ORDINANCE 18-5760

AN ORDINANCE TO ADOPT THE SPARTA PIKE ECONOMIC STUDY AS A GUIDE FOR DEVELOPMENT IN THE SPARTA PIKE CORRIDOR

WHEREAS, the City of Lebanon's Mayor and City Council saw the need to plan for future development along Sparta Pike; and

WHEREAS, the City of Lebanon retained a consultant and engaged the community to conduct an economic study for the future development of Sparta Pike; and

WHEREAS, the Mayor of the City of Lebanon created and appointed a twelve (12) member committee to collaborate and work with the consultant; and

WHEREAS, the City of Lebanon believes that the study will promote, protect, and facilitate the public health, safety, and welfare of the community through coordinated and practical land use and land development for the betterment of Lebanon's population; and

WHEREAS, the Lebanon Municipal Regional Planning Commission recommended adoption of this Economic Study to the Mayor and City Council by a vote of 8-0 at their November 27, 2018 Meeting.

NOW, THEREFORE, BE IT ORDAINED by the City of Lebanon, Tennessee, as follows:

Section 1. The City Council and Mayor adopt the Sparta Pike Economic Study, attached as Exhibit A and Exhibit B and as if appearing verbatim herein.

Section 2. That all Ordinances in conflict herewith are repealed to the extent of said conflict.

Section 3. That this Ordinance shall take effect from and after its passage on final reading, the public welfare requiring it.

Notice of the Public Hearing was published in the Lebanon Democrat on December 1, 2018.

The Public Hearing was held at 5:55 PM in the City Council Chambers on December 18, 2018.

Attest:

Stuart Lawson

Commissioner of Finance & Revenue

Approved:

Mayor

Approved as to Form:

City Attorney

Passed first reading: December 18, 2018.

Passed second reading: **January 15, 2019**

Exhibit A

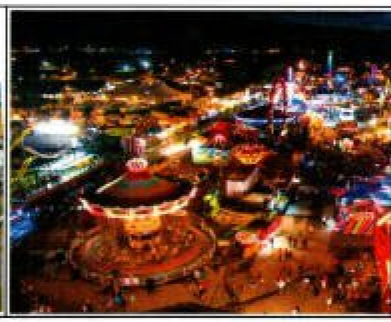
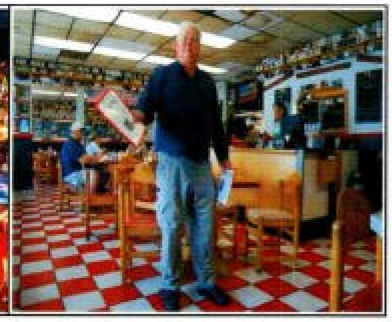
***Randall Gross** / Development Economics*

DRAFT

Market Analysis

Sparta Pike

Lebanon, Tennessee

November 30, 2017
Prepared for Ragan-Smith
And the City of Lebanon
By Randall Gross / Development Economics

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DRAFT DRAFT

INTRODUCTION

This report summarizes findings from market analyses conducted to determine the potential for retail, housing, and hotel development in the Sparta Pike study area in Lebanon. Input to these analyses included field reconnaissance and interviews with local businesses, tourism officials, development agencies, and real estate professionals. Input also included stakeholder engagement through a steering committee established explicitly for this study. Analysis of real estate data as well as economic and demographic trends and forecasts provided the basis for an assessment of future housing, lodging, and retail demand within the broader market area.

Data and findings from the South Hartmann Drive Study Area market-area demand analyses informed the Sparta Pike residential and retail market analyses, although analysis of the competitive framework helped to determine Sparta Pike's specific capture of market-area potentials. The lodging market analysis was conducted specifically for Sparta Pike. Based on those analyses, forecasts were generated of housing units, lodging rooms ("keys"), and retail square footage by type of business supportable in the market. This information helps inform strategic recommendations for marketing and development in the Sparta Pike Corridor.

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Section 1. EXISTING CONDITIONS & SITE ANALYSIS

Information was collected through field reconnaissance, interviews, and data analysis on the existing conditions in the city and specifically within the Sparta Pike study area. The site analysis focused on existing uses and on the competitiveness of the Sparta Pike corridor for various types of development. Broader economic indicators were also assessed where they provide context for development in the study area.

Site Analysis

The site analysis examined the location, accessibility, and physical attributes of the Sparta Pike corridor as factors impacting on the overall competitiveness of the corridor for various uses. An inventory was established of the existing uses. Key anchors and market "drivers" were identified for the corridor. The character and physical conditions in the study area were assessed. An analysis was also conducted of uses and major proposed projects in the surrounding area. Key findings are provided below.

Location and Accessibility

Sparta Pike is part of U.S. Highway 70, a 2,385-mile east-west federal highway that has carried travelers across the country (from the coast of North Carolina to the Arizona desert) since 1926. From downtown Lebanon, Highway 70 (East High Street) diverges from 70-N (one of only two highway branches in the entire federal highway system) to form East Baddour Parkway and then Sparta Pike. The road was once the primary route to Sparta, about 50 miles to the east, but Interstate 40 has superceded Highway 70 for most commutation between Sparta and Lebanon or the Nashville area.

Sparta Pike has an interchange with Interstate 40, providing direct access west for Nashville commuters and tourists. Downtown Nashville is located about 32 miles west from I-40 Exit 239, while Nashville International Airport is located about 24 miles away. Sparta Pike provided excellent access into downtown Lebanon and connects to U.S. 70-N towards Carthage and the eastern trade area (Smith, Trousdale, Putnam counties). There is relatively poor local east-west access, but that will change as U.S. 231 becomes more accessible from Sparta Pike via the new Legends Drive (Briskin Lane extension), now under construction.

Existing Inventory

The study area includes a broad mix of uses including residential, retail, lodging, and others. There are 462 residential development units in the study

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area, including 137 single-family homes, 273 multi-family units, 52 mobile homes, and a 280-bed rehabilitation facility.

There is an estimated 85,400 square feet of retail use, based on assessment records, for business space within the study area. About 50% of this amount is in convenience uses (including 6 gas stations with about 32,000 square feet of space). About 20% of the space is in shopper's goods stores, 23% in eating & drinking, and 7% is currently vacant. There is currently only one lodging facilities, the 110-room Knights Inn, on the extreme south-western border of the study area.

There are 83 industrial uses (with about 4.0 million square feet of space), primarily on the south side of I-40. Key industrial companies in this area include Nutro, Cracker Barrel (distribution center), Famous Footwear (800,000 square feet), Lifeway, L&W, Copart, Lochnivar, PFG, Georgia Pacific, and Nashville Refrigerated. There are also 19 office uses including 8 government agencies. At least 14,000 square feet of office space is vacant, but several tenants are being recruited to this space. Institutions in the area include the Tennessee College of Applied Technology and six churches. Finally, Wilson County Fairgrounds and the new Exposition Center are primary uses in the corridor, along with recreation facilities like those at Baird Parks. Aside from built space, there is a significant amount of undeveloped land as well as agricultural use in the study area.

Key Anchor Uses & Districts

There are several major anchor uses or districts that drive the area's development character and spin-off economic opportunities. Certainly a key anchor is the Wilson County Fairgrounds, which includes the James E. Ward Agricultural Center, the Wilson County Expo Center, and the Fiddler's Grove Historic Village.

Wilson County Fair. Wilson County Fairgrounds facilities cover about 110 acres and offer 200 permanent stalls, 921 RV hookups, and an arena seating 3,100 patrons. The facility offers 12 event buildings, 1 covered and 1 outdoor arena, 3 barns and 7 event halls. There are 45,000 square feet of contiguous event space under roof and 68,570 square feet of total indoor event space. The Fairgrounds is situated in a market of about 1.73 million within a 1.5-hour drive.

The premier event at this facility is the Wilson County Fair, usually ranked among the top 30 to 40 largest fairs in North America. Annual attendance has averaged 500,000 since 2009, and varies based on weather conditions. In

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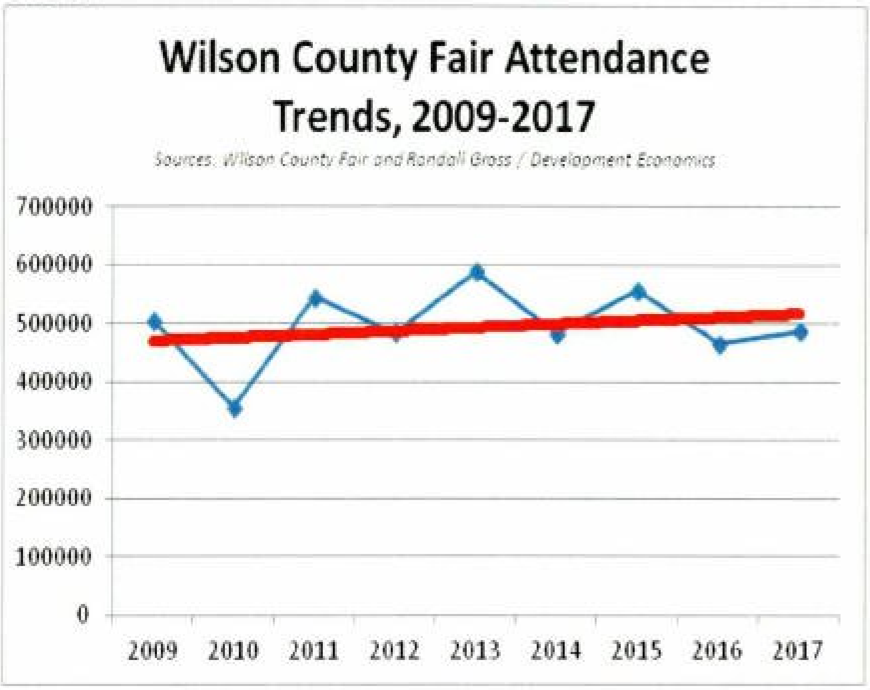
general, attendance has increased over time. Based on rolling, three-year averages, overall attendance increased by roughly 1.0% per year since 2009. Again, Attendance will vary from year-to-year due to weather conditions and other factors impacting on a specific year's attendance. These attendance trends are summarized below (and averaged over time using a linear regression, as indicated by the red line).

Chart 1



The Quality Center for Rehabilitation and Healing is a 100,000 square-foot rehab facility with 280 beds, located on East Baddour Parkway across from the fairgrounds. This facility encompasses practically an entire block on the west side of Baddour/Sparta Pike.

The Maddox-Simpson Industrial Area, south of I-40, comprises of more than 3.0 million square feet of major industrial uses including many large distribution facilities. As noted above, companies with a strong presence here include Georgia-Pacific, Nutro, Cracker Barrel, Lifeway, Famous Footwear, Lochnivar, Copart, PFG, and others. Several other industrial nodes include the Briskin Lane Industrial area, with an estimated 350,000 square feet and Tennessee Boulevard Industrial (also 350,000 square feet).

Residential Clusters. Key residential areas include Peyton Park & Manor (155 apartments, of which 34 are Section 8 housing), Meadows of Lebanon (72 apartments), and Parkside Circle & Corey Lane (66 single-family homes). Uncle Pete's and the Pilot Travel Center are major convenience commercial anchors.

Institutions. Among the institutions noted previously are the Tennessee College of Applied Technology (Hartsville Branch) and the Church of Jesus Christ of Latter Day Saints. Cumberland Center (a mixed-use development) is under construction along the Legends Drive extension.

General Conditions

The Sparta Pike area is characterized by its suburban highway orientation. The area does not provide much of a "sense of place," or a specific identity for the purposes of branding and marketing (outside of the Fairgrounds complex itself). In general, areas north of I-40 are characterized by a diverse mix of uses, and there is a physical "disconnect" between these uses with a lack of site connectivity or nodal clustering of activity. There are fairly significant, undeveloped parcels throughout the study area, along with some land in active agricultural use.

Areas south of I-40 are characterized as predominately industrial and specifically, distribution oriented. As such, it is relatively easy to identify this area as an industrial zone which has already proven its success in attracting nationally-recognized brands like Georgia Pacific, Cracker Barrel, and Famous Footwear.

Tourism. The Sparta Pike area is well-positioned for tourism, being the first major I-40 interchange in the largest node entering Nashville from the east. As such, the node can capture I-40 traffic and exposure. The national success of the Wilson County Fair and Exposition Center can also help propel tourism development in this area. However, the existing tourism and visitor environment is fairly poor, with a limited offering of tourist accommodation and services and a

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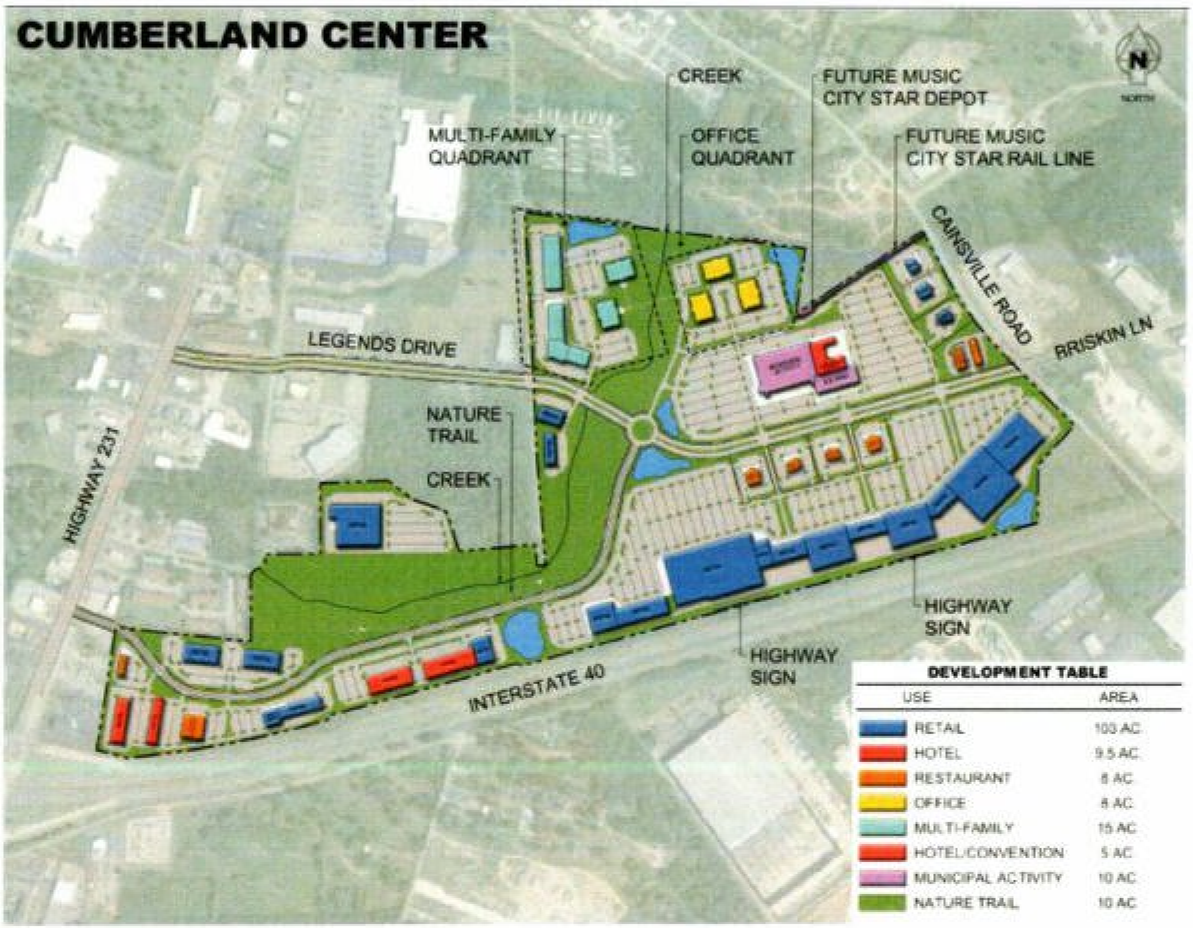
lack of aesthetic value and pedestrian amenities. In general, the area can be characterized as being "under-valued" for its tourism environment and potential.

Surrounding Uses

Downtown Lebanon is situated just to the north-west of the study area and Cumberland University is located directly west. Further east are some residential neighborhoods but much of the eastern and southern portion of Wilson County is relatively undeveloped. Cumberland Center is a planned, "mixed-use" development situated just west of the study area along Legends Drive (Briskin Lane extension) towards U.S. Highway 231. The following graphic illustrates proposed development uses and layout in this area.



As proposed, Cumberland Center would include an extensive amount of retail development oriented towards I-40 near Cainsville Road. There would also be pods of multi-family, office, lodging, and government uses. Restaurants would be situated on out-parcels. A "nature trail" would weave through a portion of the site, linking some of the retail with multi-family apartments. As yet, the plan did not account for the potential of transit-oriented development surrounding a new

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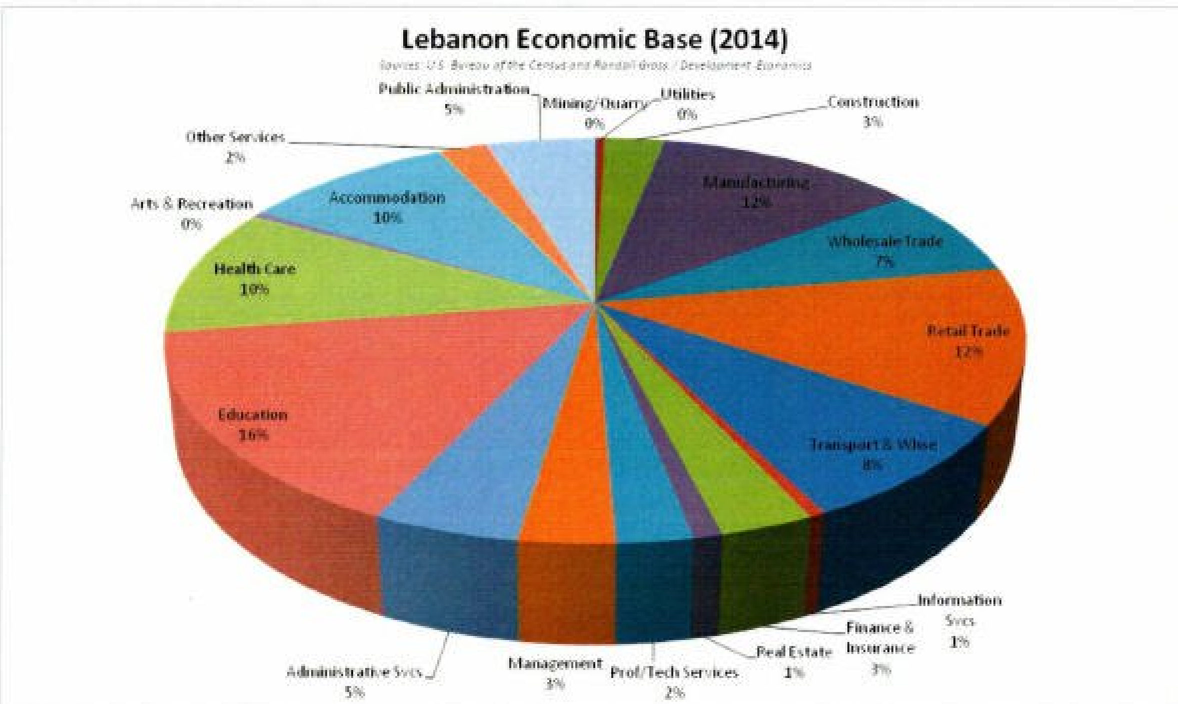
terminus for the Music City Star commuter rail line. In general, the proposed site plan conforms to traditional suburban development patterns, with uses largely separated on site, generating a higher level of traffic and significant land devoted to surface parking lots. Some developers of commercial developments nationwide have been moving away from this traditional lad use pattern, in favor of more on-site mixed-use that reduces traffic and parking requirements and generates more opportunities for pedestrian-oriented activity.

Lebanon Economic Base

Lebanon has a relatively diverse economic base, although some industries account for a higher share of overall employment. Education is the largest economic sector in the city, accounting for 16% of all jobs. This sector includes Cumberland University and other private educational institutions.

Chart 2



Lebanon has long been a manufacturing center within Middle Tennessee, and the manufacturing sector still accounts for 12% of all jobs in the city. Retail trade also accounts for 12% of all local jobs. Health care and accommodation & foodservice are both major employers, each having 10% of the local job base. Other key sectors include transportation & warehousing (9%), wholesale trade (7%), administrative services (5%), and public administration (5%). The city has relatively few jobs in information services, real estate, arts & recreation, mining & quarrying, and utilities.

Major Employers

Cracker Barrel, with about 820 employees, has a significant presence in Lebanon with its headquarters and major operations in town. A sample of the city's major employers is listed below, including Cracker Barrel as well as Performance Food and CEVA Logistics.

⦿ Cracker Barrel Headquarters	820
⦿ Performance Food (Distribution)	646
⦿ CEVA Logistics (Distribution)	625
⦿ TRW Auto Steering (Gears)	500
⦿ Genco ATC (Electronics Refurbishment)	500
⦿ Mannheim (Auto Auction)	425
⦿ Lochinvar (Water Heaters)	425
⦿ Jones Bros (Road Building)	400
⦿ Ozburn Hessey (Distribution)	380
⦿ L&W Engineering (Metal Stamping)	367
⦿ Amersports (Distribution)	300

Other than Cracker Barrel, these employers can be categorized as major distribution facilities, automotive suppliers, construction companies, and metal fabricators.

Major Employers in the Sparta Pike Study Area. There are several large employers located in the Sparta Pike study area, primarily on the south side of I-40, as noted previously. The largest of these employers is Performance Food's distribution facility, which employs about 650 people. Lochnivar (water heater manufacturer) employs 425 in the study area and L&W Engineering (a metal stamping facility) employs about 370. Among the other major employers are Famous Footwear (175 employed in distribution), Nutro Products (a pet food supplier employing 157), Lifeway Christian Resources' distribution facility (150), and Georgia Pacific (70). Cracker Barrel employs hundreds at its distribution facility in this area.

Employment Trends

Lebanon and Wilson County are part of the growing Nashville metro area, which has out-performed the national average in job growth since the end of the recession. As of 2014, Lebanon had about 22,600 jobs, an overall increase of

12.5% since 2002. However, the city's employment base fell by 0.5% (or about 120 jobs) between 2010 and 2014, despite the fact that the Nashville region's job market has remained relatively strong. During this same period, Wilson County's employment base expanded by more than 3,000 jobs or 9.1%. As a result, Lebanon's share of Wilson County's employment base fell from 69% in 2010 to 62% just four years later, suggesting that the city had not captured its "fair share" of the county's or region's growth.

Table 1.	AT-PLACE EMPLOYMENT TRENDS, LEBANON, 2002-2014				
				2004-2014 Change	
Industry Sector	2002	2010	2014	Number	Percent
Mining/Quarry	27	25	10	(17)	-63.0%
Utilities	75	N/A	78	3	4.0%
Construction	771	703	616	(155)	-20.1%
Manufacturing	3,794	3,412	2,672	(1,122)	-29.6%
Wholesale Trade	1,357	1,286	1,630	273	20.1%
Retail Trade	2,458	3,720	2,778	320	13.0%
Transport & Whse	**475**	**784**	**1,836**	**1,361**	**286.5%**
Information Svcs	174	238	114	(60)	-34.5%
Finance & Insurance	457	696	669	212	46.4%
Real Estate	139	175	212	73	52.5%
Prof/Tech Services	412	424	540	128	31.1%
Management	1,177	1,189	685	(492)	-41.8%
Administrative Svcs	1,021	782	1,053	32	3.1%
Education	**2,472**	**3,448**	**3,548**	**1,076**	**43.5%**
Health Care	2,381	2,648	2,298	(83)	-3.5%
Arts & Recreation	177	132	111	(66)	-37.3%
Accommodation	**1,555**	**1,626**	**2,151**	**596**	**38.3%**
Other Services	315	420	494	179	56.8%
Public Administration	888	1,025	1,114	226	25.5%
TOTAL	**20,125**	**22,733**	**22,609**	**2,484**	**12.3%**
2010-2014				*(124)*	*-0.5%*
Sources:	U.S. Bureau of the Census and Randall Gross / Development Economics.				

The city has seen declining employment in core sectors including manufacturing (1,100 jobs or 30%), construction (150 jobs, 20%), and management services (i.e., corporate headquarters, down by nearly 500 jobs or

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42%). Since 2014, the City of Lebanon has taken pro-active steps to reverse these trends, with the hiring of a new Economic Development Director and more direct outreach and recruitment efforts. Some of these trends may have been reversed since 2014. But even prior to that date, the city had seen increasing employment in transportation & warehousing (up by 1,400 jobs or nearly 290% mainly in large distribution facilities), education (+1,000 jobs, 43%), and accommodation (hotels) & foodservice (+600 jobs, 38%).

Demographic Overview

Regardless of employment trends, the population of Lebanon has been growing fairly rapidly since 2010. The city added about 5,100 people between 2010 and 2016, based on estimates by the U.S. Bureau of the Census, yielding a growth rate of nearly 20% or 3.3% per year. The city's population was estimated at 31,300 in 2016, making it the 24th largest in the state (around the same size as Cookeville and Oak Ridge).

Table 2.	DEMOGRAPHIC TRENDS, LEBANON, 2000-2016			
Factor	**2010**	**2016**	**Number**	**Percent**
Population				
Lebanon	26,190	31,317	5,127	19.6%
Wilson County	114,057	132,781	18,724	16.4%
Households				
Lebanon	10,130	10,571	441	4.4%
Wilson County	42,563	44,528	1,965	4.6%
Median HH Income				
Lebanon	$ 48,294	$ 41,515	$ (6,779)	-14.0%
Wilson County	$ 66,786	$ 61,070	$ (5,716)	-8.6%
Note:	Income expressed in constant 2016 dollars.			
Sources:	U.S. Bureau of the Census and Randall Gross / Development Economics.			

Wilson County added 18,700 people during the six-year period, or about 3,100 per year, for an annual growth rate of about 2.7%. Wilson County now has about 133,000 people, making it the 10th largest in Tennessee and 5th largest in the Nashville Metropolitan Statistical Area (MSA).

Lebanon's and Wilson County's household growth has been surprisingly lower than their population growth rates, at 4.4% and 4.6%, respectively. This suggests that much of Lebanon's and Wilson County's population growth has been fueled by a growth in average household size (such as the number of children). Households are the backbone of the local market for goods and services, so knowing that Lebanon only added about 74 additional households per year since 2010 does provide some indication of the impact of growth on local business potential and housing development.

Most surprising has been the decrease in median household incomes in both Lebanon and Wilson County, which fell by 14.0% and 8.6%, respectively. This decrease in income occurred during the same period that the rest of the region and the country were emerging from recession and seeing income growth. These income numbers are adjusted to account for inflation, but they nevertheless provide a true indication of the trend in local spending power. Part of this shift may relate to the switch out of relatively high-paying manufacturing and headquarters jobs for more lower-wage warehousing and hotel/restaurant service jobs. This shift may have adversely impacted on Lebanon's and Wilson County's overall income base, at least temporarily.

Section 2. HOUSING MARKET ANALYSIS

A Housing Market Analysis was conducted to forecast the potential for various types of rental and for-sale housing within the Sparta Pike Study Area. Lebanon's existing housing market conditions and trends were assessed, and a housing market area was defined that applies for both South Hartmann Drive and Sparta Pike. Demand for housing was forecasted within the market area. An assessment of competitive existing and planned housing product provided input to determine the Sparta Pike study area's specific capture of market-area demand. Study area potentials were translated into the type and tenure of housing by price range that would be supportable in the Sparta Pike Study Area.

Housing Supply Trends

Lebanon had about 11,700 housing units in 2015, up by one-third or 2,900 units since 2000. There has been growth among all housing typologies and building sizes including even in the number of mobile homes.

Table 3. HOUSING SUPPLY TRENDS, LEBANON, 2000-2015

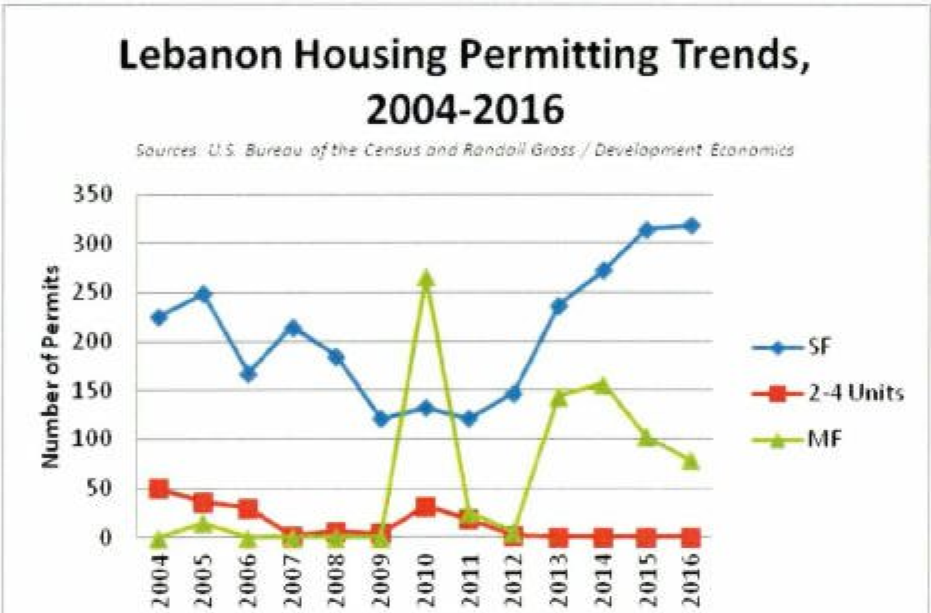
Units in Building	2000	2015	2000-2015 Change Number	Percent
1-Detach	5,488	7,496	2,008	36.6%
1-Attach	218	362	144	66.1%
2-4	1,458	1,506	48	3.3%
5-9	413	842	429	103.9%
10-19	175	292	117	66.9%
20+	394	461	67	17.0%
Mobile/Other	603	734	131	21.7%
TOTAL	**8,749**	**11,693**	**2,944**	**33.6%**
Sources:	U.S. Bureau of the Census and Randall Gross / Development Economics.			

Overall, about 64% (7,500 units) of Lebanon's housing is in single-family detached units. The number of single-family detached units increased by over 2,000 (36.6%) between 2000 and 2015. About 1,500 of Lebanon's units are in duplex, triplex, or quad buildings, representing about 13% of total stock. However, growth in this category has been slow, with the addition of only 48 units or 3.3% since 2000. The fastest growth has been in multi-family buildings with 5 to 9 units. But even so, only about 430 units were added in 15 years. Lebanon has surprisingly few attached units such as townhouses, which account for only 3.0% of total stock. The city is clearly oriented to traditional suburban, single-family detached development.

Residential Construction Trends

Residential construction provides an indication of overall trends in the market. In Lebanon, the number of single-family housing permits fell to a low of just over 100 during and just after the end of the recession, from 2009-2011. However, single-family construction had been increasing in the city every year since 2011. By 2016, single-family construction appears to have peaked, with only a marginal increase in permits issued between 2015 and 2016 to just over 300.

Chart 3



This slower growth could indicate any combination of slowing demand, increased regulatory restrictions or construction costs, or just a "breather" in the development cycle.

Multi-family construction tends to have more pronounced "peaks and valleys" since one large multi-family project can skew the trend. Clearly there was a large multi-family development approved in 2010 with more than 250 units. Other projects in 2013 and 2014 had about 150 units per year. But in general, multi-family permitting has been declining since 2014. Duplex (2-4-unit) construction has slowed to a trickle since 2004, with only a small "bump" in permits in 2010.

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Existing Residential Market Conditions

Existing residential market conditions were analyzed based on field reconnaissance, interviews with brokers and managers, and assessment of data collected through the Multiple Listing Service and companies like Real Data. A summary of findings on existing residential market conditions and recent trends is provided below.

Rental Market

Lebanon and much of Wilson County are facing a tight rental housing market. The Lebanon-Mt. Juliet rental sub-market has about 3,850 tracked multi-family rental units, with an overall vacancy rate of 4.6%. While Lebanon-Mt. Juliet accounts for about 4% of the Nashville apartment market, it accounted for 23% of absorption in the last quarter, signaling a competitive advantage for rental properties in this sub-market. Rents in the sub-market average $1,100 or $1.07 per square foot, making the area among the more affordable rental sub-markets in the Nashville area.

Lebanon-Mt. Juliet rents are only **89.5%** of the regional average, and Lebanon's average rents are only **77.2%** of those in Mt. Juliet. Compared with downtown Nashville, Lebanon's average rents are only **13.2%** as expensive, making the area extremely attractive for those looking for affordable rental housing. However, rents are escalating at a much faster rate in Wilson County than in the region as a whole, up 1.1% in the past quarter or **680% faster** than the region's average rent increase.

Within Lebanon, the housing market is also tight, with vacancy estimated at around 3.0% among more competitive properties. Rents are escalating, although they are still lower than those in Mt.

Juliet. Market sources for the Lebanon market currently include regional job and other relocations (estimated at 50 to 60%, based on interviews with apartment managers). "inflow" from areas further east of Lebanon such as Smith County (10 to 15%), people in the process of selling their home or otherwise moving in and out of the for-sale housing market (5 to 10%), first-time renters (<10%), and those in transition (divorcees, students, etc, <10%). Students were considered a surprisingly small portion of the housing market in Lebanon, given that Cumberland University is located there.

For-Sale Market

Wilson County has an active housing market with an average of 2,600 single-family homes sold per year since 2010. Lebanon has averaged about 1,050 sales per year, or about 40% of the county market.

Chart 4

Growth in the number of sales appears to be slowing and may have peaked in 2016 in Lebanon and other parts of Wilson County. It is not clear how much the slowing sales growth relates to a lack of new housing inventory (see discussion of construction above) or slowing demand. Sales growth may also be constricted by a gap between market price and the bulk of demand. Given the overall growth trend in the Nashville metro area, it would appear to be the former, the lack of new supply. That would also explain a rapid escalation in prices, basic market supply and demand economics.

And Wilson County housing sale prices have increased by a remarkable 56% over the past seven years (8% per year), based on Multiple Listing Service data. Prices within the city of Lebanon have seen an even faster escalation of 63% (9%/year).

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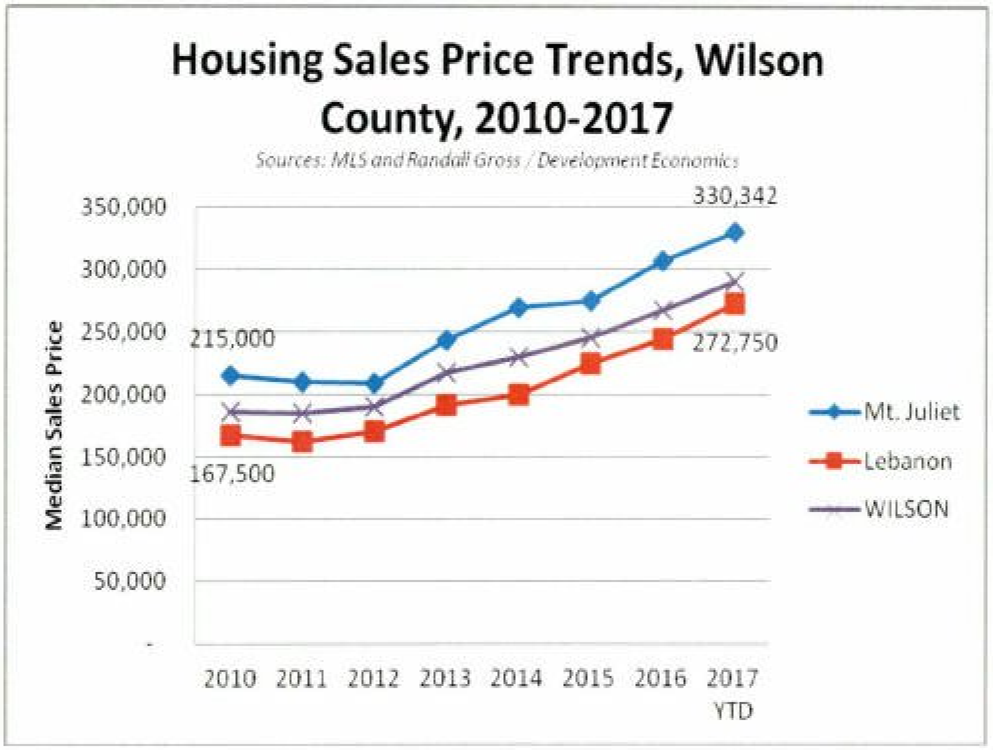
Chart 5



The median sale price in Lebanon has remained below those in Mt. Juliet, but both communities have seen a rapid increase in housing prices. Median prices in Lebanon rose from $167,500 in 2010 to $272,750 by June, 2017. In Mt. Juliet, the median price increased from $215,000 to $330,342 over that same period.

Another indicator of market conditions is the time required to sell a home. For the first six months of 2017, homes required an average 52 days to sell in Wilson County, which is down from a height of 59 days in 2014/2015. In general, there has not been a definitive trend in the amount of time required to sell a home. Thus, while prices have increased, so has demand for housing, and the time required to sell a home reflects this relative balance. At some point, however, prices may become too high to garner enough interest for homes to sell as quickly or in as great a number.

Sources of Demand. Key market sources, based on information collected from brokers, include regional job relocations (50% of sales), followed by market-area and other empty nesters and retirees (30 to 40%). The smallest category of

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buyers at present includes people moving up in the market such as first-time homebuyers, estimated at 10% of those looking to buy a house at present.

Market Area Definition

The Housing Market Area for both South Hartmann Drive and Sparta Pike includes all of the city of Lebanon and portions of Wilson, Smith, and Dekalb counties. There are also target niches within north and eastern Davidson County (e.g., Donelson, Madison, Old Hickory). The market would also draw significant "inflow" as noted previously from those relocating to the area for requirement or for jobs throughout the Metro Nashville region.

Housing Demand

Housing demand within this market area and is component parts was estimated and forecasted through 2022 as an input to the market analysis. Demand was determined based in part on demographic projections, mobility rates, and other factors for households within the market area. Demand was also calculated based on projected regional employment growth as well as job growth within Lebanon and Wilson County.

Demographic Trends and Forecasts

Various demographic trends and forecasts were analyzed for the market area and its component parts. Several sample demographic inputs are discussed below.

Age and Tenure. Age is an important factor in housing demand, since people are more likely to seek housing to rent or own at different phases of their lives. The younger the householder, the more likely they are to rent. In Lebanon, 90% of householders between the ages of 15 and 24 rent their homes and only 10% are owners. By contrast, only 21% of Lebanon householders over age 85 are renters and nearly 80% of them own their residence.

Between 2017 and 2022, the city of Lebanon is expected to add nearly 1,200 additional households. The largest number of households (36%) will be added in the 65 to 74 age cohort. Those "Baby Boomers" will continue to drive the market for housing. People within that age cohort have a propensity to own, rather than rent housing, although more than 100 of the 400 additional households in this age group will likely seek rental housing. There will be a decrease in householders aged 25 to 34, which is the prime family-building age. Overall household forecasts by age and tenure for Lebanon are summarized in the table that follows.

Table 4.	HOUSEHOLD FORECASTS BY AGE & TENURE, LEBANON, 2017-2022		
Age Cohort	Renters	Owners	Total
15-24	114	13	127
25-34	(86)	(58)	(144)
35-44	105	77	182
45-54	62	93	155
55-64	57	88	145
65-74	102	315	417
75-84	44	147	191
85+	16	60	76
TOTAL	**414**	**735**	**1,149**
Sources:	U.S. Bureau of the Census; Claritas; and Randall Gross / Development Economics.		

Household Income. Another key factor that relates to housing demand is the change in household income. The number of households was forecasted by income cohort for each portion of the market area. In general, there will be growth in the number of households with higher incomes and a decrease in lower-income households. This shift is partly due to the effects of inflation, but also because of an overall shift in the incomes of households in the region and within the market area. Householder age also plays into income, since older, non-elderly householders tend to have higher incomes than younger ones. If there is a decrease in the number of very young householders, then that shift will translate into fewer households of modest means.

As an example, household forecasts by income are shown below for Mt. Juliet and other portions of western Wilson County outside of Lebanon. This area is forecasted to add about 3,300 households within five years. The largest growth in this area will be among households with combined household incomes above $200,000 per year. But there will be an increase in all households with incomes over $50,000 per year. At the same time, there will be fewer householders earning less than $50,000, especially those earning between $35,000 and $50,000 or those under $25,000. The overall shift in household incomes is illustrated for western Wilson County in the table that follows.

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Table 5.	HOUSEHOLD FORECASTS BY INCOME COHORT, WILSON (RMDR), 2017-22		
Age Cohort	2017	2022	Change
<$15,000	2,221	2,091	(130)
$15-$25,000	2,695	2,521	(174)
$25-$35,000	3,134	3,089	(45)
$35-$50,000	4,467	4,327	(140)
$50-$75,000	7,383	7,634	251
$75-$100,000	5,709	6,011	302
$100-$125,000	4,671	5,052	381
$125-$150,000	2,922	3,740	818
$150-$200,000	2,452	3,409	957
$200,000+	2,001	3,087	1,086
TOTAL	**37,655**	**40,961**	**3,306**
Sources:	U.S. Bureau of the Census; Claritas; and Randall Gross / Development Economics.		

Mobility. Another key factor impacting on housing demand is the mobility rate, or the likelihood that people will move within the next several years. Mobility rates differ by location, age, housing tenure, income, and other factors. One analysis looks at mobility by age and tenure within several key portions of the market area.

Here it is apparent that the younger one is, the more likely that they will move within a short time, especially if they are renters. So, within Lebanon, about 98.8% of renters aged 15 to 24 are likely to move at least once within a five-year period. By contrast, a homeowner within that same age group in Lebanon is only 66.8% likely to move. And, a Lebanon homeowner aged 85 or higher is only 7.8% likely to move within five years.

Lebanon residents appear to be more mobile that residents of other parts of the market area. For example, while 98.8% of Lebanon's 15 to 24 year-old renters will likely move in five years, only 88.9% of Mt. Juliet/West Wilson's 15-24 year old renters will move, and 81.4% of those same renters in Dekalb or Smith counties are likely to move. If they are not moving, then they are not technically an "active" part of the housing market or generating demand for new housing. Housing mobility patterns by age and tenure are summarized for portions of the market area in the following table.

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Table 6.	HOUSING MOBILITY BY TENURE AND HOUSEHOLDER AGE, MARKET AREA, 2010-2014 FIVE YEAR					
	Lebanon		Dekalb/Smith		Wilson	
Age Cohort	Rental	Owner	Rental	Owner	Rental	Owner
15-24	98.8%	66.8%	81.4%	38.6%	88.9%	60.9%
25-34	80.9%	54.7%	66.6%	31.6%	72.7%	49.8%
35-44	67.1%	20.7%	62.4%	14.5%	69.5%	17.2%
45-54	54.9%	16.9%	51.1%	11.9%	56.9%	14.1%
55-64	61.0%	18.8%	56.7%	13.2%	63.2%	15.6%
65-74	45.6%	14.3%	37.0%	6.8%	49.5%	11.9%
75-84	37.3%	11.7%	30.3%	5.5%	40.5%	9.8%
85+	24.9%	7.8%	20.2%	3.7%	27.0%	6.5%
Sources:	US Bureau of the Census and RGDE.					

Household-Growth Generated Demand

Overall, there is demand for rental housing generated by about 945 "move-ups and move-downs" among existing residents in the market area through 2022. In addition, there would be demand for another 525 rental units generated by people relocating to the market area for reasons other than employment outside of Wilson County. Thus, there would be total demand for about 1,470 rental units. Replacement and occupancy factors would add another 5-7.5% to this number. Non-employment generated household growth will generate demand for another 9,450 net new for-sale housing units plus replacement..

External Job Growth-Generated Demand

Because so much of the housing market in Lebanon is currently driven by people relocating to the Metro Nashville region for work, it is important to consider demand "induced" by the projected growth in employment. Some of the market area household growth is captured by the household projections, but there is also "inflow" caused by the area's competitiveness for attracting those relocating to the broader region for work. Informing this information is data on commutation patterns among Wilson County residents by industry sector and location. So, we have some sense of which workers in which industries are choosing to live in Lebanon and Wilson County by the location of their specific types of jobs.

Based on employment projections, it is expected that Wilson County could capture up to 13,300 job growth-generated households over the next 5 to 7 years. Netting out those new jobs that would be captured by existing Wilson County households (meaning not a relocation), there could be net growth of up to 7,500 to 11,600 job-induced households. Lebanon's "fair share" of this growth, based on current trends, would be about 2,800 to 3,900 households. A majority of these households will require rental housing.

Competitive Framework

There are more than 2,120 new for-sale homes planned or proposed near Lebanon, mostly west of South Hartmann Drive between Mt. Juliet and Lebanon. A development with 700 to 720 homes has been proposed by David Weekley Homes near I-40 and State Route 109. Other projects under development or in final phases of new construction include Spence Creek ($245,990 to $321,730, 2,260-2,956 square feet), Stonebridge ($317,990-$382,710, 1,868-3,358 sf), Colonial Village ($240,990-$285,033, 1,635-2,647 sf), Tuscan Gardens ($367,990-$449,990, 2,866-4,254 sf), Silber Springs ($369,900-$459,900, 2,171-2,732 sf) and others. Hamilton Springs offers single-family homes as well as a master-planned mixed-use environment marketed as transit-oriented development (TOD). Single family house prices start in the mid $450,000 range.

The Lebanon-Mt. Juliet rental market had over 1,000 units under construction and 2,300 planned or proposed, as of August 2017. Aside from the apartment projects in the study area (both of which are phasing in additional units to their existing mix), there are 732 units proposed at Cedar Farm Village, 360 at Northtown Gardens, 256 at Northtown Village, 228 at Stonehenge, and 728 at the Venue at 109. Vacancy even at some of Lebanon's older rental properties (30+ years) is averaging less than 5.0%. Rents tend to be 22.8% higher on average in Mt. Juliet, causing many potential commuting renters to seek housing in the emerging South Hartmann Drive corridor, which provides easy access to I-40 and Nashville-area jobs. There are fewer existing opportunities for such commuters to locate further east in the Sparta Pike area.

Sparta Pike Housing Potentials

Overall housing potentials within the Sparta Pike study area were determined based on the area's capture of overall demand within the competitive market (including competition from South Hartmann Drive). This analysis takes into account planned and proposed projects, but also assumes that projects within existing urban corridors like Sparta Pike will be given higher priority for approvals than those in more rural areas. The analysis looked at capture of both household growth-generated and employment-induced demand.

Rental Housing

The Sparta Pike corridor has market potential for development of about 190 to 350 additional rental housing units over the next five years, including 97 market-rate units and 90 to 240 "workforce" housing units. This number excludes any existing, planned and proposed rental housing that might come on line in existing or new developments. These numbers are generated by expected household growth in the market area as well as regional "job-induced" growth that will draw people to the region seeking housing.

Table 7. RENTAL HOUSING POTENTIALS, SPARTA PIKE STUDY AREA, 2017-2022

Rent Range	Area Capture Moderate	Area Capture High	Market Rate
$ 300	82	103	-
$ 500	24	35	-
$ 600	14	22	18
$ 700	20	35	27
$ 800	11	21	16
$ 1,100	2	5	4
$ 1,200	1	2	1
$ 1,500	0	1	0
TOTAL	**153**	**221**	**62**
Workforce	*120*	*160*	
Job Induced	**32**	**129**	**36**
TOTAL	**186**	**350**	**97**

Sources: U.S. Bureau of the Census; Nielsen; and Randall Gross / Development Economics.

Sparta Pike household-generated potential would total 150 to 220 rental housing units within the next five years. This would include potential for about 60 market-rate rental units plus another 120 to 160 "workforce" housing units for employed workers earning below Wilson County's median household income (or not otherwise able to pay $800 per month median market rents). Regional job-induced housing demand that could be captured within the study area would yield potential for 30 to 130 units, depending in part on the rate of continued rent growth and how much of regional demand Wilson County can capture.

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For-Sale Housing

The Sparta Pike area could capture potential for 120 to 180 for-sale housing units over the next 5 to 7 years. This number includes just 10 to 20 market-rate housing units, with prices expected to stabilize or decline by 2022 (due to the effects of a downturn in the real estate cycle). Most of the demand (100 to 170 units) will be generated for workforce units priced below $250,000.

Table 8.	FOR-SALE HOUSING POTENTIALS, SPARTA PIKE STUDY AREA, 2017-2022		
	Area Capture		Market
Price Point	Moderate	High	Rate
$ 106,250	68	85	-
$ 156,250	30	43	-
$ 218,750	16	39	-
$ 247,500	5	9	7
$ 288,750	0	1	1
$ 367,500	0	1	1
TOTAL	**119**	**178**	**8**
Sources:	U.S. Bureau of the Census; Nielsen; and Randall Gross / Development Economics.		

Clearly the Sparta Pike area has housing potential geared, at least in the short-term, towards a more affordable workforce housing market. Those renters and homeowners priced out of more expensive real estate west of town and in Mt. Juliet or Nashville, will be more likely to look at housing opportunities on the east side of Lebanon. This is especially true for Nashville job commuters and for retirees and others with a small "nest egg" and limited resources. This is not to say that market-rate housing cannot be developed on Lebanon's east side, only that other areas are likely to capture a higher share of that market because of convenience, commutation distance, physical environment and other factors.

Finally, a caveat should be reiterated that, with a likely downturn in the housing market cycle occurring in the next five to seven years, areas like Sparta Pike are more likely to be hit by declining demand. Areas further west will offer price reductions and incentives, making Sparta Pike less desirable within the competitive framework with areas in closer commuter distance to Nashville or that offer a high-amenity product at discounted prices.

Section 3. RETAIL MARKET ANALYSIS

This section provides findings from a Retail Market Analysis completed to forecast the development potential for retail, restaurant, and entertainment uses within the Sparta Pike Study Area. Inputs to this analysis included field reconnaissance and interviews with existing businesses as well as with tourism officials, commercial real estate brokers and others engaged in the market. Trade area(s) were defined and demographic trends and projections were analyzed for the trade areas. The tourism and visitor potentials were assessed as another input as market drivers in the Sparta Pike area. Overall retail expenditure potential was forecasted by type of retail good or service, and the competitive framework was analyzed in order to determine the study area's "capture" of retail demand within the next five years in square feet and sales by type of business. This information helps inform the overall master planning effort as well as strategic recommendations for commercial and mixed-use development.

Existing Sparta Pike Retail Conditions

As noted earlier in this report, the Sparta Pike area has a total of about 85,400 square feet of retail business space within the study area. About 50% of this amount is in convenience uses (including 6 gas stations with about 32,000 square feet of space). About 20% of the space is in shopper's goods stores, 23% in eating & drinking, and 7% is currently vacant. As such, occupancy is relatively good and rents are increasing in the area, according to businesses.

The area is well-positioned for capturing the eastern commercial retail market, with an I-40 highway orientation. There is significant existing and future competition to the west including South Hartmann Drive. There is also an industrial employment base that generates some demand for retail sales. Finally, there are significant tourism opportunities to build on Wilson County Fairgrounds and Exposition Center, along with I-40 Nashville-bound traffic (as a "Gateway" to Nashville, for generating retail spin-off.

Trade Area Definition

Because Interstate 40 bisects the study area, the trade area has a fairly large draw. This area includes not only neighboring "convenience" trade generators surrounding the Sparta Pike corridor, and areas of Lebanon to the east, but also an "Eastern Commuter" sub-market comprised of eastern Wilson County, Smith County, and Dekalb County. There is also substantial inflow from markets further east including Putnam County. Mt. Juliet and western Wilson County are considered as less of an influence on the market as they are on South Hartmann Drive. Most commuters travel west toward Nashville, so there would have to be destination shopping or other reasons to bring Mt. Juliet consumers east (against their commuting pattern) beyond South Hartmann and US 231 into the study area.

Aside from the natural trade area, there would also be inflow from inter-state traffic along I-40, which has about 55,300 average daily traffic counts (TDOT) near the study area. I-40 gains 70,000 cars (presumably Lebanon commuters) between Sparta Pike and I-840. Tourism is estimated to be about 9 to 10% of the traffic along this stretch of I-40, originating from Kentucky, North Carolina, South Carolina, and Georgia, among other places. There is also the opportunity for attracting Nashville-area residents, if there is (as for Mt. Juliet residents) a draw. Sparta Pike itself carries about 15,800 vehicles per day, which is the third highest in Lebanon (behind South Hartmann and US 231).

Demographic Trends and Forecasts

Trends and forecasts in population, households, income levels and other factors were examined as a basis for determining overall household-generated retail demand. In general, significant demographic growth is expected throughout the trade area and especially within the Sparta Pike corridor area. These projections are consistent with the findings of the housing market analysis, suggesting that there is demand and potential for development of rental and for-sale housing units in the study area.

Demographic Trends

All of the trade area has seen population and household growth since 2010. However, that growth is uneven, with some areas experiencing a rapid demographic change and others less so. The areas surrounding the South Hartmann Drive study area (designated here as Trade Area "A") have a population of about 14,900 and a household base of 6,000. Both of these numbers represent growth of about 18.7% since 2010, or 2.7% per year. Growth has been even faster in Mt. Juliet and west Wilson County (Trade Area "E," roughly corresponding to zip code 37122), which has an estimated population of

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almost 68,000 and household base of 28,000, up by 20.2% and 20.5%, respectively.

Growth has been somewhat slower in eastern parts of Lebanon near Sparta Pike and in other parts of the trade area. Within the Lebanon downtown and east Wilson County area (Trade Area "B"), population and households have increased by 10.1% and 12.2%, respectively. In eastern commuter areas (Smith, Dekalb) and Putman County, growth has been slower (below 10%).

Household income growth has also been uneven. Within Trade Area A, household incomes have increased by about 1.4% on average since 2010; and in Trade Area B (Central/East Lebanon/Wilson), incomes actually fell even since the end of the recession. Lebanon household incomes remain the lowest in the trade area, suggesting that retail purchasing power is much higher outside of the immediate confines of Lebanon.

Table 9. DEMOGRAPHIC TRENDS, RETAIL TRADE AREAS, SPARTA PIKE/LEBANON, 2010-2017

Factor	2010	2017	2010-2017 Change Number	2010-2017 Change Percent
Trade Area A-S Hartmann Area				
Population	12,522	14,869	2,347	18.7%
Households	5,054	6,000	946	18.7%
HH Income	$ 61,577	$ 62,450	$ 873	1.4%
TA B-CBD East/Sparta Pk				
Population	**11,247**	**12,386**	**1,139**	**10.1%**
Households	**4,204**	**4,718**	**514**	**12.2%**
HH Income	**$ 46,810**	**$ 46,543**	**$ (267)**	**-0.6%**
Trade Area C-East Commute				
Population	71,582	77,255	5,673	7.9%
Households	27,440	29,654	2,214	8.1%
HH Income	$ 57,326	$ 61,354	$ 4,028	7.0%
Trade Area D-Putnam				
Population	72,321	75,079	2,758	3.8%
Households	28,930	30,152	1,222	4.2%
HH Income	$ 51,325	$ 54,534	$ 3,209	6.3%
Trade Area E-Mt. Juliet				
Population	56,531	67,962	11,431	20.2%
Households	20,695	24,943	4,248	20.5%
HH Income	$ 84,642	$ 92,431	$ 7,789	9.2%

Note: Income expressed in constant 2016 dollars.

Sources: Nielsen and Randall Gross / Development Economics.

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This data is consistent with findings on recent income trends in Lebanon discussed earlier in this report. Income growth has been more substantial in other areas including not only Mt. Juliet (which has the highest incomes in the trade area and the fastest - 9.2% - income growth) but also in eastern commuter counties (7.0%) and Putnam County (6.3%). This shift may reflect the dynamic of Metro Nashville-area households moving to outlying areas for lower-cost housing and more rural character.

Demographic Forecasts

Demographic growth is expected to continue by 2022 throughout the trade area, but at a slower pace than in the past seven years. For example, whereas Trade Area "A" population increased by 2.3% per year between 2010 and 2017, that area will see population growth of about 1.9% per year over the next five years to 2022.

Table 10. DEMOGRAPHIC FORECASTS, RETAIL TRADE AREAS, SPARTA PIKE/LEBANON, 2017-2022

Factor	2017	2022	2017-2022 Change Number	2017-2022 Change Percent
Trade Area A-Convenience				
Population	14,869	16,252	1,383	9.3%
Households	6,000	6,566	566	9.4%
HH Income	$ 62,450	$ 63,209	$ 759	1.2%
TA B-CBD East / Sparta Pk				
Population	**12,386**	**13,211**	**825**	**6.7%**
Households	**4,718**	**5,083**	**365**	**7.7%**
HH Income	**$ 46,543**	**$ 46,638**	**$ 95**	**0.2%**
Trade Area C-East Commute				
Population	77,255	81,354	4,099	5.3%
Households	29,654	31,257	1,603	5.4%
HH Income	$ 61,354	$ 61,847	$ 493	0.8%
Trade Area D-Putnam				
Population	75,079	77,503	2,424	3.2%
Households	30,152	31,204	1,052	3.5%
HH Income	$ 54,534	$ 54,924	$ 390	0.7%
Trade Area E-Mt. Juliet				
Population	67,962	74,285	6,323	9.3%
Households	24,943	27,259	2,316	9.3%
HH Income	$ 92,431	$ 98,506	$ 6,075	6.6%
Note:	Income expressed in constant 2016 dollars.			
Sources:	Nielsen & Randall Gross / Development Economics.			

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Similarly, growth will slow in East Lebanon/Wilson (areas near Sparta Pike), commuter counties, and in Mt. Juliet and western Wilson County. Putnam County's growth will slow, but only slightly. In general, the trade area's growth will continue to be concentrated in trade areas "A" and "E," comprising mainly those areas near and west of the site within the Wilson County. Overall demographic forecasts are summarized above.

TPI and Household-Generated Retail Demand Forecasts

Total Personal Income (TPI) is $6.4 billion in the trade area as a whole, including $210.6 million within the areas surrounding the Sparta Pike study area and east Wilson County. Much of the trade area's disposable income is located in Mt. Juliet, where TPI totals $2.3 billion. Overall TPI is expected to increase by 9.8% over the next 5-7 years. Overall Total Personal Income forecasts are summarized by trade area in the table that follows.

Table 11. TPI FORECASTS, S HARTMANN DRIVE STUDY RETAIL TRADE AREAS, 2017-2022

	TPI (000)		2017-2022 Change	
Trade Area	**2017**	**2022**	**Amount**	**Percent**
A –S Hartmann	$ 374,700	$ 415,032	$ 40,332	10.8%
B-CBD East	**$ 219,590**	**$ 237,060**	**$ 17,470**	**8.0%**
C-Commute	$ 1,819,389	$ 1,933,141	$ 113,752	6.3%
D-Putnam	$ 1,644,309	$ 1,713,838	$ 69,529	4.2%
E-Mt. Juliet	$ 2,305,506	$ 2,685,183	$ 379,676	16.5%
Total	**$ 6,363,494**	**$ 6,984,253**	**$ 620,759**	**9.8%**
Notes:	Total personal income (TPI) expressed in thousands of constant 2016 dollars.			
Source:	Randall Gross / Development Economics.			

Retail demand, which represents that share of TPI available for expenditure on retail goods and services, is expected to grow by $168.4 million over the next five years to a total of $2.94 billion.

Retail Demand Generated by Tourists and Workers

In addition to the $2.94 billion in retail demand generated by households within the trade area, there is also "inflow" represented by tourists and other travelers along I-40. Since Sparta Pike offers an exit from I-40, there are opportunities to capture a share of this travel market base. There are an estimated 1.2 million tourist travelers along I-40 near Sparta Pike each year, assuming tourists represent about 9% of total vehicular traffic (13.7 million per year, based on TDOT average daily traffic counts). These travelers currently generate demand for about 91,450 square feet of retail, but expected growth will yield demand for an additional 4,000 to 8,000 square feet of retail/commercial space over the next five years.

Wilson County Fairgrounds & Exposition Center

The Wilson County Fairgrounds already attracts upwards of 500,000 in attendance each year (including thousands of volunteers and fair workers), with growth averaging slightly less than 1.0% per year. The fair attracts people from about 20 states, on average, yielding economic impacts in the form of accommodation foodservice, and transportation expenditures among others. However, despite the exceptionally broad reach for a county fair, Wilson County and Lebanon do not see a major "bump" in hotel occupancy or demand during fair month (although occupancy has been relatively high year-round). Certainly the presence of the fair could help sustain local hotels during a month (August) when they might otherwise see a dip in revenue, but in reality, most visitors are day trippers and many of the overnight guests are accommodated in RV and campground sites rather than at local hotels.

Assuming that just 5.0% of attendance comprises overnight guests, this shall share still implies that the Fair attracts at least 25,000 overnight tourists to Wilson County for the event. Aside from lodging, these guests are likely to spend an average $160 to $250 on retail goods per party, yielding sales of $1.6 to $2.5 million over the 9-day event. Day trippers from areas within the primary market (1.5-hour drive) may spend an estimated $30 to $50 per party (above and beyond on-site expenditures). Assuming that 66% of visitors are day trippers, then they generate $3.96 to $6.60 million in retail sales in the area. Since these are once-off event sales, they accrue primarily to existing businesses rather than generating sufficient support to sustain new businesses year round.

These numbers do not include the retail impacts of other events at the Fairgrounds or Expo Center. In general, however, the new Expo Center's attendance has been more limited so far to a local audience rather than tourists and overnight visitors. The opportunities for expanding this audience base are explored in the hotel market analysis portion of this report.

Employee-Generated Demand

Workers employed in the study area are an important "captured" market source, especially for daytime expenditures. There are estimated to be more than 2,400 workers in the study area (including areas south of I-40), generating existing demand for about 37,000 to 45,000 square feet of retail space as indicated in the table shown below.

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Table 12.	SPARTA PIKE CORRIDOR EMPLOYEE-GENERATED RETAIL DEMAND, LEBANON, 2017 & 2022			
	Employee Expenditures		Sq. Footage Demand	
Type of Good	2017	2022	2017	2022
Convenience	$ 6,148,577	$ 7,378,292	11,116	13,339
Shoppers Goods	$ 3,280,543	$ 3,936,651	14,268	17,122
Eating & Drinking	$ 2,365,213	$ 2,838,255	7,992	9,590
Entertainment	$ 203,813	$ 244,576	1,568	1,881
Personal Service	$ 235,545	$ 282,654	1,963	2,355
TOTAL	**$ 12,233,691**	**$ 14,680,429**	**36,907**	**44,288**
Source:	Randall Gross / Development Economics.			

Competitive Retail Framework

There are a number of large retail nodes that compete directly for trade area household expenditures as well as for retail expenditures generated by tourists traveling along I-40. Among the most competitive of these is Lebanon Outlet Marketplace, which is actually located in the South Hartmann Drive study area on U.S. Route 231. Outside of Lebanon, Providence Marketplace (in Mt. Juliet) is highly competitive. This regional retail destination offers about 828,000 square feet of shopping in a "lifestyle" center complex adjoining apartments and other residential development. National brands represented at this center include Target, Old Navy, Best Buy, HomeGoods, Ross Dress for Less, and others. Various fast-food and full-service restaurants also populate the center's mix. Perhaps most importantly, the center offers the Regal Providence 14 Cinema, which draws shoppers as a destination for entertainment. Since Providence is located along I-40 closer to Nashville, it captures a significant share of destination shoppers from throughout the Lebanon market.

Opry Mills is a 1.17 million square-foot super-regional retail center that competes directly for commuters and others originating from the South Hartmann Drive Trade Area, Opry Mills offers 200 off-price retail outlets and other stores with brands including Saks 5th Avenue Off 5th, J Crew, Forever 21, Bass Pro Shops, Vera Bradley, and others. Like Providence Marketplace, Opry Mills offers full-service restaurants (including several destination brands), Regal Cinemas, and other entertainment like Dave & Buster's and Madame Tussaud's Wax Museum to draw the destination shopper. Importantly, Opry Mills is located adjacent the Grand Ole Opry House and Gaylord Opryland Resort & Convention Center, so it is an attractive location for tourist-generated retail shopping.

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Other key competitors include RiverGate Mall (1.18 million square feet), Lebanon's West Main Street commercial corridor (including Cedar Crest, Lebanon Center, and other shopping centers), the Lebanon Wal-Mart SuperCenter, Cedars Square, Downtown Carthage (e.g., D.T. McCall & Sons), Cookeville's Willow Tree & Jackson's Plaza, Donelson Plaza, and many others east and west along the I-40 corridor.

Sparta Pike Corridor Retail Potentials

Based on the analysis of the competitive framework, potential for retail development within the Sparta Pike study area was forecasted through 2022.This analysis determined that there is potential for a total of about 200,000 square feet of net new retail within the study area. This number accounts for the existing 79,700 occupied square feet and 6,000 square feet of vacant space.

Table 13.	SUMMARY RETAIL POTENTIAL BY USE SPARTA PIKE, 2017-2022			
	Gross Demand (SF)		Existing	Warranted
Type of Good	2017	2022	Uses	Demand
Convenience	79,231	85,334	42,034	43,300
Shoppers Goods	108,713	117,147	17,979	99,168
Eating/Drinking	35,140	38,334	17,563	20,771
Limited Service	*7,262*	*8,072*	*6,668*	*1,404*
Full Service	*17,836*	*19,055*	*10,895*	*8,160*
Entertainment	39,877	42,521	-	42,521
Personal Services	4,048	4,588	2,076	2,512
TOTAL	**267,009**	**287,924**	**79,652**	**208,272**
Existing Vacant			*5,754*	
Net New Space				***202,518***
Note:	Assumes Pro-active Business Recruitment & I-40 Visibility.			
Source:	Randall Gross / Development Economics.			

In general, there would be potential for about 99,000 square feet of shopper's goods space (stores selling merchandise ranging from furniture to shoes for which consumers comparison shop), as well as for about 43,000 square feet of convenience space and 20,000 square feet of eating & drinking establishments (e.g., restaurants and bars). There is also potential for about 45,000 square feet of entertainment use and 3,000 square feet of personal services. All of this potential is predicated on the assumption that the area would be pro-actively marketed for business recruitment and that there would be I-40 exposure or proximate access for some of these uses.

Potential by Type of Establishment

There is significant retail potential in many categories, due to a combination of projected demographic and tourism growth, traffic and employment growth. In terms of specific store types, there would be warranted demand for a 22,000 square-foot grocery, 22,000 square feet of pharmacy and/or personal care products, 11,600 square feet of department store general merchandise, 9,000 square feet of automobile dealership space, 13,000 square feet of miscellaneous shopper's goods, 12,000 square feet of gift & hobby shops, 8,000 square feet in full-service restaurants, and up to about 42,000 square feet of entertainment uses. All specific uses are outlined in Appendix Table A-1.

Expo Center-Leveraged Potentials

Several assumptions were made with respect to retail potentials under the scenario where the expo center generated greater spin off with the addition of associated overnight accommodation. These potentials are based in part on the number of room-nights that might be leveraged by the expo center, determined as part of the hotel market analysis (see the following section).

Under this scenario, the expo center would leverage an additional 32,000 room-nights per year for various meetings, conferences, trade shows, and events. Total hotel visitors would in turn generate about $22.7 million in annual retail sales spin-off or demand for 49,100 square feet of additional retail space. Much of this space would be oriented to eating & drinking (15,000sf) and convenience retail uses (20,600sf), but there is also the opportunity to enhance entertainment development options (14,000sf) as another anchor use for the corridor.

Recommended Business Mix

An overall business mix is recommended below, based on the findings of the market analysis, under the assumption that the expo center could be leveraged to generate additional demand for retail, eating & drinking, and entertainment uses. The recommended mix builds on the market for convenience and miscellaneous shopper's good uses, but focuses on enhancing the destination potential for this corridor.

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Table 14.	OVERALL RECOMMENDED RETAIL MIX, SPARTA PIKE CORRIDOR, 2022
Type of Business	**Square Feet**
Destination Family Entertainment Venue	55,000
Brew-Pub / Full-Service Restaurants	22,000
Grocery with Pharmacy	40,000
Convenience	4,000
Gift/Novelty	6,300
Hobby/Toy/Games	6,700
Miscellaneous SG/Used Mdse	10,000
Sporting Goods	6,100
Books & Music	3,500
Coffee Shop	3,800
Auto Supply	5,000
Destination Garden Supply	6,500
Personal Service	2,500
Total	**171,400**
Source:	Randall Gross / Development Economics.

This recommended mix includes family entertainment venue(s), brew pub and full-service restaurants, grocery with pharmacy, toys & games, gifts & novelty stores, sporting goods, and a destination gardening center, among other uses.

While there may be potential for uses not shown here, demand may be insufficient to support the required floor plate typically demanded by retailers within that particular category. Thus, the recommended mix reflects, in part, the physical viability of uses. There is also an attempt to establish a destination marketing concept for the corridor that builds on existing anchors and potential to establish destination eating & drinking and entertainment uses. Finally, there is also an effort to avoid direct competition for downtown Lebanon, with the recommendation that certain specialty uses are better suited to a downtown location. More detailed recommendations for location/districts, development, and marketing are provided in a separate Strategy Report.

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Section 4. LODGING MARKET ANALYSIS

This section provides a summary of findings from a lodging market analysis, conducted with a specific focus on the Sparta Pike Corridor study area. In particular, a key purpose was to assess the opportunities for hotel development associated with the county's new exposition center and for creating more of a destination appeal for meetings, conferences, trade shows and events in the Sparta Pike area. While this study was not intended to test the market potentials for the expo center, it does establish several targets for enhancing the center's market penetration as a way to capture demand for hotel room nights.

Key Hotel Market Drivers

Clearly the Fairgrounds and Exposition Center are primary market drivers for lodging demand in the Sparta Pike Corridor. The Wilson County Fair itself draws an average 500,000 attendance per year, although that number includes thousands of volunteers and fair workers. Most visitors are day trippers rather than destination tourists. The expo center caters primarily to local bookings to date, in part because its market is constrained by the lack of high-quality rooms available adjacent to the facility. These events include bank and other private functions, the local farmer's market, and monthly meetings for the region's Jehovah's Witnesses. In general, larger-scale conference, meeting, and trade show planners seek facilities that offer blocks of rooms available for out-of-town accommodation.

The expo center has capacity for larger events, with 78,000 square feet including 48,000 square feet in the main exhibition hall accommodating up to 250 trade show booths and concert seating for 3,000. But again, the facility's competitiveness for larger events with a regional draw is constrained without an ability to accommodate over-night guests on site. Without the rooms, the facility's promoters are stuck in the proverbial "chicken and egg" situation where they cannot attract larger events without the rooms, but face challenges in recruiting a hotel operator without some indication of the market for larger events. Such challenges are not insurmountable, and this market analysis can help provide some technical input to that question.

Aside from the Fairgrounds and Exposition Center, key lodging demand drivers in this area include I-40/Nashville tourism traffic and potentially, the Music

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City Star commuter rail. Nashville has seen explosive tourism growth since the end of the recession, with 75% average occupancy and rapidly rising revenues-per-room (RevPar) despite the infusion of dozens of new properties and thousands of new hotel rooms. The planned expansion of National International Airport, including the addition of new non-stop international service, will no doubt feed expectations for further growth in both tourism and business travel to the region. Also important are Wilson County businesses and industrial facilities generating a corporate lodging base as well as Cumberland University and its suppliers.

Local Lodging Supply Base

Smith Travel Research (STR) inventories a total of 20 hotel properties with a total of 1,594 rooms in the Lebanon-Wilson County sub-market. A total of 15 of those 20 are located in Lebanon, while the others are in Mt. Juliet. The largest of the Lebanon hotels is Woodspring Suites, with 121 rooms built in 2008. Wilson County represents a small, but growing segment in the metropolitan Nashville hotel market. As a comparison, Davidson County alone has a total of about 200 properties with nearly 28,000 rooms. Thus, Wilson County is equal to about 5.6% of Davidson County's market.

Within the Sparta Pike study area is just one hotel, the Knights Inn, with 75 rooms on U.S. 231. This hotel lacks amenities and is rated with only 1.5 stars. Many of the reviews for this hotel are often negative and represent the hotel and its operation as "shady" in character. In general, this is not the type of operation that one would pro-actively market to leverage the Expo Center, and it is not even located anywhere near it.

There has been and continue to be significant new hotel construction in Wilson County. Among the properties that have or will come online between 2009 and 2017 are My Place Hotel (63 rooms), Fairfield Inn & Suites (80), Comfort Inn (125), Hampton Inn & Suites (80), Courtyard by Marriott (96), and the Tru Hotel (91). As prices for Nashville hotels continue to rise, Wilson County becomes more attractive as an affordable alternative, especially for families, with quick access to Nashville International Airport and sites like the Hermitage, Nashville Shores, and Opry Mills on the east side of the city.

Existing Market Conditions

Key market indicators suggest that Wilson County is seeing growth and a strengthening of its market as part of the broader wave of hotel construction and tourism development throughout Middle Tennessee. The county's occupancy rates continue to rise, with the most recent month (October 2017) averaging nearly 82% and the 12-month running average at 76.6%, according to STR data. Occupancy is up by 5 basis points over 2016 and 20 points over 2015. The overall rate of occupancy growth is slowing, but this growth has occurred despite an accelerating supply of rooms (6.4% growth per year, on average) and rapidly increasing rates in the county. Wilson County occupancy rates are fairly consistent, if slightly higher, than those in neighboring urban/suburban counties including Davidson, Rutherford, and Sumner.

Table 15.	HOTEL DEMAND TRENDS, WILSON COUNTY INDICATORS, 2014-2017		
Year	**RN Sold**	**Supply**	**Difference**
2014	374,057	546,770	172,713
2015	407,697	546,770	139,073
2016	418,305	549,746	131,441
2017	445,496	581,810	136,314
Change (#)	*71,439*	*35,040*	*-36,399*
Change (%)	*19.1%*	*6.4%*	*-21.1%*
Sources:	Smith Travel Research (STR) and Randall Gross / Development Economics.		

Overall, the gap between supply and demand has fallen, even with construction of new hotels. Between 2014 and 2017, the gap between supply and demand shrank by about 36,400 room-nights or 21.1%. These numbers provide indicators of the overall health of the market. While leisure and corporate travel comprises the majority of existing demand, some lodging operators indicate that long-term stays generate an increasing share of sales in Lebanon. Such stays are generated in large part by construction and other temporary workers. But there also appear to be a growing number of people relocating to the Nashville area who lack immediate access to workforce housing within commuting distance to their jobs.

Thus, some are finding it less expensive or more convenient to live at least temporarily in hotels on the "outskirts" of suburban Nashville than to pay high rents in the city especially if they are working nearby. A $60 per night hotel room (e.g., EconoLodge, Days Inn, Woodspring Suites, Knights Inn, etc) which includes breakfast can be less expensive than the $1,800 rents typical of new apartments and there is less pressure to pay rent in advance or produce a security deposit.

Regardless of the appeal of Lebanon's low-cost hotels, Wilson County's Average Daily Rates (ADR) increased by nearly 10% per year over the past three years, to $90.45 in 2017 ($97.97 in October). At the same time, Revenue per Room (RevPar) has increased by about 14% per year over the past three years to $69.26 ($80.22 in October), due to the combination of increasing rates and rising occupancy.

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Demand Forecasts

Room-night demand forecasts were generated based on growth projections within each of the primary "driver" categories, including I-40/Nashville tourism, Fairgrounds/events, expo center penetration, and local business & industry. Room-night demand was translated into "keys" or demand for hotel rooms.

I-40 Traffic/Nashville (Leisure Travelers)

The I-40 Corridor is estimated to carry about 1,234,930 tourists and other destination visitors per year (based on 9% of total traffic volumes as explained in the previous section), many of whom are headed to Nashville. However, there are also destination travelers visiting sites in Wilson County such as Cedars of Lebanon State Park (with approximately 1.0 million visitors per year), Judd Creek Distillery, Sellars Farm State Archeological Area, the new Veterans Museum, and other sites. This number of visitors generates about 1,259,750 room-nights per year. It is estimated that Lebanon should capture about 4.8% of this number. Sparta Pike should target capture of 1/3 of Lebanon's share, yielding 20,100 room-nights per year or 55 to 60 hotel rooms. Thus, Sparta Pike's "fair share" capture of highway travelers should yield demand for up to 60 rooms in the corridor (depending on the event schedules).

Business and Industry (Corporate)

Local Lebanon business and industry generates some internal demand for lodging, such as for sales training, suppliers, and construction. Meeting-generated demand for hotel rooms was calculated based on typical meeting patterns for large and smaller companies in key sectors, and on targets for participation of associations and other organizations that "rotate" their meeting schedules within the state of Tennessee or within the region. Overall room-night demand forecasts for the Lebanon Meeting Market Area are summarized in the table on the following page.

Table 16.	**MEETING ROOMNIGHT DEMAND FORECAST SUMMARY, LEBANON MEETING MARKET**			
Source Market	**Board/Exec**	**Sales/Mktg**	**Other HE**	**TOTAL**
Wilson County Companies	1,908	5,800	1,272	8,980
Large Corporations	*900*	*1,600*	*600*	*3,100*
Other Companies	*1,008*	*4,200*	*672*	*5,880*
Other Target Nashville Corps	1,980	3,520	1,320	6,820
Tennessee Associations	2,592	-	1,728	4,320
In-Flow Corporates/Assns	1,440	3,200	960	5,600
TOTAL Roomnights	**7,920**	**12,520**	**5,280**	**25,720**
Sources:	Wilson County Chamber of Commerce; Greater Nashville Convention & Visitors Bureau; Randall Gross / Development Economics - Interviews with companies and association meeting staff; and Interviews with meeting planners.			

Overall, this analysis suggests that there would conservatively be about 26,000 room-nights generated by a modest marketing and meeting recruitment effort focused on local and Nashville-area businesses and on Tennessee and regional associations. This demand would yield potential for up to about 170 meeting-related rooms in the Lebanon market, as indicated below.

Table 17.	**LEBANON MEETING-GENERATED ROOM POTENTIALS, 2017-2022**		
Type	**Roomnights**	**Rooms 1/**	**Rooms 2/**
Board/Exec	7,920	51	33
Sales/Mktg	12,520	81	53
Retreat	199	1	1
Other HE	5,280	34	22
TOTAL	**25,919**	**168**	**109**
Notes:	1/ Rooms at full occupancy 2/ Rooms at nominal occupancy		
Source:	Randall Gross / Development Economics.		

The largest share of these meeting-generated rooms would accommodate sales and marketing meetings, followed by executive-level and other corporate

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meetings. The analysis assumes a very small capture within Lebanon itself for corporate retreats, although natural heritage areas within the broader Wilson County market may provide highly competitive locations for corporate retreats and site training activities.

Fairgrounds & Wilson County Fair

The Wilson County Fair attracts average attendance of about 500,000, as noted above, increasing at the rate of about 1.0% per year. A substantial share of this attendance includes volunteers and those working on the various exhibits and events. Overall, it has been estimated that a minimum of 5% of total attendance is generated by over-night visitors who are traveling more than 3-4 hours to attend the Fair. While at least 25,000 visitors generate demand for hotels (and use campsites and RV hookups) throughout the area, their impact is limited to the duration of the fair. Thus, the overnight visitors may generate an estimated 31,400 room-nights (which are distributed between hotel rooms, home-stays, RV hookups, campground sites, and other accommodation over the duration of the 9-day fair). Hotels may accommodate up to 50% of this demand, or about 500 rooms. The Fairgrounds does host other events, but none comes close to the very concentrated impact of the County Fair.

Expo Center

The Expo Center is relatively new and, as such, is still building its market base. In FY2017, the center has attracted 35 events with a total attendance estimated at 68,000 (not including another 200,000 in paid attendance for events at the Wilson County Fair). The largest of these non-fair events include the following:

- National Junior High Rodeo (16 days) 10,000 attendance
- Fall Redneck Rumble (3) 6,000
- Spring Redneck Rumble (3) 5,000
- Tennessee Beef Agribition (5) 5,000
- Country Living Fair (7) 5,000
- Vintage Market Days (8) 5,000
- F100 Supernationals (4) 3,500
- AMP RV Show (3) 3,000
- Christmas Expo (5) 3,000
- Import Alliance (3) 3,000

Based on data supplied by Expo Center management, it is estimated that these events generate a total of about 19,300 room-nights for overnight visitors, yielding demand for 53 rooms in the Wilson County market or beyond. Using a pro forma schedule for 2018, it is estimated that the center will generate about 28,400 room-nights or demand for 78 rooms in 2018.

Assuming that blocks of rooms associated with the event center were available for large trade shows, conferences, tournaments, and other events; there is the opportunity for increasing the facility's penetration rates in the regional market. While this market analysis is not intended to test the potential for the event center itself, increased meeting and event bookings would enhance opportunities for hotel development. A high-level, cursory analysis of potential event growth was based in part on penetration rates at comparable facilities using the following population drive-time parameters:

30-minute	60-minute	90-minute	180-minute	240-minute
277,900	1,728,300	2,616,700	8,652,400	17,036,900

Doubling the center's penetration rate for attendance generated within 180 to 240 minutes' (3-4 hours') drive would not be unreasonable, given the performance of comparable facilities in similar suburban/exurban markets. A target penetration rate of 1.2% would conservatively yield 55,584 visitor room-nights or demand for about 152 rooms on-site. A block of 150 to 250 on-site rooms would most likely satisfy the needs of many state and regional associations or organizations for events at a facility with this capacity and location.

Based on sample interviews, the opportunity for hosting more regional sports tournaments and specialty trade shows could be among the drivers at this location for overnight stays. The Expo Center may fall slightly short of a typical requirement for larger shows of at least 50,000 square feet of contiguous floor space (the center has 45,000 square feet of contiguous space). Another slight deficiency is the distance, with specialty trade shows and sporting events often exhibiting a clear preference to be located within **25 to 30 miles** of Nashville. The Expo Center is located about 33 miles from downtown Nashville, although exceeding the limit by 3 miles is almost negligible.

For attracting more meetings and conferences (and other events) with overnight stays, the center would need to be co-branded or marketed with amenities, such as dining and entertainment options. The center is unfortunately located too far from the Square to have an immediate impact on (or benefit directly from) revitalization of downtown Lebanon. Certainly, many conference, exhibition, and convention centers are located in a downtown area in order to provide walk-able access to dining, attractions, and entertainment.

Nevertheless, there is still the opportunity to establish a dining and entertainment destination attraction at or near the Fairgrounds and Expo Center. The retail market analysis indicates that there is already local and commuter trade area support for some additional dining and entertainment options. This existing market could be enhanced if entertainment options had destination

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appeal for tourists and event attendees. Opportunities for entertainment that are consistent with the anchor uses and market demographics could include:

- Themed restaurant or brewpub with live music
- Theater
- Family recreation center (FEC - e.g., Dave & Busters)
- Waterpark (although there is significant competition nearby in Nashville)
- Bowling/skating center
- Outdoor adventure park

Ultimately, it is the combination of restaurants and entertainment that can help support a destination concept anchored by the expo center and fairgrounds to leverage the hotel market.

Sparta Pike Hotel Potentials

The following summarizes hotel demand targeted or captured in Sparta Pike by primary source in the market and the number of supportable hotel rooms.

	Room-Nights			
Market Source	Current	2022	(Rate)	Warranted Rooms
I-40 Leisure	20,100	21,300	1.2% 1/	58 Rooms
Corporate	25,720	27,300	1.2% 2/	75
Wilson County Fair	*31,400*	*32,970*	*1.0% 3/*	*500 (9 days)*
Expo Center	28,400	55,600	20.0% 4/	152
TOTAL	**105,620**	**137,170**	**6.0%**	**285**
Existing (Knights Inn)				*120*

Notes: 1/ Growth rate based on annual trends in traffic counts
2/ Growth rate based on employment trends and projections
3/ Growth rate is assumed to mirror past trend of <1.0%/year
Fair-generated room demand is not included in the total because
It is limited to the duration of the 9-day event.
4/ Growth rate is a target oriented to doubling event penetration rate.
This target may or may not be achievable within the 5-year horizon.

This analysis suggests that there is potential in Sparta Pike for up to 285 rooms. While it would be normally be imperative to net out the 120 existing rooms from this total (yielding a net potential of 165 rooms), the low quality of the existing hotel facility suggests the need for replacement or rehabilitation of that facility. As such, the potential could be characterized as 165 to 285 rooms, depending on whether the quality of the existing property is improved.

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The potentials are generated based on the assumption that a high-quality flag hotel facility would be developed adjacent or connected to the existing event center site. It is also assumed that site and corridor amenities including dining and entertainment facilities would be recruited to support both the use of the event center and the hotel, and that physical improvements would be made to enhance the overall environment for tourism and event market development. More specific recommendations are provided in the strategic planning component of this study.

Appendix

Table A-1.	TOTAL WARRANTED RETAIL DEMAND BY USE, SPARTA PIKE, 2017 AND 2022			
Type of Good	Gross Demand (Sq Ft) 2017	2022	Existing Uses	Warranted Demand
Convenience				
Grocery	20,702	22,269	-	22,269
Convenience	6,802	7,485	3,264	4,220
Specialty Food	2,620	2,995	-	2,995
Health/Pers Care	21,087	22,736	-	22,736
Gas/Convenience	21,673	23,161	31,807	(8,646)
Florist	2,119	2,357	-	2,357
Liquor	4,227	4,331	6,963	(2,631)
Sub-Total	**79,231**	**85,334**	**42,034**	**43,300**
Shoppers Goods				
Apparel	8,037	8,562	8,403	159
Accessory	1,288	1,434	-	1,434
Jewelry, Luggage	2,299	2,518	-	2,518
Shoes	2,816	3,035	-	3,035
Furniture	3,367	3,573	-	3,573
Home Furnishings	1,558	1,626	-	1,626
Appliances	375	400	-	400
Hardware/Paint	2,459	2,631	-	2,631
Garden Supply	3,504	3,758	-	3,758
Home Centers	5,183	5,512	-	5,512
Department Store	10,483	11,569	-	11,569
Non DS GM	9,508	10,141	7,500	2,641
Automotive Dealer	8,784	9,396	-	9,396
Auto Supply	4,303	4,847	-	4,847
Electronics	2,119	2,293	2,076	217
Books/Music	3,075	3,267	-	3,267
Musical Instruments	2,293	2,514	-	2,514
Gift, Novelty, Svr	6,023	6,339	-	6,339
Hobby/Toy, Sewing	6,400	6,785	-	6,785
Misc	12,048	13,141	-	13,141
Office Supply/Sta	2,427	2,571	-	2,571
Used Mdse	4,668	5,129	-	5,129
Sporting Goods	5,696	6,105	-	6,105
Sub-Total	**108,713**	**117,147**	**17,979**	**99,168**
Dining & Entertainment				
Restaurant-LS	7,262	8,072	6,668	1,404
Restaurant-FS	17,836	19,055	10,895	8,160
Drinking Estab.	6,568	7,313	-	7,313
Non-Alcohol	3,475	3,895	-	3,895
Entertainment	39,877	42,521	-	42,521
Sub-Total	**75,017**	**80,855**	**17,563**	**63,293**
Personal Svces	**4,048**	**4,588**	**2,076**	2,512
TOTAL	**267,009**	**287,924**	**79,652**	**208,272**
Existing Vacant			*5,754*	
Net New Space				***202,518***
Source:	Randall Gross / Development Economics.			

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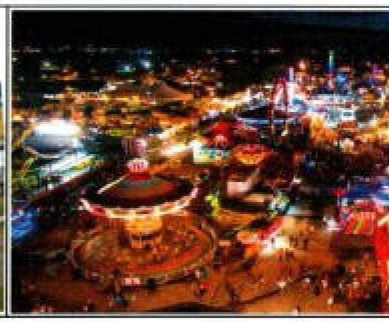
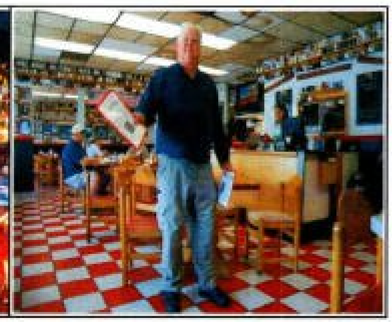
DRAFT

Part 2: Strategic Recommendations

Sparta Pike

Lebanon, Tennessee



March 8, 2018
Prepared for Ragan-Smith
And the City of Lebanon
By Randall Gross / Development Economics

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DRAFT DRAFT

INTRODUCTION

This report provides recommendations for marketing, management, and development within the Sparta Pike Corridor, based on the findings from market analyses conducted to determine the potential for retail, housing, and hotel development. Input to these recommendations included stakeholder engagement through a steering committee established explicitly for this study. This report follows on the Market Analysis, findings of which were presented in Part 1 of this study.

The report presents concepts for marketing and development. These concepts are geographically-focused, in order to assist in the broader effort to create activity nodes that can help drive revitalization within the full corridor. Concepts for linkages between these nodes are also presented as part of this discussion. Finally an abbreviated Implementation Plan matrix is included at the conclusion of this report as a guide for moving recommended strategic concepts forward.

Section 1. EXPO CENTER ACTIVITY NODE

This section describes the marketing and development concept for an "Expo Center Activity Node," situated at the Wilson County Fairgrounds and surrounding areas associated with the "Triangle" intersection of Sparta Pike and Park Avenue. This node would incorporate two primary components, based on the findings of the market analysis: (1) Hotel, dining and entertainment associated with the Expo Center; and (2) Transit-Oriented Development (TOD) associated with the extension and terminus of Music City Star commuter rail.

Hotel, Dining & Entertainment

The market analysis determined that there is demand for a 150- to 180-room hotel associated with the expo center, so long as a destination is established that includes dining and entertainment. By the same token, the growth of the expo center and to its full potential is likely dependent on recruiting a hotel to support it. Given the investment made in the new Expo Center, it is in the County's and City's joint interest to maximize the center's potential and generate the highest possible return on investment, in the form of hotel and retail tax dollars, jobs, and spin-off business activity that helps to revitalize the Sparta Pike Corridor.

Expanding the Fairground/Expo Center Impact

By adding hotel rooms, dining and entertainment, the concept helps to expand the economic benefits of the Fairgrounds and Expo Center year round. At present, the Fairgrounds generate a significant benefit to Lebanon and Wilson County through its annual events including the Wilson County Fair. By adding new family entertainment attractions, the Fairgrounds area can extend its economic impacts year-round.

Dining and Entertainment is Key

There is a "chicken and egg" issue with attracting a hotel to the Fairgrounds. Since a hotel was not integrated into the Expo Center development, the center has not reached its full potential to attract meetings and events that require some overnight accommodation. Further constraining the center's potential, its design does not match the minimum requirements for certain trade shows and other activities. At the same time, the lack of entertainment or year-round attractions limits event opportunities within the day-trip market. Being located outside of the downtown area, at a natural amenity, or near a major year-round attraction also reduces the inherent drawing power of an event-oriented facility. As a result of these constraints, the Expo Center's penetration rate within its broad market base has not been fully realized.

To help establish a destination, it is recommended that efforts build on the entertainment value of the Fairgrounds site to include year-round family dining and entertainment attractions. Within this context, the market analysis identified certain specific opportunities including a 55,000 square foot destination "family entertainment venue" (FEC) and 12,000 to 18,000 square feet of full-service destination restaurants. There are various models for successful, privately-

operated destination FEC venues, such as Edison's, King Putt, and others that offer a variety of games, recreation activities, and food & drink options. It would be recommended that efforts focus on recruiting a brand that is not otherwise located in Tennessee or packaging a new concept with interested entrepreneurs. The more unique the brand or venue, the more likely it will create destination value that will broaden and enhance market penetration (so long as it is feasible).

Similarly, the restaurant concepts cannot be oriented to the highway chains and brand models if the effort is meant to establish a destination. Creating a unique environment and product such as a brew pub (less unique in this region than just a few years ago) or, even more appropriately, an "anchor concept" **Cracker Barrel** would be strong opportunities. The great benefit of creating a new concept linked to Cracker Barrel is that it builds on a major, nationally-recognized locally-based brand and offers multiple opportunities for tourism. The family orientation of the brand also plays well with the concept of creating a family-oriented destination.

Also integrated with this concept is a retail component. As indicated in the retail market analysis, there is potential for gift, novelty shops, and hobby, toy and game stores. About 5,000 square feet of gift-related merchandising and 4,000 square feet in toys and games would be included in the overall dining and entertainment concept.

Exposition Center Hotel

Assuming the entertainment base is developed as a prerequisite, then recruiting an expo center hotel is more likely. The hotel market analysis determined that there would be demand for lodging in the range of 150 to 180 rooms. That being said, there is also an assumption that the expo center facility would be expanded slightly to accommodate trade shows meetings, and events that can draw from a regional market. As noted in the market study, the expo center falls short of the minimum requirements for marketing to larger shows and events that would draw an overnight market. There may be an opportunity for a joint hotel/expo center expansion that could be accomplished together through a public-private partnership.

Sample Hotel Concept Brand & Scale

Music City Star Transit-Oriented Development

Related to the concept of an Expo Center Hotel & Entertainment node is the establishment of a Transit-Oriented Development (TOD) with potential for tax increment financing (TIF), located within the same node surrounding the "Triangle" intersection of Park Avenue and Sparta Pike. Key marketing and development components of this concept are discussed below.

Music City Star Terminus

A key element of this concept is the extension of Music City Star commuter rail operations to the existing rail storage yard, located just west of the "Triangle" intersection. The proposal to extend Music City Star service through downtown Lebanon to this yard is being considered as part of the long-range planning undertaken by RTA and local authorities.

Leveraging the Market

Extending service to this location would help leverage the market for housing and mixed-use development, thereby spurring revitalization of the Sparta Pike Corridor. Close proximity to the Expo Center, Hotel, Entertainment Complex and Fairgrounds would also add significant value and opportunity for building on tourism and convention connections between Lebanon, Nashville International Airport, Opryland Convention Center, and Downtown Nashville.

TOD would leverage development of housing and mixed-use development including market rate and workforce rental housing as well as associated retail uses. Offering a transit link to Downtown Nashville will help Sparta Pike generate and capture housing demand where there would have been more limited

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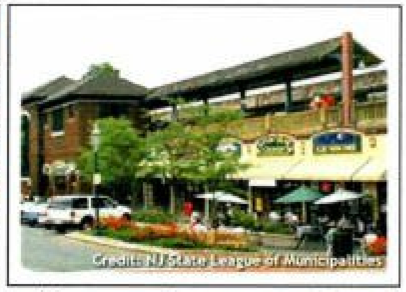
opportunities. A significant portion of the 180 to 350 units of rental housing potential in the Sparta Pike study area could be captured near the transit station,



either on the west side of Park Avenue and/or within the "Triangle" formed by Sparta Pike and Park Avenue. Again, based on the market analysis, some 120 to 160 of the total rental housing units would be generated for those with incomes below the median for the Lebanon market.

Pictured above are two TOD projects of scale and format appropriate for the Sparta Pike "Triangle" Area.

A TOD-based plan, coupled with TIF financing for public improvements and perhaps for structured parking, could help lower overall development costs and improve opportunities for workforce housing integrated within the overall development. Connections to Baird Park, Music City Star transit, entertainment, restaurants, and events would enable a strong marketing strategy and brand that would help the node improve its market capture.

Use of Tax Increment Financing (TIF)

Tennessee State Government has recently established an option for applying the powers of tax increment financing to transit centers and hubs, which not only helps leverage the real estate development potential around those hubs but also enhances potential for increasing ridership and revenues to support transit operations. The Nashville Metropolitan Development and Housing Agency (MDHA) is already working in tandem with the Metropolitan Transit Agency (MTA) to establish priority TOD-TIF development districts, with the first announced for Donelson. One of the reasons that Donelson was selected for the first TOD-TIF was the fact that it is already served by the Music City Star, and has a plan in place to allow for mixed-use development around the station.

Section 2. CORRIDOR STREETSCAPE

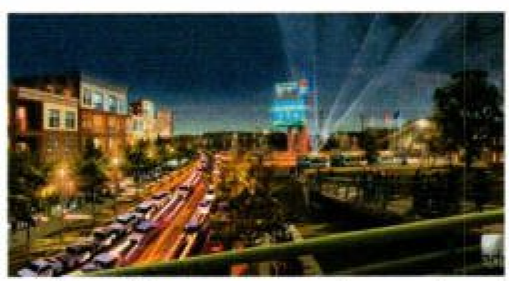
Also important as a tool for enabling revitalization and leveraging development in the Sparta Pike Corridor is the implementation of a streetscape plan. At present, Sparta Pike suffers from the typical elements of suburban commercial sprawl that limit the area's potential for establishing a destination draw. The Expo Center helps anchor the corridor and establish a unique amenity for marketing and branding. So, every effort should be made to leverage that asset by enhancing the surrounding physical environment and improving its marketing image.

Purpose

A purpose of streetscaping is to improve the overall environment for residents, businesses, pedestrians, tourists, and commuters who may eventually use expanded dining and entertainment, event, residential, hotel, and transit facilities in the area. Another purpose is to establish and define nodes for the purposes of marketing, branding and identity. There is merit in developing a pleasant streetscape that offers a tranquil and beautiful tree-lined boulevard into the neighborhood from I-40. But there are also reasons to create some excitement around the Expo Center node, in establishing a destination that will draw people from a broad area for events, dining, and entertainment. The physical elements in these two scenarios could be very different.

Phase 1: I-40 to Exposition Center Node

The different components of streetscape improvements could be aligned with geographic locations and phasing. Clearly an important first phase would be intended to draw tourists and event attendees up from I-40 to the Fairgrounds and Expo Center. This portion of the corridor, and especially the node surrounding the "Triangle" would need to offer some excitement and



destination value through lighting, special signage, banners, and other elements that "celebrate" and promote the County Fair Experience. This does not necessarily mean that the gaudy bright lights and flashing neon signs of an active fair should be replicated entirely within the street, but rather that elements of that excitement can be used tastefully as a part of the streetscape to establish a unique identity for the node.

Pictured Above: The gaudy but exciting lights of Midways at county fairgrounds.

Below: Examples of county fair branding and lighting in Riverside County (CA) and Darke County (OH). At right is the Wilson County Fair Logo.

Other key elements that would need to be programmed at the center of the node at The Triangle (Park Avenue and Sparta Pike) would include strong pedestrian-oriented streetscape and design components including sidewalks, pedestrian-scale street lighting, street furniture, civic space (perhaps as a gateway to the transit station on the west side of Park Avenue), shade trees, on-street parking wayfinding, bike racks, crosswalks, on-street parking spaces, and various road safety elements. Overall, the Triangle node would gain a more urban environment supported by the presence of a transit terminus and mid-rise residential/mixed-use development.

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Phase 2: Expo Center to Downtown Lebanon

Between the Expo Center and Downtown Lebanon along Park Avenue and/or Sparta Pike, there is the opportunity to establish more tranquil boulevards and create a park-like environment more amenable to the surrounding single-family neighborhoods and the nearby university. Street trees, sidewalks, median strips, and pedestrian accommodation would be welcomed in this corridor, as this image captures.

Ultimately, such design would be determined through technical expertise in collaboration with the City's agencies and the community. This description is meant to help guide that design by indicating how streetscape will play into marketing and leveraging certain types of development, with a focus on establishing a destination.

Section 3. SOUTH OF I-40 CONCEPTS

Several concepts have been generated for undeveloped land in portions of the study area located south of I-40. Currently, areas just west of Sparta Pike along I-40 are developed for industrial uses. There is a large parcel of undeveloped farmland within the City limits located south of existing industrial and residential areas to the southwest. This parcel is zoned for industrial uses. There is also undeveloped land in other parts of the study area south of I-40. Several possible scenarios are provided below.

Scenario A: New Residential Community

The undeveloped areas south of the Maddox-Simpson industrial area are well-positioned to attract residential development. In particular, the market analysis suggests that these areas are appropriate for development of an attractive, workforce residential community. Such a community could benefit from having design sensitive to the farm/rural setting, such as through a farmland conservation policy that integrates new residential development. Residential development at this location would also help support commercial uses further north on Sparta Pike and Downtown Lebanon, by adding rooftops to the trade area base.

Single-Family Workforce Housing

The market analysis identified an opportunity for 120 to 180 units of single-family housing development in the study area over the next five years. Some 100 to 130 of these units would need to be priced to accommodate the needs of the workforce earning less than the city's median household income. Given the proximity of undeveloped land to both jobs-rich industrial areas and commuter route I-40, the opportunity for workforce housing can be captured within this southwest portion of the study area. Land prices are relatively low, compared with other parts of the Nashville area, and are aligned with price points for workforce housing. This option provides the opportunity for preserving affordability in Lebanon and Wilson County. An important caveat relates to timing and cycles in the housing market. While there is forecasted demand for single-family housing, it is important to take account of market cycles with respect to their impact on phasing, pricing, and housing sales.

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Scenario B: Expanded Industrial Development

The Maddox-Simpson industrial area is nearly built-out and has proven to be a successful location, especially for large "box" distribution-oriented businesses. While an industrial market analysis was not completed for this study, there is an indication that large distributors are looking for additional sites and building space in the Lebanon / I-40 area, so the availability of land south of Maddox-Simpson would, on the surface, seem to suggest an opportunity for industrial expansion.

However, recent development indicates that sites closer to the I-40/I-840 interchange on the west side of Lebanon may be more competitive for distribution uses due to greater regional accessibility. Lebanon is not attracting significant new light industrial use that without a distribution component, so even light industrial uses will more likely gravitate to the I-840 interchange.

Further, there is existing residential use located between the study area's undeveloped land and Maddox-Simpson. As such, development of that land would, in essence, "trap" the existing residents between two industrial zones and create an island of residential. Experience suggests that, over time, housing in such residential islands tends to degrade over time due to the impact of constant truck movements and industrial activity on all sides.

Due to these physical and market-related constraints, it is recommended that residential uses be encouraged over industrial at this particular site. That being said, it is also recommended that strategies be developed to pro-actively establish locations and appropriate sites for industrial expansion that meet the specific objectives of the City that may relate to tax base, employment, sustainability, and economic diversification.

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Section 4. NASHVILLE AREA VISITOR CENTER & COMMERCIAL NODE

Sparta Pike is well-positioned as a "gateway" to the Nashville area and to capture a portion of the region's 14 million tourists. Development of a Nashville Area Visitors Center is recommended on the Northeast or Northwest corner of the I-40 Sparta Pike interchange, to capture west-bound I-40 traffic. The visitor center would help encourage more visitors to stop first in Lebanon, which could help generate business and economic spin-off benefits to Lebanon.

Linkages to Expo Center Node

Having a visitor center at this location could help enhance opportunities for marketing Downtown Lebanon and the city's attractions. It also provides an opportunity to direct visitor traffic to the Fairgrounds, Expo Center and associated dining and entertainment development. While the center is geared to the Nashville tourist, it nevertheless provides the opportunity to market Lebanon and Wilson County.

Comparable

There are comparable examples of this approach within the region. For example, the Memphis Tourism Center is located not in Memphis, but on I-40 in Arlington, Tennessee. In this way, Memphis visitors are provided with information (before they arrive in Memphis) on the city's attractions, accommodation, dining and services; but also on the broader area including Arlington.

Memphis Tourism Center, Arlington, TN

Commercial Node

Rather than development of typical highway commercial uses at this interchange, the presence of the tourism center, and streetscaped linkages to the Expo Center allow for a more purposefully-planned and compact commercial node at that location. This commercial node would include a retail mix that is oriented to tourists, commuters, and highway convenience, such as gift retailers

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and convenience stores. Convenience uses would also serve adjacent existing and potential new apartment complexes surrounding the node to the north. In this way, a more attractive gateway can be established for Lebanon and the Sparta Pike Corridor.

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Section 5. LEBANON'S DISTRIBUTION CORRIDOR

Lebanon and Wilson County have become major hubs for large-scale big box distribution facilities. There is the opportunity to strengthen and diversify this marketing advantage by creating more definition within the city's industrial areas and providing more aesthetic value. While the industrial potentials of the study area have not been forecasted, there is nevertheless the opportunity to strengthen existing industrial zones (Maddox-Simpson, Briskin Lane, Tennessee Boulevard) and enhance their marketability through re-branding, marketing and physical definition.

Infrastructure and Aesthetic Upgrades

Basic upgrades to industrial area infrastructure and physical environment are recommended to enhance the definition and marketability of industrial areas at least partly located within the Sparta Pike Corridor study area. These upgrades include some attractive landscaping and lighting, especially where industrial areas intersect with Sparta Pike or surrounding residential and commercial areas. Such improvements are also recommended surrounding the I-40 interchange, where visitors first encounter Lebanon. Gateway signage is recommended at the entrances to industrial areas in order to provide definition and establish boundaries for industrial parks. Attracting and packaging amenities targeted to truck drivers and long-distance travelers is recommended, such as recreation facilities (e.g., exercise loops and trails, game rooms, gyms), laundries, Internet kiosks, etc.

Marketing

There are ways that Lebanon, working with Wilson County, can increase its marketing efforts for these industrial areas. For example, when the areas are given more physical definition, then the City and/or County can create maps of industrial areas including their existing businesses, available sites and buildings. At a minimum, such information can be posted to the City's or JECDB web sites. Providing up-to-date real estate information on these areas, working directly on joint marketing projects, and linking supplies with contractors are all part of the overall approach for marketing these existing industrial areas.

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Connectivity

Strengthening connectivity through streetscape and infrastructure can also help enhance the marketability of these areas, with a particular focus on the Legends Drive-Briskin Lane corridor. Attention needs to be paid to how the development program for Cumberland Center will integrate with industrial uses on Briskin Lane. Ultimately, the mix of uses along these corridors should be complementary, with aesthetic upgrades in Briskin Lane to match the attractive environment established in Legends Drive.

Section 6. CARTHAGE HIGHWAY NODE

The northern portion of the study area offers potential as well for new, mixed-use development and for strengthening community identity. In particular, a focus is recommended for the Carthage Highway intersection, which currently lacks a sense of place and a unique identity.

Existing non-descript intersection at Carthage Highway

Gateway Village Concept

The intersection with Carthage Highway is seen as a "gateway," both to the downtown area and to the Sparta Pike Corridor. At present, there is low-scale suburban development near this intersection. It is recommended that there be the gradual development of mixed-use projects, creating a more "urban" environment.

Village of Cheshire (upper left)
Saugatuck Center (upper right)

Hitchcock Woods, Aiken, SC

Convenience Retail

Development at this intersection might include convenience-oriented uses as determined by the market analysis, to be anchored by a specialty 40,000 square-foot supermarket and pharmacy. Coffee shop, garden supply, personal

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service and convenience store would help round out the business mix, based on the market analysis, for a total of about 55,000 to 65,000 square feet of retail to serve east-side neighborhoods and commuters.

Workforce Housing

The node is also well-situated to integrate some workforce and retirement housing into mixed-use sites or buildings. Some portion of the overall 130 to 180 for-sale housing unit demand might be accommodated in a combination of mixed-use, patio home, and cottage home communities.

Eastside Identity

Local identity at this intersection can be strengthened through development of a small "village" concept, branded and marketed with a local vernacular concept (e.g., "Bluebird Village" or "Baddour Village"). Branding and identity can help support marketing and business recruitment, housing marketing, and community pride in the east side. Streetscape improvements would increase the walk-ability of the node and help to establish identity specific to the marketing concept. For example, if the node were to be associated with the nearby Bluebird Road name, then street signage, special pavers, lighting, bird houses and other elements could reflect the theme. Regardless of these "soft" elements, the engineering of the intersection should be re-imagined so as to create more of an urban feel, improve safety, and reduce pavement.

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Section 7. IMPLEMENTATION ACTIONS

Several recommendations are made to propel the implementation of the strategies and concepts presented in this report. The following abbreviated matrix provides a summary of the key actions and recommended timetable, assigns responsibility for implementation, and provides some indicative cost and possible funding sources to help move projects forward. This matrix is meant only as a guide for the "first steps" toward implementation.

Abbreviations:
LPD (Lebanon Planning Department)
JECBD (Joint Econ. Dev. Board)
WCFB (Wilson County Fair Board)
LED (Lebanon Economic Development)
RTA (Regional Transit Agency)
Expo Center TOD Dev. Committee (ECTOD)

Action	Timing	Responsibility	Indicative Cost	Funding Sources
Refine/Integrate Strategies into Comp Planning Process	4/18-11/19	LPD	$0	N/A
Present Expo Center/TOD Node General Concepts to City Council	5/18	LPD, LED	$0	N/A
Facilitate Expo Center Node Concept Discussions with County	6/18	LPD/Consultants, LED, WCFB	$0	N/A
Facilitate TOD Node Concept Discussions with RTA	6/18	LPD/Consultants, LED, WCFB	$0	N/A
Establish Expo Center/TOD Node Concept Development Committee	6/18	City Council; JECBD/County	$0	N/A
Facilitate Meeting with Nashville CVB to Discuss Visitor Center Concept	7/18	LED, Wilson County CVB	$0	N/A
Work on Research & Recruitment	7/18-10/18	LED, JECBD, WCFB	$0	N/A

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Package for Expo Center Entertainment Venue(s)				
Develop Findings, Recommendations on Expo Center TOD and Concept for Use of TIF	11/18	ECTOD	$0	N/A
Conceptualize Sparta Pike Corridor and Carthage Highway Node Streetscape Improvements as Part of Comp Planning Process	11/18	LPD/Consultants	$0	N/A
Draft RFP for Sparta Pike or Node-Targeted Streetscape Improvements Plan; Contract Process	1/19	LPD	$35,000 to $50,000 (for plan)	City (50%), WCFB/County (50%)
Consider Rezoning of Undeveloped SW Study Area Property for Residential as part of Comp Planning Process	2/19	LPD/Consultants	$0	N/A
Recruit Entertainment Venue(s) as Anchor for Expo Center Node Development	2019	LED	$TBD	TBD/TIF
Develop Plan/Strategy for Industrial Area Definition and Marketing	2/2019	LED	$0 (In-House)	N/A

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I hereby certify that the attached advertisement of ORDINANCE #18-5760 in space of 49.98 lines was published in the THE LEBANON DEMOCRAT On :

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Signed ______________________
representative of publisher

Total Cost of Publication: $83.00

Subscribed and sworn to before me this

3rd day of January, 2019

....
notary public
Tammy Williams

TAMMY WILLIAMS
STATE OF TENNESSEE
NOTARY PUBLIC
WILSON COUNTY

02/11/2019

PUBLIC NOTICE

In reference to Ordinance No. 18-5760, notice is hereby given that the Mayor and City Council of the City of Lebanon, Tennessee, will hold a public hearing at 5:55 PM on December 18, 2018, in the Council Chambers for the purpose of discussing and hearing comments from the citizens on the adoption of the Sparta Pike Economic Study. The public hearing for the proposed Economic Study is being conducted pursuant to the laws of the State of Tennessee Code Annotated and the City of Lebanon, Tennessee. Copies of the proposed Economic Study are available for inspection at the following locations: City of Lebanon Mayor's Office, Engineering Office and Planning Office at 200 North Castle Heights Avenue. Questions can be addressed to Paul Corder at 444-3647 x2321. The public is welcome to attend.

Individuals needing auxiliary aids for effective communication and/or other reasonable accommodation in programs and services of the City of Lebanon are invited to make their needs and preferences known to the ADA [illegible] by calling [illegible].