Gateway Jax – Economic Impact Analysis

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Executive Summary

This report analyzes the economic impact of the proposed Publix by Gateway Jax in downtown Jacksonville. It draws information from two main sources: a comprehensive review of academic and industry studies that provide empirical evidence on the economic impact of similar projects. Second, this analysis examines the project's economic impact on the city's tax revenue. The following are the main conclusions:

• **Real estate appreciation:** Empirical evidence shows that the building of a new supermarket produces an increase in real estate values, on average, between 4 % and 7 % nationwide. These results are consistent across several cities and with the empirical evidence of the studies under consideration. Rent premiums are also rising as demand for housing near grocery stores increases.

• **Tax revenue growth:** The projected increase in property values will have a positive effect on tax revenues. Estimates- under conservative scenarios- produce annual gains for the City of Jacksonville between $3.4 and $3.8 million, and between $320 and $340 million in cumulative revenue gains over 30 years. Statistical simulations offer a broader view of the impact on tax revenues and assess the accuracy of these figures. Finally, this study shows that actual tax gains could be even higher when accounting for inflation and normal real estate market appreciation. These calculations use cautious values and statistical simulations that confirm the main results.

• **Broader economic and social benefits:** The new supermarket is expected to generate direct and indirect employment, increase local incomes, attract additional businesses, and contribute to the overall revitalization of downtown Jacksonville. It should reduce food insecurity by addressing the area's status as a food desert, which empirical studies suggest will improve residents' health and well-being.

In summary, the Gateway Jax Publix development is anticipated to deliver substantial economic, fiscal, and social benefits to downtown Jacksonville. The evidence indicates that such investments can catalyze urban revitalization, increase government revenues, and improve quality of life for neighborhood residents.

1. Introduction

This report addresses the general economic impact of the proposed Publix by Gateway Jax in downtown Jacksonville. This development should positively impact the downtown area and support the city's development. This report analyzes two main components of the project's economic impact. First, it reviews academic and business literature on the impact of supermarkets in urban areas across several variables. These studies examine projects across the country and their effects in different urban areas. While their focus is the impact of new supermarkets on the real estate markets, prices, and rents, which would allow estimation of the impact on the city's tax revenues, they also highlight other effects that are important but not considered in this study. Second, building on the previous literature, this study examines the expected impact of this project on real estate prices and public finances within the area of influence in Downtown Jacksonville. Using the main findings from the empirical literature, it offers an analysis of the expected effect of the Gateway Jax project on the city's tax income. This study also uses statistical simulations and price and inflation adjustments to test the consistency of the original results.

2. Empirical Evidence on the Effects of Supermarkets on Real Estate and Beyond

Few academic studies examine how new commercial developments in urban areas affect the immediate neighborhood. Table 1 summarizes some of these empirical analyses and their main findings.

Table 1

Study	Research Hypothesis	Dataset - Case	City/Region	Result
Caceres and Geoghegan (2017)	Measure the impact of new grocery stores in inner-city neighborhoods on real estate prices.	Opening of 12 grocery stores over the period 1988 to 2011, with a database of 33949 residential properties	Worcester, Massachusetts	Real estate prices increased by 7% for those locations between 0 and 399.99 meters from the new store. They increased, on average, by 4% for properties located between 400 and 800 meters from the store.
Caudill et al. (2021)	Analyze the effect of food deserts on real estate prices	Sample of 3298 observations over a 10-year window	Shelby County (Memphis), Tennessee.	Real estate prices are 4-6% lower in areas classified as food deserts.
Zhang and Ghosh (2016)	Study the effect of supermarket closings on vulnerable neighborhoods	Sample of 124,893 people in an urban environment with 33 supermarkets	Hartford, Connecticut	Closing supermarkets in disadvantaged neighborhoods makes it harder to access healthy food, leading to food insecurity and food deserts.
Richardson et al. (2017)	Study the impact of opening a new supermarket on the economic status and health of the neighbors of a food desert.	Survey in two poor neighborhoods totaling 831 observations	Low-income neighbors in Pittsburgh, Pennsylvania	Opening a supermarket in a low-income neighborhood may improve economic well-being and health.

Table 1 shows four academic research papers that emphasize different economic and social impacts of opening a supermarket in urban areas. These results fall into three categories. First, the opening of new supermarkets can positively affect real estate prices. Caceres and Geoghegan (2017) examine the impact of opening twelve new grocery stores in Worcester, Massachusetts, over 23 years. The authors find that houses located between 0 and 399.99 meters from the store increased by around 7% in value, and those located between 400 and 800 meters increased by an average of 4%, compared with other houses farther away. They use a hedonic price econometric model that controls for a variety of confounding factors and isolates the effect a new supermarket can have on property values. Caudill et al. (2021) take a slightly opposite approach, examining the impact of having a "food desert" on residential real estate prices. Using a large sample of houses over 10 years, the authors conclude that properties in food deserts have real estate prices 4 to 6% lower than those in other neighborhoods. They use a similar hedonic price model econometric technique, as the authors of the previous study, to assess price differences between areas with and without access to grocery stores (food deserts). From this perspective, their results are similar but opposite in sign to those obtained when opening a supermarket in an area with low availability of offerings. Accordingly, these empirical analyses show consistent results, even across separate regions of the country and city settings.

As mentioned earlier, opening a new supermarket and increasing food supply also has social and economic impacts beyond the positive effect on real estate prices. Richardson et al. (2017) use an empirical methodology that surveys people in different neighborhoods and collects data on several economic and health indicators. They then compare results in low-income neighborhoods using difference-in-differences statistical techniques. They show that opening a supermarket in a food desert positively affects the welfare and health indicators of its population. This result emphasizes that some effects of a new store on the population within its area of influence go beyond economic variables such as house prices, employment, and sales and can produce positive effects that, while important, are harder to quantify in an economic analysis. Nonetheless, we should consider the importance of

these factors. Finally, Zhang et al. (2016) use statistical and GIS methods to examine the effect of supermarket closures on inner-city neighborhoods. The authors find that relocating supermarkets can harm people living in urban areas by increasing food insecurity and possibly creating a food desert.

These academic papers reinforce several main effects of supermarkets in city areas, conditioned by low income, food deserts, and at-risk populations. First, the economic impact is beneficial and will increase property values, improving tax revenue and other related economic factors. Second, new grocery stores will indirectly benefit neighborhood residents by improving their economic status and promoting their health. Third, supermarkets are closely linked to reducing food insecurity and eliminating food deserts. Finally, as explained above, these studies cover different urban areas across the country, showing consistent results and allowing the findings to apply to other urban areas nationwide.

In addition to academic studies linking supermarket openings to economic and social indicators, industry-related reports can support these outcomes and provide additional evidence of the impact these economic developments have on a city. The Newmark Knight Frank (2019) study examines the effect of new supermarkets in Washington, DC, Maryland, and Northern Virginia on apartment rents. Changes in this indicator show people's preference to live closer to grocery stores and the resulting increase in housing demand in those areas. Furthermore, if housing demand pushes up rents, it will also affect real estate prices. This study examines 42 grocery stores that opened between 2014 and 2018. The study defines the main area of influence as a half-mile radius in urban areas and a one-mile radius in suburban areas. The study shows rent premiums ranging from 11.4% to 3.5%, depending on the specific region studied. These premiums were recorded when stores opened and declined over time, though they remained positive during the first quarter of 2019.

This study introduces several other variables, such as the type of supermarket considered. In this case, supermarkets like Whole Foods show a premium of 8.4%, while ALDI has a premium of 2.6%, which may reflect, in part, the purchasing power of those supermarkets'

clients, who may be willing to pay higher rent to access these brand names. This study also examines the type of location where the supermarket was located. The highest impact on rent is for supermarkets in mixed-use developments (7.9%), followed by stand-alone supermarkets (3.1%), and finally those in shopping centers (2.9%). Finally, the study analyzes the impact of announcing a new grocery store opening on rents. This simple announcement may have a positive impact on the rent premium one year after the initial news. The rent premium ranges from 3.8% (Harris Teeter) to 0.22% (Wegmans). This result emphasizes how much people value proximity to a grocery store in urban areas.

In a similar study, RCLCO (2024) studies the impact of supermarkets in mixed-use development across the United States. The authors studied 37 apartment buildings with a ground-floor Whole Foods, 21 with a Trader Joe's store, and 30 with other premium outlets. These developments are located across 28 Metropolitan Statistical Areas (MSAs) nationwide. They use similar apartment buildings in each neighborhood to collect rent prices similar to those in the affected apartment buildings. RCLO initially completed this study in 2016 and updated it in 2020. On average, the rent premium for Whole Foods was the highest, at 6%. The premium for Trader Joe's was 5.6%, and for the other grocers, it was 5.2%. Once again, these results correspond with the previous industry study, showing people's preference to live close to grocery stores in urban areas and the economic impact these decisions have on private residential real estate.

Conclusions

The academic and industry studies show consistent results on the impact of new supermarkets on real estate rents and prices. We can summarize these results as follows:

1. Real estate prices increase by around 4% to 7% compared with areas farther from the supermarket.
2. Beyond this economic impact, opening a supermarket can reduce food deserts, improve economic status, and enhance health and well-being.
3. Rent premiums associated with a supermarket opening will be positive across the board.

4. Stores' brand names will be associated with different premium levels, reflecting consumers' preferences and willingness to pay.
5. Rent premiums should be higher in urban areas compared to suburban ones.
6. Mixed-use developments show higher premium levels.
7. Even announcements of openings positively affect rent prices.
8. These studies provide nationwide evidence, supporting the application of these results to urban areas like Jacksonville. We can be confident that these results are not dependent on a specific geographic area.

Furthermore, we highlight the consistency among academic and industry-based research reports. Results from both types of empirical analyses are readily comparable and support the main findings described above. Accordingly, we can be confident that similar price increases apply to the Jacksonville area, even without accounting for other major factors or variables that could interfere with these estimates.

3. Economic impact

In this section, we assess the figures used to estimate how increasing real estate values affect local tax revenues[1]. While this study is important for assessing the impact this project may have on public finances, we also need to consider other economic impacts it may have on Downtown Jacksonville. While the goal of this study is not to pursue a full economic impact of a project like this, we should be aware that there are other important economic and social aspects to take into account:

1. Employment: the new store may attract employees from the surrounding area, as well as employment generated by other stores attracted by the supermarket's presence.

[1] All the calculations and references to numerical results in this section come from the Gateway Jax spreadsheet with tax effect estimates.

2. Income: positive impact on local households' income derived not just from employment opportunities, but from access to other food options.
3. Retail competition: the supermarket will compete with other food outlets, reducing food costs across the board.
4. Local development/complementary businesses: a new supermarket in an urban area will attract other businesses to open, as well as infrastructure expansions, residential apartments, and other businesses.
5. Access to food: this is a social impact, which is more difficult to measure. However, this issue has attracted substantial attention in recent years and has been identified as one of the most important factors in localizing supermarkets in urban areas.
6. Potential Health benefits: This item relates to the previous point and implies that access to better food and fresh ingredients should positively affect the health of households that benefit from the supermarket's presence.
7. Neighborhood activity: A new supermarket will attract more foot traffic and increase overall activity in the affected neighborhood.
8. Higher property values: as explained above, evidence points to higher property values near the supermarket.
9. Rent increases – Renters' convenience: this is also related to the higher value people assign to having a new supermarket closer to home.
10. Tax revenue to local government: the previous points highlight one of the main economic impacts of this project: increased tax revenue from this investment. Given the other economic impacts on additional businesses, foot traffic, and agglomeration benefits, the tax increase received by the local government can easily surpass some of the estimates displayed below.
11. Increased investment: both public and private investment will increase because of the factors mentioned above, which should support the urban area's overall economic development.
12. Reduced transportation costs: local households can access more goods and shops from shorter distances.

13. Local multiplier effect: the boosted economic activity within the area of influence is often summarized as the economic multiplier, which captures how many more Dollars each Dollar invested in the project generates.
14. Local supply chain development: local small businesses may have more opportunities to supply local products to the supermarket or to additional businesses created by this development.
15. Neighborhood revitalization and better perception: as mentioned in the literature above, the presence of a supermarket, additional foot traffic, and urban development can lead to revitalization and improved economic and social perception in the neighborhood.

As a result, a new supermarket in an urban area that lacks such stores brings many direct and indirect benefits. As mentioned before, while this economic impact report does not provide a deep analysis of this development's benefits to downtown Jacksonville, we should not lose sight of the many direct and indirect benefits such a project can provide. Furthermore, as the empirical evidence shows, a new grocery store in city areas is undoubtedly an important part of a city's economic development, and its benefits can quickly overcome its investment costs.

This section analyzes the tax implications of investing in this new supermarket in downtown Jacksonville. The authors' numerical estimates provide an excellent analysis of the supermarket's impact on real estate prices and its resulting contribution to local government revenue. The assumptions about price increases correspond to the literature described above and present different assessments, from lower increases (4%) to higher increases (7%) in real estate prices. The area considered is the downtown area closer to the new supermarket (Figure 1). This area is 0.53 square miles, similar to the areas selected in the studies above.

Figure 1



The results include a valuation of real estate properties in this area, which totaled $902 million in 2025. The current taxes are calculated from this initial valuation. The report then estimates the cost and valuation of the new development, including a 75% REV grant from the local government, which reduces the investment's taxable value. These two calculations form the basis for the city's new tax base. This calculation does not include other potential developments that may occur from the establishment of this new commercial area.

Next, the authors estimate growth in local taxes under different assumptions about real estate increases. They use a high 7% increase, a moderate 5.5%, and a lower 4%. These rate increases are consistent with the literature reviewed earlier. Under these assumptions, the estimated gain in total revenue for the local government ranges from $3.4 to $3.8 million for the City and from $10.8 to $11.5 million for Total Public Revenue. These estimates are annual. Over the long term, these estimates range from $53.9 to $57.7

million over five years and from $323.3 to $346.5 million over 30 years. As shown, these estimates, while not excessively optimistic, reasonably represent the expected tax gains from a project like this.

These long-term estimates do not account for two factors: real estate appreciation beyond the assumed impact of the new project, and long-term inflation. Depending on the assumptions we use, these factors can produce much higher or lower estimates. To introduce these two factors, we can assume long-term inflation averages around 2.57% per year, the average inflation rate over the last 30 years[2]. For real estate prices in Jacksonville, the 30-year growth rate was around 5% [3]. Using these inflation and real estate price estimates, we arrive at higher net present values for total tax revenue and tax gains (Table 2).

Table 2

Tax Gains	Original Report	Inflation/Real Estate Prices Adjustment – Present Value
Additional Annual Total Public Revenue	$11,162,353	$11,162,353
Five-Year Cumulative Public Revenues	$55,811,767	$58,519,652
Thirty-Year Cumulative Public Revenues	$334,870,604	$502,497,932

As we can see, the numbers provided in the report are very conservative estimates of the potential gains in tax revenue. Accordingly, using standard estimates for inflation and real estate prices, the local government is set to earn $3 million above the estimate over the five years and $168 million more over the 30 years. As a result, we can affirm that the estimates presented in this report are very cautious regarding tax gains.

[2] Source: Consumer Price Index for All Urban Consumers: All Items in U.S. City Average, Index 1982-1984=100, Monthly, Seasonally Adjusted, U.S. Bureau of Labor Statistics via FRED, at https://fred.stlouisfed.org/

[3] Source: U.S. Federal Housing Finance Agency, All-Transactions House Price Index for Jacksonville, FL, U.S. Federal Housing Finance Agency via FRED, at https://fred.stlouisfed.org/

A second issue is the use of different real estate growth rates, based on the empirical reports shown above. The authors use a range of 4 to 7 percent for real estate price increases, and these estimates are reasonable. Nonetheless, we can run a statistical exercise assuming real estate price increases are distributed uniformly over this range, but at a random rate. Accordingly, we proceed to use a Monte Carlo simulation to estimate 10,000 different scenarios of real estate appreciation. This helped us produce statistically robust estimates and assess the probability of different price increases.

From these results, we can conclude that the expected increase in real estate prices is 5.5%, with a 95% confidence interval of 3.8% to 7.2%. Using these percentages, we also ran 10,000 simulations for the project's total assessed tax value. Then, we calculated the city's total annual expected tax revenue and the corresponding probability for each price-increase level (Table 3). As this table shows, the expected value of total revenue should be around $27.17 million, and with 95% probability it should be between $26.7 and $27.5 million. The city's annual extra revenue is expected to be $3.6 million, with a 95% probability it will be between $3.4 and $3.8 million. The probability listed in the last column of Table 3 shows the probability that the expected tax revenue would be above each given amount. For example, if the increase in property value is 4.1% and the extra tax revenue is $3.4 million, we expect the actual revenue to be higher than that amount with a probability of 94.2%, so we should expect a higher amount. On the other hand, the probability that revenue would be higher than $3.7 million is about 12%. The expected value has a 50% probability. The 5-year estimated gain would be between $ 53 and $ 57 million, while the 30-year gain would be between $321 and $345 million. In these cases, we can also use the probability to assess whether the expected amount could be higher than the established one.

Table 3

Price Increase (1)	Total Revenue (2)	Additional Annual Revenue (3)	Additional Revenue 5-year (4)	Additional Revenue 30-year (5)	Probability that Tax Rev. is higher than (3), (4), and (5)
3.8%	26,733,314	3,411,986	53,623,475	321,740,852	97.5%
4.1%	26,820,824	3,456,213	54,061,026	324,991,464	94.2%
4.5%	26,908,334	3,500,440	54,498,577	326,991,464	88.0%
4.8%	26,995,845	3,544,668	54,936,128	329,616,770	78.3%
5.2%	27,083,355	3,588,895	55,373,679	332,242,076	65.2%
5.5%	27,170,865	3,633,122	55,811,230	334,867,383	50.0%
5.8%	27,258,375	3,677,349	56,248,781	337,492,689	34.8%
6.2%	27,345,885	3,721,577	56,686,332	340,117,995	21.7%
6.5%	27,433,396	3,765,804	57,123,884	342,743,301	12.0%
6.9%	27,520,906	3,810,031	57,561,435	345,368,607	5.8%

Source: Own calculations based on provided estimates.

As a result, these statistical simulations deliver robust estimates of the expected value of total city revenue. We can then affirm that the estimates are consistent with the empirical literature and accurately reflect the expected tax-revenue outcome established in this project's numerical analysis.

4. Conclusions

After reviewing empirical studies, we can confirm that the evidence is consistent on the impact of developing new supermarkets in urban areas nationwide. Analyses conducted in different metropolitan areas reach similar conclusions. Furthermore, both academic and industry reports reach similar conclusions that apply nationwide.

In addition, we reviewed other empirical research papers showing that new supermarket developments affect neighborhoods in many ways, many of which are difficult to quantify. We then listed some of the economic and social impacts that these types of projects may have. Assessing the impact on real estate prices, and consequently on tax revenues, offers only one aspect of the total effect these projects may have.

Next, we turn to the company's calculations, which present different estimates of tax revenues based on different rates of impact on real estate prices. As mentioned before, the assumptions regarding increases in real estate prices are consistent with the empirical evidence, and the calculations are very accurate. We now proceed with two additional calculations. First, we estimate the long-run impacts on taxes for both 5-year and 30-year terms, using expected inflation rates and real estate prices' growth rates. We can show that the present value of those calculations is much higher than the original estimates. This indicates that the company was very conservative in its long-term estimates of additional tax revenue. Second, we introduce random variation in the growth rate of real estate prices. We use a Monte Carlo simulation with 10,000 estimates and provide the confidence intervals based on those estimates. The results show solid consistency and an accurate picture of expected city tax revenue.

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