



FLAGSTAFF AIRPORT



32-ACRE CONCEPT DEVELOPMENT PLAN

32-Acre Concept Development Plan
for
Flagstaff Airport

Prepared for
The City of Flagstaff

Prepared by
Coffman Associates, Inc.
in association with
ESI Corporation

April 2020

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Attachment 1 – Market Assessment

Summary of Development Alternatives for the 32-Acre Parcel at Flagstaff Airport

The City of Flagstaff owns 32 acres of undeveloped property at Flagstaff Airport. This property is located east of Interstate 17, northwest of John Wesley Powell Boulevard, and southwest of South Pulliam Drive. The City engaged Coffman Associates, in association with ESI Corporation, to study the 32 acres of property to help identify the type of uses that could be supported based on existing and projected market conditions in the regional area.

This report summarizes five development concept alternatives for the 32-acre parcel owned by the City of Flagstaff. Alternatives 1 and 2 are based on the scenarios presented in the attached *Flagstaff 32-Acre Airport Parcel Market Assessment (Market Assessment)* which was prepared to identify the potential demand for development on the site based on the existing real estate market and trends in population and employment growth for the area. A copy of this report is included as **Attachment 1**.

Three additional concepts (Alternatives 3, 4, and 5) were also prepared. Alternatives 3 and 4 focus primarily on office and flex industrial/research and development land uses, while Alternative 5 takes a more general approach to development with flexibility built in. The five concept alternatives are provided to begin discussions about how the site could be developed; however, it is important to note that the market will dictate how the site will ultimately be developed.

The following sections include an overview of the site's strengths and constraints, the City of Flagstaff's land use standards applicable to the site, and a description of each of the alternatives.

Strengths and Constraints

Table 1 provides an overview of the strengths and constraints identified for the site as outlined in the *Market Assessment*.

TABLE 1
Strength and Constraint Summary

	Strength	Constraint
Site Connectivity	I-17 is a major north-south transportation corridor servicing Flagstaff and connecting east and westbound to I-40. At the I-17 airport exit the average daily traffic count is 33,438. The average daily traffic count at the I-17 traffic interchange east and westbound along John Wesley Powell Boulevard and Shamrell Boulevard is 2,043.	Extension of John Wesley Powell Boulevard to Lake Mary Road is not immediate and there is no definite timeframe or funding. This could constrain potential development options on the parcel.
Utilities	All major utilities (water, sewer, broadband, electric, and natural gas) are available at or near the site and can support future development.	
Flagstaff Airport	Regional commercial airport servicing northern Arizona with over 65,000 enplanements a year and projected to increase 85% by 2035. Two major carriers service the region providing flights to Phoenix, Los Angeles (seasonal), Dallas, and Denver.	Limited availability of long-term parking at the airport.
Labor Market	Projected employment growth of 15.4% from 2018-2026. Flagstaff has a sizable labor shed with 63% of workers living in Coconino County, 24% coming from other Arizona locations, and 13% from out of state.	Low unemployment rate and tight labor market. Ability to attract resident labor is hampered by Flagstaff's housing affordability. Over the last year the median home sales price increased by 12 percent.
Economic Factors	The Flagstaff Airport area has been identified as a future activity center for the City. Current activity includes a diverse mix of aviation and non-aviation businesses including manufacturing, office, and R&D. Estimated number of jobs in the airport area is 500.	Access to the airport from the east is constrained due to the fact that John Wesley Powell Boulevard does not currently connect to Lake Mary Road.

Source: *Flagstaff 32-Acre Airport Parcel Market Assessment, Table 3 – Strength and Constraint Summary*

Land Use Standards

Zoning: The parcel, which is zoned Highway Commercial, is part of Flagstaff Airport and is located east of Interstate 17 northwest of John Wesley Powell Boulevard and southwest of South Pulliam Drive. As outlined in the City of Flagstaff Municipal Code, the Highway Commercial zone supports a full range of automobile-oriented services. The provisions of this zone are intended to provide for convenient, controlled access and parking, without increasing traffic burdens upon the adjacent streets and highways. This zone is applied to commercial corridors with the intention of making the City more attractive as a tourist destination while providing needed commercial activity. The Highway Commercial zone also includes residential development options, with the provision that these types of uses are located above or behind commercial buildings that act as a buffer from nearby highway corridors.

The project area is outside of the Airport Overlay (AO) zone (Section 10-90.30.020).

Development Standards: Table 2 summarizes the Building Form Standards for the Highway Commercial zone as outlined in the City of Flagstaff Municipal Code. These standards outline the allowable building setbacks, height, and lot dimensions that would be applicable to development on the site. This information was used during preparation of the development concept alternatives.

TABLE 2
City of Flagstaff
Highway Commercial Zoning – Building Form Standards

Building Placement Requirements	
Front Setback (minimum, feet)	0 ¹
Side Setback (minimum, feet)	<ul style="list-style-type: none"> • Adjacent to Residential: 15 ft² • Exterior (minimum): 10 ft³
Rear Setback (minimum, feet)	<ul style="list-style-type: none"> • Adjacent to Residential: 15 ft • All other lots: 0 ft
Building Form Requirements	
Building Height (maximum, feet)	<ul style="list-style-type: none"> • 60 ft max • Conditional Use Permit required for structures over 60 ft
Gross Floor Area Ratio (maximum)	<ul style="list-style-type: none"> • 3.0⁴
Lot Requirements	
Area (minimum gross square feet)	9,000 sq ft
Width (minimum feet)	60 ft
Depth (minimum feet)	100 ft
Notes:	
<ol style="list-style-type: none"> 1. No front setback required, except when required by the adoption of building setback lines along specified streets. 2. Except that the setback from a proposed residential use in a commercial zone to other residential uses shall be 5' min. 3. Setback may be reduced to 5' min., if the landscape street buffer is reduced in accordance with Section 10-50.60.040(B), Nonresidential Zone Buffers. 4. Excludes residential square feet (gross) when above or behind commercial uses. 	

Source: City of Flagstaff Municipal Code Section 10-40.30.040 *Commercial Zones*

Parking: Parking requirements are dependent on the land use as outlined in City of Flagstaff Municipal Code Section 10-50.80 *Parking Standards*. **Table 3** provides example parking requirements for land uses that could potentially be developed on the site based on City’s standards.

TABLE 3
City of Flagstaff
Example Parking Requirements

Land Use	Parking Requirements
General Retail Business	1 per 300 gsf
Restaurants or Cafes	1 per employee plus 1 per 100 gsf
Lodging	1 per 3 employees on largest work shift plus 1 per room or suite for rent plus 1 per 3 persons at the maximum capacity of each public meeting and/or banquet room
Office – General	1 per 300 gsf
Office – Medical	1 per employee plus 5 per doctor
Warehousing	1 per 2,000 gsf

Source: City of Flagstaff Municipal Code Section 10-50.80 *Parking Standards*

Site Development Concepts

Table 4 summarizes the land use alternative scenarios from the *Flagstaff 32-Acre Airport Parcel Market Assessment*. Using the acreage distributions outlined in the table and the land use standards discussed above, corresponding site plan development concepts were prepared. Each of the alternatives includes an internal loop road with two access points to the existing local roadway system. The primary entrance

would be at the planned traffic circle at the intersection of John Wesley Powell Boulevard and Shamrell Boulevard and a second access point would be located on Pulliam Drive.

TABLE 4
Land Use Alternative Scenarios (Alternatives 1 and 2)

	Alternative 1	Alternative 2
Hotel	4.7	10.4
Retail/Services/Restaurants	4.7	12.1
Office	4.8	5.1
Flex Industrial Space/R&D	15	-
Medical Office	-	2.0
Roads, sidewalks, drainage, open space ¹	2.8	2.4
Note:		
1. It is assumed that additional acreage needed for drainage and open space will be incorporated into the site plans for the specific parcels.		

Source: *Flagstaff 32-Acre Airport Parcel Market Assessment, Table 13 – Subject Site Land Use Alternative Scenarios*

Each of the alternatives envisions a mix of industrial, medical office, and hotel development on the site. Current trends in development of these types of land uses are summarized as follows:

Industrial: Many of the industrial buildings built today consist of small bay industrial flex space with a sizeable amount of office in the front and production space in the back. Developers prefer to build industrial with a 90-foot depth and as wide as they can fit on the parcel to allow for divisible space among multiple tenants.

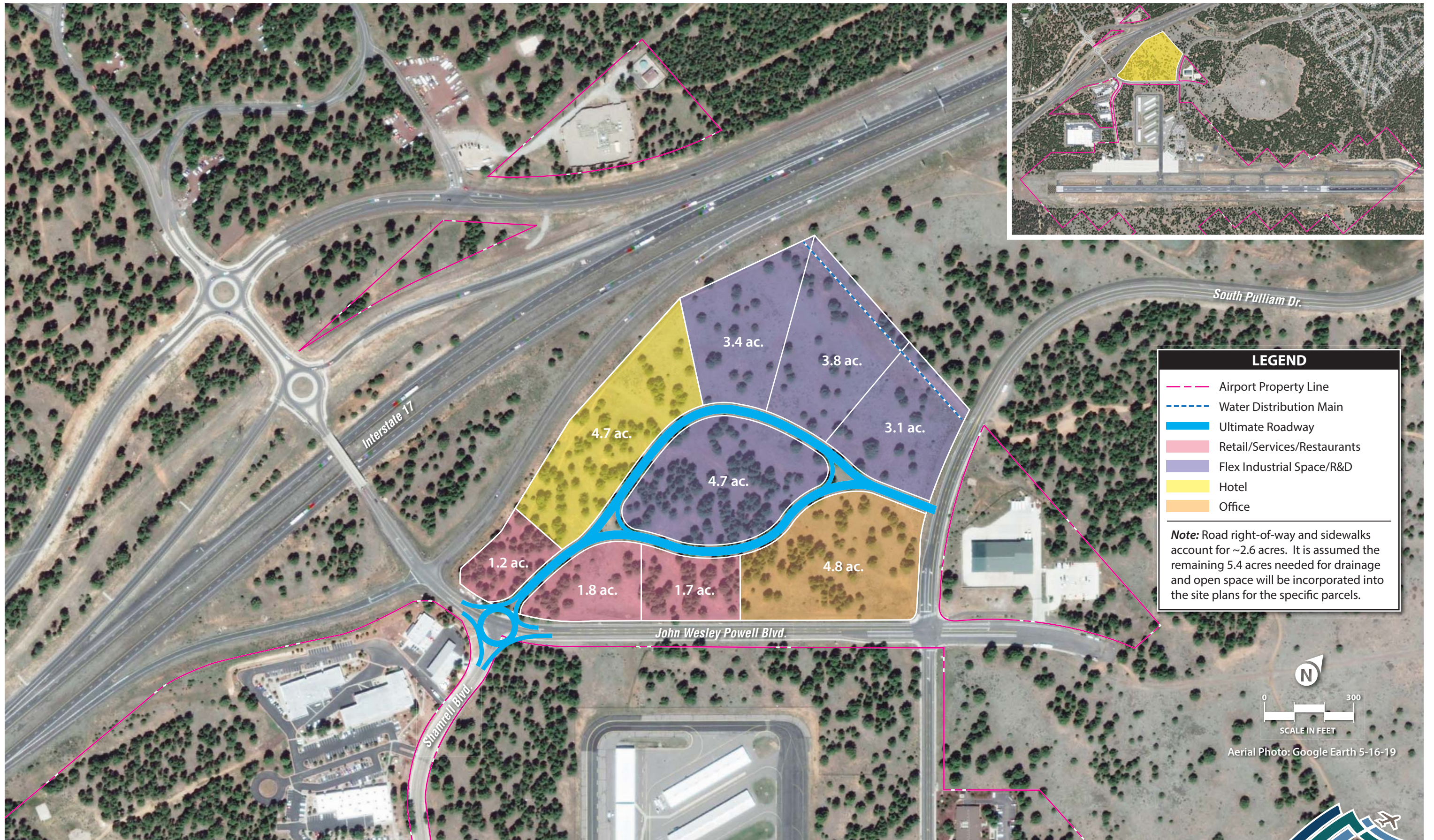
Medical: Medical offices today have a retail component, which is driven by consumer demand and a shift toward faster and more convenient medical services. As a real estate strategy, healthcare is increasingly looking for highly visible retail locations with convenient parking for their customers.

Lodging: Co-branded hotels are experiencing economies of scale by locating on the same site, such as limited service and extended stay hotels, which have different price points. This allows them to maximize the footprint of the site and share parking, sales and marketing staff, back-of-house operations, executive staff, or amenities. The decision to co-brand properties is based on whether the market can support two branded hotels existing together.

As noted in the *Market Assessment*, Alternative 1, shown on **Exhibit 1**, represents a natural expansion of existing uses currently in the area today including manufacturing, office, research and development, and aviation support. It also includes the addition of lodging and other travel-related retail/services.

Alternative 2, shown on **Exhibit 2**, recognizes the lack of existing resident amenities south of the I-40 corridor such as retail, medical, and other services. This alternative envisions the northeastern extension of John Wesley Powell Boulevard and the ability to capture the current customer base as well as attracting the existing population south of the airport exit extending to Munds Park. Lastly, it envisions the development of vacant parcels, identified in the City’s General Land Use Plan, located south of I-40 in the City of Flagstaff and the County.

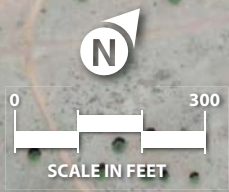
As noted previously, two additional alternatives were prepared. Alternatives 3 and 4 (**Exhibit 3** and **Exhibit 4**) include a larger percentage of land devoted to industrial development when compared to



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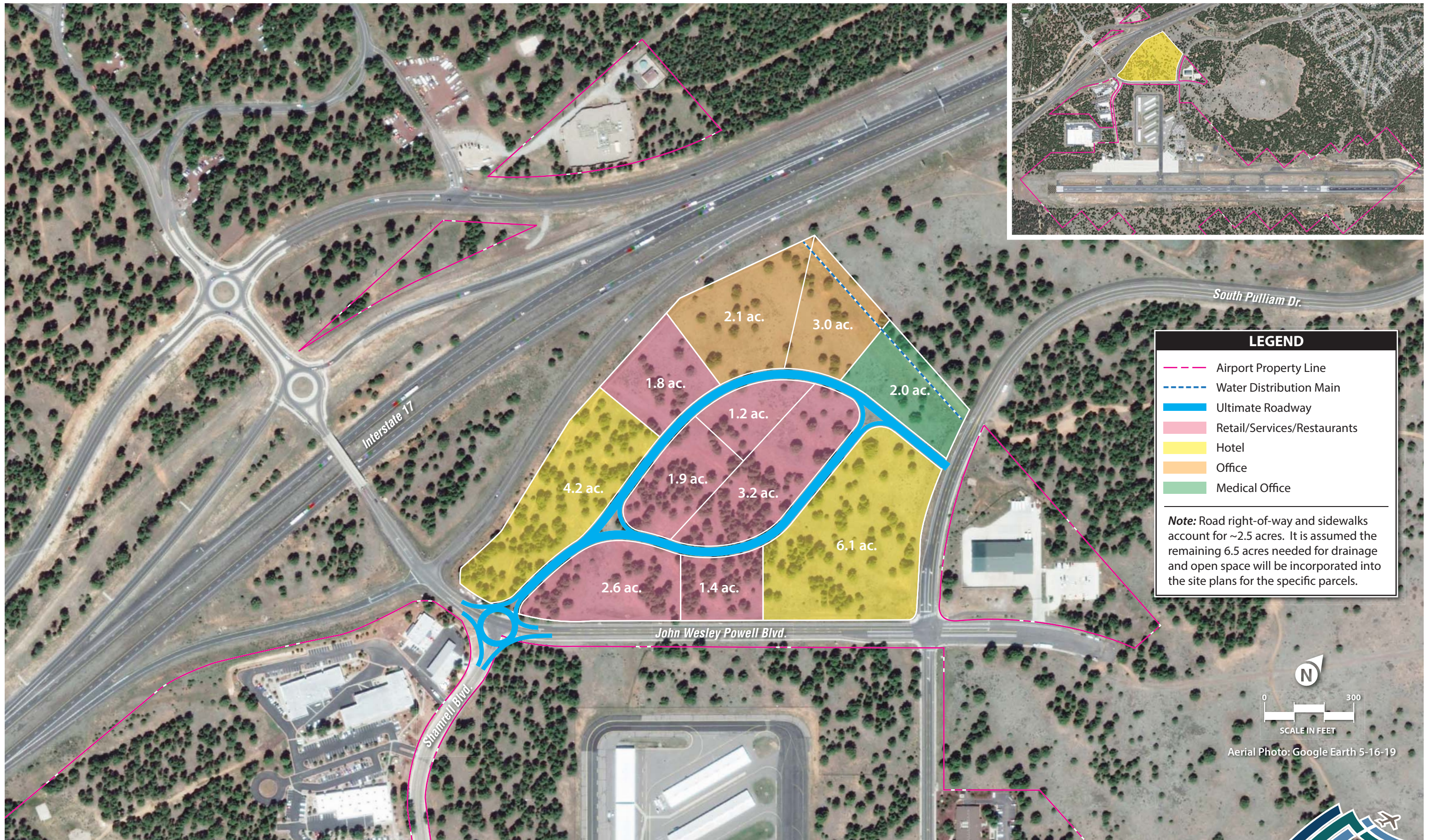
- Airport Property Line
- Water Distribution Main
- █ Ultimate Roadway
- █ Retail/Services/Restaurants
- █ Flex Industrial Space/R&D
- █ Hotel
- █ Office

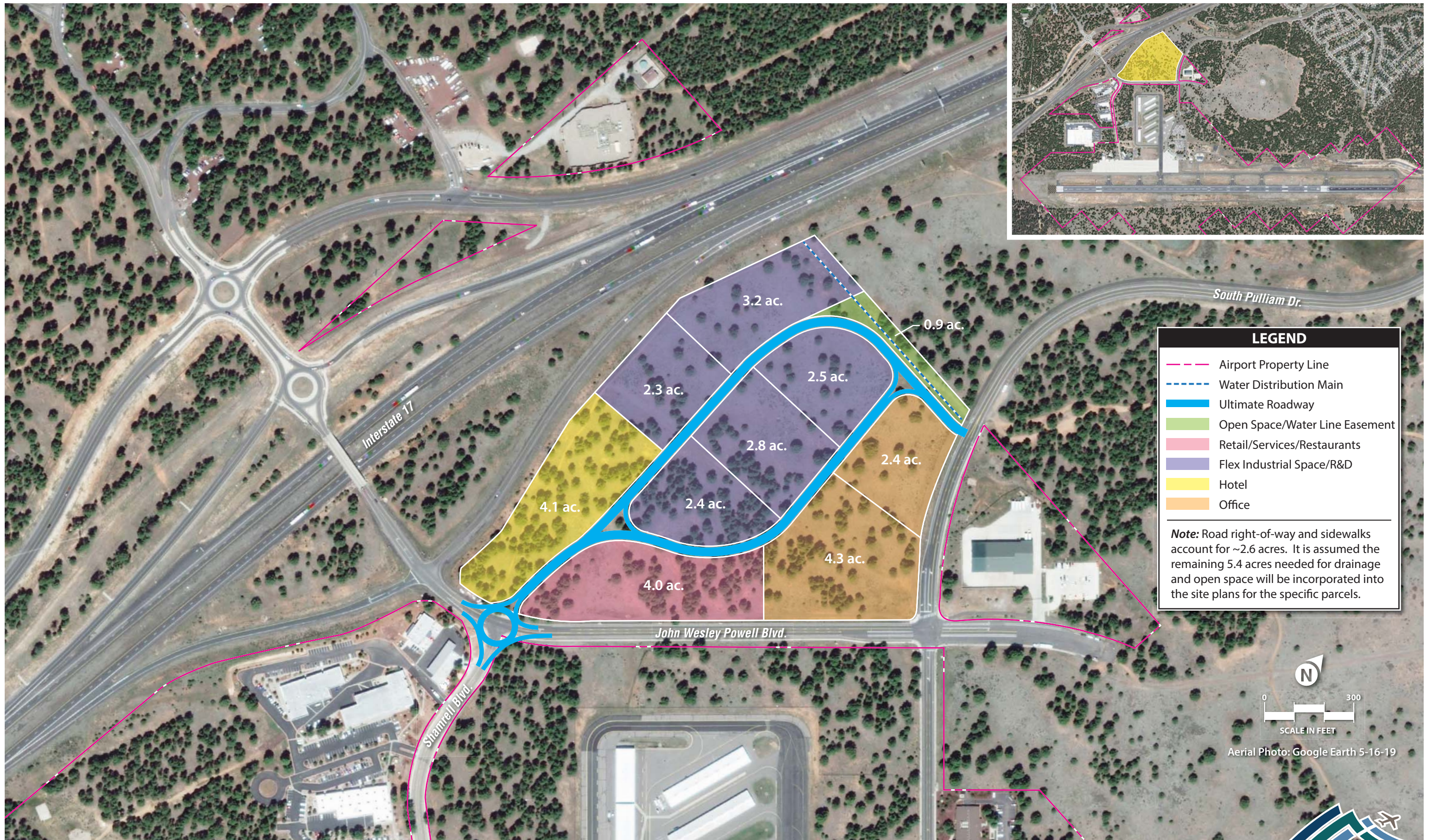
Note: Road right-of-way and sidewalks account for ~2.6 acres. It is assumed the remaining 5.4 acres needed for drainage and open space will be incorporated into the site plans for the specific parcels.

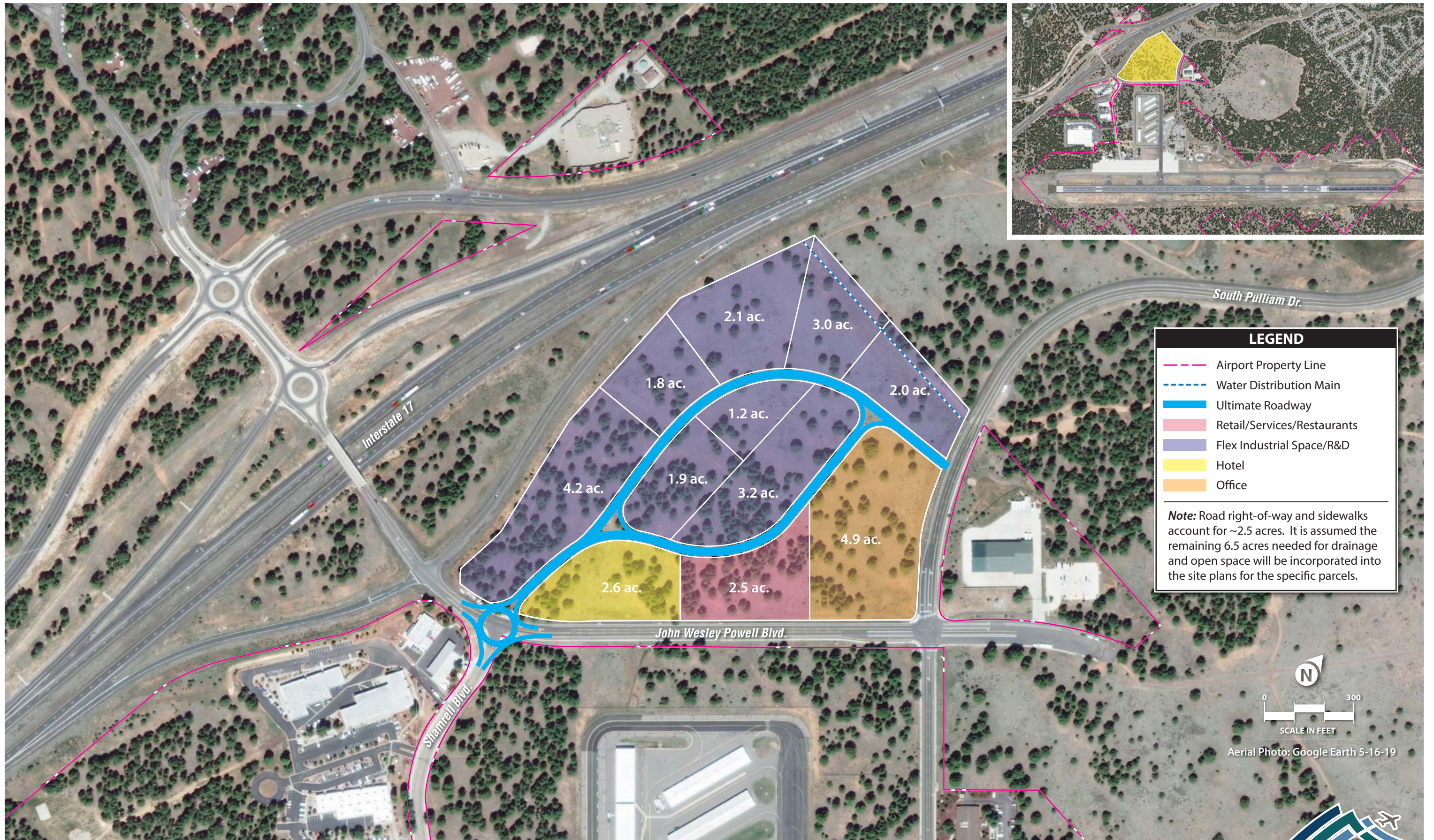


Aerial Photo: Google Earth 5-16-19









Alternatives 1 and 2. These alternatives also include a hotel site, one parcel for travel-related retail or a restaurant, and office development on the eastern portion of the site. The distribution of the land uses for these alternatives is summarized in **Table 5**.

TABLE 5
Land Use Alternative Scenarios (Alternatives 3, 4, and 5)

	Alternative 3	Alternative 4	Alternative 5
Hotel	4.1	2.6	--
Retail/Services/Restaurants	4.0	2.5	--
Office	6.7	4.9	--
Flex Industrial Space/R&D	13.2	19.4	--
Developable Land (no designation)	--	--	22.9
Roads, sidewalks, drainage, open space ¹	4	2.6	9.1
Note:			
1. It is assumed that additional acreage needed for drainage and open space will be incorporated into the site plans for the specific parcels.			

Source: Coffman Associates analysis

Finally, Alternative 5 depicted on **Exhibit 5**, illustrates a more generalized approach to development that allows approximately 23 acres of developable land that could take the form of various land uses mentioned above or another approach based on demand or direction from the City. It also allows for more open space and is sensitive to aesthetics adjacent to South Pulliam Drive.

Summary

This study provides an evaluation of potential demand and possible uses on the 32-acre parcel at Flagstaff Airport. City of Flagstaff staff members have met during the course of the study to provide input into the *Market Assessment* and development alternatives. On April 7, 2020, a presentation was given to the Flagstaff City Council that outlined the findings of the *Market Assessment* as well as a detailed description of the development alternatives. Moving forward, City staff is coordinating with the City Council to determine next steps for the development of the 32-acre site.



Attachment 1
Market Assessment

FLAGSTAFF 32-ACRE AIRPORT PARCEL MARKET ASSESSMENT

September 2019

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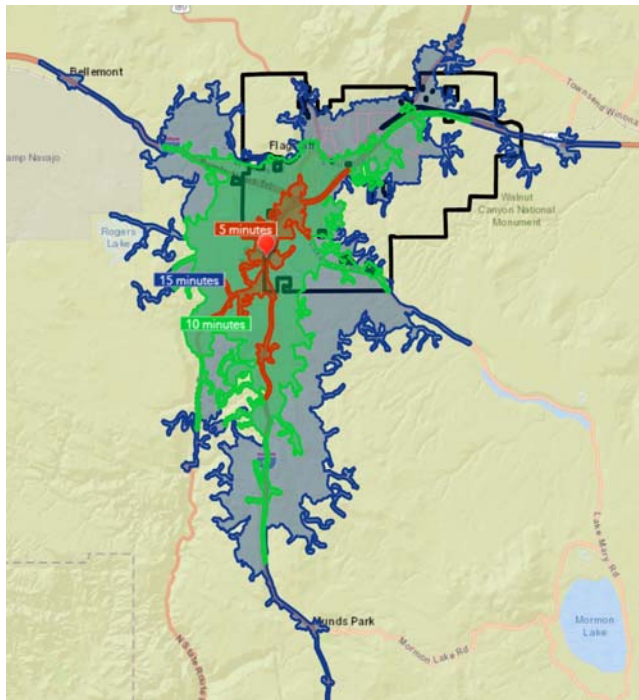
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Report Considerations and Limiting Conditions

This market assessment prepared by ESI Corporation is subject to the following considerations and limiting conditions. The analysis will be based on development information and data provided by the City of Flagstaff. The following general conditions apply.

- It is our understanding that this market assessment is for your planning purposes. Our report, nor its contents, nor any of our work were intended to be included and, therefore, may not be referred to or quoted in whole or in part, in any registration statement, prospectus, public filing, private offering memorandum, loan agreement or other agreement or document without our prior written approval, which may require that we perform additional procedures, nor can it be used for any purpose other than as expressly stated in this report.
- Except as specifically stated to the contrary, this market assessment will not give consideration to the following matters to the extent they exist: (i) matters of a legal nature, including issues of legal title and compliance with federal, state and local laws and ordinances; and (ii) environmental and engineering issues, and the costs associated with their correction.
- The reported findings presented in this report will represent the considered judgment of ESI Corporation based on the facts, analyses and methodologies described in the report.
- All direct and indirect written information supplied by the client, its agents and assigns, concerning the Subject Property is assumed to be true, accurate and complete; additionally, information identified as supplied or prepared by others is believed to be reliable. However, no responsibility for the accuracy of such information is assumed.
- This market assessment is intended to be read and used as a whole and not in parts.
- Our analyses are based on currently available information and third party data, which is subject to uncertainty and variation. Accordingly, we do not represent them as results that will be achieved. Some assumptions will not materialize and unanticipated events and circumstances may occur; therefore the actual results achieved may vary from the estimated results.

Figure 2 – Subject Site, 5-10-15 Minute Drive Time



	5 Min	10 Min	15 Min.
2018 Population	5,871	42,493	75,082
2023 Population	6,068	44,582	78,751
2018 Households	2,290	13,363	25,703
2023 Households	2,363	14,218	27,191
Median Household Income	\$54,635	\$44,317	\$50,991
Median Age	29.1	24.4	27.9
Bachelor's Degree	30.2%	27.7%	25.8%
Graduate/Professional Degree	25.2%	18.4%	18.9%
Employed Population	3,446	22,557	41,321
White Collar	64.5%	59.2%	60.0%
Services	22.3%	26.7%	23.2%
Blue Collar	13.2%	14.1%	16.8%
Total Business Establishments	179	1,634	3,345
Total Employees	2,576	23,872	44,848

Source: Esri Business Summary 2018

Within 10 minutes, access to an employed population increases to 22,557. This cohort is younger at 24.4 years of age and is still highly educated with 46 percent earning a Bachelor’s Degree or higher. Finally within a 15 minute drive time you can reach a population of 75,082 of which 41,321 are employed. This cohort has the highest percentage in blue collar professions such as construction, production and transportation.

An additional analysis of the drive time was prepared using a banded approach to identify the key industry sectors and employment within each of the banded drive time polygons. The concentration of business establishments and employment is presented in Table 1. Within the 5 minute drive time, which extends north along Milton Avenue to University Avenue, employment in retail trade, accommodations and food services and drinking places is significantly more than the other two geographies. Also of note, manufacturing establishments and jobs are nearly equally represented in each of the three geographies.

Table 1 – Business and Employment for 5, 10 and 15 Minute Banded Drive Times

Banded Drive Time	0 - 5 minute		5 - 10 minute		10 - 15 minute	
	Businesses	Employment	Businesses	Employment	Businesses	Employment
Totals	179	2,576	1,455	21,296	1,711	20,976
Retail Trade	13%	22%	13%	15%	16%	16%
Manufacturing	2%	3%	3%	4%	2%	2%
Professional, Scientific & Tech Services	9%	3%	10%	6%	10%	5%
Health Care & Social Assistance	4%	3%	8%	6%	12%	22%
Real Estate, Rental & Leasing	9%	3%	7%	3%	5%	2%
Accommodation	4%	5%	3%	4%	2%	2%
Food Services & Drinking Places	13%	25%	10%	15%	6%	9%

Source: Esri 2018 Business Summary

With the planned extension of JWP Boulevard adjacent to the northwest side of the airport, the drive time polygon will likely change resulting in a greater capture of population and workforce within all three drive times.

Airport Existing Uses

Current business activity surrounding Flagstaff Airport includes office, manufacturing, research and development, government and transportation. There is an existing business park that consists of 91,500 square feet and is currently 86 percent occupied, with office, lab space and light manufacturing.¹ The airport has aviation support business which includes rental car agency, and a café.

Absent from the immediate area are other airport related commercial and service related business, such as hotels, coffee houses, and dining options.

Airport Activity Forecast

The Flagstaff Airport also contributes to the vitality of the area. The 2018 Flagstaff Airport Master Plan provides a baseline year of 2015 and forecasts through 2035 for enplanements and operations. Annual enplanements of passengers is projected to reach 125,000 by 2035, with annual operations increasing 26 percent, to nearly 60,000 as presented in Table 2. According to City staff, the enplanements for 2018 reached 70,176. These aviation forecasts indicate the potential for significant growth in airport activities in the future, and in fact the 2018 enplanements total 67,793.

Table 2 – Flagstaff Airport Forecast

	2015	2020	2025	2035	Projected Increase 2015-2035
	Annual Enplaned Passengers	67,421	80,000	95,000	125,000
Annual Operations	46,056	48,000	51,200	58,200	26%

Source: 2018 Flagstaff Airport Master Plan

¹ Jim Zemezouak, Boulders Realty Advisors, 3/11/19.

Site Strengths and Constraints

Table 3 provides a summary assessment of the 32-acre parcel’s strengths and constraints.

Table 3 – Strength and Constraint Summary

	Strength	Constraint
Highway Commercial Zoning	<p>Allowable land uses in this zoning category are broad including manufacturing, office, mixed use, restaurant, meeting facilities, lodging and various residential. Other uses such as R&D would require a conditional use permit.</p> <p>Allowable height is 60-65 feet (depending upon the design of the roof) with the ability to go higher under a conditional use permit.</p>	
Site Connectivity	<p>I-17 is a major north-south transportation corridor servicing Flagstaff and connecting east and westbound to I-40. At the I-17 airport exit the average daily traffic count is 33,438. The average traffic count at the I-17 traffic interchange east and westbound along JWP Blvd and Shamrell Blvd is 2,043.</p> <p>Future Northwest extension of JWP Boulevard to Lake Mary Road will boost connectivity to a workforce and customer base.</p>	<p>Extension of JWP Boulevard to Lake Mary Road is not immediate and there is no definite timeframe or funding. This could constrain potential development options on the parcel.</p>
Water	<p>There is a 12-inch water line within the ROW along JWP Blvd and along South Pulliam Drive. There is also a major transmission line on the northern boundary of the 32-acre parcel.</p> <p>The water capacity is 10.7 million gallons a day.</p>	
Sewer	<p>There is a 10-inch sewer line stubbed at the intersection of JWP Blvd and S. Pulliam Drive. The sewer line is large enough to service hotel, restaurant and most other uses. Wastewater capacity is 10 million gallons a day and operating at 56% capacity.</p>	

	Strength	Constraint
Broadband	Suddenlink has fiber optic cable along JWP Blvd and South Pulliam Drive. There's also an underground coaxle cable along Pulliam. Century Link has DSL cable in the ground.	
Electric	There is an existing substation west of I-17 that was recently updated. Conduit (without electric wires) comes to the corner of Shamrell Boulevard and JWP Boulevard with a switching cabinet 500-1,000 feet south.	Electric wires would have to be extended utilizing the existing conduit. Capacity could be limited. There is no dual feed or redundancy in the system. The capacity is between 5 to 7 megawatts.
Natural Gas	At the intersection of JWP Blvd and South Pulliam Drive is a 4-inch gas line, which can handle the type of development allowed under Highway Commercial zoning.	This line would need to be extended either north or west to service the parcel.
Flagstaff Pulliam Airport	Regional commercial airport servicing northern Arizona with over 65,000 enplanements a year and projected to increase 85% by 2035. Two major carriers service the region providing flights to Phoenix, Los Angeles (seasonal), Dallas and Denver.	Limited availability of long term parking at the airport.
Labor Market	Projected employment growth of 15.4% from 2018-2026. Flagstaff has a sizable labor shed with 63% of workers living in Coconino County, 24% coming from other Arizona locations, and 13% from out of state.	Low unemployment rate and tight labor market. Ability to attract resident labor is hampered by Flagstaff's housing affordability. Over the last year the median home sales price increased by 12 percent ²
Economic Factors	The Flagstaff Airport area has been identified as a future activity center for the City. Current activity includes a diverse mix of aviation and non-aviation business including manufacturing, office and R&D. Estimated number of jobs in the airport area is 500.	Access to the airport from the east is constrained due to the fact that JWP Blvd does not currently connect to Lake Mary Road.

² Trulia.com, accessed 3-13-19

2. Market Analysis

Population, Employment

As detailed in Table 4, the current population of Coconino County is 146,902 and is projected to grow to 161,021 by 2030, which represents a 9.6 percent increase. Flagstaff's current population is 73,991 and projected to grow at a faster pace than the County at 14.6 percent to 84,795 by 2030.³ Today, half of the Coconino County's population lives in Flagstaff and its market share is projected to increase through the year 2030. On the other hand, Flagstaff employment represents nearly 62 percent of total employment within the County. Projections show a slight decline in employment market capture through 2030.

Table 4 – Population and Employment Projections

Population	2018	2020	2026	2030	2018-2030 Change
Coconino County	146,902	149,769	157,361	161,021	9.6%
Flagstaff	73,991	76,122	81,842	84,795	14.6%
Percent of County	50.4%	50.8%	52.0%	52.7%	--
Employment					
Coconino County	71,108	73,576	81,506	87,262	26.5%
Flagstaff	43,956	45,196	49,537	52,803	20.1%
Percent of County	61.8%	61.4%	60.8%	60.5%	--

Sources: Arizona Office of Economic Opportunity, Coconino County 2016-50 Sub-County Population Projections; Office of Economic Opportunity, Arizona Labor Statistics (2016-2026); 2030 based on county annual growth projection; Flagstaff employment from Esri 2018 Business Summary, with County growth projections applied.

Labor Force

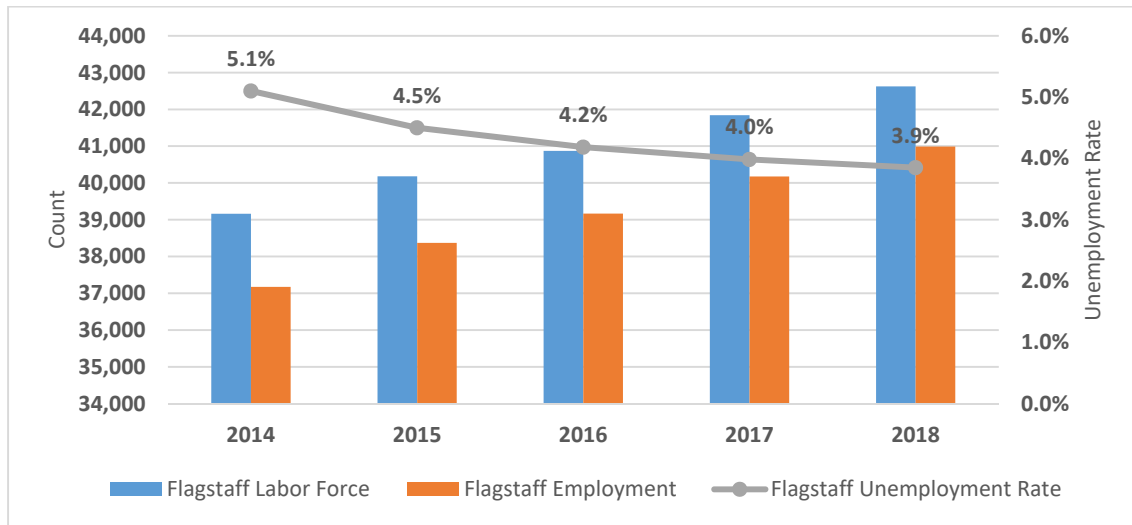
There are several measures used to gauge workforce trends in a region, such as employment, labor force growth, and unemployment rates, as shown in Table 5. Over the last five years Flagstaff employment increased 10.3 percent, which outpaced labor force growth at 8.0 percent. There has been a downward trend in the unemployment rate which posted 3.9 percent at the end of 2018, as seen in Figure 3. Similarly, the Flagstaff MSA experienced an 8.6 percent increase in employment with a corresponding increase of 6.7 percent in the workforce. At the end of 2018 the unemployment rate for the Flagstaff MSA was 5.4 percent. These indicators point to a tight labor market.

Table 5 – City of Flagstaff and Flagstaff MSA Labor Force Trends

	2014	2015	2016	2017	2018	2014-18 Change
Flagstaff Labor Force	39,163	40,178	40,872	41,840	42,625	8.8%
Flagstaff Employment	37,172	38,370	39,166	40,176	40,989	10.3%
Flagstaff Unemployment Rate	5.1%	4.5%	4.2%	4.0%	3.9%	-1.3%
Flagstaff MSA Labor Force	71,960	72,942	73,841	75,381	76,783	6.7%
Flagstaff MSA Employment	66,866	68,209	69,405	71,195	72,637	8.6%
Flagstaff MSA Unemployment Rate	7.1%	6.5%	6.0%	5.6%	5.4%	-1.7%

³ Arizona Office of Economic Opportunity, Coconino County 2016-50 Sub-County Population Projections.

Figure 3 – Flagstaff Labor Force, Employment and Unemployment Rate, 2014-2018



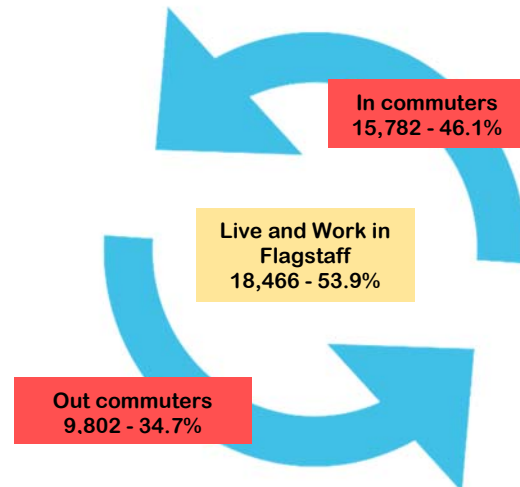
Source: Arizona Office of Economic Opportunity, Arizona Labor Statistics

The Flagstaff labor shed is quite large with 63 percent of workers living in Coconino County, of which 86 percent are Flagstaff residents. Another 24 percent of workers come from other Arizona locations, and 13 percent from out of state. The mean travel time for a Flagstaff resident is 15 minutes, while the mean travel time for Coconino County residents is 18 minutes.⁴ Table 6 shows that nearly 71 percent of workers come from Arizona locations, with the majority living in Flagstaff.

The latest worker inflow-outflow data from the U.S. Census indicates that 54 percent of Flagstaff residents both live and work in Flagstaff while 35 percent out commute to other locales. To supplement the worker base, another 46 percent commute into Flagstaff for work as depicted below.

Table 6 – Where Workers Live - Top 10 Locations

Total Primary Jobs	34,228	100.0%
Flagstaff	18,446	53.9%
Phoenix	1,507	4.4%
Doney Park CDP	1,408	4.1%
Kachina Village CDP	577	1.7%
Prescott Valley	386	1.1%
Cottonwood	357	1.0%
Verde Village CDP	349	1.0%
Mesa	346	1.0%
Prescott	304	0.9%
Glendale	288	0.8%
Williams	236	0.7%
Total Top 10 Arizona Locations	24,204	70.7%



Source: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics

⁴ Source: U.S. Census Bureau, 2013-17 American Community Survey.

The industry sectors for all people (residents and nonresidents) who work in Flagstaff is presented in Table 7. Industries within the service sector dominates with 71 percent of all workers employed in primary jobs. A primary job, as defined by the Census, is the highest paying job (either public or private) for an individual worker for the year. Within this sector the key industries include: health care (20.3%), educational services (17.5%), accommodation and food services (14.6%), and retail trade (10.7%). Manufacturing also has double digit representation at nearly 12 percent.

Table 7 – Sectors of Flagstaff Employment, Residents and Nonresidents

All People Who Work in Flagstaff		
Health Care and Social Assistance	6,956	20.3%
Educational Services	5,986	17.5%
Accommodation and Food Services	4,992	14.6%
Manufacturing	4,014	11.7%
Retail Trade	3,679	10.7%
Public Administration	1,774	5.2%
Construction	1,227	3.6%
Administration & Support, Waste Management and Remediation	1,159	3.4%
Professional, Scientific, and Technical Services	944	2.8%
Other Services (excluding Public Administration)	750	2.2%
Arts, Entertainment, and Recreation	665	1.9%
Real Estate and Rental and Leasing	396	1.2%
Finance and Insurance	380	1.1%
Transportation and Warehousing	350	1.0%
Wholesale Trade	319	0.9%
Information	307	0.9%
Utilities	191	0.6%
Management of Companies and Enterprises	73	0.2%
Agriculture, Forestry, Fishing and Hunting	62	0.2%
Mining, Quarrying, and Oil and Gas Extraction	4	0.0%
Total Primary Jobs	34,228	100.0%

Source: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics (Beginning of Quarter Employment, 2nd Quarter of 2002-2015).

Existing and Planned Commercial Real Estate

Information on square feet of existing retail, office and industrial space is from CoStar and presented in Table 8. Flagstaff has a relatively low vacancy rate at 4 percent in retail and office space. Industrial vacancy of 14 percent could be attributed to undesirable older space, which maybe more difficult to absorb.

Table 8 – Flagstaff Retail, Office and Industrial Space

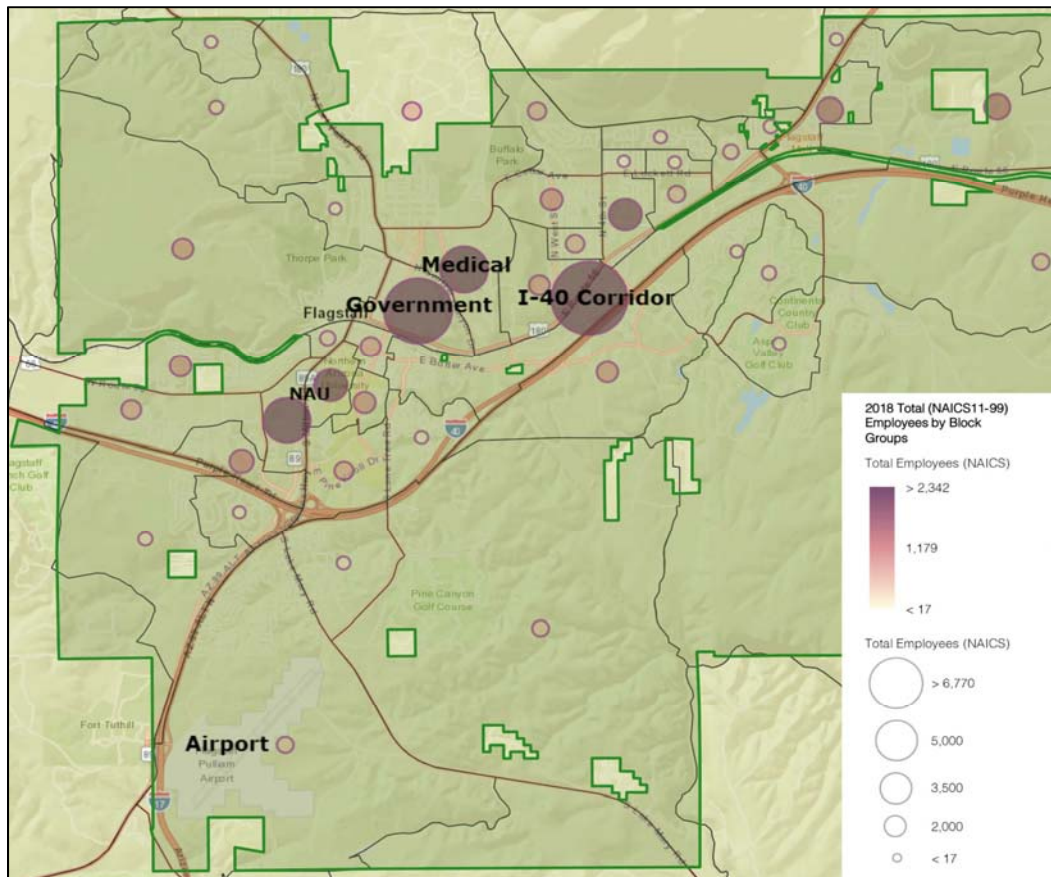
	Existing SF	Total SF Vacant	Total % Vacant
Retail	5,787,761	231,651	4.0%
Office	1,578,491	62,927	4.0%
Industrial	2,767,591	385,547	13.9%
Source: CoStar, January 2019			

Based on conversations with city staff and real estate brokers, there is very little new office or industrial space under construction or planned for the community. The inventory of industrial space is older and smaller around 5,000 square feet or less, with specialty industrial located around Butler Avenue. There is one available large industrial building known as the Walgreens distribution facility. Reportedly there is interest in the facility, but to date there are no announced plans. Based on the City’s Development Status Reports for November 2018 and February 2019, there is a small amount of medical office space that is either planned or under construction.

Further analysis was conducted to understand the existing mix of business located in Flagstaff and the geographic employment concentration. Depicted in Figure 4 are several employment centers, some of which were analyzed for this assessment including:

- I-40 / Butler Avenue Corridor
- Government
- Medical
- NAU
- Airport

Figure 4 – Flagstaff Employment Centers



Source: Esri 2018

All of these centers (with the exception of the airport area) have a concentration of retail. Accommodation, food services and lodging are clustered near NAU and along the I-40/Butler Avenue corridor. Manufacturing is predominately located along the I-40/Butler Avenue corridor. Professional, scientific and technical services are centered within the NAU, government and medical nodes. The airport area has aviation related uses, warehousing, professional services and some manufacturing. The accompanying Table 9 details the dominate sectors with number of business establishments and employees associated with each.

Table 9 – Employment Center Dominate Sectors

Employment Center	Dominate Sectors	Number of Employees	Percent	Number of Businesses	Percent
I-40/Butler Avenue Corridor	Public Administration	1,178	17.4%	20	5.8%
	Retail Trade	1,152	17.0%	47	13.5%
	Accommodation & Food Services	862	12.7%	35	10.1%
	Wholesale Trade	530	7.8%	49	14.1%
	Manufacturing	423	6.2%	18	5.2%
Government	Public Administration	2,008	33.8%	57	10.6%
	Retail Trade	682	11.5%	74	13.7%
	Professional, Scientific & Tech Services	524	8.8%	97	18.0%
	Health Care & Social Assistance	458	7.7%	62	11.5%
Medical	Health Care & Social Assistance	3,252	86.4%	79	51.3%
	Retail Trade	80	2.1%	8	5.2%
	Professional, Scientific & Tech Services	62	1.6%	8	5.2%
	Real Estate, Rental & Leasing	60	1.6%	9	5.8%
NAU	Accommodation & Food Services	1,542	26.0%	65	20.1%
	Educational Services	1,115	18.8%	9	2.8%
	Retail Trade	1,019	17.2%	50	15.5%
	Professional, Scientific & Tech Services	274	4.6%	35	10.8%
Airport	Manufacturing	135	27.3%	1	1.9%
	Real Estate, Rental & Leasing	73	14.7%	13	25.0%
	Transportation & Warehousing	66	13.3%	7	13.5%
	Construction	29	5.9%	5	9.6%
	Professional, Scientific & Tech Services	13	2.6%	5	9.6%

Source: Esri Business Summary by Block Group, 2018

Lodging

The lodging statistics from SR Smith Travel Research measure the industry's performance over the last two years. Table 10, shows that Flagstaff's 2018 occupancy rate of 73.2 percent decreased 2.6 percent over the prior year. The average daily rate (ADR) of \$101.66 increased 1.1 percent and revenue per average room (RevPAR) of \$75.27 decreased 1.5 percent. The majority of lodging facilities are located north of the I-40 corridor.

Table 10 – Flagstaff Lodging Statistics

Year	Occupancy	ADR	RevPar
2017	75.2%	\$101.66	\$76.41
2018	73.2%	\$102.82	\$75.27
Percent Change	-2.6%	1.1%	-1.5%

Source: Star STR Smith Travel Research

According to city staff there are seven new hotels in Flagstaff, which indicates that demand generators such as tourism, commercial development, population and employment growth were significant enough to support the additional rooms. Forecasting the demand for additional hotel rooms is outside of this scope. However, Flagstaff is projected to grow in population, employment, tourism, and airport traffic, all of which are demand drivers.

Trade Leakage/Surplus

Flagstaff serves as a regional trade center in Coconino County. Residents living in communities as far north as Page and as far east as Winslow travel to Flagstaff to shop at the regional mall, dine in restaurants, and visit big box stores. In addition, Flagstaff has a robust tourism market that draws visitors in both summer and winter. According to CoStar data, Flagstaff has 5.7 million square feet of retail space with a 4 percent vacancy rate. For a resident population of 73,991, the square feet of retail space per resident amounts to 78 square feet, compared to the metro Phoenix area, which ranges between 35 and 45 square feet capita. The fact that Flagstaff is a regional trade hub and also supports a robust tourist trade contributes to the demand of retail space.

Flagstaff household budget expenditures in 2018 amounted to \$1.5 billion, of which 32 percent is spent on taxable items such as retail, food away from home, and beverage and entertainment. An estimate of sales tax collections for FY2018-19 was calculated using the last 6 months of 2018 data from the City's monthly tax revenue reports. While every community has some trade leakage, including Flagstaff, it is apparent that Flagstaff has more retail space for a community of its size, and is capturing 23 percent more taxable revenue than what could be generated by its residents. Table 11 further details this information.

Table 11 – Flagstaff Estimated Retail Sales and Trade Surplus

Household Budget Expenditures (Esri)	\$1,497,332,013
Taxable Retail Sales (Esri)	\$478,280,911
Flagstaff Estimated FY2018-19 Tax Collections	\$14,349,736
Calculated Sales based on City Tax Collections	\$623,986,692
Retail Trade Surplus	\$145,705,781
Trade Surplus as a Percent of Calculated Sales	23.4%

Increase in retail trade will be dependent upon a number of factors including resident and trade area population growth, expansion of wages, and tourism.

Real Estate Market Demand

A high level market analysis was prepared for retail, office and industrial space evaluating the potential for future demand through the year 2030, and is presented in Table 12. This analysis is based on January 2019 CoStar data and current and projected population and employment statistics for the City of Flagstaff from Arizona Office of Economic Opportunity and Esri. Findings of the analysis are used to identify land demand alternatives for the 32-acre parcel.

Retail Demand - The demand for retail space is based on resident household spending, office worker spending and additional capture of sales from a secondary trade area. ESI utilized Esri data for number of households and median household income, and Flagstaff sales tax revenue to estimate potential sales within retail, restaurant/bar and entertainment. Existing square feet of office space came from CoStar, with under construction square footage from the City's Development Status Reports.

Office Demand - The demand for office space is based on employment and employment growth within the office sectors. To determine if there is unmet demand for office space, ESI utilized Arizona Office of Economic Opportunity employment projections for Coconino County by sector and applied the percentages to Flagstaff. Assumptions were used to calculate office space jobs, such as finance, insurance, and professional services. Existing square feet of office space came from CoStar, with under construction square footage from the City's Development Status Reports.

Industrial Demand - Employment growth within the industrial sector was used to project the demand for industrial space in Flagstaff. Again ESI utilized the Arizona Office of Economic Opportunity sector employment projections for Coconino County and applied the percentages to Flagstaff. Assumptions were used to calculate the percentage of jobs that occupy industrial space. Existing square feet of office space came from CoStar, with under construction square footage from the City's Development Status Reports.

Based on the analysis findings, the City of Flagstaff through the year 2030 can support another 186 acres of retail, office and industrial space. Some of this demand could be absorbed by the 32-acre parcel.

Table 12 – Real Estate Demand Forecast, 2030

Land Use	New Sq. Ft. Supported by 2030	Floor to Area Ratio	Acres
Retail/Services/Restaurants	582,012	0.25	53
Office	398,282	0.35	26
Industrial	1,155,693	0.25	106
Total	2,135,986	--	186

3. Potential Uses

Flagstaff Airport is a gateway area and designated activity center for the City of Flagstaff. Within a 5 minute drive time of I-17 and JWP Boulevard there are 179 business establishments employing more than 2,500 employees. The Flagstaff Airport and its immediate area have a mix of uses that includes office, light manufacturing, research and development, government and transportation. There are an estimated 500 jobs in both aviation and non-aviation establishments.

The geographic area east of I-17 and south of I-40 is lacking basic community amenities for the population that lives there. Grocers, drug stores, coffee houses, financial and medical services are concentrated north of I-40 along Milton Road, 4th Street and US 89 north of Country Club Drive. The proposed extension of JWP Boulevard to Lake Mary Road will likely facilitate a new circulation pattern providing residents with easy access to the airport area and I-17. This eastward road extension will enhance connectivity to a customer and workforce base, which are key selling points for the subject site.

The geographic labor pool that Flagstaff draws from is quite extensive. As noted earlier, in-commuters represent 46 percent of the workforce, with 68 percent employed in service sector jobs such as health care, education, retail and accommodations and food services, and nearly 17 percent employed in goods producing jobs.

Flagstaff employment is projected to grow 20 percent by the year 2030. The sectors that show the greatest growth include health care and social assistance, real estate and rental and leasing; administrative support and waste management; accommodations and food services, and manufacturing. Professional, scientific and technical services are projected to grow but at a slower pace.

Given the combination of projected population and employment growth, the forecasted increase in airport passengers, and the sizable retail capture rate within the trade area, there are a wide range of uses that could be considered for the 32-acre parcel. These uses are currently allowed under the Highway Commercial zoning.

- Hotel(s) with meeting room facilities
- Restaurants (fast casual and sit down)
- Bars/taverns
- Micro brewery
- Medical/Dental Office
- Veterinary Clinic
- Professional Office
- Financial Services
- General Retail
- Biotech and R&D (need conditional use permit)
- Selected Manufacturing

Land Use Alternatives

Based on the 2030 real estate forecast, there is demand for an additional 2.1 million square feet of retail, office and industrial land uses. As mentioned earlier, the 32-acre Flagstaff airport parcel can absorb some of this demand. As an illustration, two land use alternative scenarios are provided for the 32-acre parcel. The first alternative scenario represents a natural expansion of existing uses currently in the area today including manufacturing, office, research and development, aviation support. It also includes the addition of lodging and other travel related retail/services.

The second land use alternative scenario recognizes the lack of existing resident amenities south of the I-40 corridor such as retail, medical and other services. This alternative envisions the northeastern extension of JWP Boulevard and the ability to capture the current customer base. It also envisions attracting the existing population south of the airport exit extending to Munds Park. Lastly, it envisions the development of vacant parcels, identified in the City's General Land Use Plan, located south of I-40 in the City of Flagstaff and the County. The second alternative is a mix of lodging, retail and office uses.

The following Table 13 summarizes the potential mix of uses and associated acres for each land use alternative scenario.

Table 13 – Subject Site Land Use Alternative Scenarios

Land Use Mix - Alternative 1	Acres	Floor to Area Ratio	Building Square Feet
Hotel	4	0.50	87,120
Retail/Services/Restaurants	5	0.25	54,450
Office	3	0.35	45,738
Flex Industrial Space/R&D	12	0.25	130,680
Roads, sidewalks, drainage, open space (25%)	8	--	--
Total	32	--	317,988
Land Use Mix - Alternative 2	Acres	Floor to Area Ratio	Building Square Feet
Hotel (2)	9	0.50	196,020
Retail/Services/Restaurants	10	1.25	108,900
Office	3	0.35	45,738
Medial Office	2	0.75	65,340
Roads, sidewalks, drainage, open space (25%)	8	--	--
Total	32	--	415,998
Note: Hotel is assumed to be 5 stories			

Land absorption for the 32-acre parcel will depend upon a combination of factors including the timing of JWP Boulevard extension, projected population and employment growth, and the potential development of vacant parcels south and north of the airport along I-17.



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