 percent of total revenue in Year 5. The additional supply of hotel rooms within the Project influences Hunden’s occupancy and rate projections for the Project.

Net operating income is projected to be \$2.5 million in Year 1 (31.6 percent operating margin) and increase to \$4.0 million (33.8 percent operating margin) upon stabilization in Year 5.

Operating Proforma - 110-Room Boutique Hotel Johnson City, TN												
	2028	2029	2030	2031	2032	2034	2035	2036	2037	2038	2043	2058
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 15	Year 30
Hotel Room Count	110	110	110	110	110	110	110	110	110	110	110	110
Available Room Nights	40,150	40,150	40,150	40,150	40,150	40,150	40,150	40,150	40,150	40,150	40,150	40,150
Occupancy Rates	61%	66%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%
Occupied Room Nights	24,314	26,464	28,478	28,478	28,478	28,478	28,478	28,478	28,478	28,478	28,478	28,478
Average Daily Rate	\$176.87	\$187.31	\$198.15	\$205.08	\$212.26	\$219.69	\$227.38	\$235.33	\$243.57	\$252.10	\$292.25	\$455.31
RevPAR	\$ 107.11	\$ 123.46	\$ 140.55	\$ 145.46	\$ 150.56	\$ 155.82	\$ 161.28	\$ 166.92	\$ 172.77	\$ 178.81	\$ 207.29	\$ 322.96
RevPAR % Ch. From Prior Year	–	15.3%	13.8%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.0%	3.0%
(In \$000s)	\$	POR	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE												
Rooms	\$ 4,300	\$ 177	\$ 4,957	\$ 5,643	\$ 5,840	\$ 6,045	\$ 6,256	\$ 6,475	\$ 6,702	\$ 6,937	\$ 7,179	\$ 8,323
Food	\$ 1,726	\$ 71	\$ 2,062	\$ 2,433	\$ 2,609	\$ 2,799	\$ 3,073	\$ 3,276	\$ 3,492	\$ 3,723	\$ 3,969	\$ 5,334
Beverage	\$ 561	\$ 23	\$ 683	\$ 822	\$ 899	\$ 982	\$ 1,078	\$ 1,150	\$ 1,226	\$ 1,307	\$ 1,393	\$ 1,872
Other Food & Beverage	\$ 553	\$ 23	\$ 662	\$ 782	\$ 840	\$ 902	\$ 991	\$ 1,056	\$ 1,126	\$ 1,201	\$ 1,280	\$ 1,720
Other Operated Departments	\$ 420	\$ 17	\$ 494	\$ 573	\$ 605	\$ 638	\$ 701	\$ 747	\$ 796	\$ 849	\$ 905	\$ 1,216
Miscellaneous Income	\$ 170	\$ 7	\$ 196	\$ 224	\$ 233	\$ 241	\$ 265	\$ 282	\$ 301	\$ 321	\$ 342	\$ 460
Retail Lease Rev	\$ 50	\$ 2	\$ 52	\$ 53	\$ 55	\$ 57	\$ 60	\$ 62	\$ 64	\$ 66	\$ 68	\$ 79
Parking (Valet Only)	\$ 121	\$ 5	\$ 133	\$ 144	\$ 149	\$ 153	\$ 162	\$ 167	\$ 172	\$ 177	\$ 183	\$ 212
Total Revenue	\$ 7,902	\$ 325	\$ 9,240	\$ 10,675	\$ 11,230	\$ 11,817	\$ 12,587	\$ 13,216	\$ 13,879	\$ 14,579	\$ 15,318	\$ 19,215
DEPARTMENTAL EXPENSES												
Rooms	\$ 993	\$ 41	\$ 1,108	\$ 1,219	\$ 1,218	\$ 1,215	\$ 1,258	\$ 1,302	\$ 1,347	\$ 1,394	\$ 1,443	\$ 1,673
Food & Beverage	\$ 1,823	\$ 75	\$ 2,162	\$ 2,531	\$ 2,694	\$ 2,866	\$ 3,147	\$ 3,355	\$ 3,577	\$ 3,813	\$ 4,065	\$ 5,463
Other Operated Departments	\$ 282	\$ 12	\$ 328	\$ 376	\$ 392	\$ 409	\$ 449	\$ 479	\$ 510	\$ 544	\$ 580	\$ 779
Parking (Valet Only)	\$ 27	\$ 1	\$ 29	\$ 30	\$ 30	\$ 31	\$ 29	\$ 30	\$ 31	\$ 32	\$ 33	\$ 38
Total Dept. Expenses	\$ 3,125	\$ 129	\$ 3,626	\$ 4,157	\$ 4,334	\$ 4,521	\$ 4,883	\$ 5,165	\$ 5,465	\$ 5,783	\$ 6,121	\$ 7,953
Gross Operating Income	\$ 4,777	\$ 196	\$ 5,613	\$ 6,519	\$ 6,896	\$ 7,296	\$ 7,704	\$ 8,050	\$ 8,414	\$ 8,796	\$ 9,198	\$ 11,262
UNDIST. OP. EXPENSES												
Administrative and General (excl. Operator)	\$ 616	\$ 25	\$ 702	\$ 790	\$ 809	\$ 827	\$ 881	\$ 925	\$ 972	\$ 1,021	\$ 1,072	\$ 1,345
Information & Telecommunications	\$ 179	\$ 7	\$ 191	\$ 201	\$ 190	\$ 177	\$ 189	\$ 198	\$ 208	\$ 219	\$ 230	\$ 288
Utilities	\$ 182	\$ 7	\$ 194	\$ 203	\$ 191	\$ 177	\$ 189	\$ 198	\$ 208	\$ 219	\$ 230	\$ 288
Franchise Fees	\$ 40	\$ 1.6	\$ 46	\$ 53	\$ 56	\$ 59	\$ 63	\$ 66	\$ 69	\$ 73	\$ 77	\$ 96
Property Operations and Maint.	\$ 245	\$ 10	\$ 268	\$ 288	\$ 281	\$ 272	\$ 289	\$ 304	\$ 319	\$ 335	\$ 352	\$ 442
Sales & Marketing (excl. Program Fee)	\$ 593	\$ 24	\$ 675	\$ 758	\$ 775	\$ 792	\$ 843	\$ 885	\$ 930	\$ 977	\$ 1,026	\$ 1,287
Total Undistributed Expenses	\$ 1,854	\$ 76	\$ 2,076	\$ 2,293	\$ 2,301	\$ 2,304	\$ 2,454	\$ 2,577	\$ 2,706	\$ 2,843	\$ 2,987	\$ 3,747
Gross Operating Profit	\$ 2,923	\$ 120	\$ 3,537	\$ 4,226	\$ 4,595	\$ 4,992	\$ 5,249	\$ 5,473	\$ 5,708	\$ 5,953	\$ 6,211	\$ 7,515
FIXED EXPENSES												
Property Taxes	\$ 31	\$ 1	\$ 62	\$ 63	\$ 64	\$ 66	\$ 67	\$ 68	\$ 70	\$ 71	\$ 72	\$ 80
Insurance	\$ 77	\$ 3	\$ 89	\$ 100	\$ 103	\$ 106	\$ 113	\$ 119	\$ 125	\$ 131	\$ 138	\$ 173
Management Fee	\$ 237	\$ 10	\$ 277	\$ 320	\$ 337	\$ 355	\$ 378	\$ 396	\$ 416	\$ 437	\$ 460	\$ 576
Reserve for Replacement	\$ 79	\$ 3	\$ 139	\$ 214	\$ 281	\$ 473	\$ 503	\$ 529	\$ 555	\$ 583	\$ 613	\$ 769
Total Fixed Expenses	\$ 424	\$ 17	\$ 566	\$ 697	\$ 785	\$ 999	\$ 1,061	\$ 1,112	\$ 1,166	\$ 1,223	\$ 1,282	\$ 1,598
Net Operating Income	\$ 2,498	\$ 103	\$ 2,971	\$ 3,529	\$ 3,809	\$ 3,993	\$ 4,188	\$ 4,361	\$ 4,542	\$ 4,731	\$ 4,928	\$ 5,917
Operating Margin	31.6%		32.2%	33.1%	33.9%	33.8%	33.3%	33.0%	32.7%	32.4%	32.2%	30.8%

Source: Hunden Partners

Scenario 2: ROI & Supportable Financing

The hotels cash flow projections support a value of \$35.9 million, resulting in an estimated feasibility gap of \$3.7 million, or 9.4 percent of the total project cost.

For a true comparison of each scenario, Hunden kept the total Project cost the same under both scenarios. **The costs likely would vary, however, based on this analysis Scenario 2, hotel only, has a smaller feasibility gap than Scenario 1.**

Discounted Cash Flow Analysis (\$000s) 110-Room Hotel													
Year	Construction		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	Constr. Yr1	Constr. Yr2											
Unleveraged Cash Flow	\$0	\$0	\$2,498	\$2,971	\$3,529	\$3,809	\$3,993	\$4,188	\$4,361	\$4,542	\$4,731	\$4,928	
Present Value Summary (\$000s)			5 Year	10 Year				Year 5 Net CF	\$3,993	Year 10 Net CF			\$4,928
PV Residual			\$20,625	\$16,170				Terminal Cap Rate	10.0%	Terminal Cap Rate			10.0%
PV Income Stream			\$10,536	\$19,724				Year 5 Residual Value	\$39,929	Year 10 Residual Value			\$49,281
Present Value (Supportable Financing)			\$31,161	\$35,894				(-) Closing Costs (2.5%)	\$998	(-) Closing Costs (2.5%)			\$1,232
Equity				\$8,974				Net Reversion Proceeds	\$38,931	Net Reversion Proceeds			\$48,049
Debt				\$26,921									
Total Project Cost				\$39,600	% Cost								
Total Project Cost Per Unit				\$360,000									
Gap				\$3,706	9.4%								
Assumptions:			%	Targ. Return									
Equity Contribution			25.00%	14.00%									
Debt Assumptions			75.00%	8.00%									
Discount Rate / WACC			9.50%										
Unit Count			110										
* Assumes 25% draw in Construction Year 1; 75% average during Construction Year 2													
Source: Hunden Partners													



Downtown Centre

Downtown Centre Performance Projections

The Downtown Centre is planned to include ground floor retail, 'eatertainment' and small office spaces. The parking garage is shown to be managed by a third-party parking operator and remain under ownership by the JCDA / City of Johnson City.

Proforma - Downtown Centre (000s)												
	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 20	Yr 30
RETAIL												
Leasable SF	19,600	19,600	19,600	19,600	19,600	19,600	19,600	19,600	19,600	19,600	19,600	19,600
Occupied SF	15,288	16,072	17,248	18,620	18,620	18,620	18,620	18,620	18,620	18,620	18,620	18,620
Vacancy - Retail	22%	18%	12%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Lease Rate	\$ 18.00	\$ 18.54	\$ 19.10	\$ 19.67	\$ 20.26	\$ 20.87	\$ 21.49	\$ 22.14	\$ 22.80	\$ 23.49	\$ 31.56	\$ 42.42
OFFICE												
Leasable SF	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800
Occupied SF	7,216	7,920	8,096	8,536	8,536	8,536	8,536	8,536	8,536	8,536	8,536	8,536
Vacancy - Office	18%	10%	8%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Lease Rate	\$ 15.00	\$ 15.45	\$ 15.91	\$ 16.39	\$ 16.88	\$ 17.39	\$ 17.91	\$ 18.45	\$ 19.00	\$ 19.57	\$ 26.30	\$ 35.35
PARKING												
Spaces	343	343	343	343	343	343	343	343	343	343	343	343
Hotel / Condo - Valet	35	35	35	35	35	35	35	35	35	35	35	35
Space Lease Revenue (000s)	\$ 4.2	\$ 4.3	\$ 4.5	\$ 4.6	\$ 4.7	\$ 4.9	\$ 5.0	\$ 5.2	\$ 5.3	\$ 5.5	\$ 7.4	\$ 9.9
Tenant Space	20	20	20	20	20	20	20	20	20	20	20	20
Space Lease Revenue (000s)	\$ 12.0	\$ 12.4	\$ 12.7	\$ 13.1	\$ 13.5	\$ 13.9	\$ 14.3	\$ 14.8	\$ 15.2	\$ 15.7	\$ 21.0	\$ 28.3
Self-Park / Hourly / Monthly Parking	288	288	288	288	288	288	288	288	288	288	288	288
Hotel Self-Park (000s)	\$ 208	\$ 228	\$ 247	\$ 255	\$ 262	\$ 270	\$ 278	\$ 287	\$ 295	\$ 304	\$ 409	\$ 549
Hourly / Monthly Parking (000s)	\$ 273	\$ 281	\$ 289	\$ 298	\$ 307	\$ 316	\$ 325	\$ 335	\$ 345	\$ 356	\$ 478	\$ 642

Source: Hunden Partners

Downtown Centre Proforma

Hunden projected out the financial performance of the Downtown Centre.

At Year 4 stabilization, the Downtown Centre component of the development is projected to generate a net operating income of \$783,000. Projections are inclusive of parking revenues and management fees for a parking operator. Overall operating margins for the Downtown Centre upon stabilization in Year 4 are estimated at 35 percent.

Proforma - Downtown Centre (000s)												
	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 20	Yr 30
Revenue												
Gross Potential Rent - Retail	\$ 353	\$ 363	\$ 374	\$ 386	\$ 397	\$ 409	\$ 421	\$ 434	\$ 447	\$ 460	\$ 619	\$ 831
Gross Potential Rent - Office	\$ 132	\$ 136	\$ 140	\$ 144	\$ 149	\$ 153	\$ 158	\$ 162	\$ 167	\$ 172	\$ 231	\$ 311
Gross Potential Rent	\$ 485	\$ 499	\$ 514	\$ 530	\$ 546	\$ 562	\$ 579	\$ 596	\$ 614	\$ 633	\$ 850	\$ 1,142
Vacancy - Retail	22%	18%	12%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Vacancy - Office	18%	10%	8%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Vacancy Loss	\$ 101	\$ 79	\$ 56	\$ 24	\$ 24	\$ 25	\$ 26	\$ 27	\$ 27	\$ 28	\$ 38	\$ 51
Gross Effective Rent	\$ 383	\$ 420	\$ 458	\$ 506	\$ 521	\$ 537	\$ 553	\$ 570	\$ 587	\$ 604	\$ 812	\$ 1,092
Gross Revenue - Parking	\$ 496	\$ 525	\$ 554	\$ 570	\$ 587	\$ 605	\$ 623	\$ 642	\$ 661	\$ 681	\$ 915	\$ 1,230
Tenant Reimbursements	\$ 103	\$ 114	\$ 124	\$ 136	\$ 141	\$ 145	\$ 149	\$ 154	\$ 158	\$ 163	\$ 219	\$ 294
Gross Operating Income	\$ 983	\$ 1,059	\$ 1,135	\$ 1,213	\$ 1,249	\$ 1,287	\$ 1,325	\$ 1,365	\$ 1,406	\$ 1,448	\$ 1,946	\$ 2,615
Expenses												
CAM	\$ 133	\$ 137	\$ 141	\$ 145	\$ 149	\$ 154	\$ 158	\$ 163	\$ 168	\$ 173	\$ 233	\$ 312
R/E Taxes	\$ 99	\$ 102	\$ 105	\$ 108	\$ 111	\$ 115	\$ 118	\$ 122	\$ 125	\$ 129	\$ 174	\$ 233
Insurance	\$ 45	\$ 46	\$ 48	\$ 49	\$ 51	\$ 52	\$ 54	\$ 55	\$ 57	\$ 59	\$ 79	\$ 106
Other - Non-Reimbursable	\$ 14	\$ 14	\$ 14	\$ 15	\$ 15	\$ 16	\$ 16	\$ 17	\$ 17	\$ 18	\$ 24	\$ 32
Management Fee - Commercial	\$ 15	\$ 17	\$ 18	\$ 20	\$ 21	\$ 21	\$ 22	\$ 23	\$ 23	\$ 24	\$ 32	\$ 44
Management Fee - Parking	\$ 50	\$ 53	\$ 55	\$ 57	\$ 59	\$ 60	\$ 62	\$ 64	\$ 66	\$ 68	\$ 91	\$ 123
Reserves	\$ 29	\$ 31	\$ 33	\$ 35	\$ 36	\$ 37	\$ 38	\$ 40	\$ 41	\$ 42	\$ 56	\$ 76
Total Expenses	\$ 384	\$ 399	\$ 414	\$ 429	\$ 442	\$ 456	\$ 469	\$ 483	\$ 498	\$ 513	\$ 689	\$ 926
Net Operating Income	\$ 600	\$ 660	\$ 721	\$ 783	\$ 807	\$ 831	\$ 856	\$ 882	\$ 908	\$ 935	\$ 1,257	\$ 1,689
Operating Expense Ratio	39%	38%	36%	35%	35%	35%	35%	35%	35%	35%	35%	35%

Source: Hunden Partners

Downtown Centre – Supportable Financing

The cash flows generated by the Downtown Centre under the proposed plan support a value of approximately \$8.0 million.

Based on the total project costs of \$18.1 million, the estimated feasibility gap of the project is \$10.2 million or 56 percent of the total project cost.

Discounted Cash Flow Analysis (\$000s) Downtown Centre														
Year	Construction		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10		
	Constr. Yr1	Constr. Yr2												
Unleveraged Cash Flow	\$0	\$0	\$600	\$660	\$721	\$783	\$807	\$831	\$856	\$882	\$908	\$935		
Present Value Summary (\$000s)			5 Year	10 Year										
PV Residual			\$5,063	\$3,814				Year 5 Net CF				Year 10 Net CF		
PV Income Stream			\$2,308	\$4,176				Terminal Cap Rate				Terminal Cap Rate		
Present Value (Supportable Financing)			\$7,371	\$7,990				Year 5 Residual Value				Year 10 Residual Value		
Equity				\$1,998				(-) Closing Costs (2.5%)				(-) Closing Costs (2.5%)		
Debt				\$5,993				Net Reversion Proceeds				Net Reversion Proceeds		
Total Project Cost				\$18,140	% Cost									
Gap				\$10,150	56%									
Assumptions:			%	Targ. Return										
Equity Contribution			25.00%	12.00%										
Debt Assumptions			75.00%	8.00%										
Discount Rate / WACC			9.00%											
Sqaure Footage			28,400											
* Assumes 25% draw in Construction Year 1; 75% average during Construction Year 2														
Source: Hunden Partners														

08

Economic, Fiscal, & Employment Impact



Introduction to Impacts

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

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

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

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

The background features two large, faint, light-blue numbers, '0' and '8', positioned on the left and right sides respectively. The text 'John Sevier Center' is centered horizontally between these numbers.

John Sevier Center

Net New Spending, Earnings & FTE Jobs

As a result of the John Sevier Center Project, the City of Johnson City will experience new visitors that otherwise would not have spent time or money within the city limits.

Hunden classifies spending in five categories: food & beverage, lodging, retail, transportation, and other.

Hunden projects direct net new spending will total \$156 million over 30 years. As this net new direct spending trickles through the Johnson City economy, it generates induced and indirect spending.

Combined total net new spending within Johnson City is expected to reach \$276 million over 30 years.

Over 30 years net new earnings within Johnson City is expected to total over \$156 million, supporting a maximum of 60 new jobs.

Direct Net New/Recaptured Spending (\$000s) - 72-Room Boutique Hotel & 23-Room Condominium													
	2028 Year 1	2029 Year 2	2030 Year 3	2031 Year 4	2032 Year 5	2033 Year 6	2034 Year 7	2035 Year 8	2036 Year 9	2037 Year 10	2047 Year 20	2057 Year 30	Total
Food & Beverage	\$ 124	\$ 220	\$ 812	\$ 1,174	\$ 1,438	\$ 1,483	\$ 1,528	\$ 1,573	\$ 1,621	\$ 1,669	\$ 1,906	\$ 2,561	\$ 50,817
Lodging	\$ 602	\$ 704	\$ 1,136	\$ 1,358	\$ 1,538	\$ 1,592	\$ 1,648	\$ 1,705	\$ 1,765	\$ 1,827	\$ 2,465	\$ 3,320	\$ 64,648
Retail	\$ 28	\$ 48	\$ 144	\$ 203	\$ 248	\$ 257	\$ 264	\$ 272	\$ 281	\$ 289	\$ 336	\$ 452	\$ 8,926
Transportation	\$ 88	\$ 139	\$ 316	\$ 429	\$ 520	\$ 542	\$ 558	\$ 575	\$ 592	\$ 610	\$ 735	\$ 988	\$ 19,356
Other	\$ 62	\$ 98	\$ 208	\$ 280	\$ 338	\$ 353	\$ 363	\$ 374	\$ 385	\$ 397	\$ 484	\$ 650	\$ 12,702
Total	\$ 904	\$ 1,210	\$ 2,616	\$ 3,445	\$ 4,083	\$ 4,226	\$ 4,361	\$ 4,500	\$ 4,643	\$ 4,792	\$ 5,927	\$ 7,972	\$ 156,449

Direct, Indirect & Induced Spending (\$000s)													
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 20	Year 30	Total
Direct	\$ 904	\$ 1,210	\$ 2,616	\$ 3,445	\$ 4,083	\$ 4,226	\$ 4,361	\$ 4,500	\$ 4,643	\$ 4,792	\$ 5,927	\$ 7,972	\$ 156,449
Indirect	\$ 340	\$ 462	\$ 1,013	\$ 1,341	\$ 1,594	\$ 1,651	\$ 1,703	\$ 1,757	\$ 1,813	\$ 1,870	\$ 2,303	\$ 3,098	\$ 60,803
Induced	\$ 327	\$ 444	\$ 979	\$ 1,297	\$ 1,541	\$ 1,595	\$ 1,646	\$ 1,698	\$ 1,752	\$ 1,807	\$ 2,224	\$ 2,992	\$ 58,738
Total	\$ 1,572	\$ 2,115	\$ 4,608	\$ 6,082	\$ 7,218	\$ 7,472	\$ 7,709	\$ 7,955	\$ 8,208	\$ 8,469	\$ 10,455	\$ 14,061	\$ 275,990

Source: Hunden Partners

Net New Earnings & FTE Jobs from Direct, Indirect & Induced Spending (\$000s)													
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 20	Year 30	Total
Net New Earnings													
From Direct	\$ 367	\$ 501	\$ 1,110	\$ 1,473	\$ 1,753	\$ 1,815	\$ 1,872	\$ 1,931	\$ 1,992	\$ 2,055	\$ 2,526	\$ 3,398	\$ 66,702
From Indirect	\$ 258	\$ 346	\$ 749	\$ 987	\$ 1,171	\$ 1,212	\$ 1,251	\$ 1,290	\$ 1,332	\$ 1,374	\$ 1,698	\$ 2,284	\$ 44,832
From Induced	\$ 262	\$ 350	\$ 756	\$ 995	\$ 1,179	\$ 1,221	\$ 1,260	\$ 1,300	\$ 1,341	\$ 1,384	\$ 1,712	\$ 2,303	\$ 45,202
Total	\$ 887	\$ 1,197	\$ 2,615	\$ 3,456	\$ 4,103	\$ 4,247	\$ 4,382	\$ 4,522	\$ 4,665	\$ 4,813	\$ 5,937	\$ 7,985	\$ 156,735
Net New FTE Jobs													Average
From Direct	9	11	24	31	36	37	37	37	37	37	34	34	32
From Indirect	3	3	8	10	12	12	12	12	12	12	11	11	10
From Induced	2	3	8	10	12	12	12	12	12	12	11	11	10
Total	14	18	40	52	60	60	60	60	60	60	55	55	53

Source: Hunden Partners

Fiscal Impacts

The City of Johnson City will receive tax revenue streams generated by the Project. Over 30 years the Project is expected to generate \$36.7 million in net new taxes, \$13.7 million of which captured by the City. There is a potential to utilize these tax revenue streams as a source of funds to fill the feasibility gap of the proposed Project.

Without the Project, these impacts would not be generated within the City, County and State.

Fiscal Impact - Tax Impacts from Direct Net New Spending (\$000s)													
Net New Taxes	2028 Year 1	2029 Year 2	2030 Year 3	2031 Year 4	2032 Year 5	2033 Year 6	2034 Year 7	2035 Year 8	2036 Year 9	2037 Year 10	2047 Year 20	2057 Year 30	Total
State													
Sales Tax (7.0%)	\$63	\$85	\$183	\$241	\$286	\$296	\$305	\$315	\$325	\$335	\$415	\$558	\$19,077
Total State	\$63	\$85	\$183	\$241	\$286	\$296	\$305	\$315	\$325	\$335	\$415	\$558	\$19,077
County													
Sales Tax (2.5%)	\$23	\$30	\$65	\$86	\$102	\$106	\$109	\$112	\$116	\$120	\$148	\$199	\$3,911
Total County	\$23	\$30	\$65	\$86	\$102	\$106	\$109	\$112	\$116	\$120	\$148	\$199	\$3,911
Local													
Sales Tax (2.5%)	\$23	\$30	\$65	\$86	\$102	\$106	\$109	\$112	\$116	\$120	\$148	\$199	\$3,911
Lodging Tax (7.00%)	\$42	\$49	\$80	\$95	\$108	\$111	\$115	\$119	\$124	\$128	\$415	\$558	\$9,488
Total Local	\$65	\$80	\$145	\$181	\$210	\$217	\$224	\$232	\$240	\$248	\$563	\$757	\$13,741
Combined Net New Taxes	\$151	\$194	\$393	\$508	\$598	\$619	\$639	\$659	\$681	\$703	\$1,126	\$1,515	\$36,729

Source: Hunden Partners



Downtown Centre

Net New Spending, Earnings & FTE Jobs

As a result of the planned redevelopment of the Downtown Centre, the City will experience new spending that is new to the market or currently leaked elsewhere.

Combined total net new spending within Johnson City is expected to surpass \$315 million over 30 years.

Over 30 years net new earnings within Johnson City is expected to total over \$159 million, supporting a maximum of 76 new jobs.

Direct Net New/Recaptured Spending to Johnson City (000s) - Downtown Centre

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 20	Year 30	Total
Food & Beverage	\$ 1,219	\$ 1,320	\$ 1,459	\$ 1,622	\$ 1,671	\$ 1,721	\$ 1,772	\$ 1,826	\$ 1,880	\$ 1,937	\$ 2,603	\$ 3,498	\$ 70,027
Lodging	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Retail	\$ 305	\$ 331	\$ 366	\$ 406	\$ 419	\$ 431	\$ 444	\$ 457	\$ 471	\$ 485	\$ 652	\$ 876	\$ 17,547
Transportation	\$ 26	\$ 30	\$ 31	\$ 34	\$ 35	\$ 36	\$ 37	\$ 38	\$ 39	\$ 40	\$ 54	\$ 73	\$ 1,468
Other	\$ 1,950	\$ 2,112	\$ 2,334	\$ 2,595	\$ 2,673	\$ 2,753	\$ 2,836	\$ 2,921	\$ 3,008	\$ 3,098	\$ 4,164	\$ 5,596	\$ 112,036
Total	\$ 3,501	\$ 3,793	\$ 4,190	\$ 4,657	\$ 4,797	\$ 4,941	\$ 5,089	\$ 5,242	\$ 5,399	\$ 5,561	\$ 7,473	\$ 10,044	\$ 201,077

Direct, Indirect & Induced Spending to Johnson City (000s) - Downtown Centre

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 20	Year 30	Total
Direct	\$ 3,501	\$ 3,793	\$ 4,190	\$ 4,657	\$ 4,797	\$ 4,941	\$ 5,089	\$ 5,242	\$ 5,399	\$ 5,561	\$ 7,473	\$ 10,044	\$ 201,077
Indirect	\$ 1,117	\$ 1,210	\$ 1,336	\$ 1,485	\$ 1,530	\$ 1,576	\$ 1,623	\$ 1,672	\$ 1,722	\$ 1,774	\$ 2,384	\$ 3,203	\$ 64,131
Induced	\$ 873	\$ 946	\$ 1,045	\$ 1,162	\$ 1,197	\$ 1,233	\$ 1,270	\$ 1,308	\$ 1,347	\$ 1,387	\$ 1,865	\$ 2,506	\$ 50,170
Total	\$ 5,491	\$ 5,949	\$ 6,571	\$ 7,305	\$ 7,524	\$ 7,749	\$ 7,982	\$ 8,221	\$ 8,468	\$ 8,722	\$ 11,722	\$ 15,753	\$ 315,378

Source: Hunden Partners

Net New Earnings & FTE Jobs from Direct, Indirect & Induced Spending (000s) - Downtown Centre

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 20	Year 30	Total
Net New Earnings													
From Direct	\$ 1,838	\$ 1,991	\$ 2,200	\$ 2,445	\$ 2,518	\$ 2,594	\$ 2,672	\$ 2,752	\$ 2,834	\$ 2,920	\$ 3,924	\$ 5,273	\$ 105,565
From Indirect	\$ 474	\$ 513	\$ 567	\$ 630	\$ 649	\$ 668	\$ 688	\$ 709	\$ 730	\$ 752	\$ 1,011	\$ 1,359	\$ 27,201
From Induced	\$ 469	\$ 508	\$ 561	\$ 624	\$ 642	\$ 662	\$ 170	\$ 702	\$ 723	\$ 745	\$ 1,001	\$ 1,345	\$ 26,416
Total	\$ 2,780	\$ 3,012	\$ 3,327	\$ 3,699	\$ 3,810	\$ 3,924	\$ 3,530	\$ 4,163	\$ 4,288	\$ 4,416	\$ 5,935	\$ 7,977	\$ 159,182
Net New FTE Jobs													Average
From Direct	40	42	45	48	48	48	48	48	48	48	48	48	48
From Indirect	13	14	15	16	16	16	16	16	16	16	16	16	16
From Induced	10	10	11	12	12	12	12	12	12	12	12	12	12
Total	62	66	70	76	76	76	76	76	76	76	76	76	75

Source: Hunden Partners

Fiscal Impacts

Over 30 years the Project is expected to generate \$24.1 million in net new taxes, \$5.0 million of which captured within the City. There is a potential to utilize these tax revenue streams as a source of funds to fill the feasibility gap of the proposed Project.

Without the Project, these impacts would not be generated within the City, County and State.

Fiscal Impact - Tax Impacts from New District Spending (000s) - Downtown Centre													
	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2047	2057	Total
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 20	Year 30	
State													
Sales Tax (7.0%)	\$245	\$265	\$293	\$326	\$336	\$346	\$356	\$367	\$378	\$389	\$523	\$703	\$14,075
Total State	\$245	\$265	\$293	\$326	\$336	\$346	\$356	\$367	\$378	\$389	\$523	\$703	\$14,075
County													
Sales Tax (2.5%)	\$88	\$95	\$105	\$116	\$120	\$124	\$127	\$131	\$135	\$139	\$187	\$251	\$5,027
Total County	\$88	\$95	\$105	\$116	\$120	\$124	\$127	\$131	\$135	\$139	\$187	\$251	\$5,027
Local													
Sales Tax (2.5%)	\$88	\$95	\$105	\$116	\$120	\$124	\$127	\$131	\$135	\$139	\$187	\$251	\$5,027
Total Local	\$88	\$95	\$105	\$116	\$120	\$124	\$127	\$131	\$135	\$139	\$187	\$251	\$5,027
Combined Net New Taxes	\$420	\$455	\$503	\$559	\$576	\$593	\$611	\$629	\$648	\$667	\$897	\$1,205	\$24,129

Source: Hunden Partners

hunden partners



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Hunden Strategic Partners is a full-service real estate development advisory practice specializing in destination assets.

With professionals in Chicago, New York, Dallas, San Diego and Minneapolis, Hunden provides a variety of services for all stages of destination development in:


- Real Estate Market & Financial Feasibility
- Economic, Fiscal & Employment Impact Analysis (Cost/Benefit)
- Organizational Development
- Public Incentive Analysis
- Economic and Tourism Policy/Legislation Consulting
- Research & Statistical Analysis
- Developer Solicitation & Selection

The firm and its principal have performed more than 1,000 studies over the past 20 years, with more than \$6.5 billion in built, successful projects.

APPENDIX

JOHN SEWELL
HOTEL



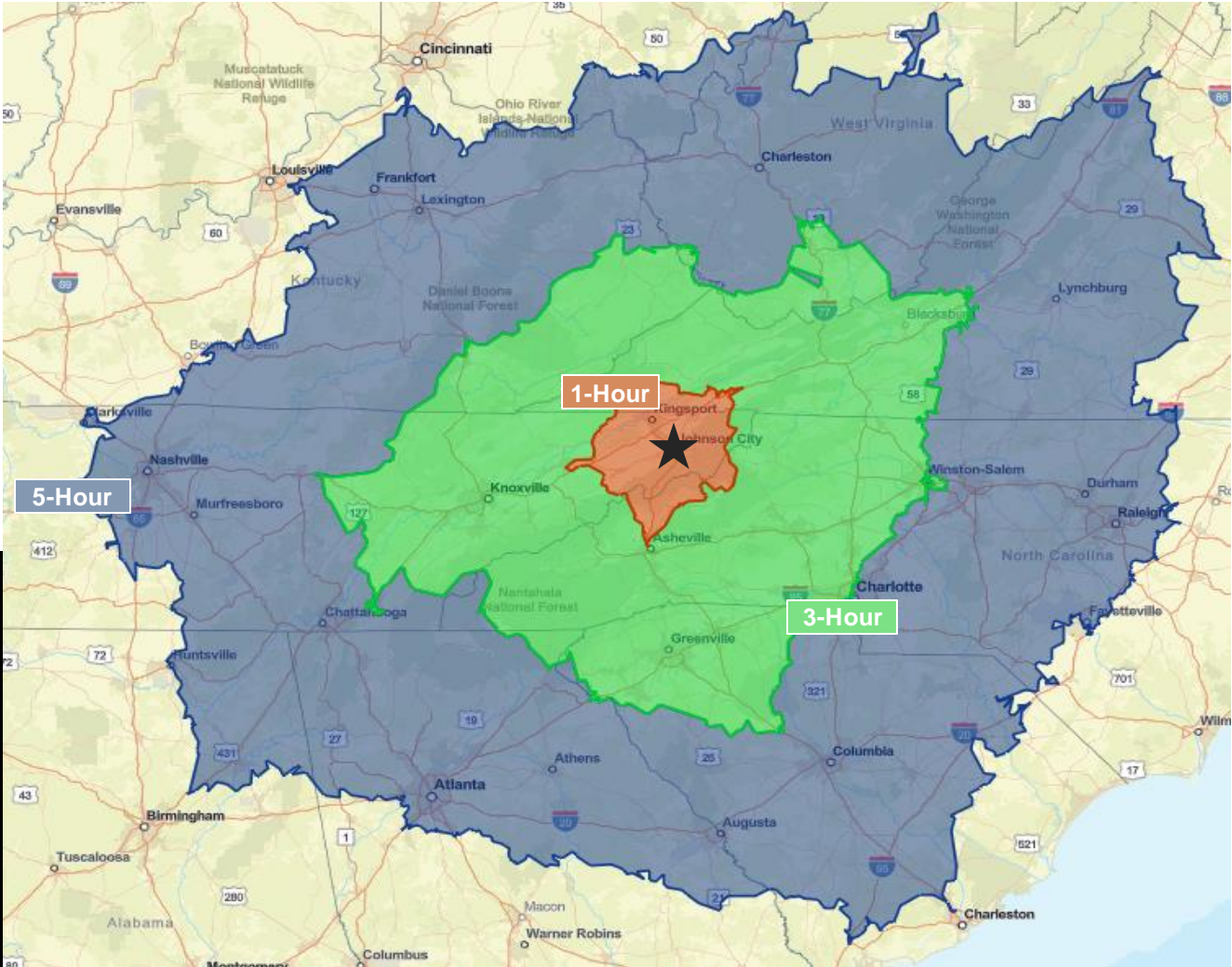


Economic, Demographic & Tourism Appendix

Regional Drive Times

Johnson City benefits from a strong regional drive-time population, which increases significantly to over 7.5 million and 30.5 million people when expanded to a three- and five-hour drive time, respectively.

Johnson City draws from major markets such as Knoxville and parts of Charlotte within three hours, and Nashville and Atlanta within five hours. The introduction of a destination asset through the Project offers Johnson City the opportunity to attract its robust regional population.



Estimated Drive-Time Statistics from Johnson City (2023)			
	1-Hour	3-Hour	5-Hour
Population	629,133	7,569,906	30,533,036
Households	267,505	3,094,325	12,068,457
Median Household Income	\$53,165	\$56,581	\$64,204
Median Home Value	\$202,487	\$222,252	\$254,468
Median Age	45.4	42.5	39.7

Source: ESRI

Local Tourism Overview

The following table highlights the major attractions within the Johnson City area. The most visited assets primarily include those related to sports, parks, and food & beverage-oriented concepts. In 2023, the Yee-Haw Brewery and Hands On! Discovery Center witnessed the strongest share of long-distance visitation. Introducing unique assets through the Project will provide both local residents and visitors with additional entertainment options.

Johnson City Major Attractions					
Name	2023 Visits	2023 Visitors	Avg. Visits Per Customer	Visits over 50 Miles	Type of Attraction
Freedom Hall Civic Center	344,300	120,100	2.87	13%	Arena
Tiebreakers	304,400	162,300	1.88	12%	Bowling Alley / Eatertainment
Winged Deer Park	188,800	58,300	3.24	21%	Sports Complex / Park
Yee-Haw Brewing Company	150,500	80,600	1.87	28%	Brewery
TVA Credit Union Stadium	91,300	42,100	2.17	19%	Ballpark
BURG'r & BARREL	78,700	51,700	1.52	18%	Restaurant
Founders Park	35,700	26,200	1.36	11%	Community Park
Tannery Knobs Mountain Bike Park	35,400	11,000	3.22	23%	Community Park
Hands On Discovery Center	20,600	15,600	1.34	26%	Science Museum

Source: Placer.ai, TripAdvisor, Visit Johnson City



Tapestry Segmentation

Hunden Partners' tapestry segmentation analysis uses 67 segments based on demographics and socioeconomic characteristics to classify neighborhoods. This helps determine a project's potential based on local demographics.

The top five segments for Johnson City include In Style, Set to Impress, Old and Newcomers, College Towns, and Small Town Sincerity. The top three segments are profiled in more detail on the following slide.

Rank	Segment	Avg. Household Size	Median Age	Median Household Income	Percentage
1	In Style (5B)	2.35	42.0	\$73,000	15.7%
2	Set to Impress (11D)	2.12	33.9	\$32,800	13.6%
3	Old and Newcomers (8F)	2.12	39.4	\$44,900	12.6%
4	College Towns (14B)	2.14	24.5	\$32,000	9.7%
5	Small Town Sincerity (12C)	2.26	40.8	\$31,500	9.2%

Source: ESRI



Hospitality Market Appendix

Trends of Note



Brands Multiply. Worldwide, the expansion of brands continues to change the face of the competitive environment. Major brands are competing fiercely, as they are eager to show earnings growth and increased market share to Wall Street. Using multiple brand families clustered in the same corporate structure, proprietary reservation systems, and corporate programs all work in tandem to drive business. Comparing profit potential of a branded hotel to one without a brand is becoming a serious consideration for hotel owners. At the same time, the increased proliferation of brands means that fewer independents struggle for fair share and are using price as the preferred strategy to drive demand.

Boutique Brands. This seemingly incongruous phrase is a trend occurring in the industry. The largest brands have used up market segments to fill, so they are seeking the last strong hold of the industry: independent boutique hotels. By creating a boutique “collection” or also known as a “soft brand” that can benefit from (and provide distribution to) the primary brand family, both the hotel and brands can prosper. For example, with all traditional niches covered, Marriott has now entered the boutique market with the Autograph Collection. These hotels are neither owned nor operated by Marriott, and do not even carry a Marriott brand, per se, but use the Marriott reservation system to route travelers to these formerly independent hotels. Guests benefit by getting their Marriott points and expectation of high-quality standards they have come to expect with the Marriott brand.

Companies Consolidate. The buyout/merger of Marriott and Starwood represents the highest peak in value of many brands and companies consolidating. In the past several years, many hotel companies have merged to improve scale and marketplace power, as well as take advantage of the current market dynamics.

Trends of Note



Lifestyle Brands/Retro Motels/Work from Anywhere. The newest trend from brands and independents are the lifestyle hotels targeting Millennials and Gen Z. These concepts focus on active public/social spaces indoors and outdoors, with minimalism the rule in the rooms themselves. Active bar/light fare and game areas are also popular in these hotels. For owners/operators, the trend to smaller and spartan rooms with compact designs, as well as limited housekeeping service has helped mitigate rising construction costs, as well as rapidly increasing labor costs. This trend also includes the retro-modern motor lodge theme, with newly built or renovated motels that are targeted to a relaxed lifestyle. In addition, the ‘work-from-anywhere’ concept has soared, especially with younger professionals, and these hotels have benefitted. More and more people are blending work/leisure time by exploring the country and staying in these interesting properties, instead of only working from home.

Shared Spaces and Home/Apartment Rentals. The advent of Airbnb has transformed the lodging industry in the past few years, much as Uber and Lyft have done with the hired car industry. Home and apartment rentals through VRBO, Homeaway, and Airbnb add inventory to many compressed and expensive hotel markets. In some places like San Francisco, Silicon Valley and New York, residents rent their homes to travelers in order to pay the rising cost of rent. High occupancies and rising room night rates have made these options viable for travelers and residents.

Micro Hotels. The Micro hotel rooms are a prime example of minimalist living. While the hotel rooms are small (average of 50 - 70 square feet), they are designed to be efficient and fit only the essentials. The need for these rooms came about because of high real estate costs and limited space in large urban areas. These rooms offer a bed, storage facilities and a bathroom and come with a varying number of room sizes from pod rooms, bunk rooms, single rooms to double-bed rooms. To compensate for limited personal space, these hotel brands usually have extensive shared spaces for guests to enjoy. An example of a micro-hotel brand is Marriott’s Moxy brand.

Lodging Summary

Hunden, using data from Smith Travel Research, identified the 50 closest hotels within a 20-mile radius. This supply includes 50 properties, totaling nearly 4,190 rooms. The largest percentage of properties comes from upper midscale properties, followed by independent, economy, midscale, upscale, and upper upscale. The average age of the hotel supply is 31 years with some recent developments in the last decade.

Lodging Summary - 50 Closest Hotels to Project Site John Sevier Center JOHNSON CITY, TN						
Chainscale	Rooms	% of Total Rooms	Hotels	Rooms per Hotel	Avg Year Open / Renovated	Avg Age (Years)
Luxury	–	–	–	–	–	–
Upper Upscale	301	7%	1	301	Nov-96	28 Years
Upscale	350	8%	3	117	Aug-05	19 Years
Upper Midscale	1,398	33%	15	93	Jul-04	20 Years
Midscale	579	14%	8	72	Apr-92	32 Years
Economy	738	18%	10	74	Feb-86	38 Years
Independent	821	20%	13	63	Oct-75	49 Years
Total/Average	4,187	100%	50	120	Jul-93	31 Years

Source: Smith Travel Research

Competitive Hotel Supply Map

The adjacent map highlight the hotels within the competitive set relative to the project site.

Carnegie Hotel is the hotel within the closest proximity to the Project Site along W State of Franklin Rd and is an independent Chainscale.



Competitive Hotel Supply Analysis

There are 10 hotels in the relevant competitive set primarily consisting of upper midscale properties within a seven-mile radius of the project site. These properties were chosen based on the proximity to the sites, year built, varied key counts, and overall quality. The room counts range from 76 rooms to 200 rooms, with the majority of hotels either built or renovated within the last 20 years.

Local Competitive Hotel Supply List John Sevier Center JOHNSON CITY, TN					
Property Name	Miles from Site (Drive)	Rooms	% Rooms	Scale	Date Opened
Carnegie Hotel	1.4	137	12.6%	Indep	Mar-00
DoubleTree by Hilton Hotel Johnson City	1.8	184	16.9%	Upscale	Oct-86
Hampton Inn Johnson City	2.0	77	7.1%	Upper Mid	Jun-95
Holiday Inn Johnson City	2.8	203	18.7%	Upper Mid	Nov-85
Staybridge Suites Johnson City	3.0	76	7.0%	Upscale	May-20
Home2 Suites by Hilton Johnson City	3.1	90	8.3%	Upper Mid	Jul-21
Courtyard Johnson City	3.4	90	8.3%	Upscale	Sep-09
Fairfield Inn & Suites Johnson City	3.4	90	8.3%	Upper Mid	May-16
Holiday Inn Express Johnson City	5.9	81	7.4%	Upper Mid	Jul-09
Country Inn & Suites Jonesborough Johnson City West	6.8	60	5.5%	Upper Mid	Mar-06
Average/Total	3.4	1,088	100%	10 Hotels	Mar-05

Source: Smith Travel Research

Heat Chart

ADR & Occupancy

The adjacent tables detail the weekly performance of the local competitive set by month from May 2023 through April 2024.

As shown, the competitive set had various increases and decreases in ADR as the economy rebounds from the pandemic. Throughout the annual analysis, Friday and Saturday consistently show the highest average daily rate. Occupancy was highest on Tuesdays and Fridays, with Sunday having the lowest occupancy rate. September and October are the highest performing months for the set in ADR and occupancy.

ADR by Day of Week by Month - May 2023 - April 2024

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
May - 23	\$118	\$127	\$134	\$135	\$128	\$150	\$145	\$135
Jun - 23	\$125	\$131	\$136	\$134	\$144	\$155	\$156	\$143
Jul - 23	\$122	\$130	\$139	\$140	\$133	\$144	\$141	\$136
Aug - 23	\$115	\$130	\$133	\$134	\$126	\$138	\$136	\$131
Sep - 23	\$124	\$134	\$138	\$143	\$172	\$183	\$184	\$159
Oct - 23	\$126	\$133	\$134	\$136	\$145	\$166	\$171	\$146
Nov - 23	\$112	\$126	\$129	\$126	\$127	\$136	\$135	\$128
Dec - 23	\$114	\$121	\$123	\$122	\$122	\$127	\$124	\$122
Jan - 24	\$111	\$120	\$124	\$124	\$116	\$123	\$119	\$121
Feb - 24	\$113	\$124	\$128	\$129	\$123	\$126	\$126	\$125
Mar - 24	\$152	\$134	\$130	\$133	\$135	\$157	\$171	\$145
Apr - 24	\$119	\$131	\$133	\$134	\$129	\$137	\$137	\$132
Average	\$121	\$129	\$132	\$133	\$133	\$145	\$145	

Sources: Smith Travel Research

Occupancy Percent by Day of Week by Month - May 2023 - April 2024

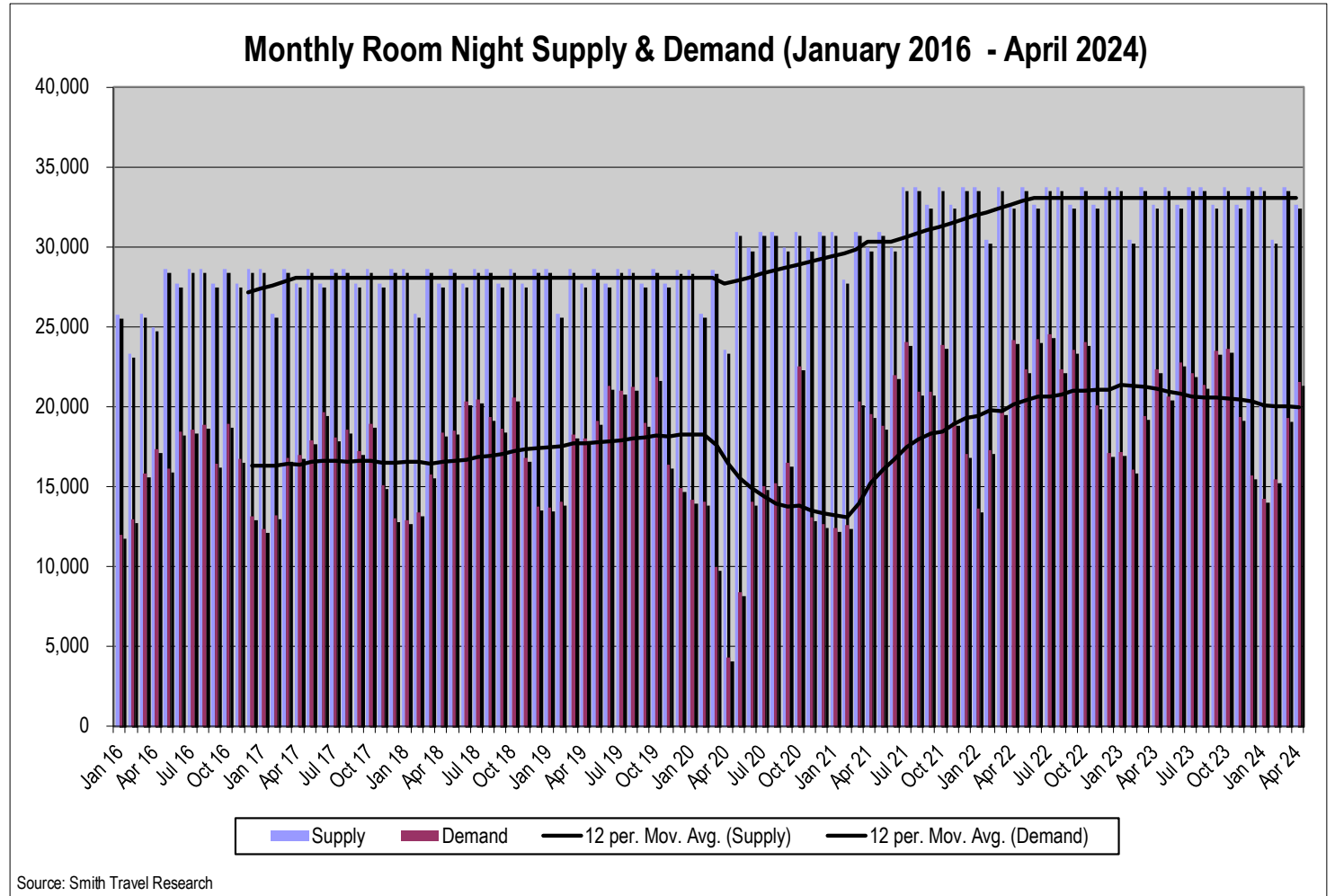
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
May - 23	40.1%	54.1%	66.8%	71.2%	59.0%	69.3%	65.1%	61.1%
Jun - 23	45.5%	58.5%	70.1%	69.3%	75.7%	82.1%	83.1%	69.8%
Jul - 23	43.0%	58.8%	65.6%	70.0%	73.4%	77.3%	75.8%	65.6%
Aug - 23	43.3%	63.9%	74.5%	70.7%	59.1%	65.3%	63.9%	63.5%
Sep - 23	48.0%	59.7%	75.6%	75.6%	76.4%	79.1%	85.0%	72.1%
Oct - 23	47.5%	64.7%	70.1%	73.3%	69.9%	88.7%	83.6%	70.1%
Nov - 23	35.7%	60.2%	66.2%	62.1%	57.1%	72.7%	61.1%	59.3%
Dec - 23	33.4%	49.3%	54.0%	51.1%	46.4%	50.3%	43.9%	46.5%
Jan - 24	28.3%	43.0%	52.2%	49.8%	39.6%	41.2%	37.3%	42.3%
Feb - 24	29.4%	55.7%	66.5%	60.5%	48.7%	48.3%	47.3%	50.8%
Mar - 24	44.0%	59.3%	68.8%	63.4%	52.5%	55.7%	59.9%	57.2%
Apr - 24	41.0%	64.4%	73.6%	73.7%	67.8%	72.5%	67.4%	66.0%
Average	40.1%	57.6%	67.0%	65.7%	60.5%	66.9%	64.6%	

Sources: Smith Travel Research

Supply & Demand

The supply of room nights in the local competitive set has steadily increased with additional hotel rooms introduced to the market consistently from 2021 through 2023. Hotel room demand shows consistent seasonal trends with summer months experiencing significantly higher demand than winter months, which suggests that leisure travel is prominent in the area.

When the pandemic occurred in March 2020, hotels began to shut down temporarily until travel restrictions and social distancing guidelines lifted. Demand has recovered to higher than pre-pandemic levels, with 2022 and 2023 displaying stronger demand than 2019.

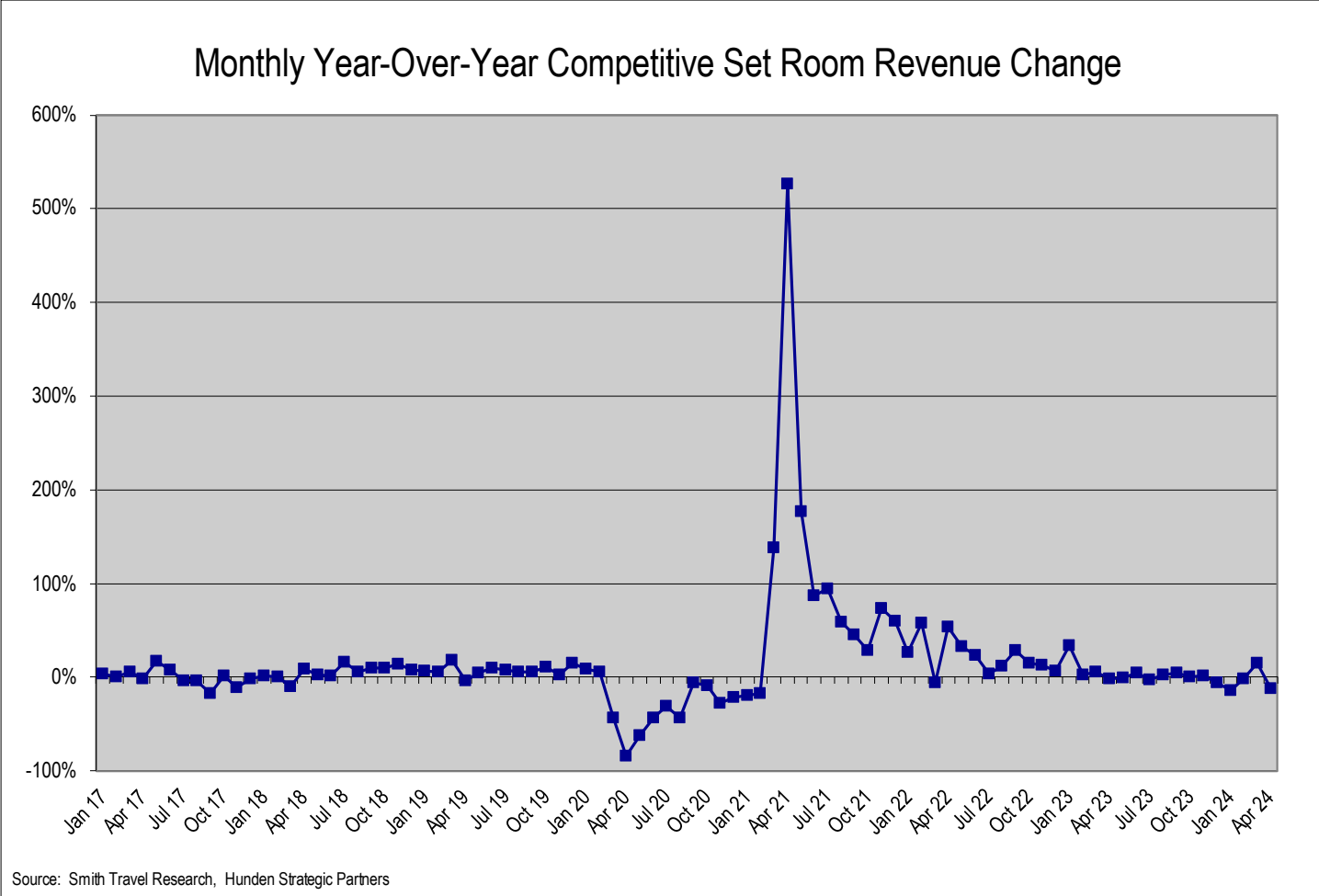


Room Revenue Change

Any data point greater than zero is a positive indicator for the competitive set room revenue change.

The year-over-year room revenue change for the competitive set has been generally positive overall. However, there is a negative period starting in March 2020 due to COVID-19. Recovery began in January of 2021 with a drastic increase throughout the rest of the year, where revenue change reached over 500 percent increase in December of 2021 compared to the prior year.

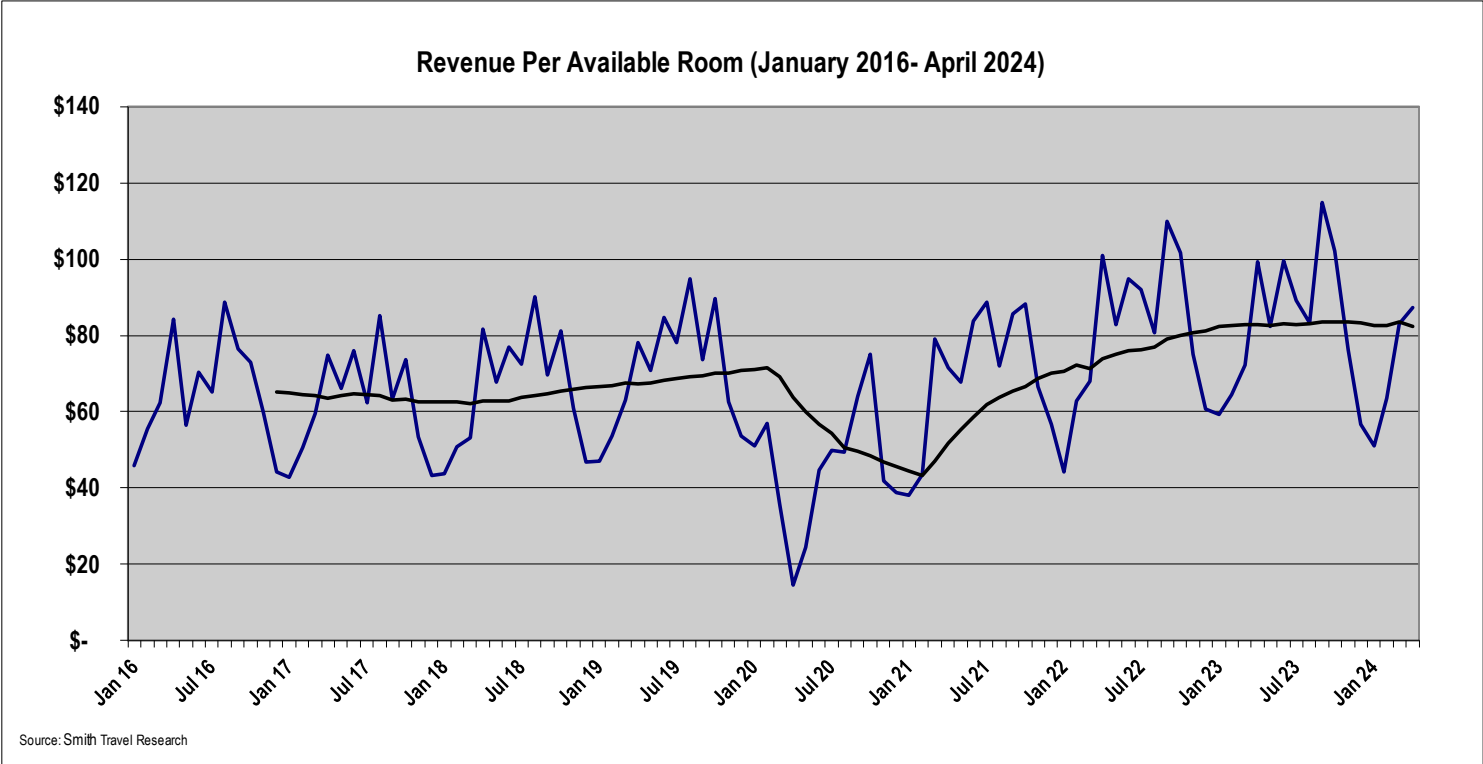
The competitive set's room revenue generally sees larger spikes between 15 to 40 percent during May through August, when demand is highest in the period.



Revenue Per Available Room

The trend line shows that RevPAR remains somewhat constant at approximately \$67 on average from January 2016 up until 2020 due to the COVID-19 pandemic and has since exceeded pre-pandemic levels. As with most markets that have distinct seasons, RevPAR was lowest for the local hotel set during the winter months and highest during the summer and fall months.

The COVID-19 pandemic significantly decreased RevPAR during what are typically the peak demand months for local hotels.



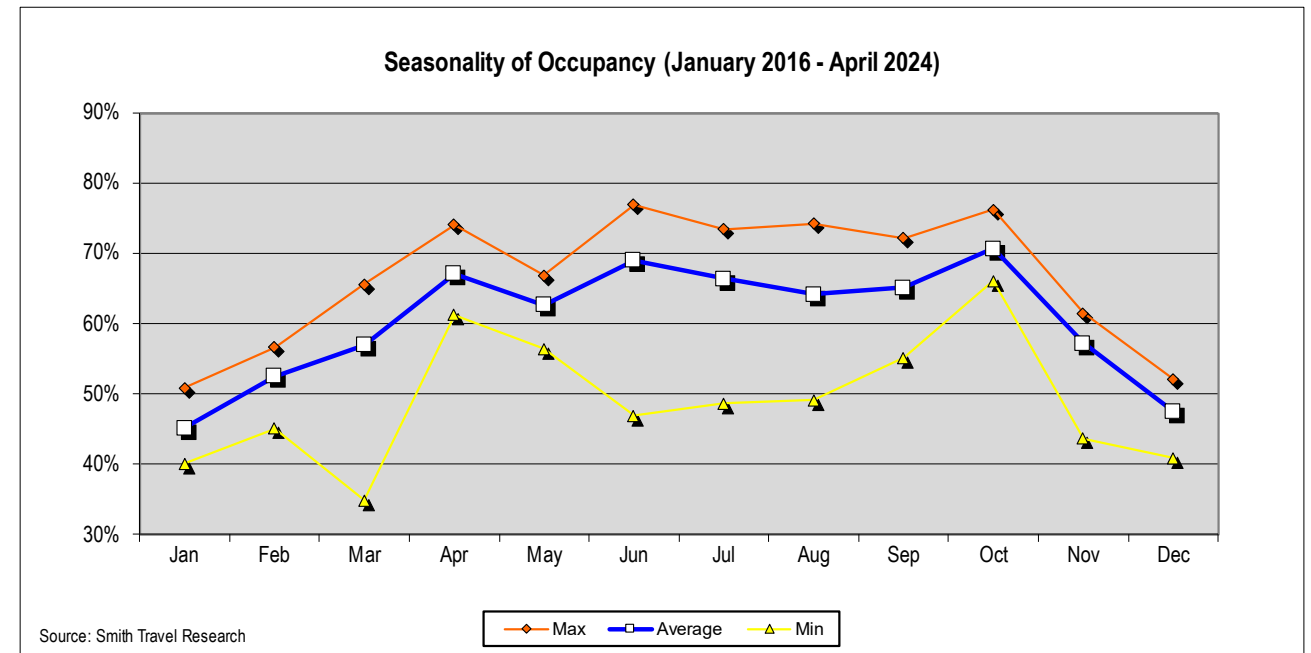
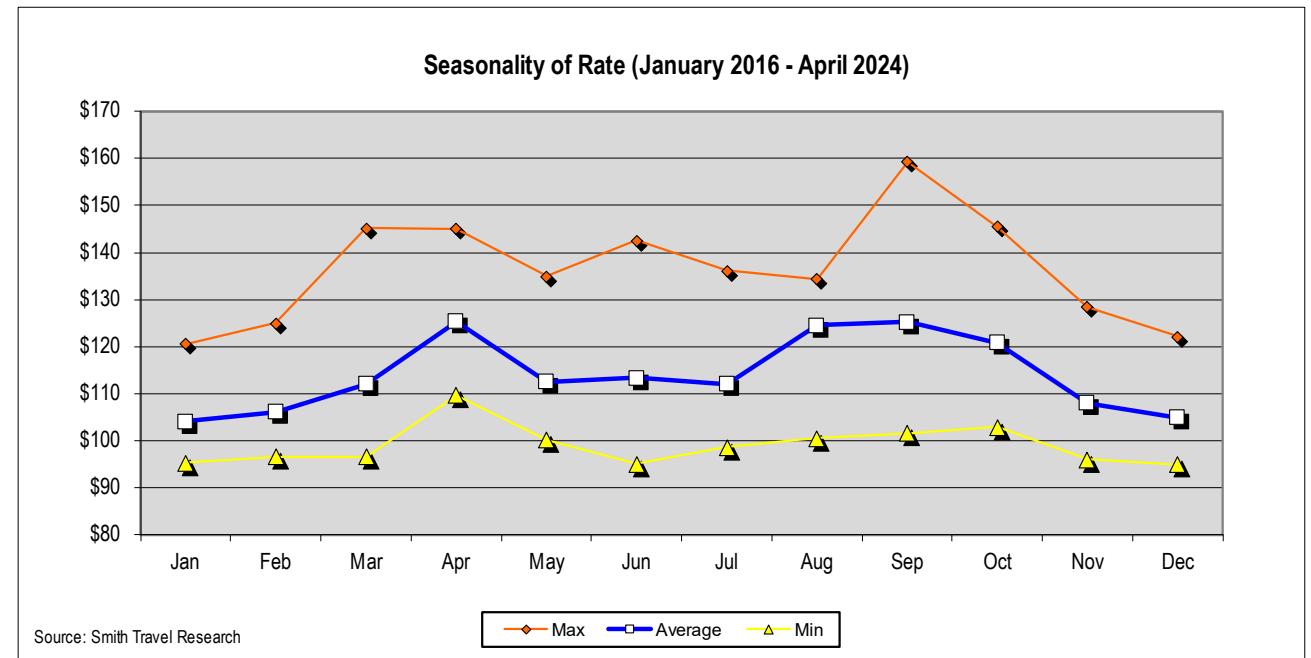
Seasonality

ADR & Occupancy

The adjacent tables detail the seasonal performance of the local competitive hotel set over the past eight years.

As shown, the competitive set experienced seasonality in rates throughout the year with its highest average rates in later summer and early fall, specifically between June through September. Winter months have the lowest averages of the year.

Occupancy trends follow a similar pattern to ADR. During warmer months, from June to October, the hotels do not fall below a 60 percent occupancy threshold.



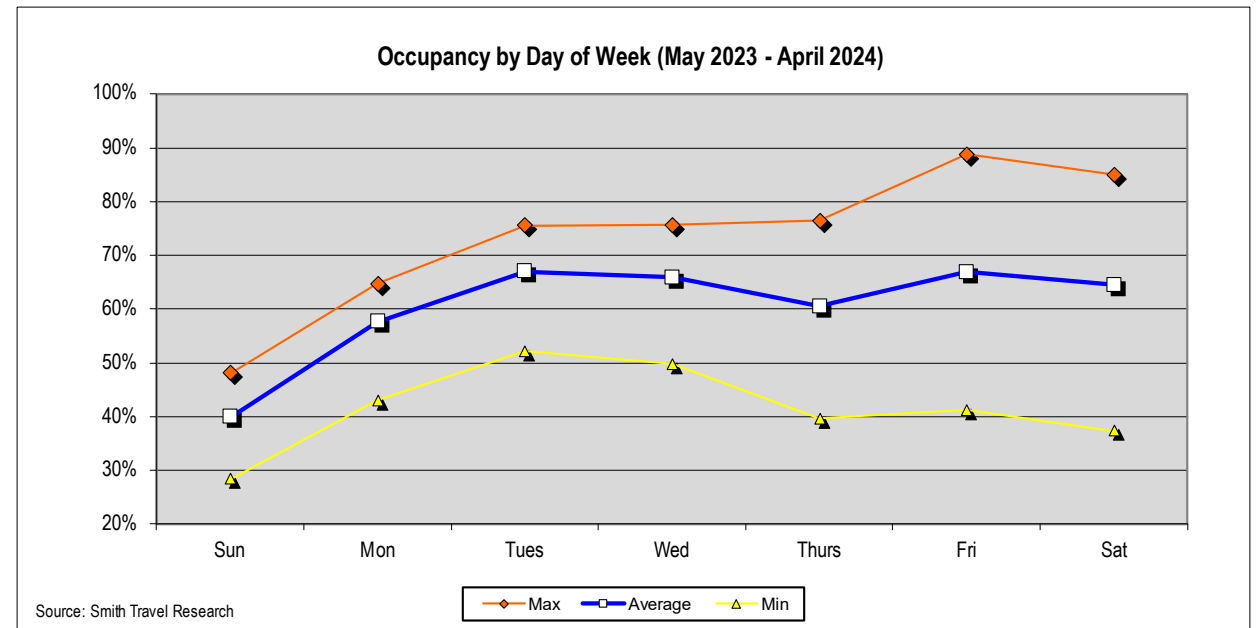
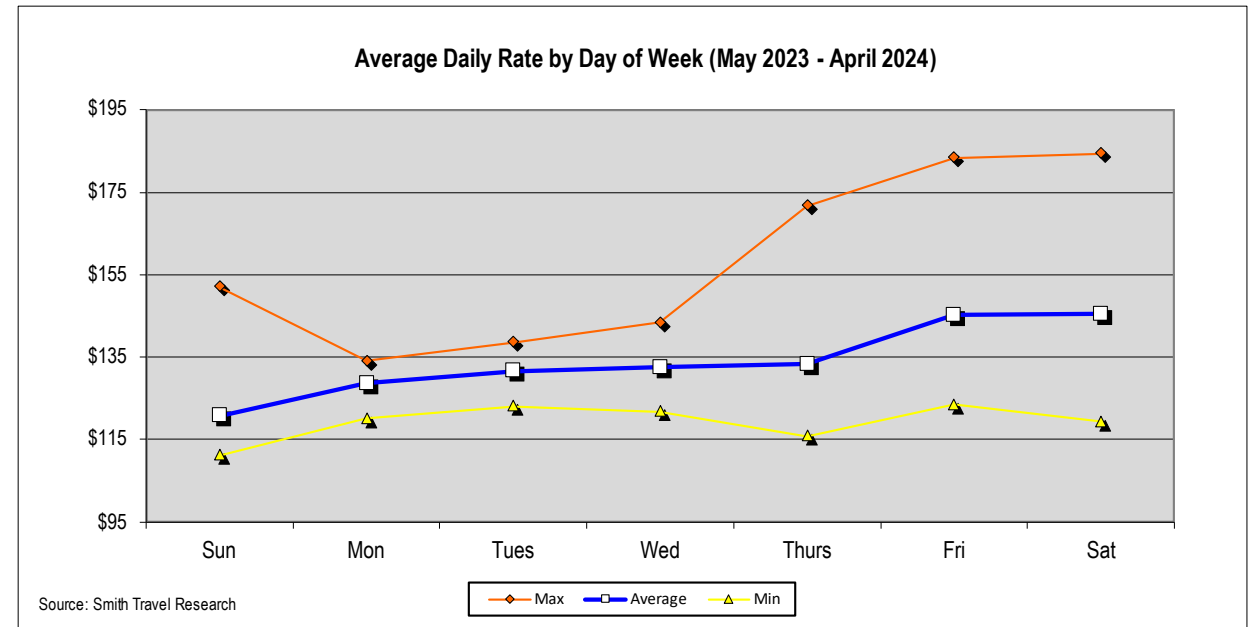
Days of the Week

ADR & Occupancy

The adjacent tables detail the weekly performance of the local competitive set from May 2023 through April 2024.

As shown, the competitive set experiences its highest rates Fridays and Saturdays. The middle of the week requires lower rates, which indicates that there is strong leisure and group travel in the area. Corporate travel is slowly returning post-COVID but does not have as great of an impact on rates.

Occupancy trends follow leisure patterns with a greater percentage of the hotel rooms occupied on Friday and Saturday. The remaining days of the week experience relatively lower occupancy.

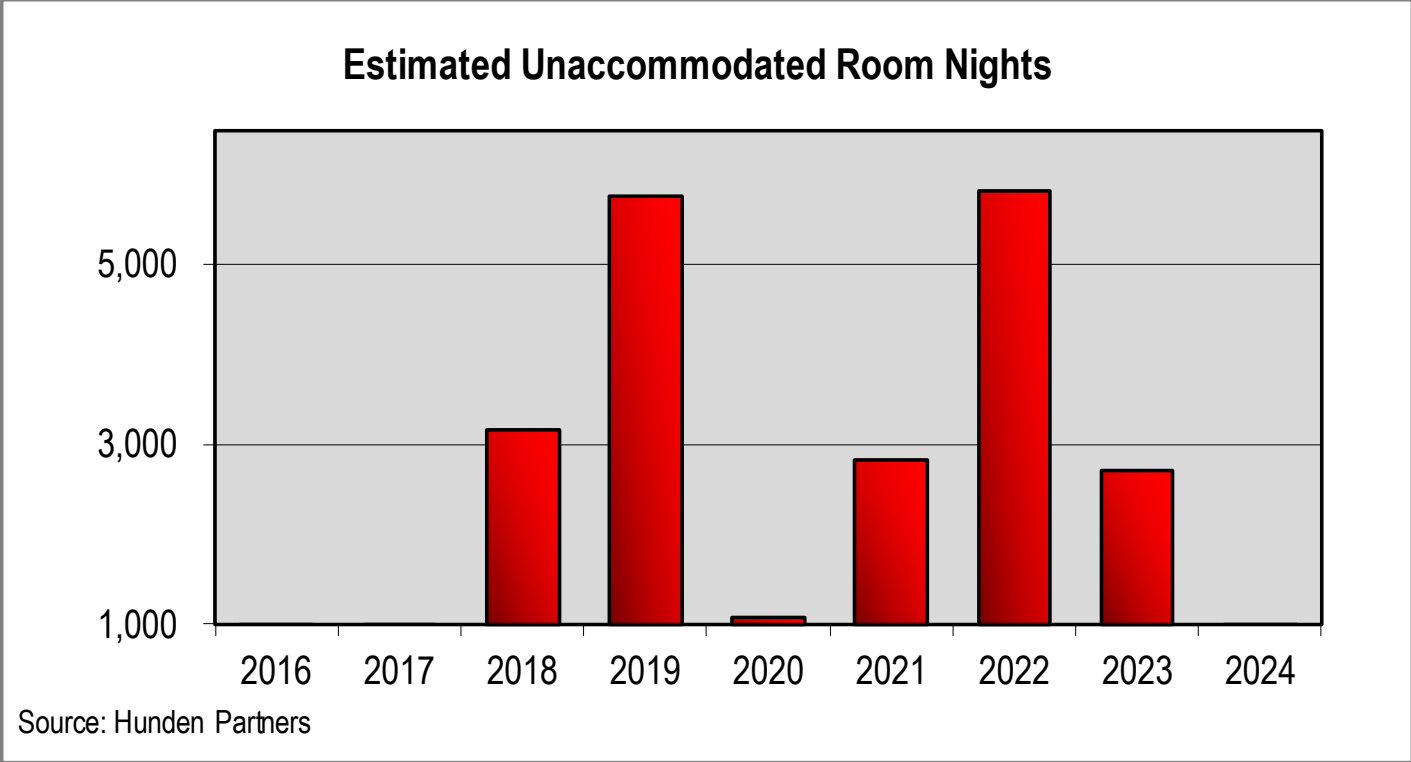


Unaccommodated Room Nights

Unaccommodated room nights are described as excess demand for hotel room nights produced by lodgers who cannot find accommodations during periods of peak demand.

The adjacent tables detail the annual estimated unaccommodated room nights within the local competitive set.

2022 had the greatest amount of excess demand that could not be accommodated at just under 6,000 room nights. Unaccommodated demand was high following the pandemic even with additional supply introduced in the competitive set but has since gone back down. Unaccommodated room night numbers are not back down to the numbers seen before the pandemic.





Retail & Restaurant Appendix

Retail & Restaurant Industry Trends

The retail and restaurant industry has evolved significantly over the past few years by improving market trends that were exacerbated by the COVID-19 pandemic. As some big box retailers and malls have begun to phase out, new mixed-use spaces with smaller footprints and an emphasis on customer experience have taken their place.

The industry took a significant hit during the pandemic, forcing the closure of many spaces both temporarily and permanently. As the economy exited government shutdowns, retailers have begun to rethink what the retail landscape of the future looks like.

Developers have focused on creating a critical mass of people by including strong food and beverage offerings alongside entertainment components that support traditional retail space in the area.

The following slides will detail these innovative retail and restaurant venues that are becoming increasingly popular.



Market Trends in Retail

The retail landscape has been drastically altered in the past several years. The COVID-19 pandemic has fueled the changes that have taken place with the ever-evolving retail industry. The following items are currently expected to continue to be some of the industry's defining trends moving into the next several years.

Dynamic dining & entertainment

Immersive shopping & entertainment

Showrooms & online purchasing channels

Interactive shows, sporting events, and gatherings

High-tech and data-powered customer connections

Health & wellness experiences

One of a kind limited time offerings

Seamless digital & physical integration

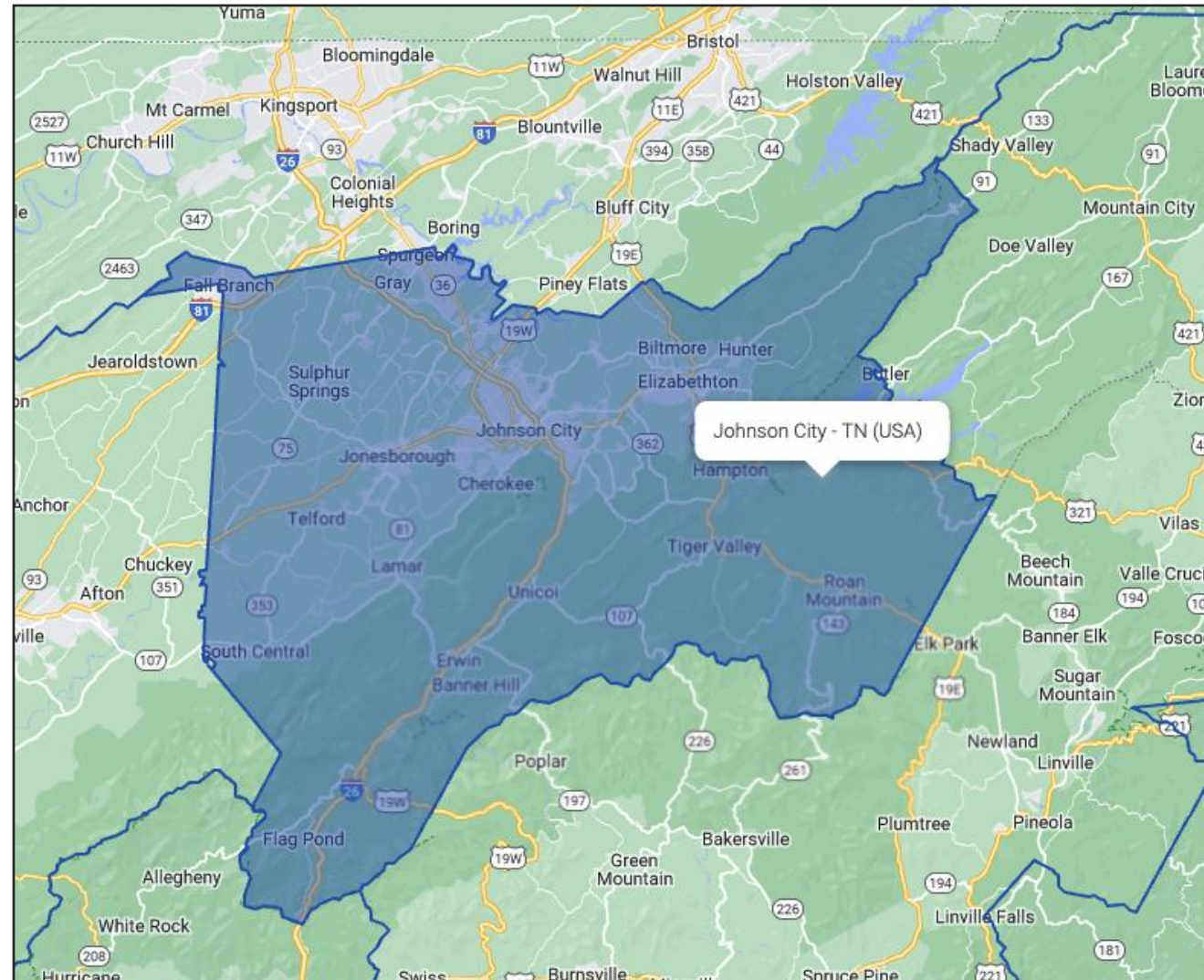
Local, small business & micro-merchant product

Regional Retail Market Overview

Hunden identified the regional market in which the Project site is located to assess the performance of the retail market in this area. The Johnson City market captures the closest most relevant retail and restaurant developments in the area.

The Johnson City retail market currently has a low vacancy rate of 1.3%, which is 0.5% lower than last year. Over the past year, there has been 80,000 square feet of positive absorption and 22,000 square feet of new space delivered. Rental rates have risen by 4.6% and now average \$16.20 per square foot.

There are about 32,000 square feet of retail space under construction. In the past year, there were 41 property sales, totaling \$33.2 million and covering 230,000 square feet.

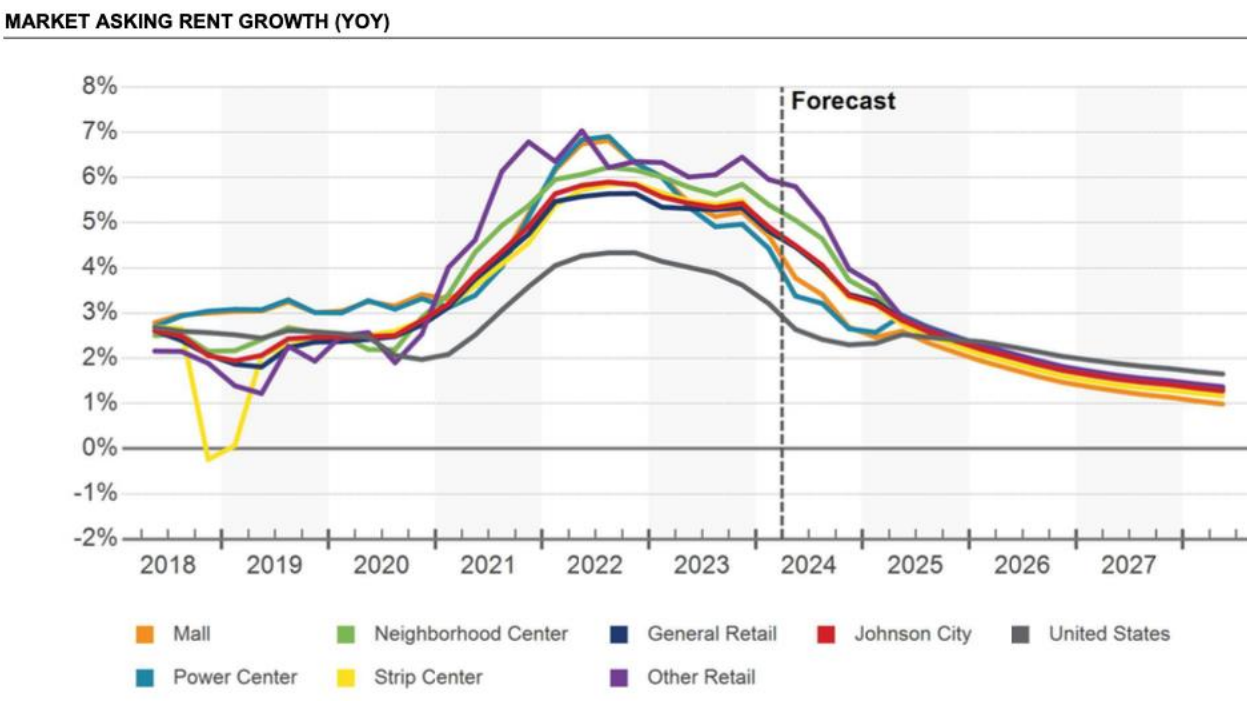
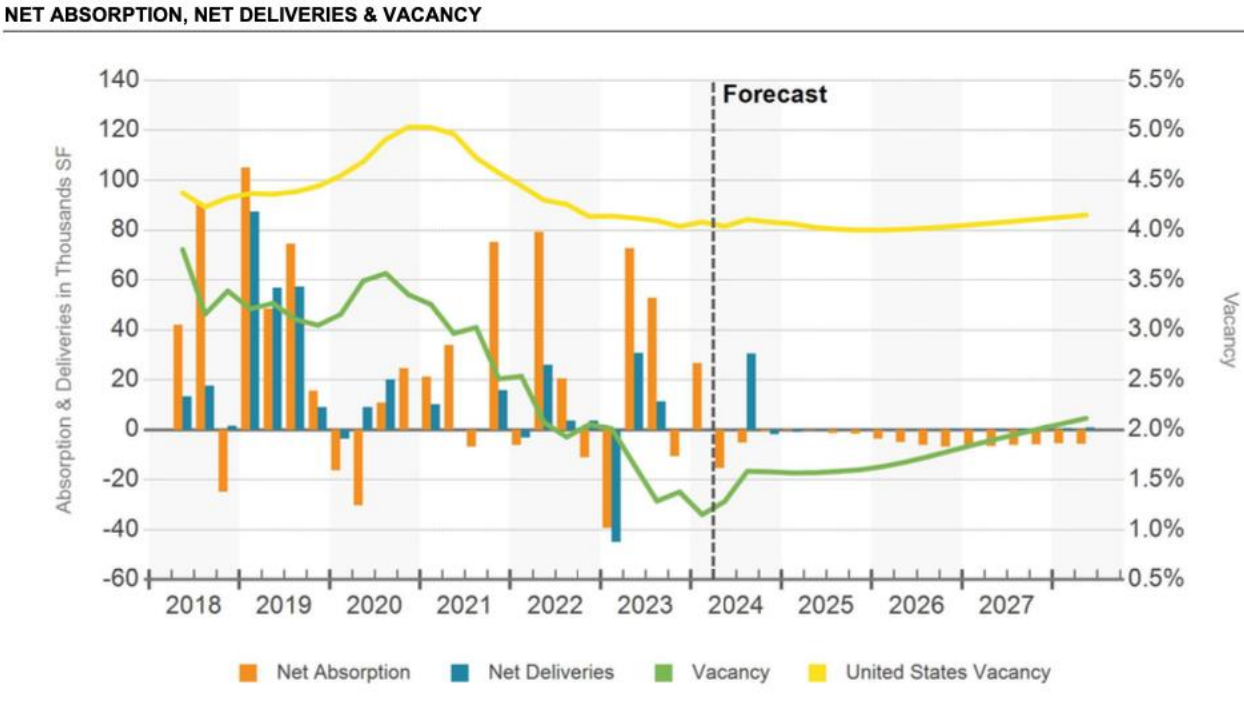


KEY INDICATORS							
Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	621,980	4.8%	\$22.67	0%	0	0	0
Power Center	335,678	0%	\$20.98	0%	0	0	0
Neighborhood Center	2,331,876	1.2%	\$15.03	2.4%	0	0	0
Strip Center	663,979	2.1%	\$16.17	2.1%	2,250	0	0
General Retail	7,590,480	1.0%	\$15.83	1.5%	(15,432)	0	31,750
Other	122,401	0%	\$15.99	0%	0	0	0
Market	11,666,394	1.3%	\$16.20	1.6%	(13,182)	0	31,750
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.5%	4.2%	1.8%	8.3%	2015 Q2	1.2%	2024 Q1
Net Absorption SF	80.3K	79,068	(12,618)	421,284	2016 Q3	(233,147)	2011 Q4
Deliveries SF	21.6K	73,638	13,417	216,274	2009 Q2	5,230	2013 Q1
Market Asking Rent Growth	4.6%	1.5%	2.1%	5.9%	2022 Q3	-4.5%	2009 Q4
Sales Volume	\$35.3M	\$37.5M	N/A	\$88.9M	2017 Q3	\$3.8M	2008 Q3



Net Absorption, Vacancy and Rent Growth

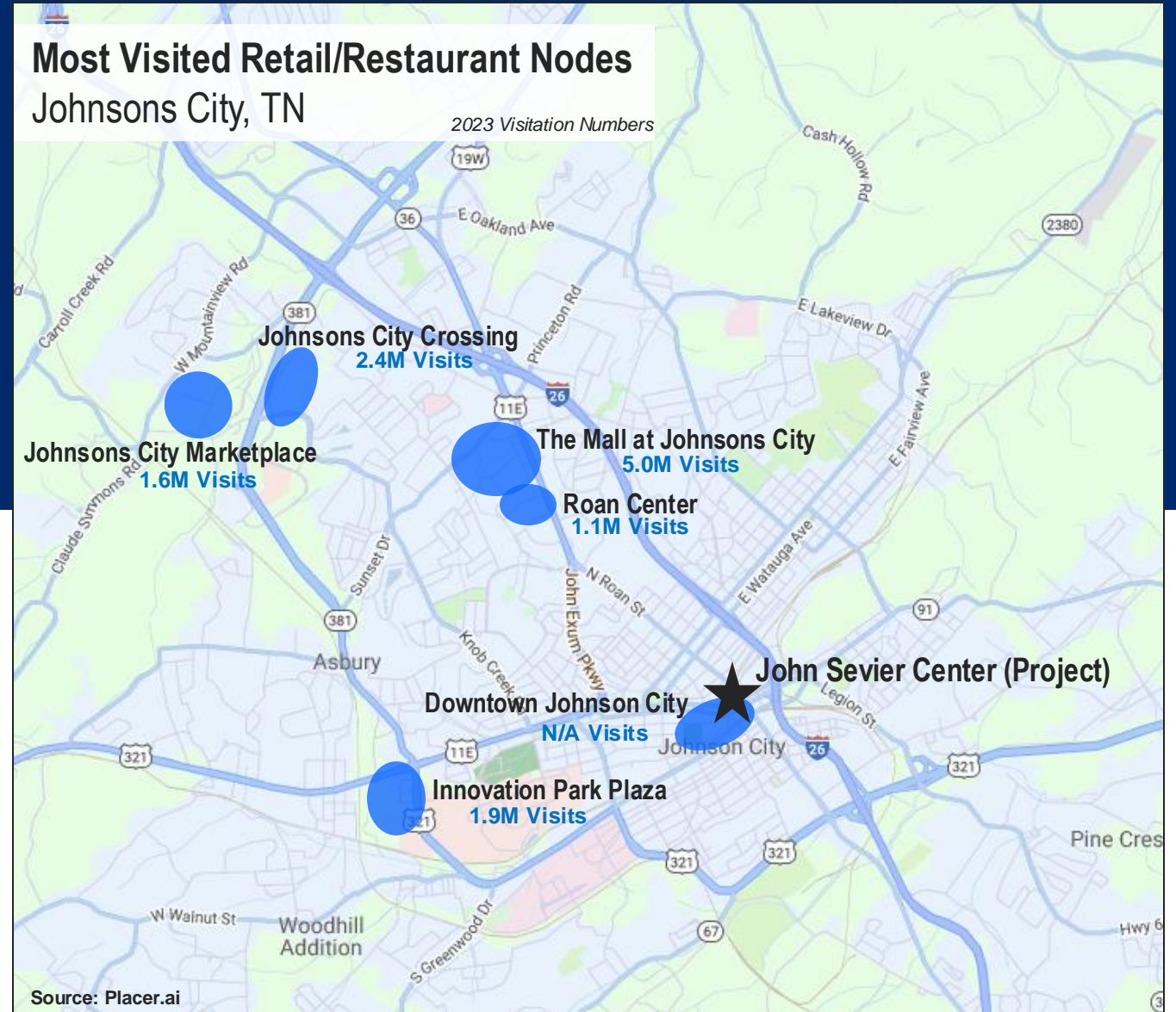
Current vacancy rates are below the three-year average of 2.0%, which is also lower than the national average of 4.3%. Rents have increased by 16.7% over the past three years, outpacing the national average of 11.5%. There have been 154 sales in the last three years, totaling \$154 million and 1.4 million square feet of inventory.



Retail & Restaurant Nodes

The adjacent map highlights the major shopping and dining nodes within the greater Johnson City area. **Downtown is the main core that has walkable dining and shopping.**

- Johnson City offers a variety of shopping and dining nodes with the existing supply ranging from traditional shopping malls and centers like the Mall at Johnson City to more unique and authentic areas like the downtown core.
- The majority of restaurant and retail nodes are either located in the downtown area or along major interstates such as U.S. Route 11E and 321.
- **Downtown Johnson City has the opportunity to enhance its current supply of retail and restaurants by continuing to add locally owned stores that showcase the city's unique authenticity. The walkable layout differentiates the area from other cities, encouraging people to stay longer and spend more money.**

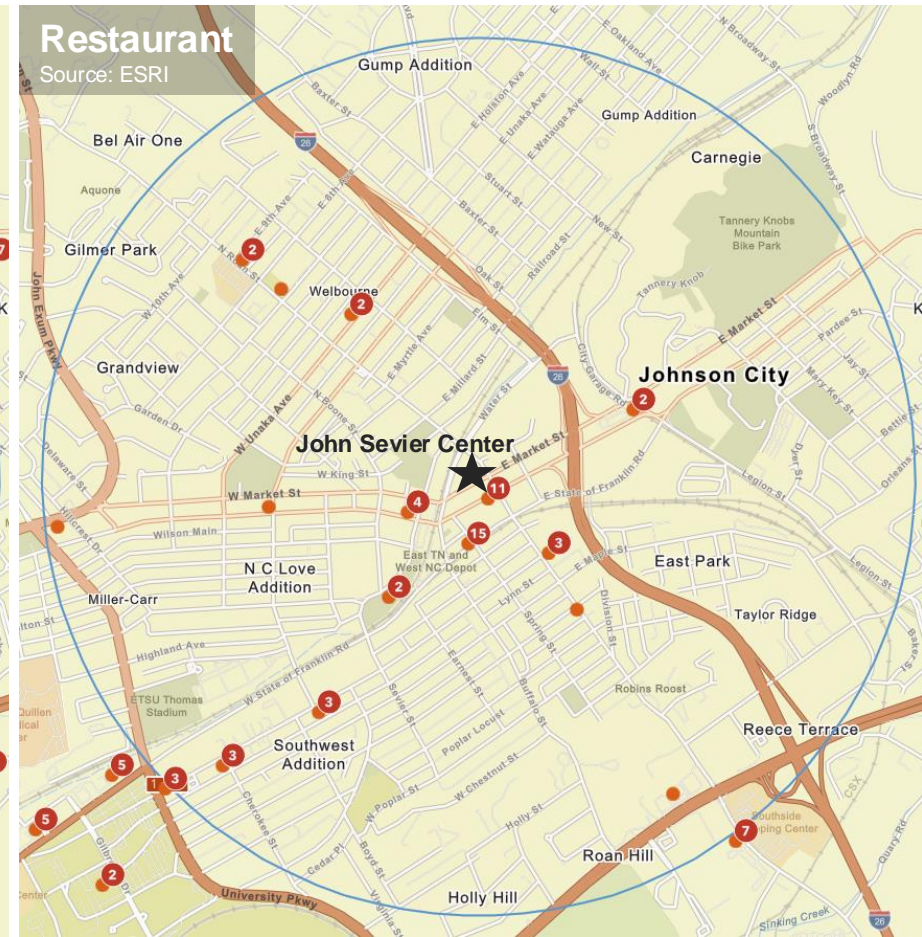
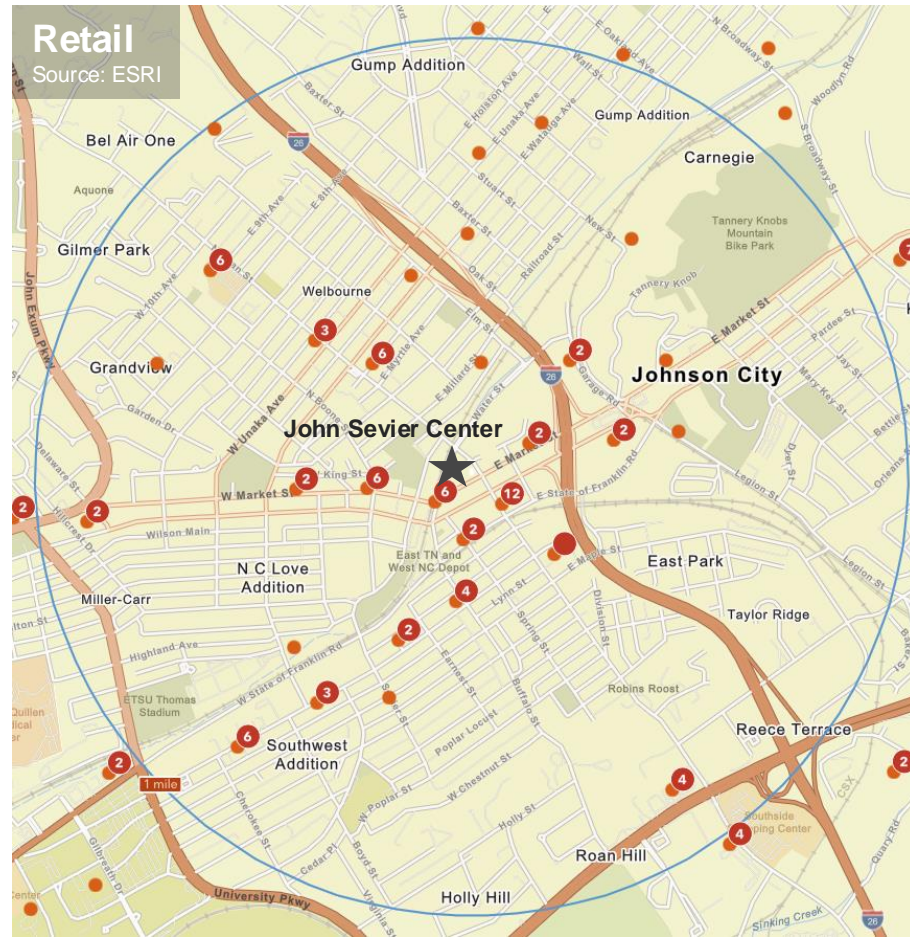


Local Retail & Restaurant Supply

Hunden conducted a high-level analysis of the current restaurant and retail offerings within one mile of the project site to determine if the local supply is sufficient.

The downtown area boasts a robust supply of retail and restaurant options, featuring local, mom-and-pop establishments, casual and upscale restaurants, bars, and breweries.

However, there is a notable **opportunity to introduce a new type of dining experience, such as an indoor/outdoor restaurant, a white tablecloth restaurant, or a rooftop-style restaurant.** These additions, currently absent from the downtown area, could serve as key destination anchors.





Office Appendix

Office Industry Trends

Since the pandemic, workplace preferences have shifted. Although a growing number of companies are starting to return to the office, most are still embracing hybrid work schedules.

Higher-end assets in premier office locations have seen the best performance, suggesting that class A design and prime location are essential for a successful office development.

Suburban office markets have been more resilient throughout the pandemic, with many suburban vacancies falling below Central Business Districts.

The following section will highlight the past performance of the office industry in the general New Haven area and Milford submarket specifically, as well as predict where the market is heading.

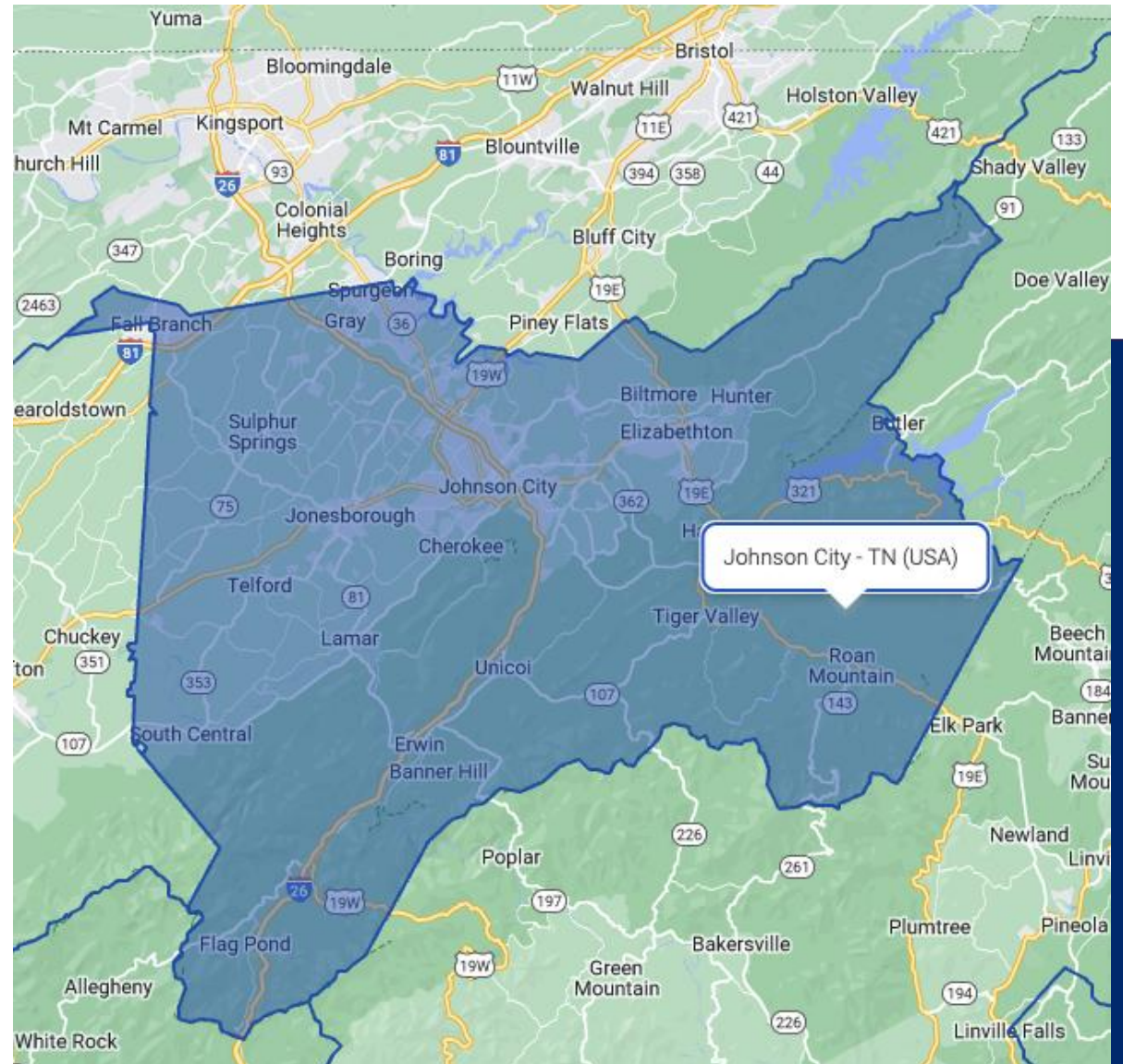


Market Overview

This section outlines historical performance metrics for office assets in the Johnson City Market.

Due to the limited supply in the area, there is no submarket, so the focus of this chapter will take a look at the regional Johnson City Market as well as the downtown core.

The Johnson City Market, which makes up all of Johnson City had a negative net absorption of 94,000 square feet of space over the past twelve months with no net deliveries. Vacancy in the market is at 4.6 percent, which is 2 percent increase than this time last year. This rise in vacancy is due to 78,000 square feet of negative absorption and no new space deliveries.

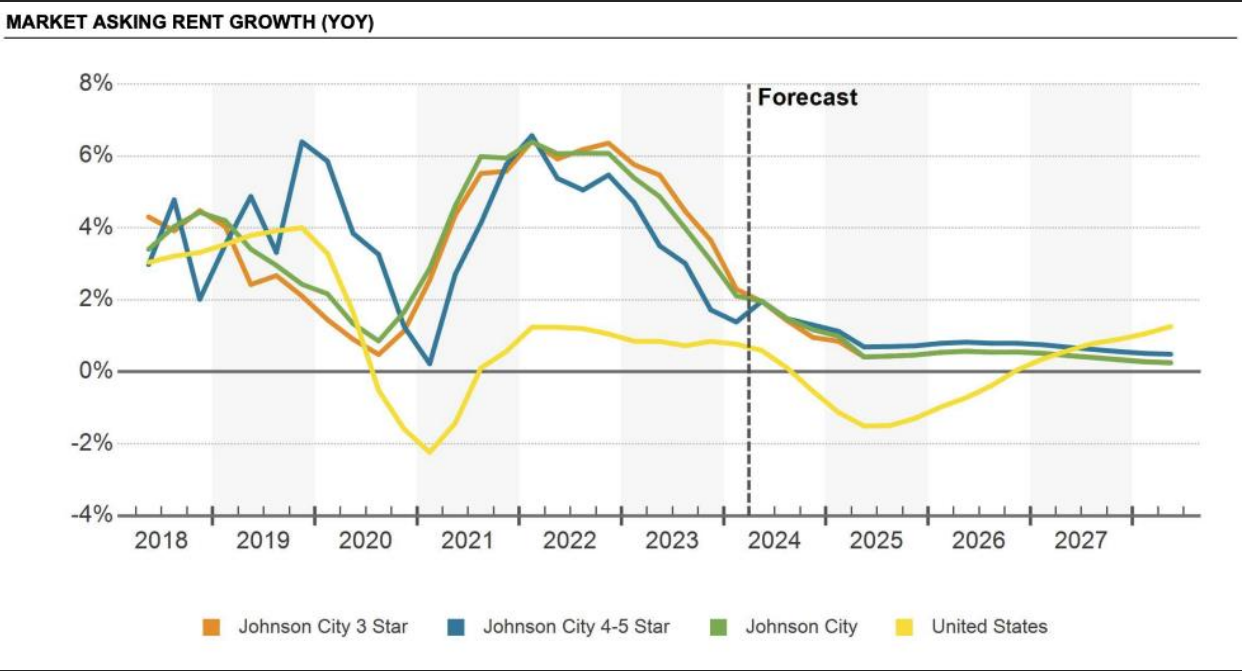
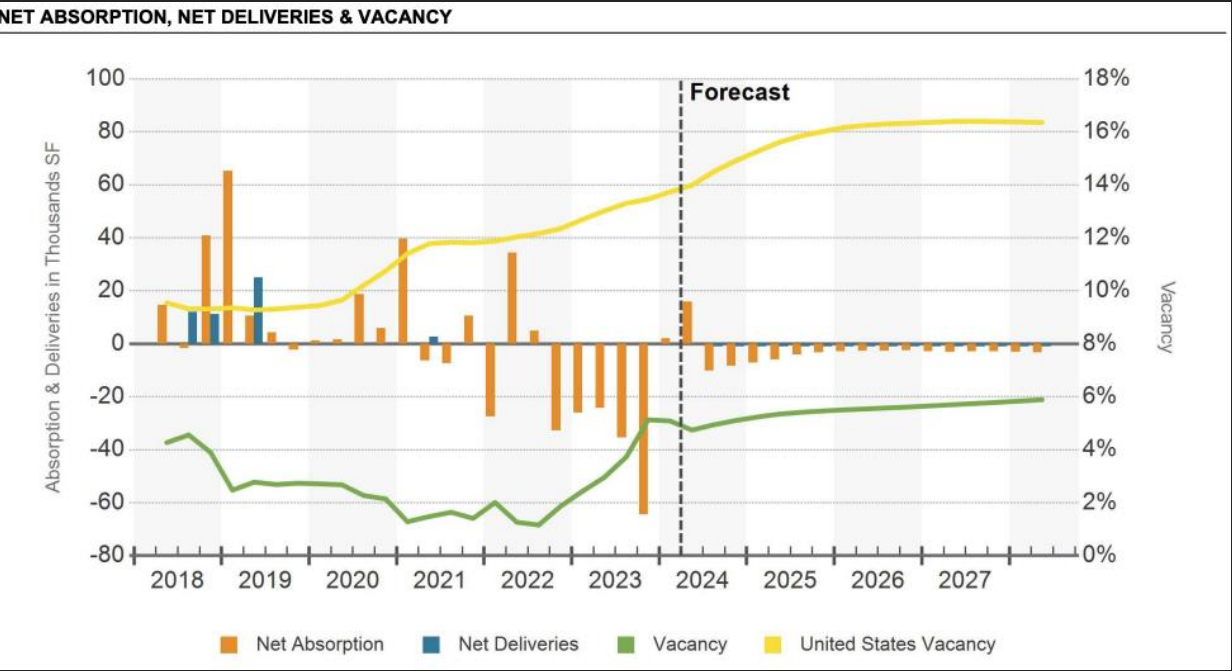


Johnson City Office

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	Market Asking Rent Growth
0	(94.6K)	4.6%	3.0%

Net Absorption, Net Deliveries & Vacancy

The current vacancy rate is higher than the three-year average of 2.7% but remains below the national average of 12.6%. The office market has grown by approximately 940 square feet over the past three years due to construction, with no demolitions. Rents have increased by 13.9% over the past three years, significantly outpacing the national average of 2.9%.



Key Indicators

There have been no deliveries in the past three years and no current projects under construction. 3-Star office space is the primary asset type in the Johnson City market, accounting for over half of its total inventory. 3-Star properties have highest vacancy rate of 6.1 percent. Rents are approximately \$30.00/SF in 4 & 5-Star buildings and nearly drop half to about \$16.00/SF in 1 & 2-Star buildings, making the average around \$18.50/SF. Rent growth is currently lower than its historical average and is forecasted to level out in the upcoming quarters.

KEY INDICATORS							
Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	205,042	0%	\$30.06	0%	0	0	0
3 Star	2,533,970	6.1%	\$18.99	6.0%	8,472	0	0
1 & 2 Star	1,867,551	3.2%	\$16.60	4.1%	12,157	0	0
Market	4,606,563	4.6%	\$18.51	5.0%	20,629	0	0
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	2.1%	4.8%	5.6%	9.5%	2014 Q1	1.2%	2022 Q3
Net Absorption SF	(94.6K)	19,547	(19,268)	159,056	2008 Q3	(205,879)	2014 Q1
Deliveries SF	0	25,411	35	265,435	2008 Q3	0	2024 Q1
Market Asking Rent Growth	3.0%	1.5%	0.6%	6.4%	2022 Q1	-6.4%	2010 Q2
Sales Volume	\$28.2M	\$20.7M	N/A	\$76.1M	2016 Q1	\$1.6M	2012 Q4

Supply and Demand Trends

Office space growth in this submarket has remained minimal over the last several years. Furthermore, net absorption has generally been negative, suggesting a lack of demand for office in the greater Johnson City area.

Although net absorption has been low in the greater Johnson City market, the downtown area is seeing great demand for office space and current vacancies are low in the downtown core.

OVERALL SUPPLY & DEMAND						
Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2028	4,586,509	(4,472)	-0.1%	(12,677)	-0.3%	-
2027	4,590,981	(4,472)	-0.1%	(11,806)	-0.3%	-
2026	4,595,453	(4,466)	-0.1%	(10,656)	-0.2%	-
2025	4,599,919	(4,499)	-0.1%	(20,704)	-0.5%	-
2024	4,604,418	(2,145)	0%	7,755	0.2%	-
YTD	4,606,563	0	0%	30,504	0.7%	0
2023	4,606,563	0	0%	(150,239)	-3.3%	-
2022	4,606,563	0	0%	(21,172)	-0.5%	-
2021	4,606,563	2,700	0.1%	36,521	0.8%	0.1
2020	4,603,863	0	0%	27,226	0.6%	0
2019	4,603,863	25,066	0.5%	77,646	1.7%	0.3
2018	4,578,797	23,208	0.5%	58,344	1.3%	0.4
2017	4,555,589	21,040	0.5%	65,274	1.4%	0.3
2016	4,534,549	12,217	0.3%	157,195	3.5%	0.1
2015	4,522,332	26,600	0.6%	(39,264)	-0.9%	-
2014	4,495,732	5,906	0.1%	18,292	0.4%	0.3
2013	4,489,826	0	0%	(148,510)	-3.3%	-
2012	4,489,826	(2,232)	0%	(8,746)	-0.2%	-



Residential Appendix

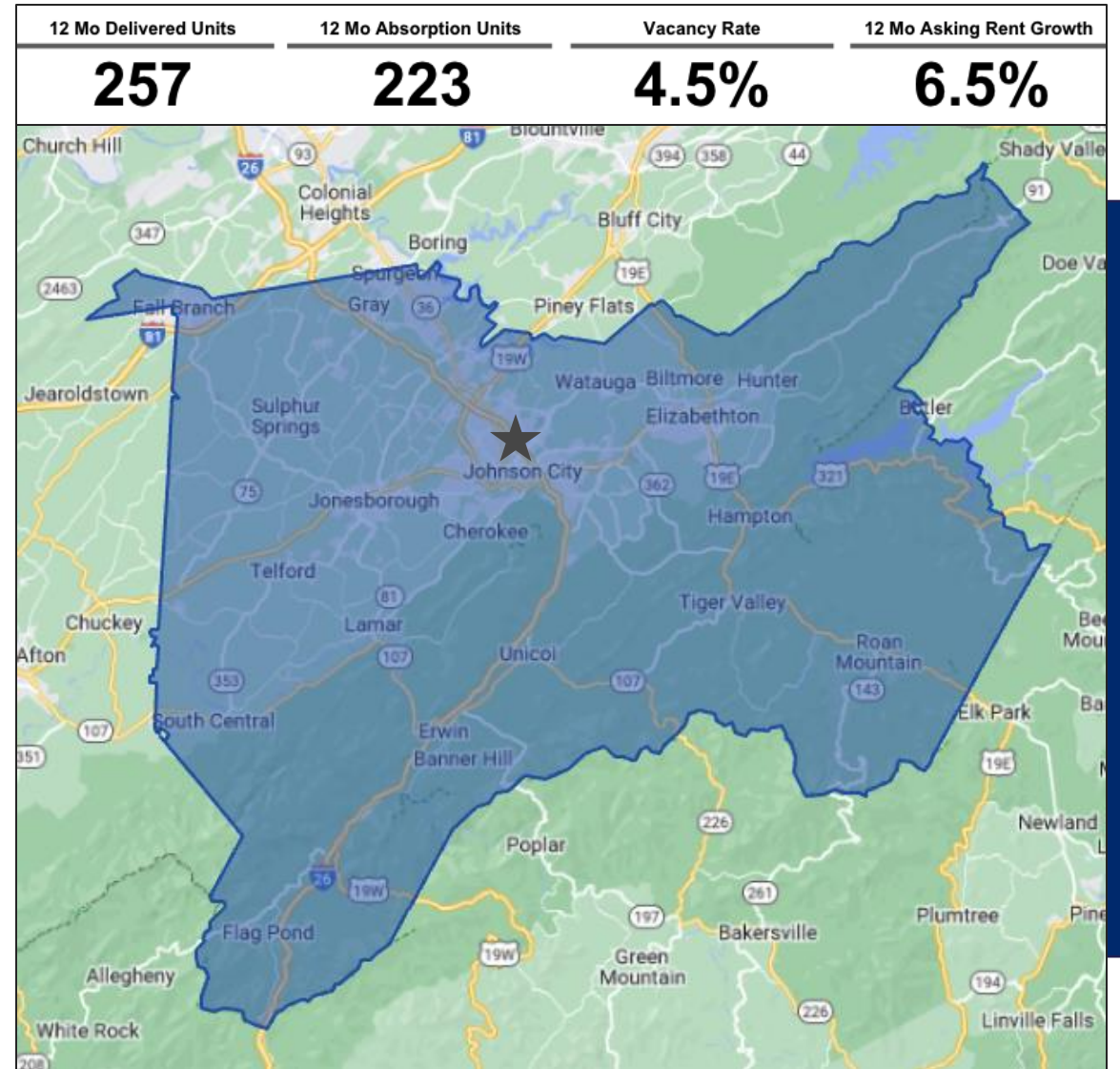
Johnson City Market Analysis

This section details performance metrics for multifamily assets in the Johnson City market defined by CoStar.

The Johnson City market has performed significantly well within the past decade, boasting positive absorption of 220 units, low vacancy levels under five percent, and substantial rent growth of 6.5 percent within the past 12 months.

Within the past three years, approximately 680 new units have been delivered, representing nearly nine percent of Johnson City's total inventory. Despite considerable expansion of the market during this time period, rental rates still increased by 18.4 percent, outperforming the national average of 11.9 percent.

There are currently no market-rate properties under construction in the market, indicating strong potential for the Project to deliver new multifamily product considering the current vacancy levels.



Multifamily Market Characteristics

Hunden utilized CoStar to assess the local multifamily characteristics within one mile of the John Sevier Center.

1- and 2-Bed units comprise a significant majority of the local market, indicating strong demand for these unit types. Considering the age and quality of the market’s existing properties, the Project has an opportunity to introduce new, high-quality product to Johnson City given that most of the properties in the downtown area are Class C and over 40 years old.

Johnson City Local Multifamily Market Property Characteristics											
Property Style		Property Size		Unit Mix		Building Age		Quality		Rent Type	
Style	Number of Properties	Total Units	\$ of Properties	Number of Bedrooms	Number of Properties	Year Built	Number of Properties	Class	Number of Properties	Rent Type	Number of Properties
Single-Family Home	0	10 Units or Less	26	Studio	7	Before 1980	29	Class A	0	Affordable	3
Townhome	0	11 - 25 Units	13	1-Bed	33	1980 - 1989	1	Class B	19	Market	40
Garden	3	25 - 50 Units	4	2-Bed	21	1990 - 1999	3	Class C	26	Market / Affordable	1
Low-Rise	29	51 - 75 Units	1	3-Bed	4	2000 - 2009	2				
Mid-Rise	5	75 - 100 Units	0	4-Bed+	0	2010 - 2019	4				
High-Rise	0	101+ Units	2			2020 - Present	2				

Source: Co Star

*Data is based on 46 CoStar properties located within a one-mile radius of the John Sevier Center. CoStar's unidentified properties are not accounted for within the data set.

Key Indicators

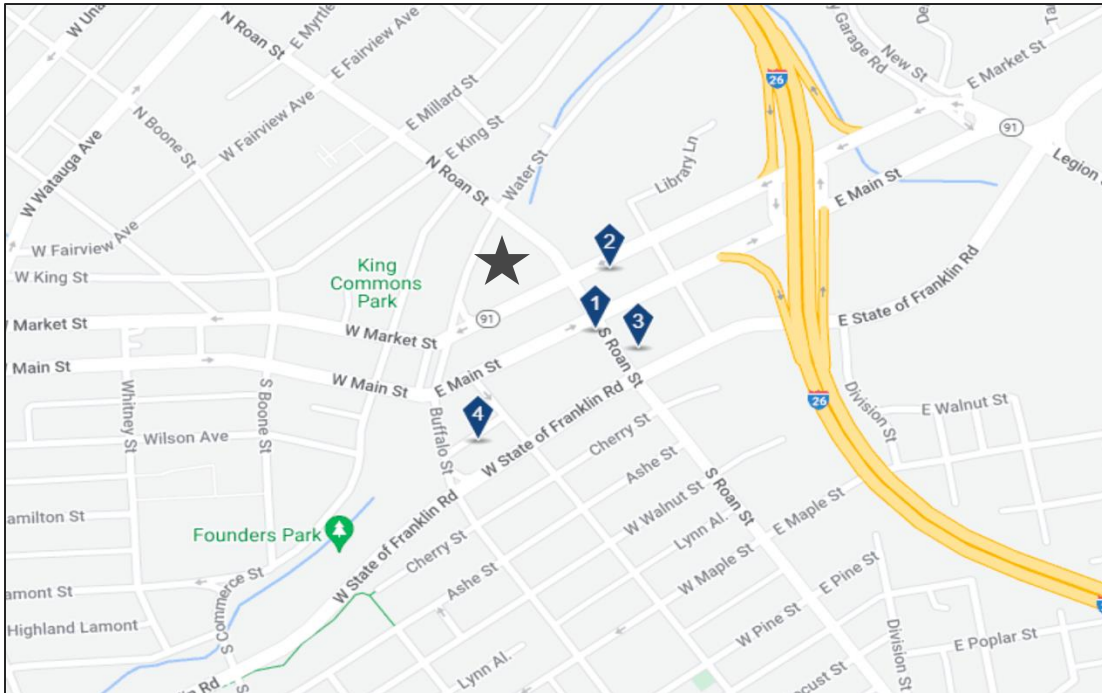
3-Star properties dominate the market, comprising over half of the total inventory. Among the 4 & 5-Star properties, vacancy rates are significantly low, with no new developments under construction. This suggests a strong unfulfilled gap in the market for the Project to capitalize on.

Based on the peaks and troughs in annual trends, the market has performed significantly well over the past decade compared to previous periods. The market has never witnessed a decline in inventory, indicating sustained demand.

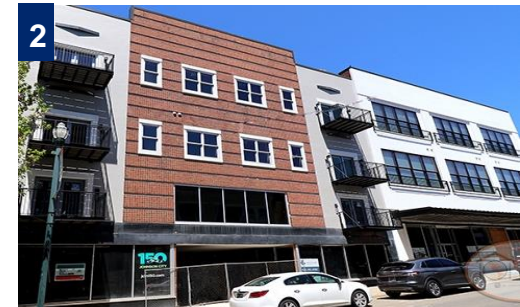
KEY INDICATORS							
Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	1,492	3.6%	\$1,336	\$1,331	1	0	0
3 Star	4,019	5.7%	\$1,041	\$1,032	9	120	0
1 & 2 Star	2,203	3.1%	\$868	\$865	(6)	0	0
Market	7,714	4.5%	\$1,071	\$1,065	4	120	0
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.3%	6.7%	4.5%	13.5%	2008 Q1	1.7%	2022 Q3
Absorption Units	223	129	44	578	2008 Q4	(85)	2007 Q4
Delivered Units	257	127	62	754	2008 Q4	0	2019 Q4
Demolished Units	0	0	3	0	2024 Q1	0	2024 Q1
Asking Rent Growth (YOY)	6.5%	2.0%	3.8%	8.7%	2021 Q2	-3.4%	2009 Q4
Effective Rent Growth (YOY)	6.2%	2.0%	3.8%	8.9%	2021 Q2	-2.8%	2009 Q4
Sales Volume	\$39.8M	\$19M	N/A	\$65.4M	2018 Q1	\$300K	2011 Q1

Relevant Multifamily Competitive Set

The competitive set was selected based on its quality and location relative to the Project. All four properties offer a mix of 1- and 2-Bed units as well as a small number of 3-Bed units at The Henry on Main. The newest properties within the competitive set have significantly higher vacancies, suggesting a longer lease-up period. Conversely, the stabilized properties boast low vacancy rates under five percent.



Property Name - Address	Type	Yr Built	Size	Vacancy
1 244 Lofts on Main 244 E Main St Johnson City, TN 37604	Multi-Family ★★☆☆☆	2020	10 Units	40.2%
2 The Henry on Main 208 E Market St Johnson City, TN 37601	Multi-Family ★★★★★	2022	32 Units	18.3%
3 Paxton Place 407 S Roan St Johnson City, TN 37601	Multi-Family ★★★★★	2013	26 Units	4.9%
4 Tipton Street Apart... 116 Tipton St Johnson City, TN 37604	Multi-Family ★★☆☆☆	-	25 Units	4.9%





Entertainment/Eatertainment Appendix

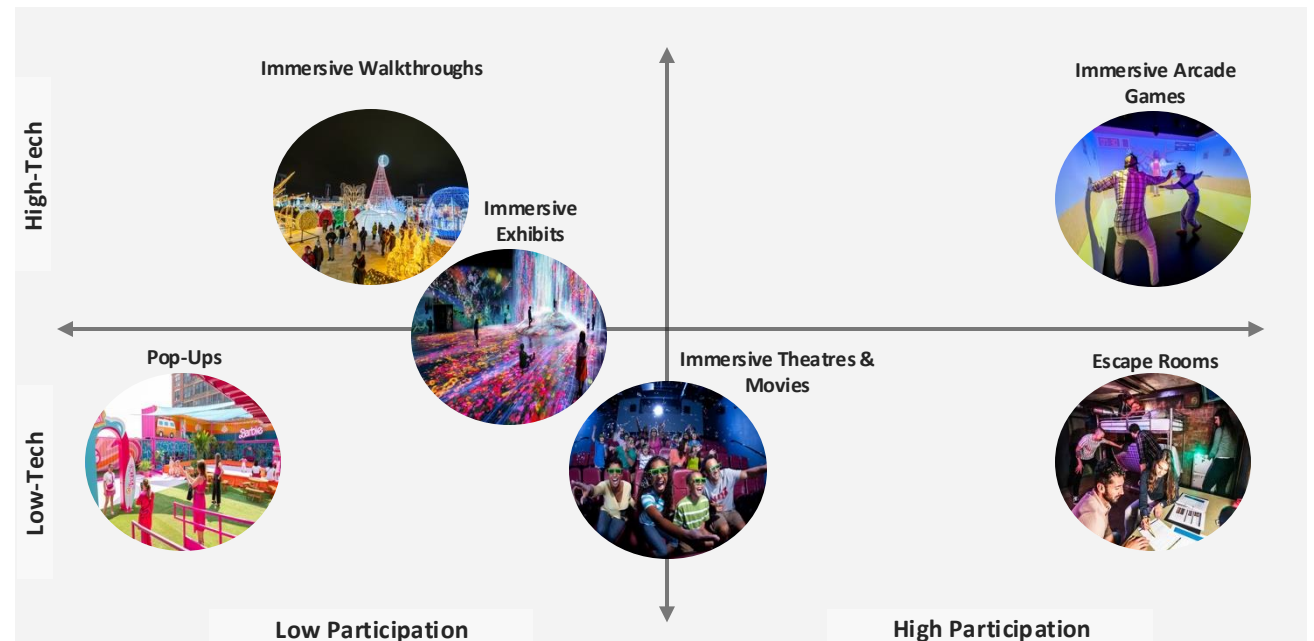
Location Based Entertainment

Location based entertainment (LBE) emerged as a popular trend during the COVID-19 pandemic by offering interactive and immersive experiences that were compelling enough to draw people out of their homes, which helped retailers and hospitality brands overcome post-pandemic inertia. In 2023 it was projected that the value of the location-based entertainment market would more than double to over \$2.9 billion by 2028.

Large-scale LBEs such as Disney World incorporate a variety of entertainment, lodging, dining and shopping options designed to appeal to a range of demographics. Smaller LBE concepts, such as an escape room or interactive arcade, typically emphasize one or two core experiences.

The adjacent figure highlights the role that immersive technology and integrated experiences play for LBE. Some examples of LBE concepts include:

- Escape rooms
- Immersive arcades & theatres
- Immersive exhibitions & walkthroughs
- Pop-ups
- Theme parks



Local Music Venue Supply

Hunden utilized Pollstar data to assess the supply of small to mid-sized music-related venues in the local market. Capone’s and The Down Home are both located within a mile of the Project, likely appealing to university students and young individuals.

The supply within a 30-mile radius is moderate, however, the estimated show activity from Pollstar indicates a lack of demand in the market. Additionally, several local venues, including Rafters in Johnson City and 423 Social in Bristol, have reportedly closed in recent years.

Venue	Venue Type	Distance from John Sevier	Capacity	2023 Visits	Estimated 2023 Shows
Capone's	Club	0.1 miles	465	41,500	5
Hide-Away	Club	0.1 miles	-	7,500	-
Down Home	Club	0.6 miles	150	4,000	6
The Cameo Theater	Auditorium / Theatre	24.9 miles	512	8,300	3
Paramount Bristol	Auditorium / Theatre	25.0 miles	749	25,900	6
*Lumac Rooftop Bar @ The Bristol Hotel	Outdoor Venue / Club	25.2 miles	-	30,200	-

*POI includes additional unrelated components. True visitation data may be skewed.
Source: Pollstar, Placer.ai



Local Family Entertainment Supply

The entertainment supply within Johnson City offers a number of game-oriented and active entertainment concepts. However, most of these assets drive minimal visitation from households outside the local area, indicating a lack of unique destination appeal.

Tiebreakers, a premier game-oriented entertainment and eatery destination, achieved significantly higher visitation in 2023 compared to the remaining supply. This suggests that a high-end, compelling eatertainment anchor incorporated into the Project would likely drive substantial activity.



Local Indoor Family Entertainment Supply				
Name	Entertainment Offerings	Distance from John Sevier	2023 Visits	% of Visits over 50 Miles
Quantum Leap Trampoline Park	Trampoline Park, Laser Tag, Arcade, Axe Throwing	0.3 miles	5,700	-
Masterpiece Mixers Paint & Party Studio	Painting	0.6 miles	1,900	-
Johnson City Family Skate Center	Roller Skating Rink	0.7 miles	20,900	-
Tiebreakers	Bowling, Arcade, Axe Throwing, Restaurant	2.0 miles	304,400	12%
Just Jump Trampoline Park	Trampoline & Amusement Park	4.1 miles	-	-
Hands On! Discovery Center	Science Museum, Interactive Exhibits	11.8 miles	20,600	26%

"-" indicates insufficient data
 Source: Visit Johnson City, Placer.ai



Case Studies Appendix

The Barfield, Autograph

- Location: Amarillo, Texas
- Opening Date: August 2021
- Rooms: 110 (400 SF / Room)
- Class: Upper Upscale
- Operator: Marriott International
- Meeting Space: 1,200 SF Ballroom

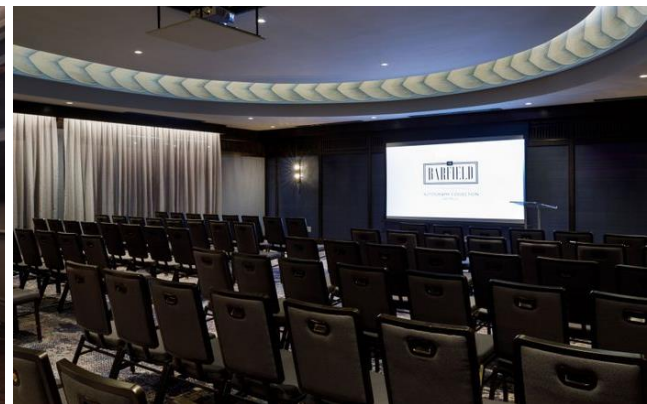
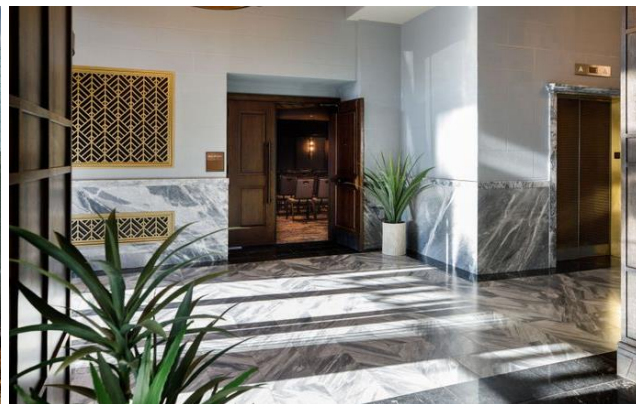
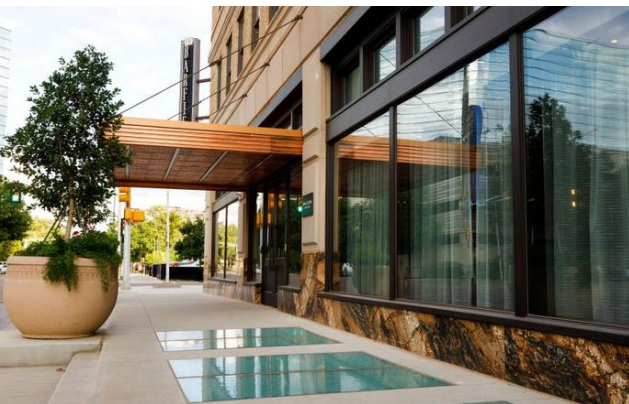
History: The structure was built in 1927 and designed as an office building in downtown Amarillo. After sitting vacant for many years, the ten-story building was purchased for \$800,000 and renovated into a high-end boutique hotel. The total project cost was a reported \$35 million, nearly \$320,000 per room.

Today the Barfield is the top hospitality asset in Amarillo. The hotel operates at an 85 percent occupancy rate, even with the highest rates in the market.



The Barfield, Autograph

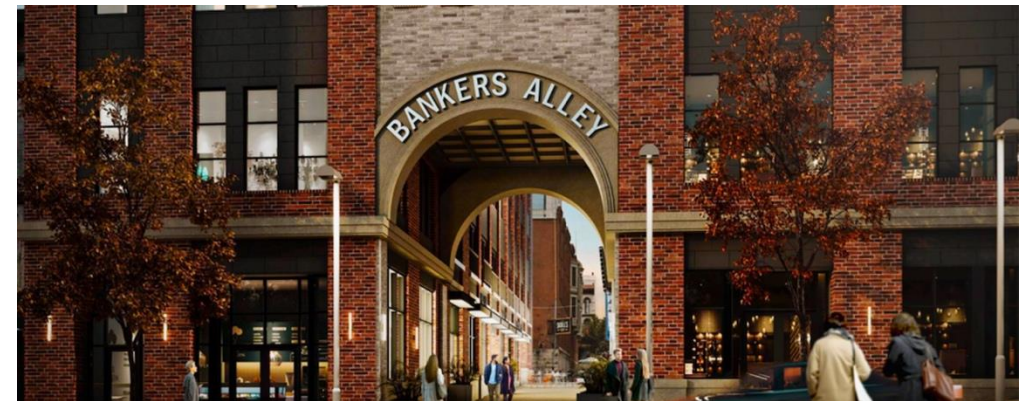
Photos for Inspiration



The Bankers Alley

- Location: Nashville, Tennessee
- Opening Date: May 2017
- Rooms: 124 (250 - 600 SF / Room)
- Class: Upper Upscale
- Operator: Hilton Worldwide
- Meeting Space: 8,739 SF Galleries and Meeting Rooms

History: This Tapestry Collection by Hilton, opened in 2017 in the historic Gray & Dudley Building was originally a wholesale hardware warehouse in the 1900's. Located in downtown Nashville's vibrant art district, it features suites with city views and an on-site contemporary art gallery. Listed on the National Register of Historic Places, the hotel's design blends historic elements like large arched windows and cast-iron columns with modern amenities, providing a unique and memorable stay for guests.



The Hayes

Location: Jackson, MI

Opened: 1926

Developer: J. Jeffers & Co.

Owner: J. Jeffers & Co.

History:

The Hayes opened in 1926 as a high-class 200-room hotel. In 1975, the property was repurposed into a corporate headquarters building. This downtown anchor, which was last sold in April 2022 for \$25,000, has been vacant since 2003. The current redevelopment project is estimated to cost \$40 million and will bring 84 apartments along with event, retail and restaurant space. The project is projected to be completed in 2025.

New Uses:

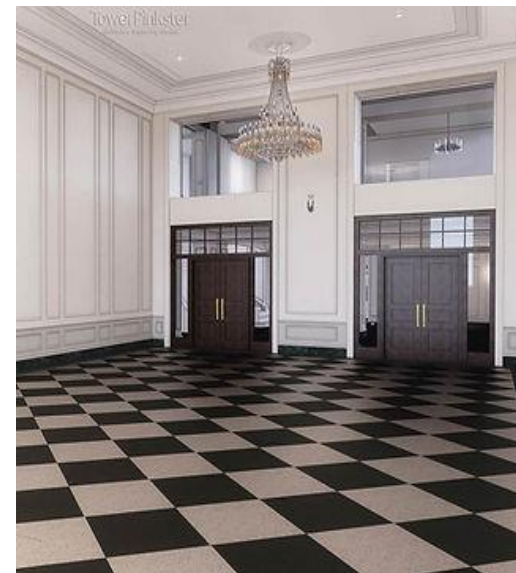
- Ground Floor: Restaurant, Retail / Commercial Spaces
- Second Floor: Grand Ballroom & Event Spaces, Office / Commercial Suites
- Third Floor: 15 Fully Furnished Short-Term Rentals
- Floors 4 – 10: 84 Residential Apartments
- Site Improvements: Upgraded Street & Pedestrian Appeal, Greenery, Updated Parking Lot & Lighting



Original Building



Revitalized Building



Grand Ballroom



Residential Apartments