

DATE: March 22, 2023  
TO: City of Soldotna, John Czarnecki  
FROM: ECONorthwest – Nicole Underwood, Oscar Saucedo-Andrade, and Cadence Petros  
SUBJECT: Soldotna AK Market Analysis

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The City of Soldotna is interested in redeveloping an 85-acre portion of its downtown into a mixed-use, walkable waterfront that draws locals and visitors. The Project Area comprises a mix of auto-oriented businesses and underutilized and undeveloped properties located between the busy Sterling Highway and the world-renowned Kenai River. Presently, residents and visitors may drive through Soldotna and never see the river. Because businesses in the redevelopment area face the highway, none leverage their proximity to the river to grow their business. Additionally, private land ownership, limited parking, and steep slopes limit river access.

This market analysis focuses on helping the City understand **the types of uses that might be most beneficial to the community**. It considers:

- Market conditions in Soldotna in 2022
- The market potential of residential and commercial uses along the waterfront, given existing demand from current and future residents and visitors
- How redevelopment can benefit both Soldotna and Kenai Borough residents while helping to establish Soldotna as a visitor destination, leveraging its current assets to build its brand

This memorandum includes the following sections:

- Key Findings
- Choosing Geographies of Interest
- Project Area Overview
- Demographic and Economic Trends
- Real Estate Market Trends
- Findings: What Land Uses Can the Current Market Support in Soldotna?
- Appendix A. Socioeconomic Conditions

### **Launching the Riverfront Redevelopment Plan**

The market analysis is part of the first phase of the Riverfront Redevelopment Plan. The Plan will guide future development in the Project Area and advance the City's long-term economic development goals of: fostering new investment and partnerships, creating jobs, and improving the quality of the built environment for residents and visitors.

**What's next?** This analysis will inform conceptual planning during the next phase of the Redevelopment Plan in early 2023. The team will draw upon the broader market potential identified in this analysis to narrow down potential uses. This market analysis and subsequent concept planning will also provide a basis for real estate feasibility analysis in Spring 2023.

## Key Findings

An increase in older residents, higher income households, and visitor counts will drive local demand.

- **The population on the Kenai Peninsula Borough is expected to continue to grow over the next 20 years, although at a slower rate than it did between 2010 and 2021.** The Kenai Peninsula Borough is expected to add 1,218 residents between 2020 and 2040.
    - **What does this mean for the Project Area?** Population growth increases demand for commercial and residential uses making development in the Project Area more attractive.
  - **Soldotna and Kenai Peninsula Borough households tend to be older than the state overall, with fewer people per household.** The proportion of residents aged 60 and older increased the most between 2010 and 2020, followed by residents aged 18 to 34.
    - **What does this mean for the Project Area?** Age of residents will impact the type of goods and services that will be best suited in the Project Area. Household size and age influences the type and size of housing that could be developed.
  - **Soldotna’s median household income increased 28% between 2010 and 2020 (\$59,700) but remained lower than both the Kenai Peninsula Borough and the State of Alaska overall.**
    - **What does this mean for the Project Area?** Income provides a frame of reference for the types of residential and commercial development that could be successful. Soldotna’s median household income increased faster than the Borough and the State which may indicate that the City is becoming a more attractive location for higher income households who have more disposable income. This can change the types of goods and services demanded in the region. However, since the median income is still lower than the Borough and state, developers may still have a challenge in getting the rents/prices they need to justify development in the near term.
  - **Employment grew faster in the Kenai Peninsula Borough than the State of Alaska.** While the state is still working to recover employment lost during the COVID-19 Pandemic, as of 2021 the Borough’s employment has exceeded 2019 levels.
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- We generated key findings by exploring the economic and demographic trends at the state, Borough, and City level to understand the overall direction of the economy.
- We then conducted a demand analysis for commercial and residential uses looking at a 30-minute drive time radius from the Project Area.
- For lodging uses we analyzed supply and demand at both the Kenai Peninsula Borough level and the City level.
- For more details on these geographies see Choosing Geographies of Interest.
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- ### Increase in work from home trends
- The pandemic facilitated a shift in many industries opening up opportunities for employees to work from home at levels never seen before. Work from home trends are likely to continue—full time for some workers or with options for a hybrid schedule for others. This trend will impact where workers choose to live, and the types and size of office space needed to accommodate these workers.
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- **What does this mean for the Project Area?** Above average employment growth (relative to the state) indicates a strong economy. The types of industries that are growing will influence the types of space needed to accommodate that growth.
- **Pre-pandemic travel to Alaska was strong** growing from 1.77 million out-of-state visitors in 2009-10 to 2.54 million in 2018-19, an increase of 43%. **While total visitors to Soldotna dipped in 2020, it recovered in 2021 and 2022.** Soldotna had an estimated 330,000 visitors between January and November 2022.<sup>1</sup>
  - **What does this mean for the Project Area?** Growth in visitor counts can generate additional demand for lodging and retail which could be accommodated in the Project Area.
- **Soldotna attracts visitors from both within Alaska and out-of-state.** In 2021, about 51% of all visits to Soldotna were from Alaska residents that live at least 30 minutes away. **Most visitors travel to Soldotna to enjoy a variety of outdoor recreational activities.** About 62% of visitors travel to Soldotna/Kenai for vacation/pleasure, 26% to visit family and friends, and 12% for business/business pleasure. Top activities for visitors to Soldotna/Kenai include fishing followed by wildlife viewing and hiking.
  - **What does this mean for the Project Area?** The reasons that visitors travel to Soldotna impacts the types of lodging that will be viable (e.g., visitors may need space to clean fish or store fishing gear, etc.) and the types of commercial uses that will be successful (e.g., visitors may want prepackaged lunch options or casual restaurants where they can comfortably wear outdoor gear).

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<sup>1</sup> International travelers are not captured in the data.

## Regional visibility, adjacency to the Kenai River, and access to nearby recreational amenities make the riverfront an attractive area for development.

- **Strong regional visibility.** Located along Sterling Highway, the Project Area has exceptional regional visibility making it an attractive location for commercial, residential, and hospitality uses.
- **Adjacency to the Kenai River.** The Project Area's riverfront location could attract residential, retail, and hospitality uses that leverage river views and access.
- **Regional hub for services and shopping.** As a commercial center for the Peninsula, Soldotna is home to government offices, medical care, educational services, and employment centers. Being in the heart of Soldotna, the area could draw complimentary uses like retail and residential as well as hospitality uses targeting business travel.
- **Access to recreational opportunities.** Soldotna Creek Park is a hub for community events, attracting residents and visitors alike. In addition to fishing in the Kenai River, residents and visitors also have access to many other outdoor activities including hunting, sightseeing, etc. The Regional Sports Complex and the future Field House could further the Project Area's attractiveness to residential, hospitality, and commercial uses.



Soldotna Creek Park's riverfront boardwalk offers views and access to the Kenai River.

## A lack of amenities and land ownership complexities could hinder development potential.

- **Limited range of lifestyle amenities.** The Project Area lacks a mix of entertainment, restaurant, services, and retail uses nearby that typically make mixed-use residential development and high-end hotel development attractive.

**Private ownership and uncertainty.** Most of the land along the riverfront is privately held. Uncertainty about city plans and potential landowner conflicts could pose a challenge for future development of all types.

## Market trends suggest demand for retail, residential, and lodging.

Soldotna’s low vacancy rates and rising rents for retail and multifamily as well as rising home prices suggest unmet demand for these uses. Steadily increasing occupancy rates and average daily room rates indicate a strong market for lodging. Office space has experienced rent fluctuations since 2012 including a rent decrease in 2022. That combined with increases in work-from-home trends could limit demand in the near term.

### Exhibit 1. Market Trends in the Soldotna Trade Areas

Source: CoStar and Redfin, ECONorthwest Analysis

Note: The trade area for residential, retail, and office consists of a 30-minute drive time from the Project Area; lodging trends are based on the broader Kenai Peninsula

Development Type	Trends	Implications
<b>Rental Housing</b>	<ul style="list-style-type: none"> <li>Steadily increasing multifamily rents</li> <li>Very low multifamily vacancy</li> <li>No new large multifamily (5+ unit) development since 2012, but the trade area has had smaller multifamily development such as quadplexes near the Kenai Peninsula College. The Timberland Condos within the Project Area are mostly used as month-to-month rentals or short-term rentals.</li> </ul>	<p><b>Increasing home prices</b> indicate demand for ownership housing.</p> <p><b>Low vacancy rate</b> indicates a constrained supply of multifamily units and upward rent pressures.</p> <p><b>Rising interest rates</b> could temper demand for homeownership.</p>
<b>Ownership Housing</b>	<ul style="list-style-type: none"> <li>Steadily increasing home prices with significant increases since 2019</li> <li>Nearly 80% of population own their home</li> <li>Rising interest rates</li> </ul>	
<b>Retail</b>	<ul style="list-style-type: none"> <li>Rents peaked in 2019 and 2021.</li> <li>Very low vacancies that have remained low for about 8 consecutive years.</li> <li>Five retail buildings built in the past decade totaling 41,500 sq ft. (Conversations with City staff indicate that there has been more retail space added to the market than is captured in the data, especially outside of City limits.)</li> </ul>	<p><b>Built-to-suit development</b> could be viable.</p> <p><b>Small-sized retail</b> could be absorbed in the trade area.</p>
<b>Office Space<sup>2</sup></b>	<ul style="list-style-type: none"> <li>Fluctuating rents between 2012 and 2022; declining rents in 2022</li> <li>Low vacancy rates between 2015 and 2019; Fluctuating vacancy rates between 2020 and 2022</li> <li>No new speculative office development has occurred in the past decade. However, the hospital has added space for medical office. A few existing retail spaces are being used for small professional service offices.</li> </ul>	<p><b>Potential limited demand</b> for small office users such as medical and dental, insurance, etc. These users typically require office space in the range of 500-2,500 sq ft.</p> <p>Developers are most likely to build new office uses in a mixed-use building or within strip retail with retail and service users.</p>
<b>Lodging</b>	<ul style="list-style-type: none"> <li>Average daily room rate (ADR) for hotels in the Kenai Peninsula reached a decade-high of \$175.</li> <li>Since 2012, hotel occupancy has increased year-over-year (except for in 2020) reaching a decade peak of about 70% in 2022.</li> <li>One new hotel with 72 rooms was built in the Kenai Peninsula since 2012 (Aspen Suites in Homer); Lands End Resort in Homer also added 33 new rooms in 2019.</li> </ul>	<p><b>Growing ADR, high occupancy, and limited new development</b> indicate there could be support for a new hotel.</p> <p>Outdoor amenities, the Regional Sports Complex, and the new Field House are likely to generate most of the demand for a new hotel in the area.</p>

<sup>2</sup> Due to limited demand and the clustering of medical services near the hospital, we did not conduct additional analysis on market potential of office in the Project Area. However, limited office space may be viable within a mixed-use development as small office and retail uses can often occupy similar spaces.

## Retail, residential, and lodging could be viable in the Project Area.

Retail, residential, and lodging uses all exhibited moderate to strong market potential and could be viable uses in the Project Area (Exhibit 2). It is important to note that the uses examined in this document do not exist in isolation and establishing one use in the Project Area may catalyze additional development. This information sheds light on what uses may be competitive as the City plans future development in the Project Area and how the City can target policies, planning documents, and investments to unlock additional development potential.

### Exhibit 2. Summary of Market Potential to the Project Area

Source: ECONorthwest analysis

Land Use	Suitability	Market Trends	Market Potential
<b>Retail</b>	<b>Strong</b> Strong visibility, proximity to other retailers, and large daytime population	<b>Moderate</b> Local market fundamentals are stable, with near to mid-term demand for retail.	<b>Moderate</b> Household spending is likely to support five to eight retailers including restaurants and boutique stores. Mid-term potential for new retail space if rents are supportive.
<b>Office</b>	<b>Weak</b> Strong highway access, small concentration of office related jobs, trends in work-from-home	<b>Weak to Moderate</b> Market trends need to correct for low vacancies with increasing rents; low demand outlook.	<b>Weak</b> Expectation of low demand growth. Rent levels currently would not justify new construction.
<b>Rental Residential</b>	<b>Moderate</b> Access to employment center, increasing population, limited lifestyle amenities, and potential for riverfront view premiums	<b>Moderate to Strong</b> Local market conditions are improving with moderate demand.	<b>Weak to Moderate</b> Expectation of moderate demand growth. Rent levels currently would not justify new construction. Limited area amenities lessen the attractiveness of the area.
<b>For Sale Residential</b>	<b>Moderate</b> Access to employment center, increasing population, limited lifestyle amenities, and potential for riverfront view premiums	<b>Strong</b> Home prices have increased steadily, homeownership rates are high, and expected future growth of high-income households.	<b>Moderate to Strong</b> The Kenai Peninsula has more affordable homes compared to Anchorage. Forecasts of household growth are strong in mid- to upper income cohorts.
<b>Lodging</b>	<b>Moderate</b> Strong visibility from highway and proximity to recreation and tourism assets; potential riverfront access and views	<b>Strong</b> Market recovery has been strong surpassing pre-pandemic levels.	<b>Moderate</b> Limited assortment of recreation and tourism attractors; mid-term opportunity if tourist attractions are leveraged or increased

## Retail and Restaurants

Demand is stable for commercial retail. Existing resident and visitor spending could support an additional **20,000 square feet of neighborhood-scaled retail space** in the Project Area.<sup>34</sup> New space would most likely serve as a part of mixed-use development or strip retail. Soldotna could attract:

- 4 to 5 restaurants (between 2,000 and 5,000 square feet each)
- 2 to 3 boutique clothing and clothing accessory shops (between 1,000 and 2,500 square feet each)

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The City does not have any full-pour liquor licenses available. It could lobby to get additional beer and wine licenses if a restaurant makes at least 50% of its money from food. Limited liquor licenses could create barriers to restaurant development.

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## Housing

New population growth will drive demand for both ownership and rental housing. The Project Area could be desirable for residential development offering easy access to employment in Soldotna along with access to the river (public or private) and potential riverfront views. However, the Project Area currently has limited entertainment, restaurant, services, and retail uses that typically make mixed-use residential development and high-end hotel development attractive. If developed with amenities or as a part of a mixed-use concept, additional lifestyle amenities could boost attractiveness for development.

- **Condo residential units.** Near-term growth in households earning over \$75,000 annually is expected to generate demand for approximately **180 units**. Residents with higher incomes are more likely to own their homes. They *may* be interested in locating in moderate to high-end condo residential units typically built in a mixed-use residential development. Older residents looking to down-size to homes with less maintenance and that are closer to amenities and services may also be interested in condos.
- **Multifamily rental apartments.** Near-term growth in households earning below \$75,000 annually is expected generate demand for approximately **85 units**. Soldotna's lower incomes relative to the state and lower average market rents in Soldotna limit potential for new market-rate rental development. The City could explore funding and partnerships to develop some workforce housing units as part of a larger apartment project.

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Accommodation and food service industries typically pay lower than average wages. Workers in these industries are more likely to rent. If the City wants to attract commercial development, the City may want to consider how to support the housing needs of workers in these industries.

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New market-rate development of rental apartments could be feasible to accommodate some of the 180 new households that earn over \$75,000 annually who want to rent instead of own.

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<sup>3</sup> Approximately 12,000 square feet is generated by existing resident spending and 8,000 square feet by non-Alaska visitor spending.

<sup>4</sup> Alaska visitors outside of the trade area were not included in this analysis but could also generate demand.

## Highway-Oriented Lodging

Prior to the pandemic, the regional hospitality market exhibited stable market conditions in a growing tourism market that saw \$187 million in direct, out-of-state visitor spending in 2016. Kenai Peninsula tourism has rebounded since the pandemic with visitor counts, hotel occupancy rates, and hotel average daily rates (ADR) surpassing pre-pandemic levels. **Over the intermediate-term, hospitality could be a viable use in the Project Area** especially if the City promotes its current tourism attractions and/or increases attractions.

Soldotna lacks a newer hotel, and no hotels are in the development pipeline. Since visitors seek out the many recreational opportunities in and around Soldotna, **a highway-oriented hotel would be best suited to the Project Area.**<sup>5</sup> This type of hotel typically tends to be a limited-service, extended-stay hotel that offers rooms with kitchenettes or full-sized kitchens. This hotel type also offers limited facilities and amenities, generally without the full-service restaurant that luxury or upscale hotels feature. If Soldotna drew a new limited-service hotel, it would be the newest limited-service hotel on the Peninsula and could command some of the highest room rates in Soldotna.

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The City does not have any available full pour liquor licenses available for restaurants. However, hotels qualify for their own full-pour license if they have 15+ rooms which could make hotel with a restaurant more attractive.

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<sup>5</sup> A highway-oriented hotel is one that is visible from the highway and is enroute or close to the visitor's final destination. Current visitors to Soldotna are coming to access the many recreational opportunities in and around Soldotna. They are not coming to access Soldotna's downtown. If through this concept planning process, Soldotna created more vibrant downtown with experiential shopping/dining, other types of hotels may be attracted to the area.



## Choosing Geographies of Interest

ECONorthwest looked at the macroeconomic and demographic trends in the City of Soldotna compared to the Kenai Peninsula Borough and Alaska to understand the overall direction of the economy.

To understand the demand for residential and commercial land uses, we established a trade area of a 30-minute drive time from the Project Area. This trade area represents the area of influence for which the area could reasonably draw from for market support for residential and commercial land uses. Any area larger than a 30-minute drive time will have other regional influences of the market that creates challenges for understanding household spending patterns.

We use this 30-minute drive time from the Project Area because Soldotna is a regional hub for employment, goods, and services and provides a reasonable distance that people may be willing to drive to get to school, work, services, etc. This trade area provides a strong starting point for understanding high-level demand for broad use types, but depending on the specific business that locates in the Project Area, demand may generate from a smaller area (such as from the City of Soldotna) or a larger area (Kenai Peninsula Borough). For instance, a convenience store will generate demand from a smaller local area than a grocery store or department store—which typically require the presence of a larger number of households to support this business.

Understanding demand for lodging requires us to look at the broader Kenai Peninsula. Visitors travel to the Kenai Peninsula from across Alaska, the United States and the world. They may choose from a variety of locations across the Peninsula with similar access to the recreational opportunities. Any hotel within the Project Area would broadly compete with other hotels throughout the Peninsula. Once a visitor chooses to stay in Soldotna, the competition then becomes more local.

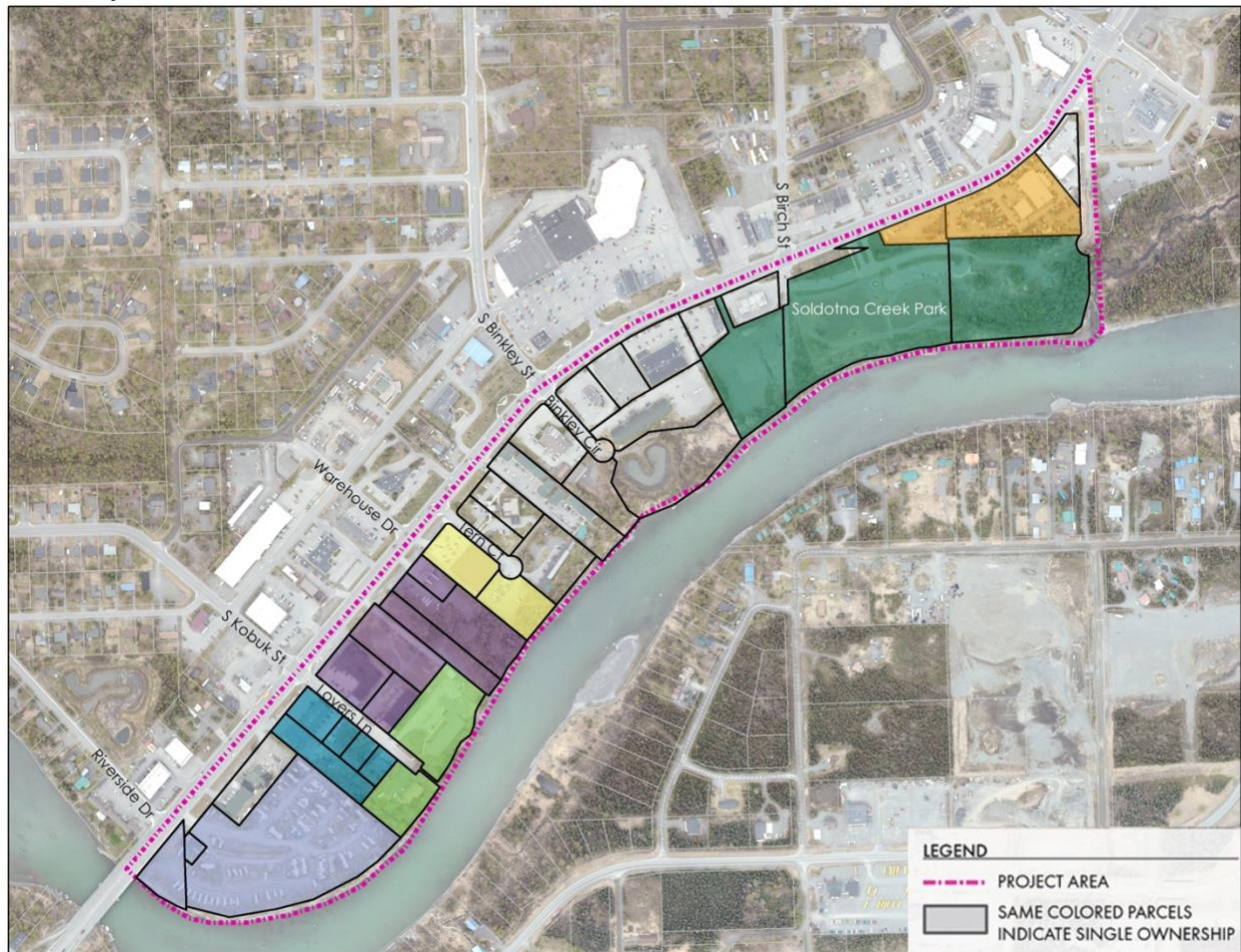
# Project Area Overview

Soldotna is located within the Kenai Peninsula Borough 140 miles from Anchorage, 70 miles from Homer, and 95 miles from Seward. Soldotna serves as the commercial center for much of the Peninsula and is home to the Borough and School District offices, Central Peninsula Hospital, Kenai Peninsula College, a State Trooper’s Detachment, and the headquarters for the Kenai National Wildlife Refuge.

The Project Area consists of approximately 84 acres of land along Soldotna’s riverfront (Exhibit 3). Across Sterling Highway lies much of Soldotna’s residential area. The Project Area is bounded by the Kenai River to the south and Sterling Highway to the north. Many of the properties have highway frontage. Sterling Highway crosses the Kenai River at the western boundary of the Project Area and Soldotna Creek Park marks the eastern boundary.

### Exhibit 3. Project Area and Land Ownership

Source: City of Soldotna

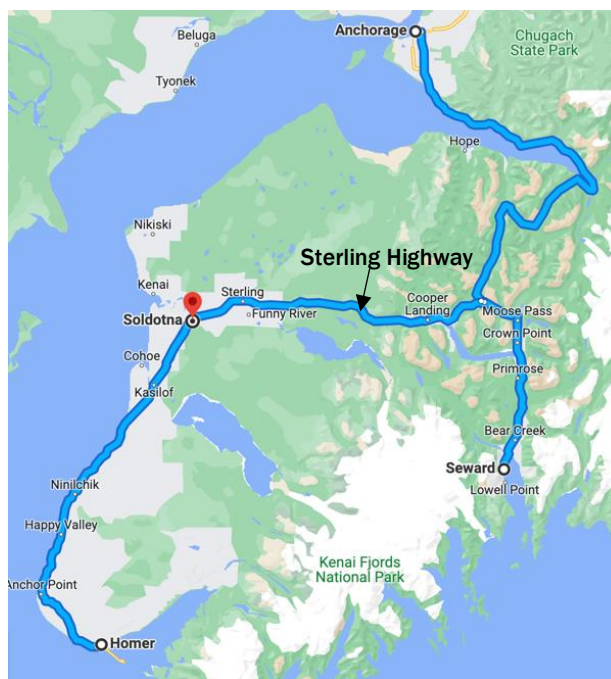


## Regional Access

With tour busses and other visitors making their way daily along the Sterling Highway, the Project Area has the potential to attract visitors.

Sterling Hwy (a section of Route 1 which extends through Anchorage) is the primary highway through the Kenai Peninsula. It begins in Tern Lake Junction of the Seward Highway and stretches 142 miles to Homer – a popular tour bus route. The section of Sterling Highway between the Kenai River to Kenai Spur Highway has the highest average annual daily traffic (AADT) count of the whole Kenai Peninsula (16,900 to 19,200 AADT).<sup>6</sup> The Project Area is also near the Kenai Spur Highway junction which provides access to the towns of Kenai and Nikiski and ends at the entrance to the Captain Cook State Recreation Area.

Exhibit 4. Kenai Peninsula and Sterling Highway



The Kenai Municipal Airport, which is about a 15-minute drive from Soldotna, further connects the area to the region, offering daily flights to and from Anchorage. The Soldotna Municipal Airport, a 5-minute drive from the Project Area, offers fishing, hunting and flightseeing services as well as private hangar space.

## Climate

Climate and seasonality impact the decisions that developers might make about complementary uses, amenities, and building features. Temperatures in Soldotna are mild in the summer with highs in the mid-60s. Winter temperatures can sometimes drop below 0° F, but daytime highs are usually in the 20s. Soldotna gets about 22 inches of rain, on average, per year, and about 64 inches of snow per year. The longest day (in June) receives about 19 hours of sunlight. Winter solstice brings about 5.5 hours of daylight.<sup>7</sup> Given the cold weather and limited daylight during much of the year, future development on the riverfront must be well lit with space for people to warm themselves.

## Topography and View Potential

The Project Area is mostly flat, however steep slopes exist near the river which could pose challenges for development, requiring additional planning and engineering to ensure

<sup>6</sup> Alaska Department of Transportation and Facilities, AADT for 2021

<sup>7</sup> Weather Spark <https://weatherspark.com/y/218/Average-Weather-in-Soldotna-Alaska-United-States-Year-Round#Figures-Temperature> ; Travel Alaska <https://www.travelalaska.com/Planning/Alaska-Climate/Southcentral>

environmental preservation as well as stability and safety of any structures built near the slopes. The steep slopes near the river could provide scenic views and space for recreational activities such as fishing and walking paths.

## Current Land Uses

The Project Area consists of privately and publicly owned parcels. While most of the land along the water is privately held, a significant portion is held by five owners, which could make it easier to plan and pursue collaborative riverfront projects (Exhibit 3). Several vacant parcels could be developed, and underutilized properties offer opportunities for redevelopment.

All land in the Project Area is zoned Commercial, except for Soldotna Creek Park which is in the Parks and Recreational District.<sup>8</sup>

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Soldotna Creek Park, located within the Project Area, is an important gathering space in the community, hosting the Wednesday Market throughout the summer as well as various other events throughout the year.

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<sup>8</sup> The Options and Opportunities paper suggested that a new overlay district is needed in the Project Area to guide and enhance development opportunities.

## Demographic and Economic Trends

*This section describes the key demographic and economic conditions and trends for Soldotna and the comparison geographies (the Kenai Peninsula Borough and the state of Alaska). We look at these geographies to understand the overall macro direction of factors in the economy. Detailed data, including sources, is included in Appendix A.*

A range of economic, social, and demographic factors influence the demand for commercial and residential development. Some of the key demand factors for these types of development include population growth, employment opportunities, and changes in household income levels. Demand for commercial and residential development is driven by the need for new housing and commercial space to accommodate a growing population and support economic growth. Growth in tourism drives demand for hospitality-related development.

These trends will influence the demand for different uses in Soldotna and future development in the Project Area.

### Soldotna's residents are older with smaller households than the state overall.

- **Soldotna experienced moderate population growth between 2010 and 2021.** As of 2021, Soldotna's population was 4,444 residents. Between 2010 and 2021, Soldotna's population grew by 6.7% or 281 residents. This was a higher rate of increase than the state (3.2%) but lower than the Borough (7.9%). **The Kenai Peninsula Borough is expected to continue to grow but at a slower rate. Between 2020 and 2040 the Borough is expected to add 1,218 residents.**
- **Soldotna and Kenai Peninsula Borough residents tend to be older than the state overall.** The portion of the population aged 60 and older in Soldotna saw the greatest increase from 2010 to 2020. However, the population aged 18 to 39 years also increased over the period while other age groups experienced declines.
- **Soldotna and the Kenai Peninsula Borough have more one and two person households than the state overall.** About 67% of Soldotna households have one or two members.
- **Soldotna's population is more racially and ethnically homogenous than the surrounding jurisdictions.** 83% of Soldotna's population identifies as White.

## Soldotna's median household income has been increasing but remains lower than the Borough and state.

**Soldotna's median household income increased 28% between 2010 and 2020 though remained lower than both the Kenai Peninsula Borough and the State of Alaska overall.** Soldotna's median household income increased faster than the Borough and the State which may indicate that the City is becoming a more attractive location for higher income households who have more disposable income. However, Soldotna's lower median household income (\$59,700 in 2020) can create barriers to some types of development. Over 60% of Soldotna households have an annual income of less than \$75,000 which can make it challenging to afford rising housing costs.

- **Educational attainment for Soldotna is lower than for the Borough and the state.** 17% of Soldotna residents have obtained a bachelor's degree or higher, and 43% have some college education.

## Between 2010 and 2021 employment grew faster in the Kenai Peninsula Borough than the state overall.

- **Employment in the Kenai Peninsula Borough grew 4.8% between 2010 and 2021 whereas the State of Alaska declined 4.0%.** While the state is still working to recover employment lost during the COVID-19 pandemic, the Borough's employment has exceeded 2019 levels. Between 2010 and 2021 the Kenai Peninsula Borough added 920 jobs. The greatest increase in terms of total jobs was in professional and business services (282 jobs), accommodation and food service (270 jobs), health care and social assistance (221 jobs), and retail trade (200 jobs). The industries with the greatest job losses were in mining (-367 jobs) and wholesale trade (-60 jobs).
- **Unemployment rates for the Kenai Peninsula Borough decreased relatively steadily from 2010 to 2022 (despite brief increase with the COVID-19 pandemic).** Unemployment rates in the Borough tended to be slightly higher than rates for Alaska overall.

## Visitors come from both within Alaska and out-of-state to enjoy the natural amenities Soldotna offers.

- **Pre-pandemic travel to Alaska was strong** growing from 1.77 million out-of-state visitors in 2009-10 to 2.54 million in 2018-19, an increase of 43%.
- **Visitor counts in Soldotna exceeded pre-pandemic levels in 2021 and 2022.** Soldotna had an estimated 330,000 visitors between January and November 2022.<sup>9</sup>
- **Soldotna attracts visitors from both within Alaska and out-of-state.** In 2021, about 51% of all visits to Soldotna were from Alaska residents that live at least 30 minutes away.

### From 2016 Alaska Visitor Statistics Program

- The Kenai Peninsula attracted 562,800 visitors in summer 2016; 127,000 (23%) of those visitors spent time in Kenai/Soldotna.
- Total direct spending from visitors was estimated \$187 million in the Kenai Peninsula directly generating 2,500 jobs. Average per visitor spending in the Kenai Peninsula was \$333 per visit.
- About 62% of visitors travel to Soldotna/Kenai for vacation/pleasure, 26% to visit family and friends, and 12% for business/business pleasure. A greater proportion of travelers visit Soldotna/Kenai for business (12%) than the Kenai Peninsula overall (6%).
- Most visitors travel to Soldotna to enjoy a variety of outdoor recreational activities. Top activities for visitors to Soldotna/Kenai include fishing followed by wildlife viewing and hiking.

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<sup>9</sup> Residents from zip codes 99611, 99669, 99568, 99672, and 99610 were considered locals and not included in visitor analysis. International travelers are not captured in the data.

## Real Estate Market Trends

*This section provides an overview of real estate market trends in the Soldotna trade area using commercial real estate data from CoStar. Given the relatively small sample size of the data in the Soldotna trade area, these trends may not capture all the nuances of the market. Where possible we have included additional local context.*

The exhibits in this section show historical trends in the Soldotna trade area (Exhibit 5).<sup>10</sup> In general, the commercial real estate analysis shows trends in Triple-net (NNN) rents, vacancy rates, and deliveries and absorption. A brief summary of these terms is included below.

- **Triple-Net (NNN):** Represents annual rents on a per square foot basis not including any pass-through expenses such as taxes, insurance, and any utilities or maintenance costs.
- **Vacancy:** The percentage of available space in a building or market that is unoccupied and available for lease or sale.
- **Deliveries:** The number of new buildings or units completed and ready for occupancy in a given time period, typically measured in square feet or number of units.
- **Net Absorption:** The amount of new occupied space in a given market over a specific period, typically measured in square feet. Net absorption is calculated by subtracting the amount of space that becomes vacant (either by tenants moving out or by new construction) from the amount of space that is newly occupied.

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<sup>10</sup> Ownership housing is tracked using Redfin data at the Borough and state level due to data availability.



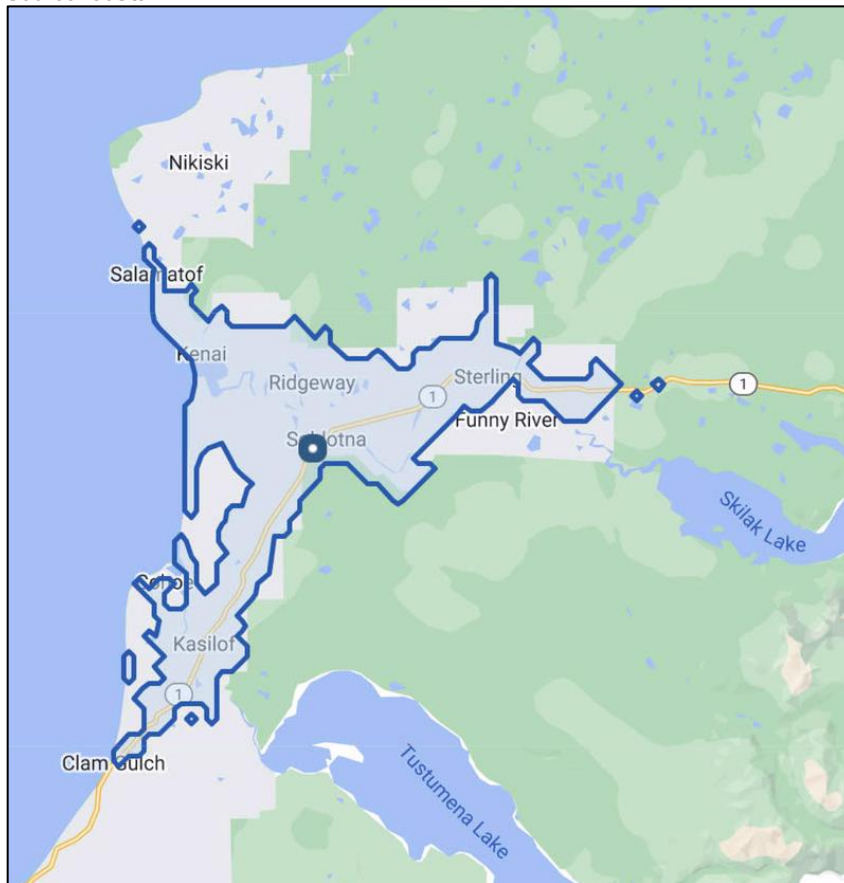
## Soldotna Trade Area

As shown in Exhibit 5, the Soldotna trade area is a 30-minute drive time radius from the Project Area. This defined trade area for Soldotna is the geography for which most of Soldotna's demand is expected to generate for commercial and residential uses. It serves a population of approximately 30,000 people.

For the purposes of this market analysis, we analyzed commercial and residential real estate trends within the Soldotna trade area to understand demand potential and feasibility of different uses.

### Exhibit 5: Soldotna Trade Area

Source: CoStar



## Retail

Much of the retail in the Soldotna trade area is highway-oriented, strip commercial ranging from large-scale anchor stores such as Fred Meyer and Safeway to small, individually owned shops and restaurants.

These trends are based on CoStar data which included a sample size of 142 buildings and 2.1 million square feet of retail space in the Soldotna trade area.

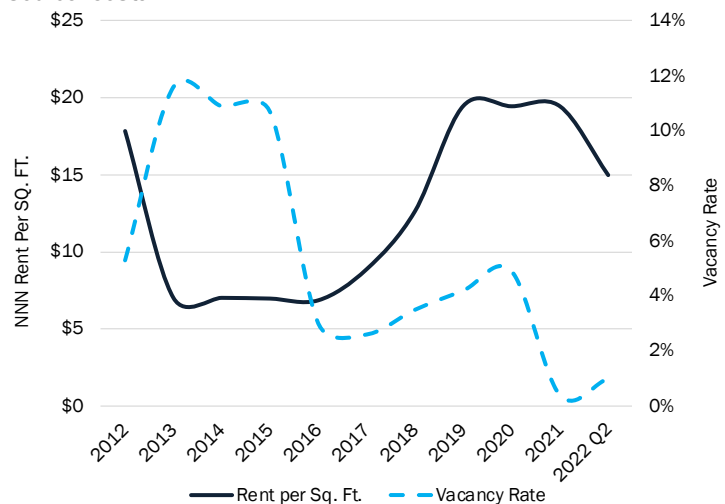
Retail rents increased sharply from 2016 to 2019 before dropping slightly to \$15 per square foot as of 2022. Vacancy rates fell 4.5% from 2020 to 2021, with a slight uptick in 2022. From 2012 to 2022, roughly 110,000 square feet of retail space was absorbed in the market.<sup>11</sup> The increase in absorption and drop-in vacancy rate around 2016 coincides with a high leasing activity for retail space and the opening of Walgreens, Sherwin Williams, and the Kenai River Brewery in Soldotna. During this same period, only 41,500 square feet of new development was added (delivered) to the market. The low amount of new development relative to absorption likely contributed to high rents and low vacancy rates indicating a stable market for retail. Low vacancy rates and continued demand for retail space will likely drive-up rents in the near term supporting additional demand for retail space.

**Retail rent rates increased \$12.64 per square foot from 2016 to 2019 before falling slightly in 2022.**

In 2013 vacancy rates peaked at 11.6%, before falling sharply between 2015 and 2016 to 3.0%. Vacancy rates fell a second time between 2020 and 2021, dropping to just 0.4%.

**Exhibit 6: Retail Rent per Square Foot and Vacancy Rate, Soldotna Trade Area, 2012-2022 Q2**

Source: CoStar



<sup>11</sup> Absorption happens when vacant space is leased up and/or businesses take over existing leases.

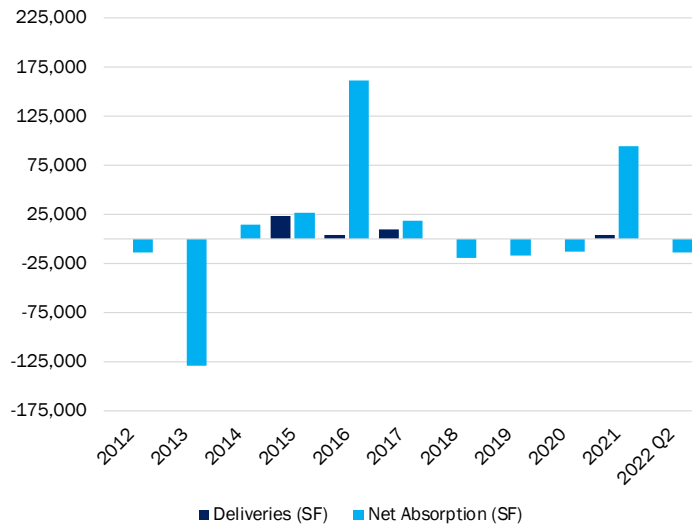
**Net absorption has far exceeded deliveries for retail space in Soldotna, signifying strong market demand and likely contributing to high rent rates.**

According to Costar, Soldotna had a net absorption of nearly 110,000 square feet for retail spaces between 2012 and 2022. In contrast, only 41,500 square feet of new retail space was delivered in the same period, likely contributing to the increase in rent rates (Exhibit 6) as demand outweighed supply.

Conversations with City staff indicate that there has been more retail space added to the market than is captured in the data, especially outside of City limits. Two new developments not captured in the data include Whistle Hill in 2017 and River City Books/Lucy's in 2019, both of which are fully leased. Continued development and subsequent absorption signify strong market demand.

**Exhibit 7: Retail Deliveries and Net Absorption in Square Feet, Soldotna, 2012-2022 Q2**

Source: CoStar



## Office

Office space is generally classified into three categories which include Class A, Class B, and Class C. Class A office space is generally considered the highest quality and most desirable, with modern construction, high-end finishes, and prime locations in major business districts or high-visibility areas. Class B office space is typically older, with fewer amenities and lower rental rates than Class A, but still considered functional and suitable for many businesses. Class C office space is the lowest quality and often the oldest, located in less desirable areas, with limited amenities and lower rental rates. Often, it may require significant renovation or updating to meet the needs of modern businesses.

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These trends are based on CoStar data which included a sample size of 41 buildings and 336,397 SF of office space in the Soldotna trade area.

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Office space in the trade area consists of class B and C office in small one- or two-story office buildings. The Central Peninsula Hospital which anchors the growing Health Care District in Soldotna added additional office and clinic space in 2016 and will likely capture growing demand for medical office. The office space added by the Hospital is not captured in the Costar data. This is likely because it is owned by the hospital (and therefore not be recognized as office development in the data). However, it is still important to understanding office demand in the trade area.

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Some retail space is being used as office space such as Blazy Mall which now hosts mostly office users. Many retail spaces can accommodate small professional services and it is not uncommon to find professional services and retail uses together. However, these buildings are more likely to be captured in the retail data.

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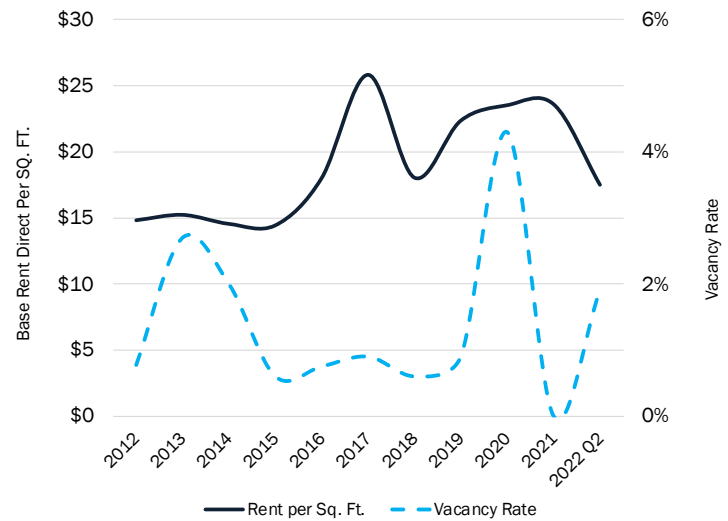
Office rents have fluctuated since 2012 recently decreasing to \$17.49 per square foot in 2022. Vacancy rates, while low, have also fluctuated in recent years, with a large spike in 2020 (likely due to the COVID-19 pandemic), followed by a large drop in 2021. Most recently, vacancy rates increased to 1.9% in 2022. There were no non-medical office space deliveries in Soldotna between 2012 and 2022 according to Costar. In the near term, market trends need to correct for low vacancies with increasing rents. Once those are corrected, there could be limited demand from small office users.

**Office rent rates decreased \$6.11 per square foot, or 26%, from 2021 to 2022. Vacancy rates increased 1.9% from 2021 to 2022, following a spike in 2020.**

The biggest increase in vacancy occurred in 2020, with 4.3% of office space vacant, likely a reflection of the COVID-19 pandemic. From 2012 to 2022, an average of 1.5% of office space was vacant in Soldotna. Rent per square foot fluctuated over the period, peaking in 2017 at \$23.52 per square foot.

**Exhibit 8: Office Rent per Square Foot and Vacancy Rate, Soldotna, 2012-2022 Q2**

Source: CoStar



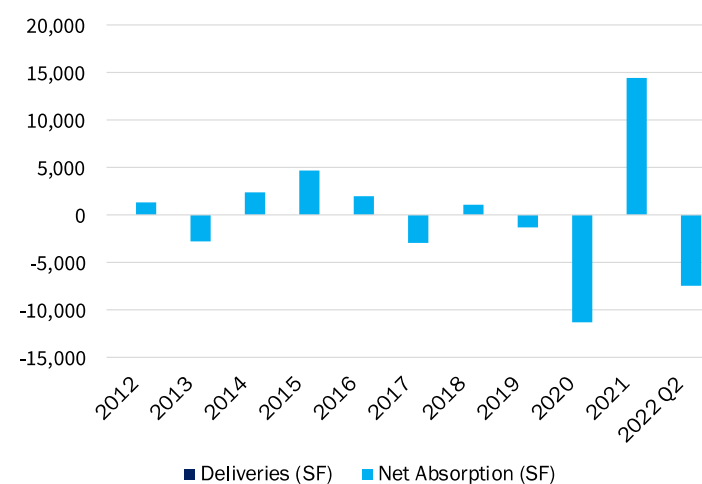
**According to Costar, there were no deliveries of new speculative office space in Soldotna between 2012 and 2022.**

Only 172 more square feet became occupied than vacant between 2012 and 2022. The biggest fluctuations in net absorption occurred between 2020 and 2022, likely a reflection of the COVID-19 pandemic and shifting work environments.

Over the past 10 years the Central Peninsula Hospital has added 89,000 square feet of new office space as a part of the 2016 Phase V Specialty Clinics construction. While not captured in the Costar data since this is being developed by the hospital, it still constitutes an important increase in office space for the growing healthcare industry. Other small medical offices have also developed over the past 10 years, mostly near the Hospital.

**Exhibit 9: Office Deliveries and Net Absorption in Square Feet, Soldotna, 2012-2022 Q2**

Source: CoStar



## Residential

Much of the multifamily residential housing stock is in older, one- or two-story buildings. Many of the units are rent restricted.

Residential market data show a strong and growing demand for multifamily rental products. Rents have increased steadily from 2012 to 2022; as of 2022, multifamily housing rents were about \$900. During the same period, vacancy rates fell to 2.6%. According to CoStar only six new units were added to the market between 2012 and 2022.

These trends are based on CoStar data which included a sample size of 42 multifamily buildings with a total of 765 units in the Soldotna trade area. Single family rental housing is not included in CoStar data.

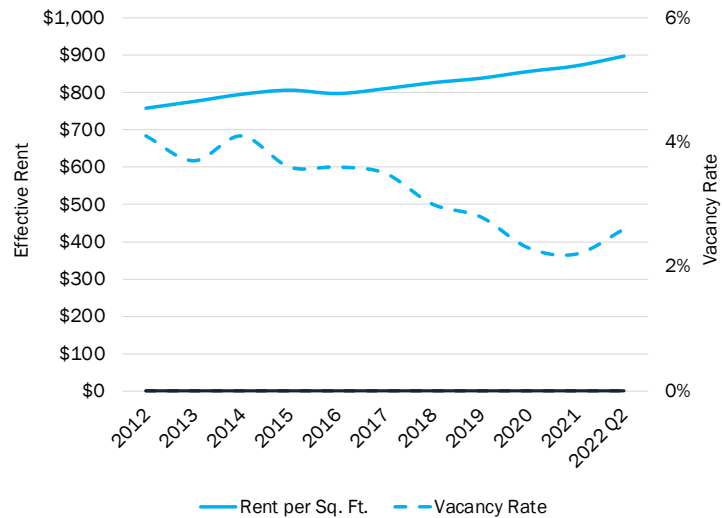
### Multifamily Rental (Costar)

**Rents for multifamily housing have risen steadily from 2012 to 2022. Vacancy rates have dropped steadily.**

Rent rates increased from \$759 per in 2012 to \$898 in 2022, an increase of 18%. At the same time, vacancy rates dropped from 4.1% to 2.6% in 2022.

**Exhibit 10: Multifamily Rent per Unit and Vacancy Rate, Soldotna, 2012-2022 Q2**

Source: CoStar

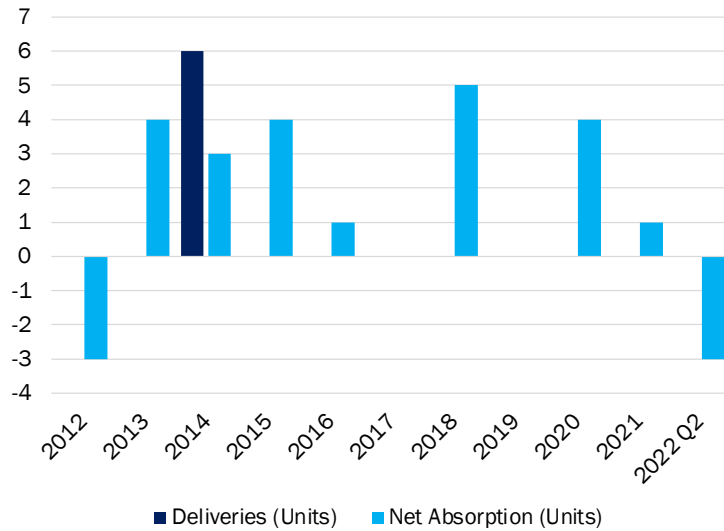


**Net absorption for multifamily rental units was positive and outweighed deliveries, signifying that construction has not kept pace with demand.**

According to Costar, from 2012 to 2022, only six multifamily rental units were delivered in Soldotna (in 2014). During the same period, 16 multifamily rental units were absorbed.

**Exhibit 11: Multifamily Deliveries and Net Absorption in Square Feet, Soldotna, 2012-2022 Q2**

Source: CoStar



### Ownership Housing

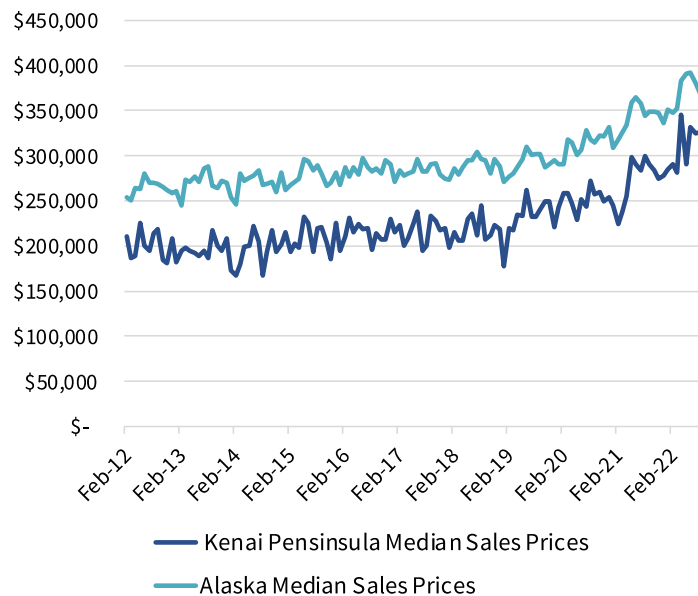
**Median sales price for single family homes in the Kenai Peninsula Borough are more affordable than Alaska. In both regions, prices have increased steadily since 2012.**

As of September 2022, the median sales price for single family homes in the Kenai Peninsula Borough was \$319,000. The median sales price for single family homes in Alaska overall was \$364,000.

Between 2012 to 2022 YTD, the median sale price increased 46% or \$100,000 in the Kenai Peninsula. During the same period, median sale prices increased 35% or \$94,000 in Alaska.

**Exhibit 12: Typical Single Family Home Value, Kenai Peninsula Borough, and Alaska, 2012-2022**

Source: Redfin



## Findings: What Land Uses Can the Current Market Support in Soldotna?

*This section begins by describing Soldotna’s competitive position in the Kenai Peninsula and what makes it appealing for a variety of uses and businesses. The remainder of this section describes some of the potential land uses that may be suitable in the Project Area including retail and restaurants, mixed use, and lodging.*

### What gives Soldotna and the Project Area an edge over other Peninsula communities?

- **Central location.** Soldotna serves as a destination hub for services, food, healthcare, and recreational amenities as well as a throughway for tour busses as they move through the Peninsula. Soldotna serves as a junction to get to other cities like Kenai, Homer, and much of the southwest Kenai Peninsula.
- **Visibility and direct access to Sterling Highway.** The Highway is a major transportation route that connects Homer, Soldotna, and Anchorage, which had an observed average annual daily traffic (AADT) of 16,900 to 19,200 in 2021. The section of Sterling Highway between the Kenai River to Kenai Spur Highway is one of the busiest sections of Sterling Highway with the highest AADT count of the whole Kenai Peninsula.
- **Strong year-round workforce pool.** Many residents work in government, healthcare and social assistance, retail, and accommodation and food services industries.
- **Proximity to Kenai airport.** Convenient highway access and proximity to the Kenai Municipal Airport would be an advantage for a variety of commercial users needing to ship or receive goods, as well as drawing consumer traffic off Sterling Highway.
- **Wildlife refuge.** The entrance to the Kenai National Wildlife Refuge is just minutes from downtown Soldotna. Known as “Alaska in Miniature” the refuge includes ice fields, glaciers, tundra, forests, and coastal wetlands. Visitors can enjoy fishing, hiking, hunting, wildlife watching, and boating.
- **Lower taxes.** Lower sales taxes and property taxes relative to Homer and Seward as well as no bed tax would be an advantage for a variety of commercial, residential, and hospitality uses.

Exhibit 13 shows how Soldotna compares to Homer and Seward in terms of workforce, population and spending power, transportation, tourism, and taxes.



**Exhibit 13. Comparison of Economic Competitive Advantage, Soldotna, Homer, and Seward, 2022**

Source: ECONorthwest Research

Geography	Workforce	Population & Spending Power	Transportation	Tourism/Recreation	Taxes
<b>Soldotna</b>	Strong workforce pool from Soldotna and nearby cities and towns	Large daytime and year-round population from employees, residents, tourism, and passersby	Proximity to other nearby cities and towns  Good access to Sterling Highway and Kenai Airport	<ul style="list-style-type: none"> <li>• Kenai National Wildlife Refuge</li> <li>• Fishing</li> <li>• Museums</li> <li>• Sports</li> <li>• Outdoor recreation</li> </ul>	<p>Lower sales tax (6%),</p> <p>Lower property tax (7.61 mil)</p> <p>No bed tax</p>
<b>Homer</b>	Limited due to location and medium population	<p>Medium-sized daytime population from employees, residents, and tourism</p> <p>Higher tourism population but can fluctuate depending on season</p>	Proximity to smaller towns with access to Sterling Highway and ferry transportation	<ul style="list-style-type: none"> <li>• Ferry terminal</li> <li>• Fishing</li> <li>• Museums</li> <li>• Outdoor recreation</li> <li>• Homer Spit</li> <li>• Distinct neighborhoods with amenities</li> </ul>	<p>High sales tax (7.85%),</p> <p>High property tax (11.24 mil)</p> <p>No bed tax</p>
<b>Seward</b>	Limited due to location and small population	<p>Small daytime population from residents</p> <p>Higher tourism population but varies with season</p>	Somewhat isolated with access to Seward Highway, rail, and cruise ship terminal	<ul style="list-style-type: none"> <li>• Cruise ship dock</li> <li>• Aquarium</li> <li>• Outdoor recreation</li> <li>• Walkable downtown with amenities</li> <li>• Boardwalk</li> <li>• Fishing</li> </ul>	<p>Moderate sales tax (7%)</p> <p>Moderate property tax (9.09 mil)</p> <p>Bed tax (4%)</p>

## Soldotna Residential Tapestry: Understanding Consumer Preferences

To complement the quantitative analysis, ECONorthwest compiled information from ESRI Business Analyst’s Tapestry Segmentation profile for trade area. This profile divides residential areas into distinct segments based on their socioeconomic and demographic composition and provides insight on important consumer variables, such as age, education level, the likeliness of home ownership, a consumer’s willingness to buy or purchase certain products, and their overall economic purchasing power. Exhibit 14 shows the categories that most of the trade area’s residents fall into. While useful in understanding general preferences, it is important to remember that these are general trends and individuals within these broader categories may display a variety of characteristics and preferences.

### Exhibit 14. Top Seven Market Tapestry Segments, Soldotna Trade Area, 2022

Source: Esri Business Analyst

Segment	% of HH	HH Type	Median HH Income	Consumer Preferences & Purchases
The Great Outdoors	30%	Married couple families/ Couples with no children at home	\$56,400	Educated empty nesters living an active but modest lifestyle; focus is land and are active gardeners and partial to home-cooked meals. Though near retirement most of these residents still work.
Middleburg	15%	Young couples, many with children	\$59,800	Traditional, family-oriented consumers. More country than rock and roll, they are thrifty but willing to carry some debt and are already investing in their futures. Rely on mobile devices to stay in touch and pride themselves on their expertise. Prefer to buy American and travel in the US.
In Style	14%	Married couples, no children/ single households	\$73,000	Embrace an urbane lifestyle that includes support of the arts, travel, and extensive reading. They are digitally connected. They have the time to focus on their homes and their interests. The population is slightly older and already planning for retirement
Old and Newcomers	12%	Single households/ married couples (no children)	\$44,900	Singles’ lifestyles, on a budget. The focus is more on convenience than consumerism, economy over acquisition. Composed of neighborhoods in transition, populated by renters who are just beginning their careers or retiring. Some are still in college or taking adult education classes. Support charity causes and are environmentally conscious. Age is not always obvious from their choices.
Parks and Rec	9%	Married couples - more without children	\$60,000	Suburban homeowners although townhomes and duplexes are not uncommon. Many families are two-income married couples approaching retirement age; they are comfortable in their jobs and their homes, budget wisely, but do not plan on retiring or moving anytime soon.
Workday Drive	6%	Married couples with children	\$90,500	Affluent, family-oriented with a country flavor. Partial to new housing away from the bustle of the city but close enough to commute to professional job centers. They favor time-saving devices and family-oriented pursuits.
Bright Young prof	5%	Couples / single parents / single person	\$54,000	Young, educated, working professionals that are physically active and up on the latest technology. More than a third of householders are under the age of 35. Slightly more diverse couples dominate this market, with more renters than homeowners. Labor force participation is high, generally white-collar work, with a mix of food service and part-time jobs (among the college students).

These categories highlight that residents are price conscious and live within their means. They are not extravagant spenders. Residents are active and enjoy the outdoors. Many are homeowners and take pride in their homes. These categories reinforce findings from the economic and demographic trends section that residents have moderate incomes. Many residents are older and live in single or couple households with fewer households having children.

This information can be helpful in determining the specific types of uses that will be successful along the Riverfront Redevelopment Area. For instance, price conscious residents may prefer casual restaurants to fine dining restaurants and want food that they consider sensibly priced. Retail that highlights or caters to the outdoor nature of residents may be more successful than stores that focus on fast fashion trends. Residents may focus on quality over quantity and be willing to pay for items that are made locally (which often carry higher costs) and/or are environmentally friendly.

Housing is more nuanced, but this kind of information can show characteristics that residents would value in a home. With key themes including active lifestyle and country living, residents may need space for outdoor gear. For some, a yard for gardening and recreation may be important. While ownership may be preferred for many residents, the median household income of residents may limit their options if housing prices continue to rise. If developing multifamily or other types of attached housing, developers may want to consider how they can incorporate space for outdoor gear (bikes, kayaks, etc.) and community space for recreation.

## Commercial Retail

*In the following section we detail the factors needed to support retail and the type and scale of retail most appropriate in the Soldotna trade area. This assessment is based on a retail leakage analysis which provides an understanding of resident household spending patterns, visitor counts and spending, retail requirements, and location consideration for different restaurant types.*

At the most fundamental level, market support for commercial retail development is a function of three sources of demand which include:

- **Resident Household Spending.** The consumption from the discretionary spending of resident households within a reasonable distance of the establishment. As described in the Residential Tapestry (Exhibit 14), the trade area consists of a thrifty, budget-minded populace.
- **Visitor Spending.** Spending from temporary, non-resident visitors. This spending is most common in tourist destinations, along Interstate freeway systems, or in proximity to hotels, entertainment attractions, or other uses that draw visitors from a great distance (for details on visitor spending see Exhibit 41).
- **Daytime Population.** The typical population during working hours within a reasonable distance of the establishment. This population could include employees, students, or residents that do not commute out of the market. According to Esri's Market Profile, the trade area has a daytime population of approximately 29,485 people.

### Retail and Restaurant Demand in Soldotna

Demand is stable for commercial retail in Soldotna, with some potential for additional retail space in the trade area. To evaluate what retail store types could be supported in the area, ECONorthwest conducted a retail leakage analysis. A retail leakage analysis also offers a deeper understanding as to how local businesses are capturing residential spending, or if spending is instead being driven by visitors and employees which would be reflected in high surplus figures.

Initial conversations with stakeholders revealed some interest in the following commercial uses:

- Mixed use development (housing over retail)
- Restaurants
- Food cart permanent location
- Distillery (the City has one license available)
- Commercial kitchen
- Coffee shop
- Maker space (large market building with little shops that can be expanded in the summer)
- Art gallery

Exhibit 15 shows that retail *leakage* for the Soldotna trade area is found in the categories of **general merchandise, food services and drinking places, and clothing and clothing accessory stores**. For these business types, local consumers are pursuing goods and services from outside the 30-minute trade area which may signal that business opportunities exist at the local level.

In the Soldotna trade area, retail *surplus* is found in the categories of **food and beverage stores, building material and garden equipment and supplies dealer, electronics and appliance stores, health and personal care, sporting goods, hobby, musical instrument, and bookstore, furniture, and miscellaneous store retailers**. The high sales occurring in the food and beverage stores and building materials and garden equipment and supply dealers indicate that the Soldotna area attracts customers from other areas specifically for these retail store types.

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**Retail Leakage Analysis**

Retail leakage occurs when residents do not have competitive opportunities to purchase goods locally and must travel outside the market (or purchase online) to find desired products. The retail gap represents the difference between demand and supply within the specified trade area. A negative gap suggests that retail sales exceed local demand through capturing sales by customers living outside of the trade area and a positive retail gap suggests that local demand is greater than existing stores can meet, creating retail opportunities.

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**Exhibit 15: Retail Leakage and Surplus, Soldotna 30-Minute Drive Time Trade Area, 2022**

Source: Claritas Retail Market Power Report, ECONorthwest analysis

Retail Category	Consumer Expenditures	Retail Sales	Retail Gap	Implications for Retail Opportunities in Soldotna
Food & Bev stores	\$81,178,766	\$129,720,353	-\$48,541,587	Retail sales exceed local demand through capturing sales by customers living outside of the trade area.
Building Materials/Garden	\$37,339,424	\$80,855,730	-\$43,516,305	
Sports/Hobby/Special Interest	\$7,426,150	\$15,881,928	-\$8,455,778	
Health & Personal Care	\$32,116,178	\$39,388,244	-\$7,272,067	
Electronics & Appliances	\$7,651,118	\$14,355,280	-\$6,704,162	
Miscellaneous	\$11,298,316	\$15,926,975	-\$4,628,659	
Furniture & Home Furnishings	\$10,189,037	\$10,500,089	-\$311,052	
General Merchandise	\$71,192,601	\$52,078,237	\$19,114,365	Local demand is greater than existing stores can meet, creating retail opportunities.
Food Services & Drinking Places*	\$71,918,556	\$53,520,512	\$18,398,044	
Clothing & Accessories	\$21,460,468	\$5,461,495	\$15,998,974	
<b>Total Expenditures</b>	\$351,770,614	\$417,688,843	-\$65,918,227	
<b>Retail Trade</b>	\$279,852,058	\$364,168,331	-\$84,316,271	
<b>Food and Drink</b>	\$71,918,556	\$53,520,512	\$18,398,044	

\* Within food services and drinking places category, local demand was greater than existing supply for full-service restaurants, limited-service restaurants, and snack and non-alcoholic beverage bars.

## Estimating Visitor Demand

Using the same visitor spending categories and amounts used in the Kenai Peninsula Visitor Profile and Economic Impact Analysis (Exhibit 41) and the estimate of 161,000 non-Alaska visitors in 2022 (Exhibit 39), ECONorthwest estimated the demand that could be generated from non-Alaska visitors to the area.<sup>12</sup> Given that not all visitor spending is retail, we identified two spending categories which aligned well with the retail categories in the retail leakage analysis which include food services and drinking places and clothing and clothing accessories stores. Adjusting for inflation, we estimate that visitors could demand an additional \$14.2 million in food services and drinking places and about \$5.3 million in clothing and clothing accessories.

### Exhibit 16: Summary of Retail Leakage, Soldotna 30-Miute Drive Time Trade Area and Non-Alaska Visitor Spending, 2022

Source: Claritas Retail Market Power Report, ECONorthwest Analysis

Retail Store Type	Trade Area Demand	Non-Alaska Visitor Demand	Total Demand	Supply	Leakage
Food services and drinking places	\$71,918,556	\$14,168,968	\$86,087,524	\$53,520,512	\$32,567,012
Clothing and clothing accessories stores	\$21,460,468	\$5,313,363	\$26,773,831	\$5,461,495	\$21,312,336

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<sup>12</sup> Alaska visitors are not included in this analysis.

## Requirements for Successful Retail

Each retail type will require a different number of households within the trade area. For example, a corner store or ground floor in a vertical, mixed-use building requires fewer households to support it than a large, anchored neighborhood center. What a retailer needs to be successful can vary broadly by retail type, tenant, income levels, or other factors. However, the table below presents some general guidelines for neighborhood scale retail. In addition to resident household support, most neighborhood-scaled retail also relies on access to daytime population for market support.

### Exhibit 17: Market Support for Neighborhood Scaled Retail Typologies

Source: ECONorthwest Research

Typology	Typical Size (sq. ft.)	Example Tenant Types	Required Households to Support
Corner Store/ Mixed-use	1,500 – 2,500	Convenience store, coffee shop, boutique store, personal services, limited kitchen restaurant (prepared foods)	1,000 – 1,500 households, central location, access to daytime population
Convenience Retail/ Strip Retail/ Stand-alone Retail	5,000 – 20,000	Boutique uses, professional or financial services, small pharmacy or food market, coffee shop or bakery, fast food chain restaurant	2,500 – 5,000 households, location on a primary arterial.
Neighborhood Center	30,000 – 75,000	Medium-size grocery anchor, mix of retail tenants including financial & professional services, restaurants, café/bakeries, hobby & recreation, mail centers, etc.	6,000 – 8,000 Households, strong location with high visibility.  Site on correct side of evening commute flows.

## Requirements for Successful Restaurants

Restaurants are one type of use that may occupy a retail space. The location of a restaurant is a major element of its potential success. The type of restaurant will dictate the size and typical locational requirements needed to support this specific restaurant. Below, we’ve summarized the locational requirements of a few restaurant typologies that could be supported in the Soldotna trade area. We also summarized requirements for specialized restaurant types such as food halls, food incubators, and food carts. These requirements are intended to be general guidelines as these are specialized restaurant types that will vary in scale dependent on the number of vendors that will occupy the space.

### Exhibit 18: Typical Restaurant Requirements by Type

Source: ECONorthwest Research and Case Study Research

Restaurant Typology	Typical Size (sq. ft.)	Example Tenant Types	Location Requirements
Mixed use	750 - 2,500	Local restaurants	<ul style="list-style-type: none"> <li>• Ground floor of mixed-use building</li> <li>• Located near a busy street or highway for high visibility</li> <li>• Ample shared parking for commercial and residential uses</li> <li>• Can complement other businesses</li> </ul>
Strip retail	1,000 - 2,500	Chain and local restaurants	<ul style="list-style-type: none"> <li>• Usually within a shopping center or strip retail building</li> <li>• Ample shared parking</li> </ul>
Stand-alone	1,500 - 5,000	Chain and local restaurants	<ul style="list-style-type: none"> <li>• Usually within a large shopping center or stand-alone lot</li> <li>• May require drive-through window and larger lot for vehicle circulation</li> <li>• Dedicated restaurant parking</li> <li>• Visibility from roadway</li> </ul>
Food Hall/ Food incubator	6,500-10,000	“Food truck to storefront”, small food vendors, food incubators	<ul style="list-style-type: none"> <li>• 300–500 square feet (per vendor)</li> <li>• Large open building to support several vendors, shared kitchen, prep area, cooler/freezer, storage space, dining hall</li> </ul>
Food Cart	5,000 to 12,000	Food trucks / food carts	<ul style="list-style-type: none"> <li>• 150-200 square feet is the typical size of stationary mobile cart</li> <li>• The site would need to accommodate the food cart plus circulation and outdoor dining tables. This generally translates to 700-750 square feet of space per cart</li> <li>• Require nearby dedicated or shared parking</li> <li>• Require hook up for electricity, fresh water</li> <li>• Near a busy street or major highway that would create high visibility</li> </ul>



## What type of retail could the Soldotna trade area support?

Retail leakage alone does not indicate whether the market can or cannot support additional retail investment. However, taken together with daytime population in the trade area (about 30,000)<sup>13</sup>, Soldotna as a regional hub and visitor destination, and commute data which shows high volumes of traffic through the trade area, we find that there is market opportunity for neighborhood-scaled retail commercial development, most likely as a part of a mixed-use development or strip retail.

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The City does not have any full-pour liquor licenses available but could lobby to get additional beer and wine licenses if a restaurant makes at least 50% of its money from food. Limited liquor licenses could create barriers to restaurant development.

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Soldotna could attract restaurants and clothing and accessories stores totaling **close to 20,000 square feet**. Although there is leakage happening in the general merchandise store category, the leakage amount does not support the average size of a junior department store. **The Project Area could support four to five restaurants with an average size of 2,000 to 5,000 square feet and two to three boutique clothing or accessories stores between 1,000 and 2,500 square feet.**<sup>14</sup>

### Exhibit 19: Summary of Retail Leakage and Supported Retail Store Types, Soldotna 30-Minute Drive Time Trade Area and Non-Alaska Visitor Spending, 2022

Source: Claritas Retail Market Power Report, ECONorthwest Analysis

Retail Store Type	Existing Unmet Demand – Leakage \$	Potential Space (SF)	Retail Example	Average Size (SF)	Number of Retail Stores
Food services and drinking places	\$32,567,012	16,284 <sup>15</sup>	Restaurant	2,000 to 5,000	4 to 5
Clothing and clothing accessories stores	\$21,312,336	3,552 <sup>16</sup>	Boutique Clothing Store/ Accessories	1,000 to 2,500	2 to 3
General merchandise stores	\$19,114,365	3,186 <sup>17</sup>	Junior Department Store	30,000	—

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<sup>13</sup> Esri's Market Profile of the trade area estimates that there were 30,056 people in the trade area in 2022 with a daytime population of 29,485.

<sup>14</sup> Alaska visitors outside of the trade area were not included in this analysis but could also generate demand.

<sup>15</sup> Assumed sales per square foot of \$400 and market capture rate of 20 percent

<sup>16</sup> Assumed sales per square foot of \$600 and market capture rate of 10 percent

<sup>17</sup> Assumed sales per square foot of \$600 and market capture rate of 10 percent

## Residential Mixed Use

The demand for housing development is influenced by a range of economic, social, and demographic factors that affect the ability and desire of individuals and households to purchase or rent housing. These demand factors can include population growth, employment opportunities, changes in household income levels, area amenities and schools, household preferences, and shifts in the availability of credit and interest rates. In the section below, we estimate future market potential, evaluating key market trends and demand factors for housing development in the Soldotna trade area.

### Housing Demand in Soldotna

The Soldotna trade area population has grown moderately over the past decade, increasing 0.6% annually since 2010. Between 2010 and 2022, the area has grown by more than 1,900 residents and more than 1,000 households (Exhibit 20). Population growth is expected to continue but at a slower annual growth rate of 0.35%.

According to American Community Survey (ACS) data, median household income in the Kenai Peninsula Borough increased 20% between 2010 and 2020 to just over \$69,000 (Exhibit 32). Within Soldotna, median household income increased by 28% to \$59,700. The combination of household income growth and increased demand over the past few years has continued to put pressure on the regional housing market. Over the last ten years the median home price in the Kenai Peninsula has increased 46% or \$100,000 (Exhibit 12). Household forecasts from ESRI suggest the trend in growth in households with higher incomes is expected to continue over the intermediate term.

To estimate future market potential, we evaluated household demographics and growth outlook within the Soldotna trade area (shown in Exhibit 5). In the next five years, the Soldotna trade area is expected to add 525 new residents for a total of 265 new households (Exhibit 20).

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#### Why is the rental market so tight?

According to the September 2022 Economic Trends Report from Alaska Department of Labor and Workforce a range of factors are influencing vacancy rates including:

Home prices increasing during the pandemic pushing households to rent longer

Emergency rental assistance preventing evictions

Growth in new household formation in 2021

Growth in age groups most likely to rent

Construction on a long-term decline

Some rentals transitioning to Airbnb. According to 2017-2021 ACS data, nearly 19% of all housing in the Kenai Peninsula Borough is vacant for seasonal, recreational, or occasional use.

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### Exhibit 20: Population, Household, and Family Growth, Soldotna Trade Area, 2022

Source: Esri forecasts for 2022 and 2027.

Note: U.S. Census Bureau 2010 decennial Census data converted by Esri into 2020 geography.

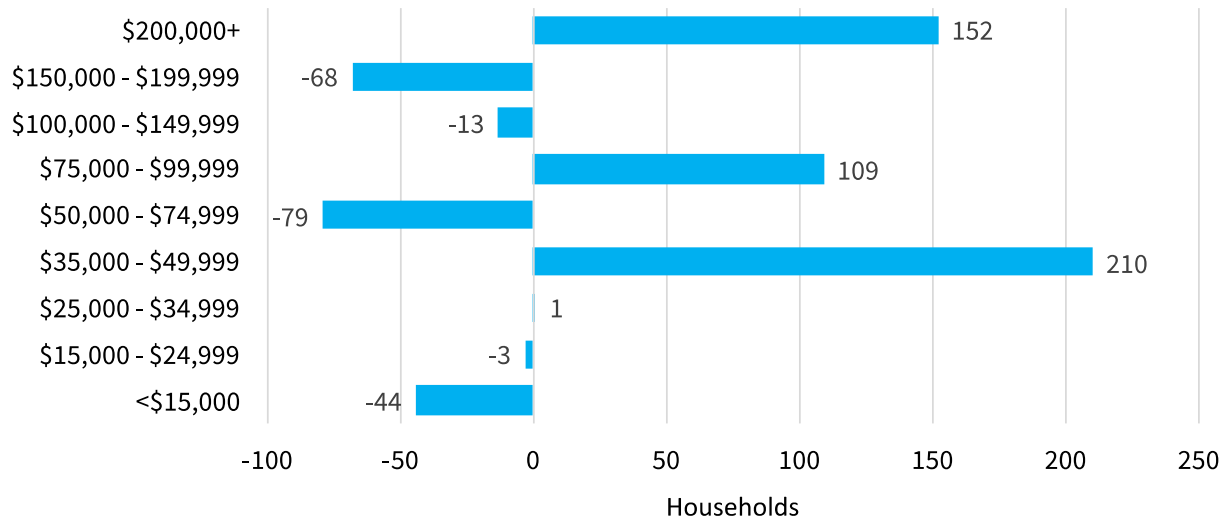
\*Average Annual Growth Rate

	2010	2022	'10- '22	2027	'22- '27	'22-'27 AAGR*
<b>Population</b>	28,127	30,056	+1,929	30,581	+525	0.35%
<b>Households</b>	10,868	11,932	+1,064	12,197	+265	0.44%
<b>Families</b>	7,264	7,647	+383	7,765	+118	0.31%
<b>Family Share</b>	66.8%	64.1%	-2.7%	63.7%	-0.4%	N/A
<b>Renter Share</b>	20.9%	21.5%	+0.6%	21.5%	-	N/A

This household growth is expected to occur amongst households earning between \$35,000 to \$49,999, \$75,000 to \$99,999, and \$200,000 and above. Net growth in high income cohorts (above \$75,000) is expected to be 180 households with a net growth in lower income cohorts (below \$75,000) of 85 households.

**Exhibit 21: Household Growth by Income Cohort, Soldotna Trade Area, 2022**

Source: Esri Business Analyst, ECONorthwest



Trends in tenure split by income for the Kenai Peninsula indicate that high-income households tend to own their homes rather than rent.<sup>18</sup> While about 22% of households in the Soldotna trade area rent their homes, 14% of households with incomes over \$75,000 rent their homes compared to 32% of households that earn less than \$75,000.

Assuming that the median house price in the Kenai Peninsula is \$319,000 in 2022 (Exhibit 12), a household would need to earn \$83,800 annually to purchase a median priced home.<sup>19</sup> Many of the new households that earn between \$75,000-\$99,999, and \$200,000 and above could afford the median home purchase price but not all. New households that are expected to earn between \$35,000 and \$49,000 are unlikely to be able to afford the median housing price and are more likely to rent. These households can afford between \$875 and \$1225 a month in housing costs.<sup>20</sup>

**Assuming this expected growth in households, we estimate a demand of 180 for sale units and 85 rental units.**


<sup>18</sup> 2016-2020 5 Year ACS for the Kenai Peninsula

<sup>19</sup> ECONorthwest housing affordability calculation. Assumes 30-year mortgage, 20% down, and interest rate of 6.5%

<sup>20</sup> Based on the recommendation that households spend no more than 30% of the gross income on housing costs.

## Recent Mixed-Use Development

The Kenai Peninsula has not experienced mixed-use development since 2012.<sup>21</sup> However, the Anchorage residential market has experienced several mixed-use developments in the past decade ranging from 3 to 4 stories high. The mixed-use residential development located in the 3600 block of Spenard Rd in Anchorage, Alaska is a recent development that closely resembles the scale of mixed-use that the City of Soldotna is looking to attract. The average per square foot rent for a unit at this development is \$2.14 per square foot or \$1,262 per month—substantially more than the \$900 per month average rents found in the trade area. This suggests that rents in the Soldotna trade area need to be at or above \$2.14 per square foot to support a mixed-use residential development.

	<p>Mixed Use Residential</p> <p>3600 Spenard Rd, Anchorage, Alaska</p> <p>Built: 2017</p> <p>Units: 33</p> <p>Total Square Feet: 33,000</p> <p>Commercial space: 2,800 SF</p>
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## Can the Project Area Support Mixed Use Development?

New population growth will drive demand for both ownership and rental housing. The Project Area could be desirable for residential development offering easy access to employment in Soldotna along with access to the river (public or private) and potential riverfront views. However, the Project Area currently has limited entertainment, restaurant, services, and retail uses that typically make mixed-use residential development and high-end hotel development attractive. If developed with amenities or as a part of a mixed-use concept, additional lifestyle amenities could boost attractiveness for development.

- **Condo residential units.** Near-term growth in households earning over \$75,000 annually is expected generate demand for approximately **180 units**. Residents with higher incomes are more likely to own their homes. They *may* be interested in locating in moderate to high-end condo residential units typically built in a mixed-use residential development. Older residents looking to down-size to homes with less maintenance and/or that are closer to amenities and services may also be interested in condos.

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<sup>21</sup> Based on analysis of Costar data.

- **Multifamily rental apartments.** Near-term growth in households earning below \$75,000 annually is expected generate demand for approximately **85 units**. Soldotna’s lower incomes relative to the state and lower average market rents in Soldotna limit potential for new market-rate rental development. The City could explore funding and partnerships to develop some workforce housing units as part of a larger apartment project.

New market-rate development could be feasible to accommodate some of the 180 new households that earn over \$75,000 annually who choose to rent instead of own.

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Accommodation and food service industries typically pay lower than average wages. Workers in these industries are more likely to rent. If the City wants to attract commercial development, the City may want to consider how to support the housing needs of workers in these industries.

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## Lodging

*In the following sections we detail the factors needed to support a hotel and the type of hotel that would be most appropriate in Soldotna. This assessment is based on visitor trends, an assessment of hotel occupancy and supply, and the requirements for different hotel types.*

Demand for hotels is driven primarily by tourism and leisure travelers, visitors to the area for meetings, conventions, or special gatherings, and commercial travelers. A summary of the three major market demand segments for hotels are described below.

- **Commercial Travelers** are traveling for business and often need to book accommodations for short periods of time, sometimes at the last minute, to attend meetings, conferences, and other work-related events. The commercial traveler typically represents a major source of demand for downtown and suburban upscale hotels that are near centers of business activity and have easy access to airports. Commercial demand tends to be heavy from Monday through Thursday, congruent with the business hours of local firms, and falls sharply through the weekend. The typical length of stay for commercial guests ranges from one to three days.
- **Tourism and Leisure Travelers** are vacationing or traveling for leisure purposes. Hotels in this market segment often offer a wide range of amenities such as swimming pools, fitness centers, and on-site restaurants. These hotels may be located near popular tourist attractions and offer shuttle services or other transportation options to make it easy for guests to explore the area. The demand from leisure travelers can vary depending on the time of year and the location of the hotel, with some destinations experiencing peak tourist seasons that drive up demand. The leisure market segment tends to book rooms on Friday and Saturday nights. Leisure travelers also book weekday stays during holiday periods when commercial demand is traditionally down. Leisure demand in markets is primarily generated by attractions although events such as college graduation ceremonies or visits among families and friends also generate demand.
- **Institutional Demand Travelers** are traveling to the area to attend conventions, conferences, seminars, trade shows, training, sporting events, or other activities that generally include ten or more people. The type of hotel that this type of traveler would often stay in is a convention style hotel that has a large inventory of rooms and large divisible meeting and banquet facilities, *if it is available*. These hotels are usually located in urban downtowns close to large employment centers and office space. The institutional demand segment often books rooms during the weekday with some city-wide conventions, trade shows, and other events needing weekday and weekend stay.

## Lodging Trends in the Kenai Peninsula

Market trends indicate that the hotel market is performing well and has recovered quickly from COVID-19 pandemic. Not only did the Kenai Peninsula hospitality market recover quickly, but it also saw strong growth.

Since 2013 hotel occupancy rates have hovered around 66% which is the natural occupancy rate.<sup>22</sup> The Aspen Suites Hotel in Homer, Alaska completed in 2019 is the newest hotel in the Kenai Peninsula adding 72 rooms to the Kenai Peninsula hotel inventory. Lands End Resort in Homer also added 33 new rooms (17,000 sf) in 2019. This increase in supply has since been absorbed into the market.

The COVID-19 pandemic impacted the hospitality market as much as any real estate market sector. In 2020, occupancy rates declined sharply, as did average daily rates due to a declined demand for hotel rooms. However, the hospitality market in the Kenai Peninsula recovered quickly in 2022 with occupancy rates and average daily rates (ADR) surpassing pre-pandemic levels. ADR has increased to a decade-high of \$175 in 2022 Q2, and an occupancy rate of 70%.

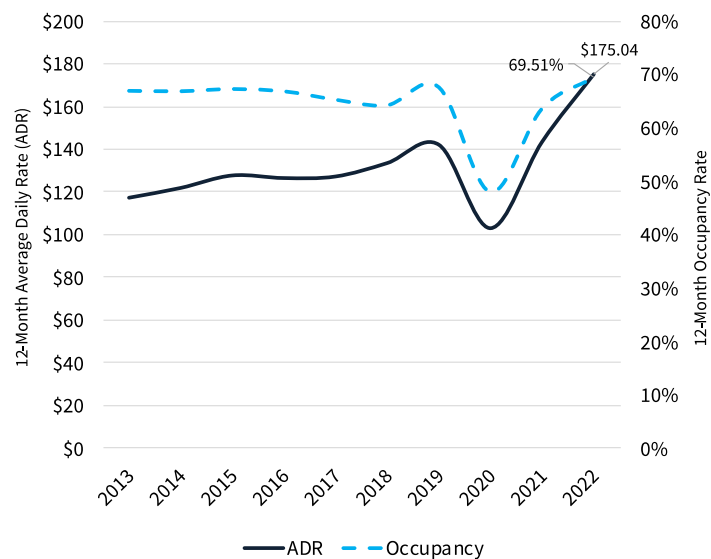
Natural occupancy rates vary by market. The variations are due primarily to climate and the types of visitors who come to the market. For example, places catering mostly to business travelers often have high natural occupancy rates. Places catering to seasonal leisure guests have lower natural occupancy rates.

**Hotel occupancy and daily rates decreased in 2020 due to the COVID-19 pandemic. Since then, the hospitality submarket has recently recovered in 2022 Q3 by surpassing 2019 occupancy and daily rates.**

In 2019 the ADR in the Kenai Peninsula was \$142, and the occupancy rate was 68%. In 2022 Q3, ADR has increased rapidly to \$175 with an occupancy rate of almost 70%.

**Exhibit 22: Hotel Average Daily Rate (12-Month) and Occupancy Rate (12-Month), Kenai Peninsula, 2012-2022**

Source: CoStar



<sup>22</sup> Using 35 years of annual data, ECONorthwest calculated that the Kenai Peninsula market has a natural occupancy rate of 66.2%. When the market is averaging 66.2% over a year, there is no undue upward or downward pressure on room rates.

## Lodging Supply and Demand in Soldotna

The Project Area boasts highway visibility and potential for riverfront views and access that are great physical location qualities to support a hotel in the area. Located near the junction of Sterling Highway and the Kenai Spur Highway, the area is a central location for services and retail hub for travelers between Homer and Anchorage. Located next to the Kenai River Soldotna offers world class fishing activities that is the major tourist attraction to the area. The nearby Kenai National Wild Refuge and other natural environments also boast Soldotna as major attractor for outdoor recreation activities that include wildlife viewing, flightseeing, bear viewing, canoe and hiking trips, bird watching amongst others. Regional amenities such as the Central Peninsula Hospital, Soldotna Regional Sports Complex, future Field House, Kenai Peninsula College, and the Soldotna Creek Park (which holds various events throughout the year) generate regional visitations to Soldotna that helps support a hotel in the area. Other sources of demand may include organization and business travel.

According to the 2016 Alaska Visitor Program, 62% of visitors to Soldotna/Kenai in summer 2016 came for vacation/pleasure, 26% to visit family and friends, and 12% for business/business pleasure. Visitors to the Kenai Peninsula stayed an average of five nights with 57% staying in a hotel/motel or lodge.

The hotel market in Soldotna consists mostly of economy and midscale hotels. Exhibit 23 shows six hotel properties containing 216 rooms that would most likely serve as direct competitors to a new hotel in Soldotna. These hotels currently represent limited-service and midscale hotel properties in Soldotna with 20 or more rooms. Most of these properties are independently operated except for the Best Western King Salmon Inn which is operated by a franchise. These properties are more than 20 years old, with no new hotels proposed or under construction.

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Soldotna has a number of short-term rental properties, cabins, and smaller inns/lodges (such as bed and breakfasts) that also provide lodging for visitors. These lodging options are not captured in CoStar data. While they are an important source of lodging for visitors, continued growth in hotel occupancy and room rates indicates that there remains strong demand for more traditional hotel properties.

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### Exhibit 23: Hotel Properties with 20 or More Rooms in Soldotna

Source: CoStar

\*Outside of Soldotna City limits

Name	City	Rooms	Year Built	Meeting Space (SF)
Aspen Hotel Soldotna	Soldotna	63	2002	600
Best Western King Salmon Inn	Soldotna	47	1984	
Alaska Angler's Inn	Soldotna	33	1962	1,000
Soldotna Inn	Soldotna	28	1978	360
Kenai River Lodge	Soldotna	25	1968	
Duck Inn*	Soldotna	20	1985	600



## Characteristics of Select Hotel Types

Hotel level of service and class varies broadly by visitor and location characteristics. The table below presents some general guidelines for the type of hotel that is most likely to locate in an area given the target market and location characteristics.

### Exhibit 24: Hotel Classes

Source: ECONorthwest Research

Level of Service	Description	Class	Location	Target Market
Boutique	Boutique hotels are generally small and have a strong sense of character and often have unique design features. The unique architecture, décor, size, and style qualities make these hotels stylish, hip, relaxed, and luxury.	Upscale, luxury	Downtown near major attractions/ entertainment uses or in small towns near major entertainment uses	Leisure, business traveler
Full-service	Full-service hotels have a variety of on-site amenities and provide the highest level of amenities, service, room furnishings, public spaces, and technology.	Upscale, upper upscale, luxury	Downtown, suburbs or areas w/concentrations of employment and retail activity.	Leisure, business, convention / meeting travelers
Resort	Resort hotels cater to the vacationer or leisure traveler. The resort usually provides entertainment, recreation, and relaxation amenities for the guest.	Upscale, upper upscale, luxury	Near seashores, mountains, and major attractions.	Leisure / vacation traveler
Extended-Stay (limited service)	This type of hotel has room accommodations and amenities designed like an apartment for long occupancy periods. Rooms are often large with kitchenettes, limited food and beverage options and fitness centers.	Economy, midscale, upper midscale, and upscale	Adjacent or near highways.	Business, leisure traveler
Budget (limited service)	This type of hotel is smaller, provides fewer services, and is less expensive than full-service hotels.	Economy, midscale, and upper midscale	Adjacent or near a highway or airport	Travelers on a budget who are price sensitive

## Can the Project Area support a hotel?

Prior to the pandemic, the regional hospitality market exhibited stable market conditions in a growing tourism market that saw \$187 million in direct, out-of-state visitor spending in 2016. Kenai Peninsula tourism has rebounded since the pandemic with visitor counts, hotel occupancy rates, and hotel average daily rates (ADR) surpassing pre-pandemic levels. Soldotna lacks a newer hotel product and does not have any hotels in the development pipeline. **Over the intermediate-term, hospitality could be a viable use in the Project Area** especially if the City promotes its current tourism attractions and/or increases attractions.

Since visitors to Soldotna are coming to access the many recreational opportunities in and around Soldotna, **a highway-oriented hotel would be best suited for the Project Area.**<sup>23</sup> This type of hotel typically tends to be a **limited service, extended-stay hotel** that offers rooms with kitchenettes or full-sized kitchens. This hotel type also offers limited facilities and amenities, often without a full-service restaurant as compared to luxury or upscale hotels. A new limited-service hotel in the area would be the newest limited-service hotel in the Peninsula and the facilities will represent the upper end of the product scale within the Soldotna competitive area.

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The City does not have any available full pour liqueur licenses available for restaurants. However, hotels qualify for their own full pour license if they have 15+ rooms which could make hotel with a restaurant more attractive.

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<sup>23</sup> A highway-oriented hotel is one that is visible from the highway and is enroute or close to the visitor's final destination. Current visitors to Soldotna are coming to access the many recreational opportunities in and around Soldotna. They are not coming to access Soldotna's downtown. If through this concept planning process, Soldotna created more vibrant downtown with experiential shopping/dining, other types of hotels may be attracted to the area.

## Appendix A. Socioeconomic Conditions

### Demographic Conditions

Soldotna's population was 4,444 in 2021, a 6.7% increase from 2010. Over this period, the city grew faster than the State (3.2%) but slower than the Borough (7.9%).

#### Exhibit 25: Population Growth, Soldotna, Kenai Peninsula Borough, Alaska, 2010-2020

Source: Decennial Census 2010 and Census Annual Estimates for Resident Population 2021

Region	Year		Change, 2010-2020		
	2010	2021	Difference	Percent Change	AAGR
Soldotna	4,163	4,444	281	6.7%	0.6%
Kenai Peninsula	55,400	59,767	4,367	7.9%	0.7%
Alaska	710,231	732,673	22,442	3.2%	0.3%

At the Borough level, population growth is expected to slow after 2020. Overall, the Kenai Peninsula Borough is expected to add 1,218 residents by 2040, at an annual average growth rate of 0.1%.

#### Exhibit 26: Population Projections, Kenai Peninsula, 2020-2040

Source: Alaska Department of Labor and Workforce Development

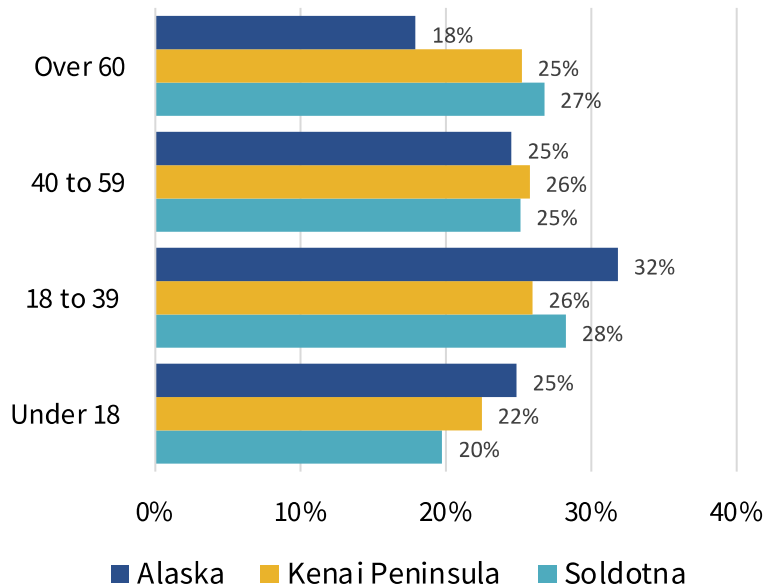
Population	2020	2030	2040	Change, 2020-2040		AAGR
				Number	Percent	
Kenai Peninsula	58,809	59,927	60,027	1,218	2.1%	0.1%

Soldotna residents have a higher median age (43 years) than the Borough (41 years) and Alaska (36 years).

27% of Soldotna residents are aged 60 and above, a higher share than both the Borough and the state. Only 20% of Soldotna residents are under 18, a lower share than the Borough and the state.

**Exhibit 27: Population by Age, Soldotna, Kenai Peninsula Borough, Alaska, 2020**

Source: American Community Survey 5-year Estimates, 2016-2020

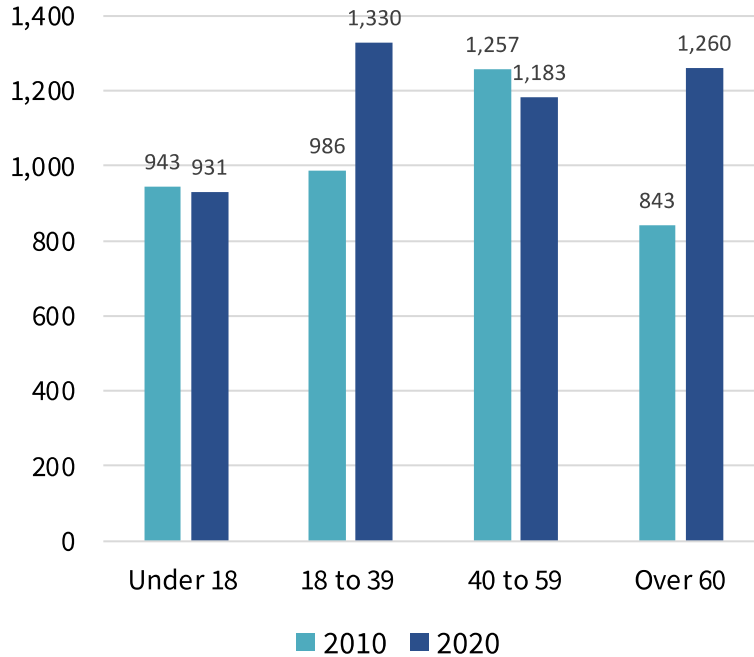


The number of residents aged 60 and over increased by nearly 50% (about 400 people) between 2010 and 2020.

The number of residents aged 18 to 39 years also increased over the period by about 35% (nearly 350 people). Two age groups, residents under 18 and residents aged 40 to 59 years, decreased over the period.

**Exhibit 28: Population Growth by Age Group, Soldotna, 2010-2020**

Source: American Community Survey 5-year estimates, 2006-2010, 2016-2020

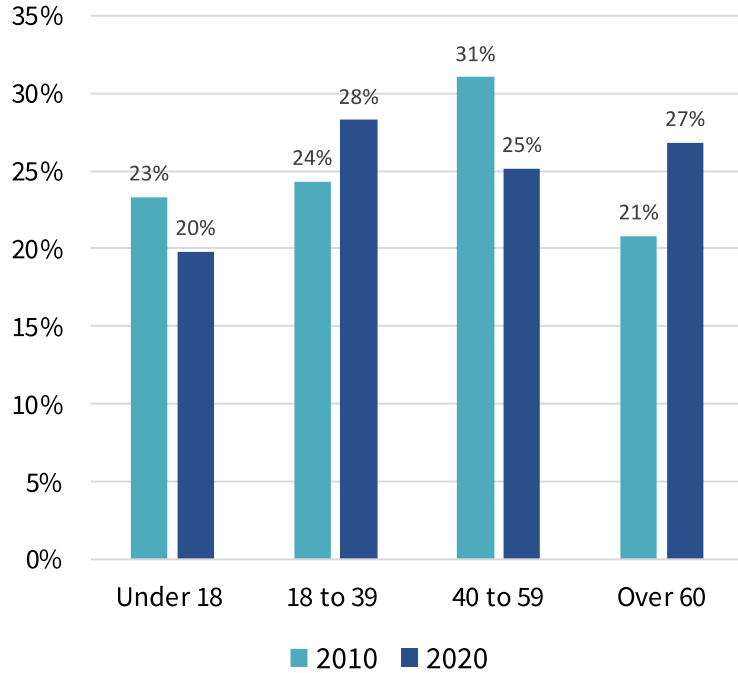


From 2010 to 2020, the share of residents 60 and older increased by 6% and the share of residents 18 to 39 increased by 4%.

Meanwhile portions of population under 20 and between 40 and 59 decreased over the period.

**Exhibit 29: Change in Age Group Share, Soldotna, 2010-2020**

Source: American Community Survey 5-year estimates, 2006-2010, 2016-2020

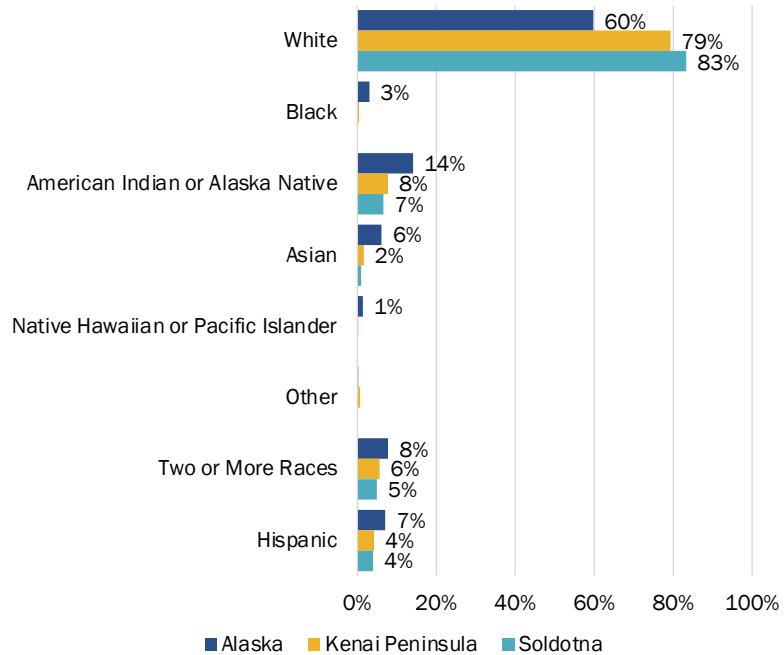


Soldotna has a higher share of White residents (83%) than the Kenai Peninsula Borough (79%) and Alaska as a whole (60%).

The second largest group is American Indian or Alaska Natives (7%). Soldotna has a smaller share of all non-White racial and ethnic groups than the surrounding areas.

**Exhibit 30: Population By Race, Soldotna, Kenai Peninsula Borough, Alaska, 2020**

Source: American Community Survey 5-year Estimates, 2016-2020

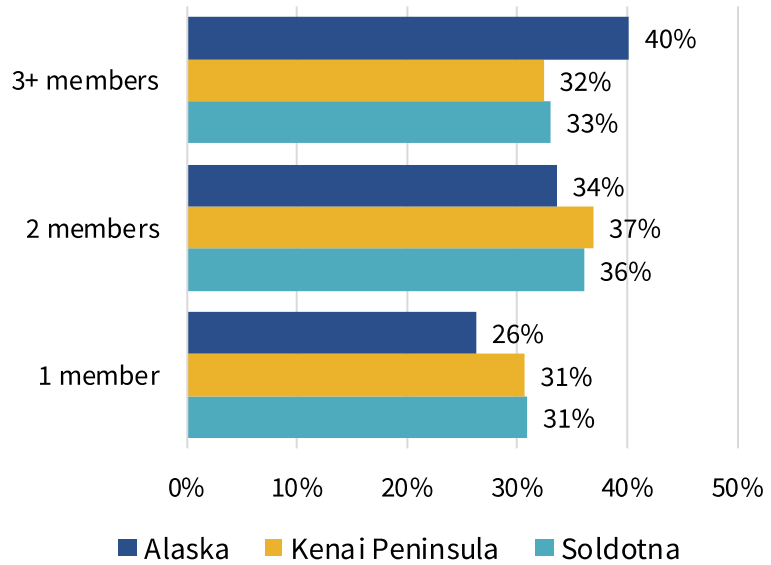


About 67% of Soldotna households have one or two members. This is similar to Kenai Peninsula but a greater share than Alaska overall (60%)

About 33% of households in Soldotna have three or more members.

**Exhibit 31: Household Size, Soldotna, Kenai Peninsula, Alaska, 2020**

Source: American Community Survey 5-year Estimates, 2016-2020



### Economic Conditions

Soldotna has a lower median household income than both the Borough and the state.

However, median household incomes in Soldotna increased 28%, greater than increases in both the Borough and the state.

**Exhibit 32: Median Household Income, Soldotna, Kenai Peninsula Borough, Alaska, 2010-2020 (2020 Inflation Adjusted)**

Source: American Community Survey 5-year estimates, 2016-2020

	Median Household Income		Percent Change
	2010	2020	
Soldotna	\$46,500	\$59,700	28%
Kenai Peninsula	\$57,500	\$69,200	20%
Alaska	\$66,500	\$77,800	17%

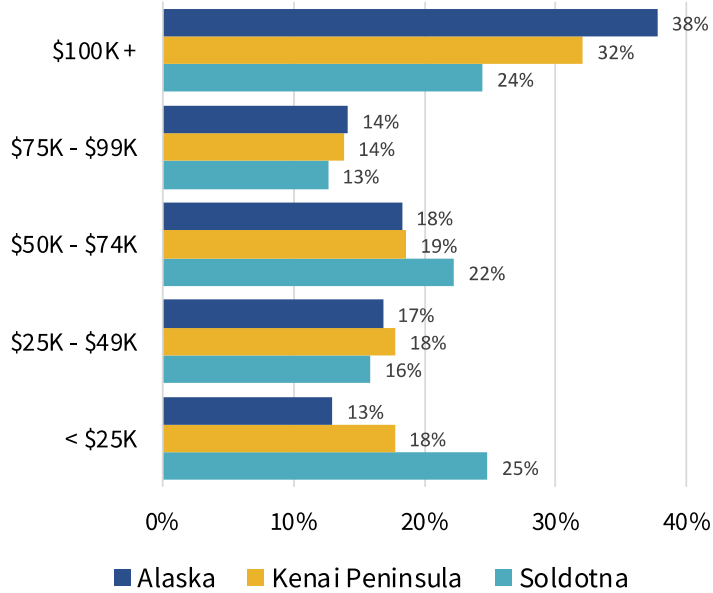
A quarter of Soldotna households have an annual income of less than \$25,000, a higher share than both the Borough and the state overall.

Soldotna also has a lower share of households earning more than \$100,000 per year (24%) than the Borough (32%) and the state overall (38%).

Note: Household income does not account for accumulated wealth. Some lower income households may consist of retirees with accumulated wealth.

**Exhibit 33: Household Income Distribution, Soldotna, Kenai Peninsula Borough, Alaska**

Source: American Community Survey 5-year estimates, 2016-2020

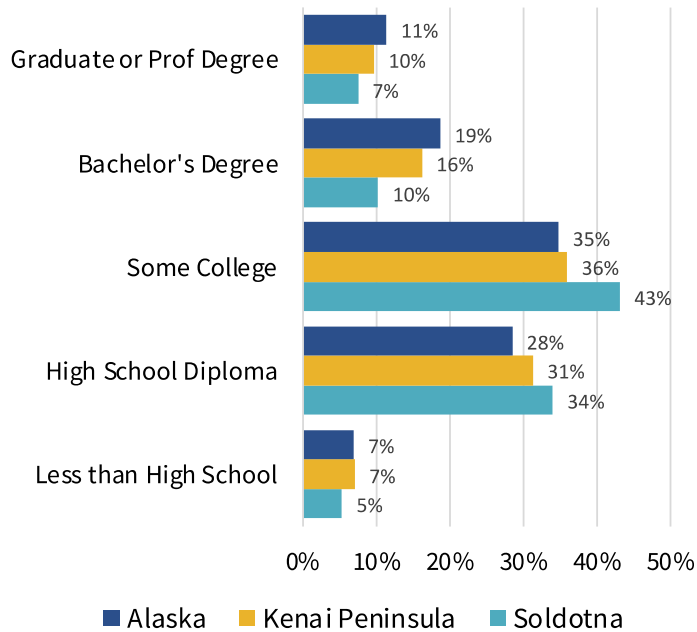


Educational attainment for Soldotna residents is lower than Borough and statewide trends.

Seventeen percent of Soldotna residents have a bachelor's degree or higher, compared to 26% of Borough residents and 30% of Alaska residents.

**Exhibit 34: Educational Attainment, Soldotna, Kenai Peninsula Borough, Alaska, 2020**

Source: American Community Survey 5-year Estimates, 2016-2020



## Employment

**Employment in the Kenai Peninsula Borough grew 4.8% between 2010 and 2021 whereas the State of Alaska declined 4.0%**

While the State is still working to recover employment lost during the COVID-19 Pandemic, the Kenai Peninsula Borough's employment has exceeded 2019 numbers.

### Exhibit 35: Average Annual Employment, Kenai Peninsula Borough, Alaska, 2010-2021

Source: Alaska Department of Labor and Workforce Development, Revised Annual Employment and Wages, 2010-2021

	Employment		Percent Change
	2010	2021	
Kenai Peninsula Borough	19,126	20,046	4.8%
Alaska	323,410	310,371	-4.0%

Between 2010 and 2021 the Kenai Peninsula added 920 jobs. The greatest increases in terms of total jobs were in professional and business services (282 jobs), accommodation and food service (270 jobs), health care and social assistance (221 jobs), and retail trade (200 jobs). The industries with the greatest job losses were in mining (-367 jobs) and wholesale trade (-60 jobs).

### Exhibit 36: Employment by Industry, Kenai Peninsula Borough, 2010-2021

Source: Alaska Department of Labor and Workforce Development, Revised Annual Employment and Wages, 2010-2021

NCAIS Sector	Employment		% Share of Total Employment		Change, 2010-2021	
	2010	2021	2010	2021	Difference	% Change
Government	4,740	4,759	25%	24%	19	0%
Agriculture, Forestry, Fishing, Hunting	48	156	0%	1%	108	225%
Mining	1,087	720	6%	4%	-367	-34%
Construction	926	963	5%	5%	37	4%
Manufacturing	933	1,061	5%	5%	128	14%
Wholesale Trade	282	222	1%	1%	-60	-21%
Retail Trade	2,595	2,795	14%	14%	200	8%
Transportation and Warehousing	815	873	4%	4%	58	7%
Utilities	239	211	1%	1%	-28	-12%
Information	230	226	1%	1%	-4	-2%
Finance and Insurance	292	265	2%	1%	-27	-9%
Real Estate, Rental and Leasing	254	275	1%	1%	21	8%
Professional and Businesses Services	576	858	3%	4%	282	49%
Educational Services	77	135	0%	1%	58	75%
Health Care and Social Assistance	2,934	3,155	15%	16%	221	8%
Arts, Entertainment and Recreation	238	255	1%	1%	17	7%
Accommodation and Food Services	2,029	2,299	11%	11%	270	13%
Other	824	810	4%	4%	-14	-2%
Unclassified	7	8	0%	0%	1	14%
<b>Total</b>	<b>19,126</b>	<b>20,046</b>	<b>100%</b>	<b>100%</b>	<b>920</b>	<b>4.8%</b>

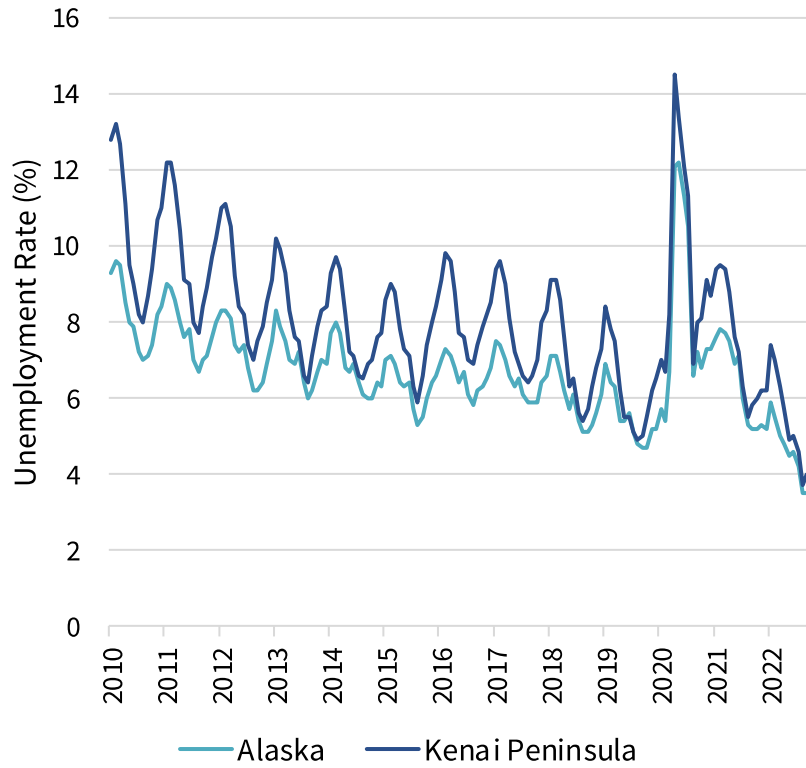


**Unemployment rates for the Kenai Peninsula Borough decreased relatively steadily from 2010 to 2022, with a brief spike in 2020 and 2021, due to the COVID-19 pandemic.**

Unemployment rates in the Borough tended to be slightly higher than rates for Alaska overall. As of September 2022, the Borough had an unemployment rate of 4%, and the state had an unemployment rate of 3.5%.

**Exhibit 37: Unemployment Rate, Kenai Peninsula Borough, Alaska, 2010-2020**

Source: Alaska Department of Labor and Workforce Development, Unemployment Rates by Area Not Seasonally Adjusted, 2010-2020



## Visitors

Pre-pandemic travel to Alaska was strong growing from 1.77 million out-of-state visitors in 2009-10 to 2.54 million in 2018-19 an increase of 43%.<sup>24</sup> While more recent visitor data at the state level is lacking, increases in hotel occupancy in the Kenai Peninsula (Exhibit 22) and increased visitor counts to Soldotna suggest that tourism to the Kenai Peninsula has recovered from the pandemic and is exceeding pre-pandemic levels.

### What is Placer.ai data?

Placer.ai is a proprietary artificial intelligence software that estimates foot traffic trends via anonymized cellular location data. To generate their visit estimates, Placer.ai relies upon a dataset of over 30 million unique monthly users. A visit is triggered when a panel cellphone scans for a Bluetooth or WIFI signal two consecutive times in a five- to fifteen-minute period. Several caveats to be mindful of when interpreting Placer.ai's visit estimates are as follows:

- Placer.ai counts only one visit per person per day to a location. If a visitor happens to make multiple visits to the same location, Placer.ai groups them into one daily visit.
- Placer.ai attributes a single visit to a location when the dwell time at that location exceeds seven minutes. This excludes short visits. In the case of this analysis, we use the City of Soldotna as the "location." This means that we may have captured some visitors who were passing through if their cell phone was scanned twice during their time in the City. While imperfect, we used this method since part of the goal for the Riverfront Redevelopment is to capture visitors for "one more hour, one more day."
- Placer.ai, by default, filters out employee counts from visit estimates.
- Placer.ai's mobile device panel is created exclusively from U.S.-based phone applications. It is unlikely that their panel dataset represents international tourists.

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<sup>24</sup> Alaska Visitor Volume Report for Winter 2018-19 and Summer 2019.

**Visitor counts in 2021 and 2022 exceeded pre-pandemic levels.**

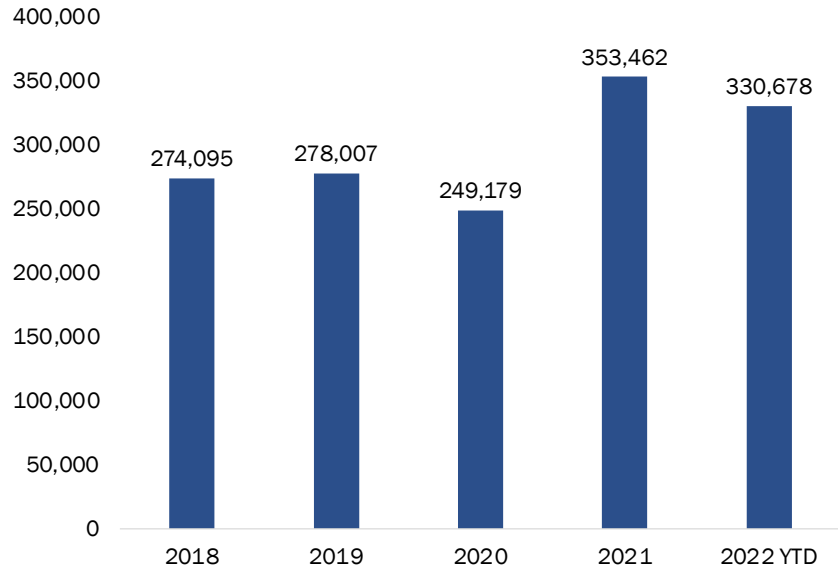
About 330,000 people visited Soldotna between January and November 2022.

**Exhibit 38: Total Visitors to Soldotna, 2018 – 2022**

Source: Placer.ai

Note: 2022 data available through November 2022

Note: Residents from zip codes 99611, 99669, 99568, 99672, and 99610 were considered locals and not included in visitor analysis. International travelers are not captured in the data.

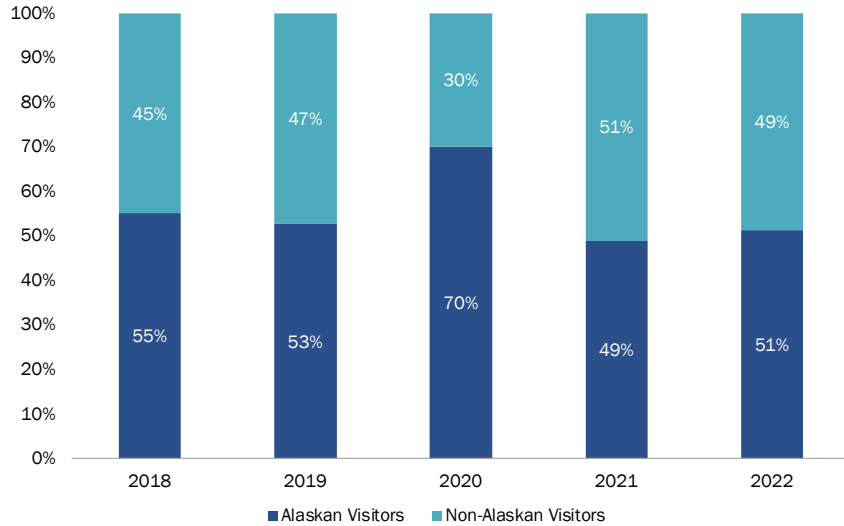


**Soldotna attracts visitors from both within Alaska and out-of-state.**

In 2022, nearly half (169,667) of all visitors were from other areas of Alaska compared to 161,011 visitors from outside of Alaska.

**Exhibit 39: Ratio of Alaskan Visitors to Non-Alaskan Visitors to Soldotna, 2018 – 2022**

Source: Placer.ai  
 Note: 2022 data available through November 2022  
 Note: Residents from zip codes 99611, 99669, 99568, 99672, and 99610 were considered locals and not included in visitor analysis. International travelers are not captured in the data.

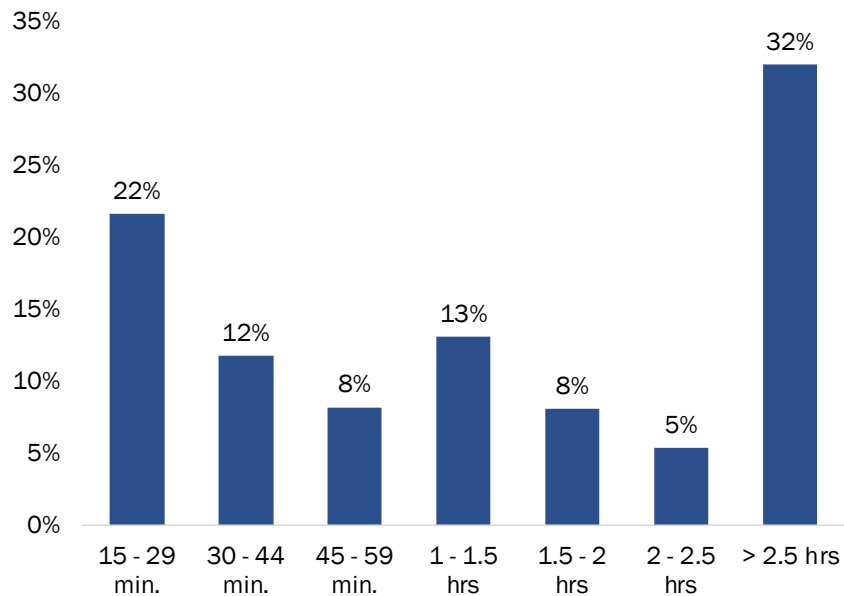


**In 2022, there were approximately 6.3 million visits to the City of Soldotna. Nearly a third of these visits to the City of Soldotna lasted greater than 2.5 hours. About a quarter of visits were less than 30 minutes.**

People may visit multiple locations within Soldotna during their stay.

**Exhibit 40: Soldotna Visits by Length of Stay, 2022**

Source: Placer.ai  
 Note: 2022 data available through November 2022  
 Note: Based on 6,354,621 total visits in 2022. Total visits exclude people who live or work in the City of Soldotna but does not exclude residents from other zip codes as in previous charts. This is due to data limitations. International travelers are not captured in the data.



## Alaska Visitor Statistics Program

The Alaska Visitor Statistics Program is a statewide visitor study commissioned by the Alaska Department of Commerce Community, and Economic Development. The last study was completed in 2016. This section includes information on the Southcentral Region and communities including visitor counts, spending, and activities.

Between May and September 2016, about 1.86 million out-of-state visitors came to Alaska spending nearly \$1.97 billion. The Southcentral region was the second most-visited region in Alaska (following the Southeast region) with approximately 975,000 visitors (52% of total visitors to Alaska). This was an increase from 884,000 visitors to the region in summer 2011. Approximately, 44% of all visitors to Alaska (817,000) in summer 2016 stayed overnight in the Southcentral region averaging 6.1 nights in the region. Kenai Peninsula attracted 562,800 visitors with an average of 5 nights spent in the Peninsula.

Travelers to Kenai/Soldotna accounted for about 127,000 day and/or overnight trips in summer 2016, meaning 13% of all Southcentral region visitors spent time in Kenai/Soldotna. Nearly a third of visitors to Soldotna/Kenai reported fishing while in the community followed by wildlife viewing and hiking. Visitors spent an average of \$333 per person while in the community.

Direct travel spending in the Kenai Peninsula was estimated at \$187 million, directly creating 2,500 jobs.

### Exhibit 41. Visitor Trends, Kenai Peninsula and Soldotna/Kenai, Summer 2016

Source: Kenai Peninsula Visitor Profile and Economic Impact Analysis Summer 2016 report and Alaska Visitor Statistics Program 7 Summer 2016 prepared by McDowell Group

	Soldotna/Kenai	Kenai Peninsula
<b>Origin (%)</b>		
Vacation/pleasure	62	77
Visiting friends/relatives	26	17
Business or business/pleasure	12	6
<b>Stay Length</b>		
Average # of nights in the region	N/A	5
<b>Lodging Types (%)</b>		
Hotel/motel	N/A	42
Campground/RV		20
Lodge		15
Friends/Family		15
Bed and Breakfast		8
Vacation rental		7
Wilderness camping		3
Other		4
<b>Spending</b>		
Average per person in region/community	N/A	\$333
<b>Spending by Category</b>		
Lodging	N/A	\$78
Tours/activities/entertainment	N/A	\$100
Gifts/souvenirs/clothing	N/A	\$26
Food/beverage	N/A	\$70
Rental cars/fuel/transportation	N/A	\$26
Other	N/A	\$33

## Exhibit 42. Visitor Demographics, Kenai Peninsula and Soldotna/Kenai, Summer 2016

Source: Kenai Peninsula Visitor Profile and Economic Impact Analysis Summer 2016 report and Alaska Visitor Statistics Program 7 Summer 2016 prepared by McDowell Group

	Soldotna/Kenai	Kenai Peninsula
<b>Origin (%)</b>		
Western US	48	34
Southern US	16	22
Midwestern US	20	19
Eastern US	8	12
Canada	1	3
Other International	6	10
<b>Other Demographics</b>		
Average Party size	2.6	2.5
Average group size	3.8	4.1
Male/female (%)	59/41	51/49
Average Age	50.6	54
Children in household (%)	28	23
Retired/semi-retired (%)	37	44
College graduate (%)	62	65
Average income	\$112,000	\$113,000

Direct travel spending in the Kenai Peninsula was estimated at \$187 million in summer 2016.

The industry with the most direct employment generated by travel spending in the Kenai Peninsula in 2016 was in tours and activities.

Total direct jobs generated from visitor spending was estimated to be 2,500.

## Exhibit 43. Total Visitor Spending in Kenai Peninsula Borough, By Sector, Summer 2016

Source: Kenai Peninsula Visitor Profile and Economic Impact Analysis Summer 2016 report and Alaska Visitor Statistics Program 7 Summer 2016 prepared by McDowell Group

<b>\$61m</b>	<b>\$53m</b>	<b>\$44m</b>	<b>\$15m</b>	<b>\$15m</b>
Tours / Activities	Lodging	Food / Beverage	Gifts / Clothing	Transportation

## Exhibit 44. Largest Industry Employment Generated by Travel Spending, Kenai Peninsula Borough Summer 2016

Source: Source: Kenai Peninsula Visitor Profile and Economic Impact Analysis Summer 2016 report and Alaska Visitor Statistics Program 7 Summer 2016 prepared by McDowell Group

<b>840 jobs</b>	<b>750 jobs</b>	<b>700 jobs</b>
Tours / Activities	Lodging	Food and beverage