

Market Analysis
East Jefferson Place Apartments
Charlottesville, Virginia

Prepared for:

Jefferson Medical Building Limited Partnership
c/o Great Eastern Management Company

June 8, 2017

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June 8, 2017

Jefferson Medical Building Limited Partnership
c/o Great Eastern Management Company
2619 Hydraulic Road
Charlottesville, Virginia 22905-0526

Dear Sir:

This will submit our market study, and an accompanying Fiscal Impacts Analysis (FIA), for the proposed development of the 126-unit East Jefferson Place Apartments, planned for start of development in 2019, with project completion and apartment unit delivery by 2020/2021. The new apartments are to be built at 1011 East Jefferson Street, which currently is occupied by a mature medical office building.

Development of 1011 East Jefferson Street with new apartment units will necessitate the demolition and relocation of the office building and its three medical office tenants. The overall development concept is to construct a new medical office building for current tenants on a nearby vacant lot, or part of a larger office building proposal, also at a nearby location, and to be built by Sentara Martha Jefferson Hospital.

The development program for the new apartment building and new office building are defined in the attached report. Both buildings are "still on the drawing board" in terms of specific sizes and designs, pending approval by Charlottesville City Council of the apartment building proposal. The approval of the proposed apartment building will be preceded by the development of a new, similar sized office building of approximately 20,000 square feet.

The attached market study shows full market support for the 126-unit East Jefferson Place Apartments and identifies the apartment unit development proposal as the highest and best use of the study site. Our analysis is based on conservative projections of apartment unit demand, given the sizable employment growth in the City and market area and the evolving draw of the Downtown Mall in attracting new businesses. 1011 East Jefferson Street is within walking distance of the Mall.

The market study results could be interpreted as identifying a pent-up demand for downtown area apartment buildings, with demand possibly exceeding supply. We were the market consultants for several successful area apartment communities, including City Walk, Avemore, Carriage Hill, Stone Creek, Woodlands II and Lofts at Meadow Creek, which is under construction. We are fully familiar with the greater Charlottesville apartment market.

Jefferson Medical Building Limited Partnership
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The new office building has the commitment of the two principal tenants in the Jefferson Medical Building for approximately 20,000 square feet of space. These doctors report that the building on site is outdated for current medical needs and each requires newer space. All have committed to remain in a new office building in the immediate area.

The detailed market data that support our findings and conclusions are presented in the attached report. An appendix is included which contains the FIA for both the apartment building and new office space at build out. Using constant 2017 dollars, the development of both proposals should generate approximately \$47,510 overall, in net tax revenue to the City at build out. This total includes the full economic benefit from the proposed apartment building and the net increase of a new, higher valued office building compared with the current 44 year old Jefferson Medical Building.

Please call if additional data or clarification are needed. We remain available to continue to assist you with the successful development of both proposals.

Sincerely,

A handwritten signature in black ink, appearing to read "Stuart M. Patz", written in a cursive style.

Stuart M. Patz
President

SMP/mes

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Section I - Introduction

Following is a market study in support of the East Jefferson Place Apartment proposal that is planned for development at 1011 East Jefferson Street in the central area of Charlottesville, just northeast and within walking distance of the Downtown Pedestrian Mall. The study site is located on the east side of the block bordered by 10th Street, NE on the west, East Jefferson Street on the south, and 11th Street, NE on the east. The northern property line that abuts the site is an alley, to the north and west of the area are commercial and educational uses, including a school (Charlottesville Day School), and to the south are commercial uses and an attractive residential condominium building. Two blocks east of the site is the predominately residential Little High Street Neighborhood.

The study site is currently developed with a mature 20,000 square foot, two-story, medical office building, Jefferson Medical Building, that was built in 1973/74 and is no longer a viable building for medical office space. It is currently 90+ percent occupied with three medical practices. Many of the doctors in the building are also partners in the building ownership. Surface parking covers part of the property and, together with a nearby partnership owned surface lot, contains an adequate number of spaces for the current use. Photos of the office building follow.



The study site is proposed to be redeveloped with an attractive, three-story on 11th Street and five-story on 10th Street elevator-served apartment building with

approximately 126 units. Of these, there will be a component set aside for affordable housing in accordance with the City Zoning Ordinance and designated for residents earning incomes at 50-80% of AMI for the greater Charlottesville area. The remaining apartment units will be marketed to residents with incomes of \$50,000 and above, based on expected rents at the to-be-built apartment units and rents at new apartment properties in the Charlottesville marketplace.

The reasons behind the proposed development are three-fold. First, the Jefferson Medical Building, currently located on the study site, is 40± years old and no longer satisfactory for modern medical uses.

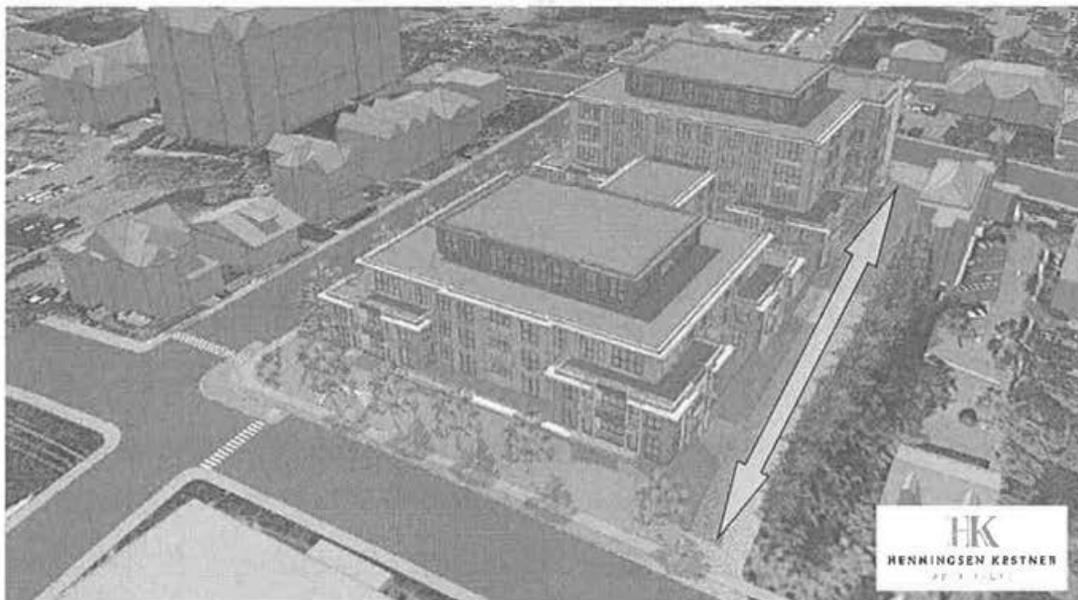
Second, the now Sentara Martha Jefferson Hospital, previously located at the corner of Locust and East High streets, moved several years ago. The medical practices currently occupying the Jefferson Medical Building have been giving consideration to moving their practices nearer the new Hospital location on Pantops. However, the recent decision by the Hospital, as discussed later in this analysis, to construct a new, state-of-the-art medical facility on remaining nearby Hospital owned parcels, together with the availability of appurtenant land owned by the partnership and currently used as a parking lot that could accommodate a similar facility. This makes remaining in the East Jefferson Street area a viable option for doctors of each existing medical practice.

Third, an evolving and expanding downtown marketplace for both retail stores and office space is creating new jobs, and changing the highest and best use of the 1011 East Jefferson Street property. Now the more viable use is multifamily housing, specifically apartment units for rent and of the type of housing proposed.

The following analysis will show full market support for the ±126 units proposed at the 1011 East Jefferson Street study site. The final development design for the apartment building is not yet set, pending approvals from Charlottesville City officials, and the results of this market study. However, the concept development plan includes:

- ±126 apartment units with an affordable housing component in accordance with the City Zoning Ordinance.
- A proposed unit mix of one-bedroom and two-bedroom units, with a large percentage of one-bedroom units.
- Up to 240 structured parking spaces on two below grade levels, with some spaces possibly available for monthly neighborhood parking.
- Elevator-served building with two sets of elevators.
- A three-story building fronting on 11th Street and a five-story building fronting on 10th Street with a central common area connection and with possible roof top amenities.
- A list of amenities that are competitive with other area apartment properties, include a fitness center, TV room and lounge, extra on-site storage, on-site management, "high tech" business center, state-of-the-art security, secured parking (FOB), fully wired for high-speed internet, etc.

Following is one concept elevation for East Jefferson Place that shows the quality of the proposal. The concept is for a building with a design that blends into the neighborhood, with all parking underground. The building entrance to the parking area would be off of the alley on the north side of the building. The building will have enhanced setbacks with landscaping on all sides and two central courtyards for outdoor passive recreation. The building windows will be large for an abundance of light and air for each apartment unit. Recessed balconies are planned for select units. The wide range of amenity features will include roof top uses.



Concept Building Elevation

A detailed market study follows for the apartment building proposal. The study documents market support for the proposed number of market rate apartment units proposed, based on a supply-demand analysis for apartment units of the type proposed for renters with incomes who can afford this type of housing. The appendix to this report is a Fiscal Impact Analysis (FIA) that presents the net fiscal benefits of the apartment proposal to the City at build out. Market support for the affordable housing will become clear based on rental rates presented in the market study.

As part of the proposal for the new apartment units is the concept for the relocation of the existing medical practices currently occupying the Jefferson Medical Building. The concept is to relocate these practices to one of two nearby locations. The relocation is fully accepted by the building owners. One option is to incorporate approximately 15,000 to 20,000 square feet into a new office building that is planned for a site at 10th and East High Street (No. 1 on aerial on Page 5). This proposal will consist of a large medical office building to be developed by Sentara Martha Jefferson Hospital. The second option is to develop a site owned by the partnership on 10th Street next to the 925 East Market Street proposal (see No. 2 on aerial). This property is now a parking lot. The adjacent property (No. 3 on aerial) is 925 East Market Street, which is planned for 56 new apartment units and three office suites.

The point to note here is that the physician services to the downtown neighborhood will remain, but at a nearby location and in modern, more efficient space designed to allow for the delivery of health care in the current new paradigm. The net fiscal impacts from the study site redevelopment will thus be quite positive for the City when the proposed East Jefferson Place Apartments and the new medical building are completed.



Aerial of Site Setting - East Jefferson Place Apartments

With this background set in place, the following analysis will show full market support for the apartment proposal. Market support is not needed for the relocation of the office building, as the space is to be committed to existing users. The overall redevelopment and relocation options will require at least two years for relocation of the current office tenants of the Jefferson Medical Building, so a construction start for the apartment building is not likely until sometime in 2019 or 2020, with the likely delivery date for the ±126 apartment units in 2020 or 2021.

Report Format

The market analysis for East Jefferson Place will be prepared in three separate sections. The FIA is presented in the appendix. Section I of the market study is the Introduction, which includes the statement of the purpose of the study, a detailed analysis of the site for apartment use, and the site setting near downtown Charlottesville. The development concept, as currently defined, was presented above.

The second part of Section I contains an economic overview of the greater Charlottesville economy, including the defined market area of the City and adjacent Albemarle County. The economic overview shows the level of new at-place job and

employment growth, which are the basis for determining population and household growth, including renter household growth, resulting in the calculation of housing demand.

The market area that we defined for East Jefferson Place is the same market area that we used for prior market studies, including City Walk, 925 East Market Street (proposed), and Westgate and Barclay Place renovations, in addition to close-by suburban apartment communities - Avemore, Stone Creek Village, Woodlands II, etc.

The market area includes the City of Charlottesville and Albemarle County. We included all of the County in the market area, even though the far north section of the County, and the area south of I-64, are rural. This was done for ease of the demographic analysis. Interviews with on-site management at the new Terrace Greene Apartments in the Ruckersville area of Greene County reports that they do not compete with apartment properties located south of Rio Road.

The demographic analysis also shows the number of "target" renters who live in the City, which shows the City's "ability" to compete for the higher-income renter, with comparable new suburban apartment properties.

Section II is a supply-demand analysis for new apartment unit development, including the addition of East Jefferson Place. First presented is a demographic study of the market area that solves for the number and growth of renter households with incomes of \$50,000 and above, when incomes are studied in constant 2017 dollars. The forecast date for the demographic analysis is 2021, as this is the likely time frame for the lease-up at the proposed apartments.

Following the demographic analysis is the study of the current "high rent", non-student, apartment communities in the market area, with the apartment properties separated by post-2012 construction and pre-2012 construction. We included 14

apartment communities in this subsection for study, including two properties that just opened in Spring, 2017.

We excluded almost all of the market area's apartment properties that were built prior to 2000, as they generate lower rents. This includes attractive apartment communities such as Westgate, Barclay Place, Abington Crossing, Lofts at McIntire, etc. Westgate, in particular, was recently renovated, but rents are lower than the "comps" used for this study. We excluded all condominium units that are being rented, age-restricted apartment properties and student-designed apartment properties. The exclusion of rented condominium units deems our report somewhat conservative.

The defined competitive apartment properties are studied for occupancy, rental rates, unit characteristics, property features and amenities. These are compared with the East Jefferson Place proposal.

The third and final section presents the market study conclusions related to market support for East Jefferson Place. The conclusions "verify" the most marketable unit rents, unit mix and features, such as elevations, covered parking and amenities. The market study conclusions are the basis for the calculation of the FIA.

East Jefferson Place

Site Setting

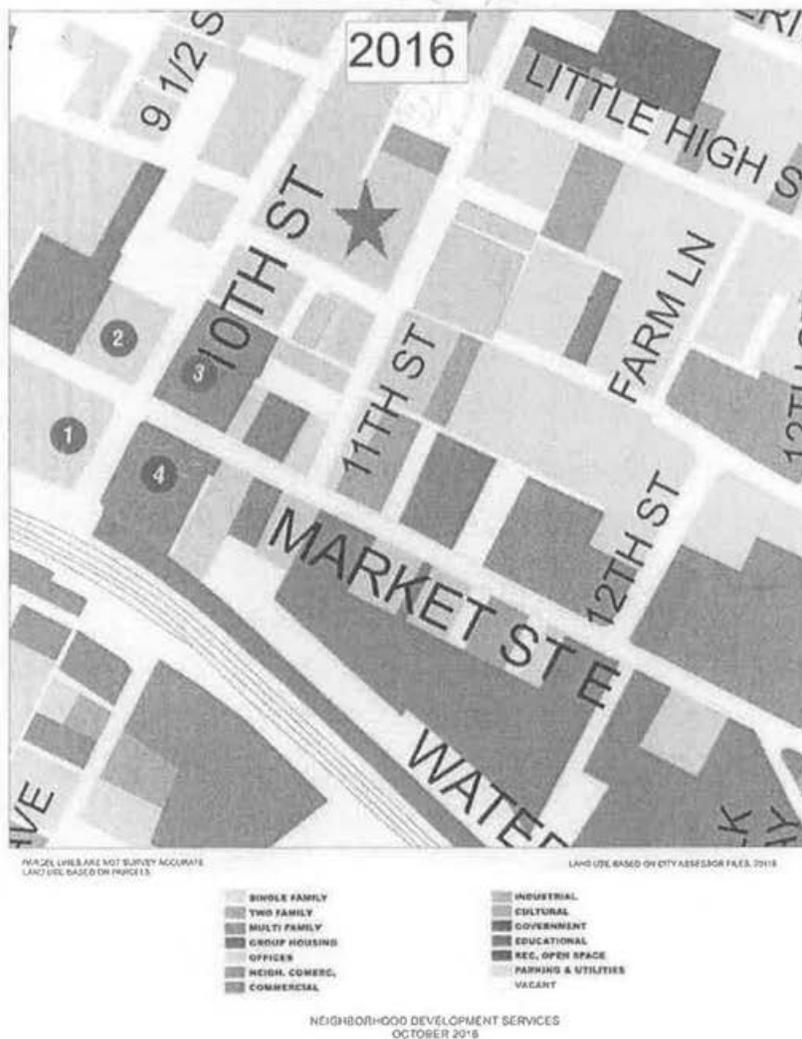
The proposed East Jefferson Place Apartments are located in a mixed-use neighborhood that was largely developed during the 1960's. There are several small office buildings in the area, primarily along 10th Street and near the Jefferson Medical Building and adjacent to the property along 11th Street. These buildings date back to the time when the nearby Martha Jefferson Hospital was in operation and expanding. On the east side of 11th Street and farther east are mature, but attractive single family homes on small lots and along tree covered streets. Commercial uses exist along East Jefferson

Street and small commercial buildings are scattered near and on all sides of the subject study site.

Number 1 on Map A below shows the location of the 925 East Market Street apartment and office space proposal. Adjacent (No. 2) is the parking lot that may be developed for replacement office space for the existing practices in the Jefferson Medical Building. The location of a five-story upscale condominium building is noted by Number 3, and the adjacent building (No. 4) is a condominium office building.

South of Water Street are railroad tracks. This area has a number of commercial and industrial uses. The Downtown Pedestrian Mall is to the west and the 10th and Market streets intersection is considered part of the downtown. The existing Jefferson Medical Building study site is two blocks east. Map A shows the immediate neighborhood to be largely commercial on all sides, but with more residential further east and north and towards 12th Street.

EXISTING LAND USE



Map A - Existing Land Uses at and near the 1011 East Jefferson Street

The point made here is that the study site is close to the expanding Charlottesville downtown and near existing and planned multifamily apartment and condominium buildings. The following aerial shows that, with East Jefferson Street being one full block from East Market Street, and East Market Street at this location being the east end of downtown Charlottesville, the study site is within two blocks of the downtown commercial center.



Aerial of East Market Street and 10th Intersection

Photo A is the condominium building along 10th Street and north of East Market Street, and one block from the study site. Photo B is the 925 East Market Street property with the parking lot that is one option for a new office building adjacent. Photo B shows a view into the east portion of the downtown area and the commercial land uses in this area.



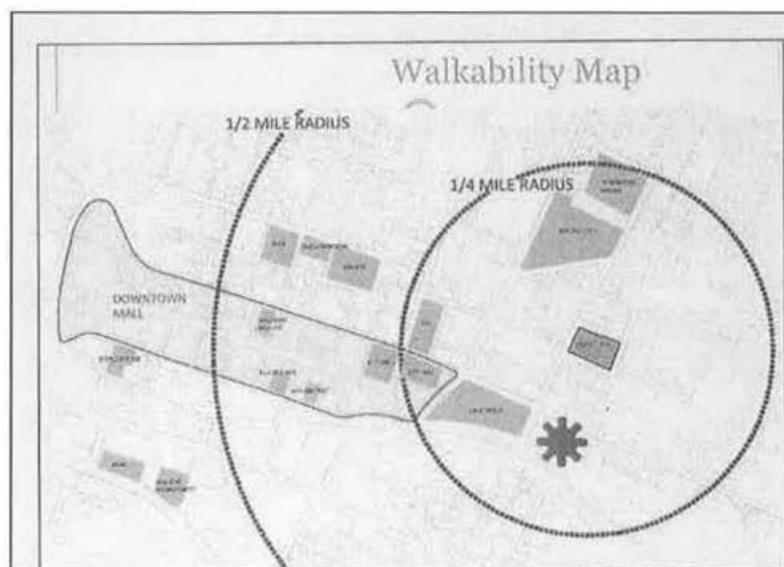
Photo A



Photo B

Map B below shows a street map of the center area of Charlottesville, the Downtown Pedestrian Mall and the location of 1101 East Jefferson Street. The Downtown Pedestrian Mall is the shaded area to the west. Around and on the mall are City Hall, a public library, specialty shopping, entertainment shopping, a nearby police department, several churches and an expanding employment base of new and existing businesses.

The location of the former Martha Jefferson Hospital is also noted on Map B, as is the existing Jefferson Medical Building. The “star” denotes the generalized location of the recently built City Walk Apartment community. The Downtown Mall is within easy walking distance of the study site.

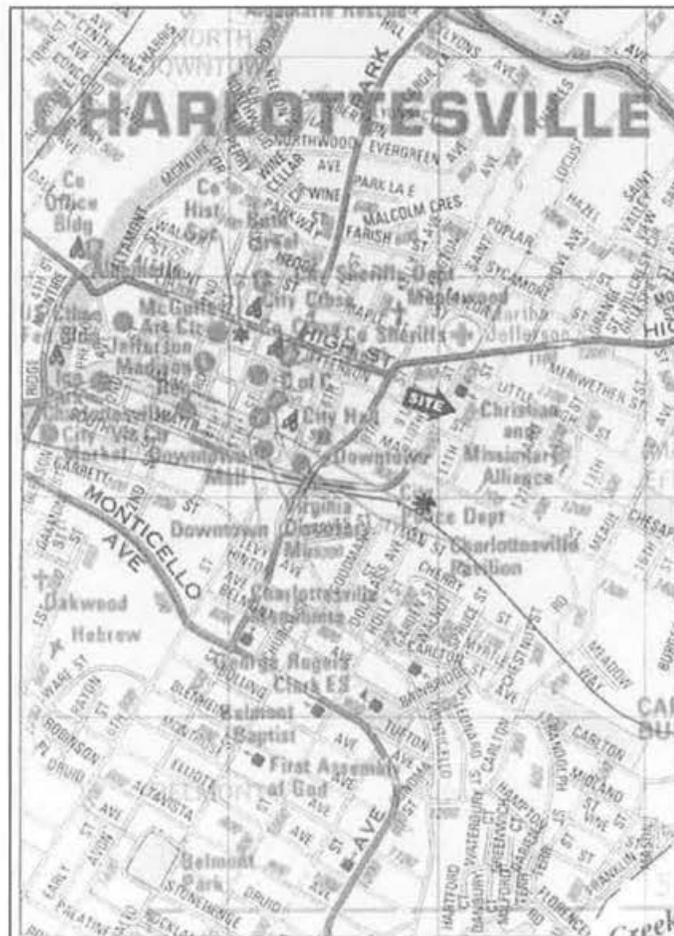


Map B – Study Site’s Proximity to Downtown Pedestrian Mall

As shown on the following Map C, automobile access to U.S. Route 250 is via High Street or Park Street. U.S. Route 250 east provides direct access to the new location of Martha Jefferson Hospital. U.S. 250 west intersects with Route 29 and the Charlottesville area’s primary commercial corridor – Pantops, with close by shopping is directly accessible via Route 250 east. Fifth Street/Ridge Street is accessed by High Street east or south on Avon Street and west on Monticello.

Of importance for the study site is its proximity to the University of Virginia (UVA) Grounds. The Grounds are located on the west side of Charlottesville and bordered by U.S. 250 and Route 29 bypass on the west. Several options offer access to UVA:

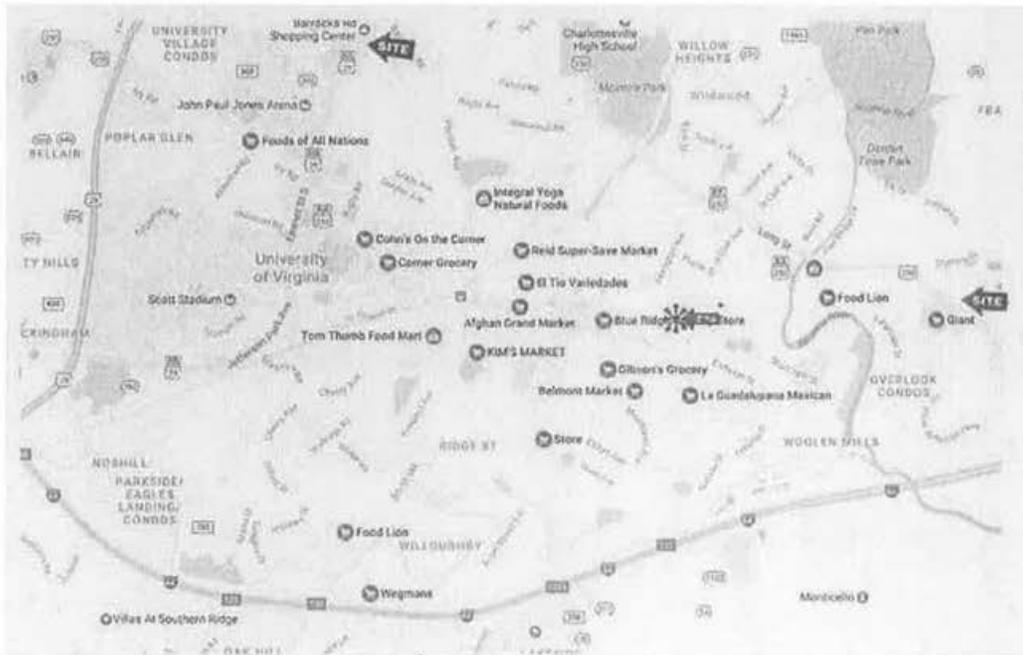
- U.S. 250 west past to Emmet Street (29 Business) or past U.S. 29 to one of several access roads into the campus.
- Monticello west to Main Street west and along Ivy Street into one of several connection streets into campus.
- High Street west to Preston Avenue to Grady Avenue and south of Rugby Road.



Map C - 1011 East Jefferson Street Study Site Location & Setting

Area Shopping. In spite of the urban setting, the study site is well located for shopping. Pantops is close by and has a large retail areas anchored by Giant Food and Food Lion. A new Wegmans opened on Fifth Street, just north of I-64. Barracks Road Shopping Center is located on U.S. 29, where 29 intersects with U.S. Route 250. This center has a wide range of new shops and restaurants. The Hydraulic Road/Route 29/Hillsdale Drive area is also easily accessible to Kroger, Whole Foods, Marshalls, the Shops at Stonefield and a variety of additional shopping and dining alternatives. Small grocery stores are scattered throughout the City and in close proximity to the study site.

Comparison shopping, including Fashion Square Mall, is located north of U.S. 250 on Route 29. The larger site arrows show the location of larger shopping locations.



Map D - Nearby Grocery Stores

Market Area Economic Overview

The Economic Overview Analysis is presented in this part of the report. The intent is to show the level of job growth in the market area, as a prelude to determining

housing unit demand. First presented are trends in market area at-place jobs. This is followed by employment and labor force data and then by a description of active developments, and the likely magnitude of new jobs that these projects will generate. These data and trends will be used to determine demographic growth and the resulting housing unit demand.

At-Place Jobs

At-place jobs refer to the number of jobs in the defined market area of both the City of Charlottesville and Albemarle County. As of year-end 2015, the total number of at-place jobs in the market area was 91,260. The most recent at-place job totals are 10,000± more than in 2005, indicating an average annual growth of 910± jobs since 2005.

Data in Table 1 show a decrease in total jobs in the key recession year of 2009, after sizable growth for the first eight years of the 2000 decade. The recession years of 2009 and 2010 were not growth years. That changed, with net growth between 2011 and 2015. For the period of 2010 to 2015, net job growth was 8,060± or approximately 1,610 per year on average. The current at-place job totals for year-end 2015 are at 91,260, which is over 4,880 above the pre-recession peak year of 2008. Thus, current at-place job totals are at an “all time” high for the market area and expanding. **Over 3,300 new jobs were created in 2015.**

The market area has a very diversified job market with no dominant industry. The industrial categories of Retail Trade, Health Care and Accommodations and Food are the largest categories. State Government should likely be included in that group with the large number of employees at UVA, but these data are not published. Industrial job sectors with significant growth over the past decade include Admin./Waste Services (2,020± new jobs), Health Care (1,850± new jobs), Accommodations/Food (1,580± new jobs), Professional/Tech/ Services (960± new jobs), Arts/Enter./Recreation (840± new jobs), Educational Services (700± new jobs) and Other Services (610± new jobs).

Since 2005, the industrial sectors with the most pronounced job losses have been Construction and Manufacturing. Notable manufacturing losses during this period include Badger Fire Protection (170± layoffs in 2007), Avionics Specialties (100± layoffs in 2007), GE Fanuc Intelligent Platforms (50± layoffs in 2009), Biotage (70± layoffs in 2009), LexisNexis (60± layoffs in 2010), and Hyosung America (110± layoffs in 2010). Despite the loss of over 5,000 construction jobs, this sector added nearly 330 jobs in 2015.

Table 1: Trends in Average At-Place Employment, Charlottesville-Albemarle County, VA, 2005-2015

Industry	2005	2008	2009	2010	2011	2012	2013	2014	2015	Net Change
Agriculture, Forestry, Fishing	524	519	476	479	447	ND	ND	ND	ND	--
Mining	ND	--								
Utilities	ND	--								
Construction	5,066	4,951	4,167	3,964	3,771	3,803	3,771	3,696	4,021	-5,062
Manufacturing	3,679	3,745	3,406	3,058	2,948	ND	ND	ND	ND	-749
Wholesale Trade	ND	ND	ND	ND	1,354	1,392	1,297	1,325	1,282	--
Retail Trade	9,865	9,831	9,054	8,736	8,915	8,963	9,122	9,124	9,281	-584
Transport. & Warehousing	ND	--								
Information	2,109	2,193	2,051	2,035	2,021	2,108	2,094	2,035	2,018	-91
Finance/Insurance	2,033	1,858	1,794	1,797	1,779	1,747	2,245	2,305	2,336	303
Real Estate	1,359	1,358	1,255	1,226	1,252	1,319	1,473	1,461	1,500	141
Professional/Tech. Services	4,994	6,069	5,931	5,668	5,581	5,493	5,635	5,644	5,955	961
Management of Companies	1,702	1,802	1,906	1,884	1,850	1,920	1,943	1,903	1,916	214
Admin./Waste Services	2,447	3,035	2,842	2,830	2,889	3,505	3,541	4,099	4,471	2,024
Educational Services	1,022	1,217	1,248	1,298	1,388	1,523	1,583	1,604	1,720	698
Health Care	7,265	8,005	8,316	8,479	8,588	8,521	8,615	8,608	9,115	1,850
Arts/Enter./Recreation	1,306	1,515	1,541	1,812	1,883	1,909	1,914	2,006	2,142	836
Accommodations/Food	7,502	8,357	8,124	8,116	8,163	8,318	8,423	8,827	9,083	1,581
Other Services	3,194	3,369	3,375	3,435	3,587	3,644	3,615	3,782	3,808	614
Local Government	ND	--								
State Government	ND	--								
Federal Government	<u>1,323</u>	<u>1,309</u>	<u>1,354</u>	<u>1,365</u>	<u>1,250</u>	<u>1,249</u>	<u>1,236</u>	<u>1,220</u>	<u>1,247</u>	<u>-76</u>
Total	81,245	86,381	83,872	83,199	84,237	85,611	86,179	87,939	91,263	10,018

Notes: ND = Data do not meet BLS or State agency disclosure standards.

Source: United States Department of Labor, Bureau of Labor Statistics

Overall, at-place job trends in the market area are positive. The at-place job totals did not decrease much during the recession, and in fact, remained higher than the pre-recession totals of 2005. The recession resulted in job losses in 2009 and 2010, but net growth has occurred since 2010 and the 2014 job totals area above the pre-recession year of 2008.

Employment and Labor Force

Employment differs from at-place jobs, as it refers to the number of market area residents who are employed no matter where the job is located. Year-end 2016 employment data are available. Nearly 76,200 employees exist in the market area, approximately 15,000 below at-place jobs.

The comparison of at-place jobs and employment indicates in-commuting into the market area for employment, likely from all of the adjacent counties - Greene, Nelson, and Augusta. Persons in these counties seek more affordable housing, but work within the market area. Employment in the market area grew in 2015 by 1,320± and by 750± jobs in 2016. Employment increased by 5,403± since 2007, which is less than the increases of at-place jobs.

The number of persons in the Labor Force grew at a larger total than employment. That is one reason that the market area unemployment rate has not decreased more in spite of the net employment growth. The market area unemployment rate is a moderate 3.5 percent as of year-end 2016. This is down from the previous year's rate of 3.8 percent. Trend data show that the market area's unemployment rate is well below the national average and has remained relatively low even during the past recession of the late-2000's.

Employment is a better indicator of housing unit demand, as it refers to where people live. The market area has had net employment growth and has a large labor force to support additional growth.

Table 2: Trends in Employment and Unemployment, Charlottesville Market Area 1/, 2007-2015

	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Percent Unemployed</u>
2007	72,572	70,773	1,799	2.5%
2008	74,380	71,967	2,413	3.2%
2009	73,650	69,586	4,064	5.5%
2010	74,190	69,727	4,463	6.0%
2011	75,408	71,199	4,209	5.6%
2012	76,070	72,117	3,953	5.2%
2013	75,914	72,273	3,641	4.8%
2014	77,899	74,427	3,472	4.5%
2015	78,468	75,453	3,015	3.8%
2016	78,922	76,199	2,723	3.5%
Net Change	6,350	5,426	924	1.0%

Notes: 1/ Market area includes Charlottesville City and Albemarle County.

Source: United States Department of Labor, Bureau of Labor Statistics

Market Area Development Activity

UVA is by far the largest area employer. Second, is likely to be the National Ground Intelligence Center (NGIC) and the associated Defense Intelligence Agencies (DIA) located at Rivanna Station near the Airport in northern Albemarle County. The trend that these large employers project is presented below, followed by a list and description of active new developments.

University of Virginia (UVA). UVA is a key economic “driver” in the market area. Thus, the growth trends at UVA are included in our Economic Overview.

Table 3 shows the enrollment trends at UVA for the ten-year period between 2007 and 2016. These data represent total on-campus fall headcount enrollment totals. The enrollment data show a net growth of 1,600± students over this period, or an 8.2 percent increase. This represents an average enrollment growth rate of 160± students per year. Net growth has been recorded in both the undergraduate and graduate populations. Undergraduate enrollment grew by 14.5 percent and graduate enrollment grew by 1.2 percent during this period. Enrollment of First Professionals and Continuing Education students fell over the past decade.

Table 3: UVA On-Campus Fall Headcount Enrollment Trends, 2007-2016

	<u>Undergraduate</u>	<u>Graduate</u>	<u>First-Prof.</u>	<u>Cont. & Prof. Studies</u>	<u>Total</u>
Fall 2007	13,636	4,830	1,724	644	20,834
Fall 2008	13,762	4,904	1,725	666	21,057
Fall 2009	13,928	4,835	1,695	437	20,895
Fall 2010	14,015	4,831	1,694	509	21,049
Fall 2011	14,256	4,759	1,702	389	21,106
Fall 2012	14,256	4,689	1,699	341	21,095
Fall 2013	14,610	4,558	1,746	324	21,238
Fall 2014	15,122	4,653	1,687	338	21,800
Fall 2015	15,421	4,647	1,630	310	22,008
Fall 2016	15,611	4,887	1,579	314	22,391
Net Change	1,975	57	-145	-330	1,557
Percent Change	14.5%	1.2%	-8.4%	-51.2%	7.5%

Source: UVA Office of Institutional Assessment and Studies

Data in Table 4 show the projection for total enrollment to a 2022 forecast date and a breakout of student enrollment projections by category. Projection data show minimal growth, with enrollment expanding by only 300± students by 2022. Undergraduate enrollment is projected to increase by 80± students in the Fall, 2018 semester and not increase until at least 2022. Graduate enrollment is projected to increase by 160± students by 2022.

Table 4: UVA On-Campus Fall Headcount Enrollment Projections, 2016-2022

	<u>Undergraduate</u>	<u>Graduate</u>	<u>First-Prof.</u>	<u>Cont. & Prof. Studies</u>	<u>Total</u>
Fall 2016 (Realized)	15,611	4,887	1,579	314	22,391
Fall 2017	15,688	4,910	1,585	353	22,536
Fall 2018	15,688	4,958	1,585	358	22,589
Fall 2019	15,688	5,010	1,585	363	22,646
Fall 2020	15,688	5,018	1,585	368	22,659
Fall 2021	15,688	5,030	1,585	373	22,676
Fall 2022	15,688	5,043	1,585	378	22,694
Net Change	77	156	6	64	303
Percent Change	0.5%	3.2%	0.4%	20.4%	1.4%

Source: UVA Office of Institutional Assessment and Studies

Often, student enrollment growth projections are conservative, so these numbers, shown in Table 4, may change. However, more modest student growth is likely after 2017.

Employment at UVA. Employment at the University of Virginia currently stands at 19,020± persons, which is up 2,330± over the 2007 total. UVA is the region’s largest employer. About 72 percent of employees are full-time staff, compared to 15 percent who are full-time faculty. Approximately 15 percent of total employees are part-time workers. The following table shows the significant growth of employment at the University since 2007.

	<u>Full-Time Staff</u>	<u>Part-Time Staff</u>	<u>Full-Time Faculty</u>	<u>Part-Time Faculty</u>	<u>Total</u>
Fall 2007	12,170	1,383	2,901	241	16,695
Fall 2008	12,401	1,521	2,985	237	17,144
Fall 2009	12,206	1,512	2,966	193	16,877
Fall 2010	12,189	1,550	2,810	193	16,742
Fall 2011	12,181	1,777	2,741	175	16,874
Fall 2012	12,159	1,773	2,704	183	16,819
Fall 2013	12,175	1,755	2,687	186	16,803
Fall 2014	12,466	2,428	2,784	186	17,864
Fall 2015	12,845	2,667	2,775	197	18,484
Fall 2016	13,362	2,644	2,830	184	19,020
Change	1,192	1,261	-71	-57	2,325

Source: University of Virginia Office of Institutional Assessment and Studies

Non-Residential Development. Several non-residential construction projects were recently completed, are planned, and are ongoing at UVA. These are detailed in the paragraphs below. They will add net job growth at the University

- **UVA Medical Center.** Ground was broken in June, 2016 on the renovation and expansion of the Emergency Department on the site of the former ground helipad. A larger expanded procedural and recover space will be built one floor above the existing Emergency Department. In addition, a six story tower will be built above the procedural space. Three floors will be used for private inpatient rooms, enabling UVA to convert most of its semi-private rooms into private rooms. The remaining three floors will be unfinished space reserved for future health care needs. This project also includes a rooftop helipad. The Emergency

Department and procedural space are expected to be completed in the summer of 2019. The bed tower is projected to be completed by the end of 2019.

- **Education Resource Center (ERC)**. Construction was recently completed on this four story, 45,200± square foot facility that acts as an education resource center with a new pharmacy, an outpatient imaging center and conference rooms.
- **Tennis Facility**. A new 12-court outdoor tennis facility is planned to be constructed at the Boar's Head Inn. The new facility will also include locker rooms, meeting rooms and lounges housed in a pavilion. There will also be a viewing platform from where visitors will be able to watch matches, along with seating for up to 3,500 spectators.
- **The Outpatient Procedure Center**. Construction was completed in April, 2017 on this renovation project that allows the Digestive Health Department to expand the Endoscopy Procedure Space by providing five new procedure rooms and twenty new prep/recovery rooms as well as scope disinfection and support space. The project is located at 500 Monroe Lane. The renovation encompasses approximately 21,000 square feet on the first floor of the building.
- **Gilmer Hall and Chemistry Building Renovation**. This is the ongoing renovation of the 232,000± square foot Gilmer Hall and 273,000± square foot Chemistry Building. The project scope includes infrastructure upgrades, space renewals to meet the needs of STEM program growth, and necessary improvements to position the buildings as important teaching and research resources for the University.
- **Skipwith Hall**. This new 14,350± square foot building was completed in January, 2016. It contains primarily open office areas, as well as several enclosed offices for a variety of Facilities Management staff. The building also accommodates four conference rooms and two small kitchenettes.
- **Ivy Orthopedic & Medical Center**. This very recently announced project, to be constructed along Ivy Road, is planned for 200,000± square feet of medical office space to accommodate the University Hospital's orthopedic office and procedure practices. The time horizon for this new facility is two-three years out.

The National Ground Intelligence Center (NGIC)

This large employment facility is part of the United States Army Intelligence and Security Command. It is located in Albemarle County on Route 29, near the Airport and north of Charlottesville. The exact number of employees at NGIC and DIA is classified, but the Charlottesville Regional Chamber of Commerce estimates that approximately

600± people are employed by NGIC. The average salary is approximately \$80,000. Additional agencies associated with NGIC nearby include the US Department of Defense Intelligence Agency Joint Use Intelligence Analysis Facility, several private defense contracting firms, the US Army Judge Advocate General School (JAG School), and the US Federal Executive Institute. Combined, these account for approximately 3,000± jobs. Growth at these federal facilities is stagnant at this time.

Charlottesville/Albemarle Development Activity

Following is a list and description of the recent new area developments that have, or will, add new jobs to the market area. These projects are scattered throughout the market area.

- **Country Inn & Suites**. Construction was completed in August, 2016 on this 86-room hotel on Seminole Trail in Charlottesville.
- **Marriott Residence Inn**. Construction was completed in early-2016 on this 120,000± square foot hotel at 301 W Main Street. The seven-story hotel has 124 rooms.
- **Fifth Street Station**. Construction was completed in early-2017 on this shopping center in Albemarle County near I-64. In addition to a 140,000± square foot Wegmans grocery store, the shopping center contains an additional 335,000± square feet of retail space. Over 1,000 persons could be employed at this location.
- **West2nd**. This is a proposed mixed use development on the site of the existing City Market in downtown Charlottesville. Plans call for 68 condos, ranging from \$400,000 to over \$1 million, event space, 55,000 square foot of office space and a parking garage. A start date for construction is not yet set.
- **Marriott Autograph Collection**. This is a planned ten-story, 150-room hotel to be built at 1106 W Main Street. The hotel is expected to employ 70 people when built. On-site amenities will include a restaurant, fitness center, business center and 3,000 square feet of meeting space. The hotel is expected to open in late-2017.
- **Apex Clean Energy**, an alternative energy development company, announced in June, 2016 that it would expand its Charlottesville headquarters by adding 184 new employees.

- Mikro Systems, a manufacturer of hand and edge tools, announced in October, 2016 that it would expand its Albemarle County operations by adding 38 new employees.
- Texas Roadhouse opened a new restaurant at 455 Albemarle Square in February, 2017 where 180 people are employed.
- Lidl, a German grocery store chain, filed a site plan for a second location in Albemarle County in March, 2017. The 36,000± square foot store will be located at 405 Premier Circle on the west side of U.S. 29. Currently, a motel is on the site. The grocery store should open in 2018.
- ACAC Fitness & Wellness Centers is currently building a health club at Sentara Martha Jefferson Hospital's outpatient clinic, across the road from the hospital. The club will offer members cardio workouts, weight machines, free weights, stretching, group exercise classes and physical therapy sessions. It will also partner with the hospital for wellness programs. The facility is expected to open in the fall of 2017.
- Comcast Xfinity Store. This 5,000± square foot store opened in February, 2017 at the Shops at Stonefield in Albemarle County. The store has a seating area and informational, interactive displays where customers can learn more about Comcast's products and services.
- 323 Second Street SE. This is a proposed 120,000 square foot building with five stories of office space over a four-story parking structure. Construction could begin as soon as late-2017.
- Fairfield Inn & Suites. Ground was broken in late-2016 on this 117-room hotel to be part of the mixed-use William Taylor Plaza.
- The Blake at Charlottesville. Quality Senior Living announced in December, 2016 that it would construct a 56,000± square foot senior living facility on West Rio Road. The facility will offer independent living, assisted living and memory care services. The 115-bed facility is expected to employ 70 people and open in 2018.
- The Dewberry. The Charlottesville City Council recently approved a Tax Increment Financing incentive that is intended to facilitate the restart of construction on what is planned to become a 100± room upscale hotel and restaurant on the Downtown Mall. Located on the former site of Citizens Bank and Trust Company, it is expected to create as many as 60 new jobs.
- Barracks Row. The Charlottesville Planning Commission granted design approval for a new building at a corner of Barracks Road and Emmet Street. Under the site plan, three existing buildings will be demolished to make way for a CVS.

- **Home2Suites by Hilton.** Site plans were recently approved for this four story, 113-room hotel to be located at 201 Monticello Avenue. This will be an amenitized hotel with a fitness center and indoor swimming pool.
- **Ferguson Bath, Kitchen & Lighting.** Construction began in March, 2017 on this 25,000± square foot showroom and sales center for Ferguson Bath, Kitchen & Lighting, which is relocating to the Seminole Square shopping center. Construction of the showroom is expected to be completed by late-summer, 2017. The center will replace Ferguson's current location in the former Riverside Center at 2335 Seminole Trail Lane.
- **Riverside Medical Center.** The former Riverside Center shopping center, located on Route 29 north of Hilton Heights Road, is being converted into 110,000± square feet of medical office space. Completion is scheduled for the summer of 2017.
- **Quirk Hotel** announced in November, 2016 that it would build a 75-room hotel and gallery at 425, 501 and 503 W. Main St. in Charlottesville. The property includes two older buildings that would be incorporated with a new ground-up development on an existing parking lot.

Excluding construction workers, these announced projects will add 2,000± jobs to the market area.

Downtown Charlottesville. To emphasize, the study site is located only a few blocks east of Charlottesville's Downtown Pedestrian Mall, which is an eight-block commercial and historic district with a mix of arts and entertainment, shopping, dining and cultural events. It contains more than 120 shops and 30 restaurants. It has become a focal point of new activity in the City.

Several stores have expanded or moved locations on the Downtown Pedestrian Mall over the past year, and some new spaces are scheduled to be occupied. Recent openings include Moonlight Collections (Note 11), Piedmont Council for the Arts (Note 12), West 2nd Sales Gallery (Note 13), Brassiere Saison (Note 14), Let it be Yoga (Note 15), Draft Taproom (Note 16), City of Charlottesville City Manager's Office (Note 17), Common House (Note 18), The Salad Maker (Note 19) and The Front Porch (Note 20).

There is a vibrant cohort of expanding and major businesses located downtown that are large employers, including, among others, CFA (460±), WorldStrides (400), ACAC (300±), Lexis Nexis (180±), WillowTree Apps (40+), S&P (former SNL Securities (400±), Merkle (160±), and numerous financial, legal and service firms with significant employees.

In addition to the above are several residential, hotel and commercial developments. Many of these will be job-generating developments that show that the downtown area remains among the most active and attractive locations in the region for economic growth. Some of these were described above. Map E shows their locations.



Map E - Location of Downtown Area Active Developments

Section II Apartment Market Analysis

Section I presented a detailed analysis of the study site and its competitive setting for new apartment unit development. The analysis was positive, as East Jefferson Place is located in close proximity to existing and planned multi-story apartment buildings and condominium buildings and is within walking distance to the downtown area.

Also presented above is the vitality of the greater Charlottesville marketplace and the net growth in jobs, shown to be 2,000+ for the current period after a growth of 3,300 during 2015. The market area is realizing considerable net new job growth, with sizable percent of new jobs in professional fields.

With this background in mind, the section to follow analyzes the two key factors in the evaluation of apartment unit demand. First is a demographic analysis of the market area that "solves" for the number and growth of renter households with incomes of \$50,000 and above. The forecast date for the study is 2021, as this is the expected time frame for development of the apartment units proposed for East Jefferson Place. Renters with incomes of \$50,000 and above, when incomes are reported in constant 2017 dollars, can afford net rents of \$1,250 and above. Net rents refer to rents without any utility costs included.

Section II also includes a detailed analysis of the more directly competitive apartment properties, with emphasis on apartment unit demand and project features. This analysis is expanded in Section III to include pipeline proposals, which in comparison with growth in renters with incomes of \$50,000 and above, will document the demand for new apartment units and the feasibility of the 1011 East Jefferson Place proposal.

Demographic Analysis

Market Area Population Trends & Projections

The estimated 2016 population for the two jurisdictional market area, as shown in Table 7 is approximately 153,790, based on estimates from the U.S. Census American Community Survey. The market area population is estimated to have increased by approximately 11,340 since 2010, or 1,890± per year on average. Both the City of Charlottesville and Albemarle County realized net population growth since 2010. The increase in the City's population between 2010 and 2016, after a population loss during the 2000's, is due partly to employment growth. Employment growth generated some of the recent market area's net population growth, but also a sizable level of growth is due to past expansion of the UVA student enrollment. This is shown in the Group Quarters population. Based on past trends, the market area population is projected to reach 164,350± by 2021.

Table 7: <u>Trends and Projections of Population and Household by Tenure and Income, Charlottesville-Albemarle County, 1990-2021</u> (Constant 2017 Dollars)					
	1990	2000	2010	2016	2021
Market Area Population	108,380	124,290	142,450	153,790 1/	161,350
Charlottesville City	40,340	45,050	43,480	46,910	49,200
Albemarle County	68,040	79,240	98,970	106,880	112,150
Group Quarters Population 3/	8,490	8,370	9,300	9,950 2/	10,300 4/
Household Population	99,890	115,920	133,150	143,840	151,050
Persons Per Household	2.47	2.38	2.38	2.38	2.37
Total Households	40,440	48,730	55,940	60,440	63,730
Percent Rental	44.5%	42.8%	42.1%	42.6%	42.9%
Rental Households	17,990	20,850	23,560	25,750	27,340
<u>Target Market 4/</u>					
Percent Within Income Category	38.9%	36.9%	35.2%	39.0%	45.0%
Households Within Income Category	6,990	7,690	8,290	10,040	11,760
Notes: 1/ Based on 2016 data from the U.S. Census American Community Survey. 2/ Based on on-campus occupancy increase of 600± students at UVA. 3/ Based on planned UVA residence hall capacity increase and new assisted living facility. 4/ Renter households earning annual incomes exceeding \$50,000.					
Source: 1990, 2000 and 2010 Census, U.S. Census Bureau, U.S. Department of Commerce; S. Patz & Associates, Inc.					

Group Quarters Population. The Group Quarters Population consists primarily of UVA students living in on-campus dorms, plus seniors in nursing homes or assisted living facilities and persons in hospitals, shelters, jails, etc. UVA students who live in privately owned homes, condos or apartment units located off campus are part of the household population, and thus not calculated as part of the Group Quarters Population. The Group Quarters Population of 9,950± in 2016 was deducted from total population to determine Household Population, as shown. Household Population is the basis for determining housing unit demand. The Group Quarters Population is expected to expand with an increase in on-campus housing and continued additions of assisted living beds.

Households. The market area has a total of 60,440± households (occupied housing units), as of 2016. That total is 4,500± more than the 2010 total. By 2021, forecast data show the potential for a net growth of 3,290± households based on population growth and the estimate of the average household size. Thus, there will be an estimated 63,730 households in the market area in 2021.

The current average household size in the market area is estimated at 2.38, which has been virtually unchanged since 2000. It decreased slightly over the past 20 years from 2.47 in 1990. The average household size has been low since 1990 compared with other communities of the size of the market area and this is somewhat surprising as students living off campus typically have three to four persons per household.

In addition, the greater Charlottesville area is an attractive retirement community and has a sizable number of senior/older adult households. Graduate students at UVA would typically be one- to two-person households. Whatever the case, the market area's average household size is low. By 2021, the average household size is projected to decrease slightly to 2.37.

Renter Households. The market area has 42.6 percent renter households, a percentage that has not decreased for more than 25 years. That percentage is well above the 35± percent rate for the state and country. The percentage of renters is high due to the large number of students living off campus. The fact that the percentage of renters decreased during the 1990's is due to a period of high home purchases, including several area condo conversions.

The percentage of renters declined slightly during the 2000's due to the same reasons during the first half of the decade. However, during both periods, net renter household growth was realized.

The current increase in apartment unit development was caused by an increased demand for rental housing from an expanding employment base. There was an increase of 2,200 renters in the market area during the 2010 to 2016 period, or nearly 450 per year on average.

Continued renter household growth is projected for the 2016 to 2021 forecast period, as shown.

Renter Households by Income

The estimate for 2016 is that 36+ percent of market area renters have incomes of \$50,000 and above. This percentage has remained relatively steady up to 2010 and prior to the sizable increase in new apartment units. A higher growth projection is also shown for the forecast period to 2021. Clearly, apartment unit development trends show a considerable increase in renter household growth, particularly the higher income renters.

For the 2021 forecast period, a slight increase in the percentage of renters is expected. In 2016, the market area had 25,750± renter households. By 2021, this total is projected to increase to 27,340±, or 42.9 percent of total households.

Charlottesville’s Target Income Renters. Locations within both the City and County compete for the market area’s “competitive” apartment market, i.e. the market for renters with incomes of \$50,000 and above. Typically, the selection of an apartment unit is based on availability, or what is on the market. Demographic data show that approximately 34 percent of market area renters with incomes of \$50,000 and above, live in the City of Charlottesville, or a total of 3,700 in 2016. That total will likely increase by 1,720 renter households by 2021, based on past trends and the number of new apartment units to be added to the market to a total of 11,760 households.

These data show that the City is a very competitive location for new apartment unit development for quality rental housing, in general.

Table 8: <u>Renter Household Trends by Income and Location,</u> <u>Charlottesville-Albemarle County, 1990-2021</u> (Constant 2017 Dollars)					
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2016</u>	<u>2021</u>
Rental Households	17,990	20,850	23,560	25,750	27,340
<u>Target Market (\$50,000+)</u>					
Percent Within Income Category	38.9%	36.9%	35.2%	39.0%	43.0%
Households Within Income Category	6,990	7,690	8,290	10,040	11,760
<u>Charlottesville City</u>					
Percent Within Income Category	17.0%	13.6%	12.5%	13.8%	15.2%
Households Within Income Category	3,060	2,840	2,940	3,540	4,160
<u>Albemarle County</u>					
Percent Within Income Category	21.9%	23.3%	22.7%	23.2%	27.8%
Households Within Income Category	3,930	4,860	5,350	6,500	7,600
Source: 1990, 2000 and 2010 Census, U.S. Census Bureau, U.S. Department of Commerce; S. Patz & Associates, Inc.					

Competitive Apartment Market

Characteristics of the Market

We identified fourteen apartment properties to study for the evaluation of market support for the proposed East Jefferson Place Apartments. These are listed in Table 9, number-keyed to Map F and shown in the attached photos. The “comps”

include seven new, post-2012 built apartment properties, two of which are in initial lease-up. One of the newest communities, Beacon on 5th, began leasing in early-2017. Woodlands II also started their preleasing and unit occupancy in 2017. The separation of Woodlands I and II calculates to 15 apartment properties under study.

The newer apartment properties are those built in 2012 and after. 2012 appears to be the time frame, after the past recession that an abundance of new apartment communities were built in the market area. For the past 6+ years, 1,500+ new units were placed on the market or placed under construction. City Walk, Locust Grove and Beacon on 5th are located in Charlottesville. To date, approximately 1,150 of these newer units have been leased, an average annual pace of nearly 300 units, indicating that current inventory of available and unfinished apartment units equals about a one-year supply.

The five newer apartment complexes that are at stabilized occupancy and were built prior to 2016, are at or near full occupancy. The only vacancy is at the two new apartment communities that recently opened.

The other seven apartment properties listed in Table 9 were built between 1995 and 2006. No new communities that are comparable with the defined "comps" opened between 2007 and 2011, the period most affected by the recession of the late-2000's. These apartment communities are also full or at near full occupancy. Of these, Norcross Station and York Place are within the City of Charlottesville.

The two new apartment properties that are still partly under construction add 400± units to the market. Both of these new properties currently have a considerable number of unfinished ("vacant") units that will become available for lease once they are completed.

Table 9: Characteristics of Competitive Non-Student Apartment Communities, Charlottesville Market Area, May, 2017				
	<u>Map F</u> <u>Key</u>	<u>Year</u> <u>Built</u>	<u>Total</u> <u>Units</u>	<u>Vacant/Unfinished</u> <u>Units</u>
<u>Newer Properties (2012+)</u>				
Arden Place	1	2012	212	--
Beacon on 5 th	2	03/2017	241	-- 1/
City Walk	3	2014	301	--
Locust Grove	4	2015	43	--
Reserve at Belvedere	5	2012	294	--
Stonefield Commons	6	2012	251	--
Woodlands of Charlottesville	13	2003/17	<u>300 4/</u>	-- 1/
(Subtotal)			<u>(1,642)</u>	<u>(350)</u>
<u>Properties Opened Before 2012</u>				
Avemore	7	2006	280	--
Carriage Hill	8	1999/02	140 2/	--
Jefferson Ridge	9	2005	234	--
Lakeside	10	1995/98	348	--
Norcross Station	11	2004/09	88	--
Stone Creek Village	12	2003	264	--
York Place 6/	14	NA	50	--
Scattered Smaller Quality Units 3/	NA	NA	<u>260</u>	--
(Subtotal)			<u>(1,664)</u>	<u>(4)</u>
Total			3,306	354
Notes: 1/ Still in lease-up. 2/ Units available for rent at condominium. 3/ Apartment units in quality smaller properties and in converted condominiums. 4/ 141 units in Phase I. 159 units in Phase II. 5/ Excludes properties in lease-up. Phase I of Woodlands of Charlottesville is fully leased. 6/ Six buildings in Downtown Charlottesville.				
Source: Field and Telephone Survey by S. Patz and Associates, Inc.				

In addition to these fourteen apartment properties, there are several older and smaller properties - Lofts at McIntire, Old Trail Apartments, Abington Place, Westgate, Barclay Place - with 250± apartment units that are somewhat competitive. Lofts at McIntire is a mid-rise building located just outside of the downtown. Old Trail Apartment is located in Crozet with apartment units above retail. Abington Place is a small two-story apartment building located in the Hollymeade Town Center in Albemarle County. Westgate and Barclay Place are mature apartment properties that have been extensively renovated. These are not fully amenitized properties, some are smaller, and in some cases mature, but they generate high rents. However, they do not compete directly with those properties listed in Table 9. These apartment properties are

reported to be at or near full occupancy, but at rents slightly below the apartment properties under study.

Also, during the mid-2000's, there were a number of apartment buildings that were converted to condominium ownership. The better of these include:

- 162 units at Carriage Hill
- 150± units at River Bend Apartments
- 150 units at Walker Square Apartments
- 44 units at Woodlands at Charlottesville

Of these 510± units, a few units still remain in rental occupancy. These would be at competitive rents, but the total number of rentals is modest and data are hard to collect. There are also some more mature apartment properties that were converted, but these were not at the same rental rates.

Thus, in total, the market area has approximately 3,300 apartment units that are at or near the competitive rents for the market area and that are expected at East Jefferson Place. They are studied as "comps", although other apartment properties in the market area also have rents of \$1,000+.

The current vacancy rate for the 3,300 better rental units is approximately 11 percent. However, almost all of the vacancies are at units being built at Beacon on 5th and Woodlands II. Some of these units are not yet complete. The vacancy rate for newer apartment properties with stabilized occupancy is a very low 0.7 percent.

The apartment market had three new 2012-built properties with 757 units, plus the 301-unit City Walk, which opened in early-2014 and was fully completed in mid-December, 2014. The 43-unit Locust Grove was constructed in 2015. This is an adaptive-reuse of a historic medical office building constructed in the early-1900's. Leasing began in March, 2017 for Beacon on 5th, which will have 241 units at build out. Leasing recently began on the second phase of 159 units at Woodlands of Charlottesville.

There were eight apartment properties with 830 units that opened during the last half of the 2000 decade, including several of the smaller properties. These are at a near 100 percent occupancy rate, meaning that the addition of the newer apartment complexes since 2012 did not affect occupancy at existing properties.

The Charlottesville area apartment market has significantly evolved since 2000. The current vacancy rate is low. Five new, sizable apartment complexes successfully opened since 2012, in addition to one smaller community, and the second phase of Woodlands of Charlottesville. All new apartment properties have leased quickly.

In addition to the fourteen apartment properties listed in Table 9, there has been a considerable amount of apartment unit development to house the off-campus student market at UVA. These add to the household growth, but these additions have “removed” college students from renting at the new apartment communities under study, as much of the net growth of off-campus student housing demand is being served by new student-designed housing.

The apartment properties under study are number-keyed to Map F. As shown, all of the comps are located in or near the City of Charlottesville. Three communities, City Walk, Locust Grove and Norcross Station, are located near the downtown. Two of these are newer communities. Three communities (Arden Place, Reserve at Belvedere, and Stonefield Commons) are located just north of Charlottesville, generally off Route 29. Avemore and Carriage Hill are located east of Charlottesville in Pantops and near Sentara Martha Jefferson Hospital. Beacon on 5th is the only competitive apartment community located in Charlottesville, but outside the downtown area. It is located on 5th Street SW, north of the recently opened Wegmans-anchored 5th Street Station shopping center. The remaining four communities are located south of the City near I-64. York Place apartment units are scattered throughout downtown Charlottesville in attractive adaptive reuse buildings.

Of note, four of these apartment properties are located in downtown and near the proposed East Jefferson Place site. Map F shows the location of these properties. None are located near the UVA Grounds and do not market to UVA students.



Map F - Locations of Competitive Apartments

Next shown are photos of each of the competitive apartment properties under study. Most are multi-level garden communities. Norcross Station is the adaptive-reuse of the former Norcross Transfer and Storage Building that was originally constructed in 1924. It is an elevator served community. Locust Grove is an adaptive-reuse of a portion of the former Martha Jefferson Hospital and it, too, is served by an elevator. Stonefield

Commons and City Walk are the only new-construction communities served by elevators. York Place is comprised of five attractive downtown adaptive-reuse buildings.

Beacon on 5th contains a mix of both garden and townhome style buildings. This is also the case for Terrace Greene Apartments in Ruckersville.

The apartment units at Woodlands II are identical to those built in Phase I. City Walk, Reserve at Belvedere, Stonefield Commons, and Avemore are the more upscale of these apartment properties.



Beacon on 5th – Completed Buildings



City Walk



Locust Grove



Reserve at Belvedere



Stonefield Commons



Avemore



Carriage Hill



Jefferson Ridge



Lakeside



Norcross Station



Stone Creek Village



Arden Place



Woodlands I of Charlottesville

Net Rental Rates

Following in Table 10 are the current rents at each of the apartment communities under study. **All of these units have individual washer/dryers included in the rent.** For the sake of consistency, rents have been adjusted to exclude all utilities. The rents shown are clearly being accepted, as evidenced by the high occupancy rate in the market area.

Of these apartment properties, City Walk is the only apartment community with structured parking. There is no charge for parking at this apartment property.

As shown, the average one-bedroom rents at the newer properties averages \$1,329. This is compared to an average of \$1,692 for the two-bedroom and \$1,885 for the three bedroom units. The newer one-bedroom apartments, on average, are \$150± more expensive than the older properties. This is compared to a difference of \$250± for the two-bedroom and \$270± for the three-bedroom units.

Table 10: Rental Rates at Competitive Non-Student Apartment Communities, Charlottesville Market Area, May, 2017

	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>
<u>Newer Properties (2012+)</u>			
Arden Place	\$1,195-\$1,265	\$1,490-\$1,575	\$1,810
Beacon on 5 th 2/	\$1,317-\$1,537	\$1,436-\$2,336	\$1,645-\$2,045
City Walk	\$1,135-\$1,420	\$1,580-\$1,830	--
Locust Grove 1/	\$1,158-\$1,633	\$1,587-\$1,637	--
Reserve at Belvedere 3/	\$1,155-\$1,355	\$1,420-\$1,620	\$1,635-\$1,835
Stonefield Commons	\$1,313-\$1,468	\$1,823-\$1,973	\$2,100-\$2,200 1/
<i>(Average)</i>	<i>(\$1,329)</i>	<i>(\$1,692)</i>	<i>(\$1,885)</i>
<u>Properties Opened Before 2012</u>			
Avemore 4/	\$1,170-\$1,405	\$1,445-\$1,520	\$1,545-\$1,660
Carriage Hill	\$1,050-\$1,290	\$1,245-\$1,770	\$1,490-\$1,820
Jefferson Ridge	\$1,099-\$1,175	\$1,345-\$1,385	\$1,675
Lakeside	\$995-\$1,195	\$1,185-\$1,385	\$1,375-\$1,515
Norcross Station	\$988-\$1,543	\$1,347-\$1,567	--
Stone Creek Village 5/	\$1,089-\$1,279	\$1,349-\$1,599	\$1,549-\$1,709
Woodlands of Charlottesville	--	\$1,380-\$1,600	\$1,650-\$1,750
York Place	\$858-\$1,408	\$1,432-\$1,587	--
<i>(Average)</i>	<i>(\$1,182)</i>	<i>(\$1,446)</i>	<i>(\$1,618)</i>
Average	\$1,250	\$1,552	\$1,725
Notes: 1/ Estimate 2/ Three-bedroom units are townhomes. 3/ Larger two-bedroom units are townhome units 4/ Larger two-bedroom units have attached garages. 5/ Larger units are lofts.			
Source: Field and Telephone Survey by S. Patz and Associates, Inc.			

Rent Per Square Foot

This calculation is shown for the competitive apartment properties. The one-bedroom units have an average rent per square foot of \$1.47. This is compared to \$1.31 for the two-bedroom and \$1.19 for the three-bedroom units. Of note is that the average rent per square at the newer apartment properties is higher than those of the pre-2012 built properties by:

- One-bedroom - \$0.34
- Two-bedroom - \$0.33
- Three-bedroom - \$0.21

Table 11: Rent per Square Foot at Competitive Non-Student Apartment Communities, Charlottesville Market Area, May, 2017			
	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>
<u>Newer Properties (2012+)</u>			
Arden Place	\$1.64	\$1.29	\$1.27
Beacon on 5 th	\$1.62	\$1.32	\$1.18
City Walk	\$1.76	\$1.48	--
Locust Grove	\$1.74	\$1.84	--
Reserve at Belvedere	\$1.41	\$1.26	\$1.25
Stonefield Commons	\$1.68	\$1.74	\$1.59
<i>(Average)</i>	<i>(\$1.64)</i>	<i>(\$1.49)</i>	<i>(\$1.32)</i>
<u>Properties Opened Before 2012</u>			
Avemore	\$1.42	\$1.23	\$1.08
Carriage Hill	\$1.31	\$1.13	\$1.02
Jefferson Ridge	\$1.25	\$1.02	\$1.05
Lakeside	\$1.45	\$1.24	\$1.18
Norcross Station	\$1.19	\$1.08	--
Stone Creek Village	\$1.17	\$1.12	\$1.07
Woodlands of Charlottesville	--	\$1.31	\$1.26
<i>(Average)</i>	<i>(\$1.30)</i>	<i>(\$1.16)</i>	<i>(\$1.11)</i>
Average	\$1.47	\$1.31	\$1.19

Source: Field and Telephone Survey by S. Patz and Associates, Inc.

Apartment Unit Sizes

Data in Table 12 show the apartment unit sizes at the comps under study. The six new apartment properties have slightly smaller unit sizes compared with the pre-2012 built apartment properties. Overall, the apartment unit sizes are spacious, generally at 800+ square feet for the one's, 1,100+ square feet for the two's, and 1,400 square feet for the three-bedroom apartment units. City Walk has smaller units, due likely to its "downtown" location.

Table 12: Unit Sizes of Competitive Non-Student Apartment Communities, Charlottesville Market Area, May, 2017

	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>
<u>Newer Properties (2012+)</u>			
Arden Place	589-913	1,168-1,203	1,421
Beacon on 5 th	881	1,150-1,713	1,394-1,733
City Walk	597-853	1,083-1,227	--
Locust Grove	750-950	850-900	--
Reserve at Belvedere	805-980	1,085-1,320	1,320-1,460
Stonefield Commons	628-1,029	1,049-1,136	1,278-1,426
<i>(Average)</i>	<i>(813)</i>	<i>(1,157)</i>	<i>(1,432)</i>
<u>Properties Opened Before 2012</u>			
Avemore	649-1,165	1,209	1,479
Carriage Hill	831-954	1,142-1,533	1,627
Jefferson Ridge	877-948	1,300-1,384	1,600
Lakeside	754	1,040	1,220
Norcross Station	693-1,441	1,046-1,661	--
Stone Creek Village	814-1,212	1,145-1,479	1,352-1,706
Woodlands of Charlottesville	--	1,120-1,150	1,350
<i>(Average)</i>	<i>(924)</i>	<i>(1,247)</i>	<i>(1,468)</i>
Average	869	1,206	1,456

Source: Field and Telephone Survey by S. Patz and Associates, Inc.

Apartment Unit Mix

For the competitive apartment units under study, 38 percent are one-bedroom units, 47 percent are two-bedroom units and nearly 15 percent are three-bedroom units. The newer apartment properties have very few three's (6.2 percent). Only six percent of the apartment units built after 2012 are three-bedroom units. City Walk has no three-bedroom units.

Table 13: Unit Mix at Competitive Non-Student Apartment Communities, Charlottesville Market Area, May, 2017 1/

	<u>One- Bedroom</u>	<u>Two- Bedroom</u>	<u>Three- Bedroom</u>	<u>Total Units</u>
<u>Newer Properties (2012+)</u>				
Arden Place	90	112	10	212
City Walk	147	154	0	301
Locust Grove	31	12	0	43
Reserve at Belvedere	89	161	44	294
Stonefield Commons	<u>116</u>	<u>121</u>	<u>14</u>	<u>251</u>
<i>(Subtotal)</i>	<i>(473)</i>	<i>(560)</i>	<i>(68)</i>	<i>(1,101)</i>
<u>Properties Opened Before 2012</u>				
Avemore	130	122	28	280
Carriage Hill	40	70	30	140
Jefferson Ridge	104	120	10	234
Lakeside	110	183	55	348
Norcross Station	65	23	0	88
Stone Creek Village	126	72	66	264
Woodlands of Charlottesville	<u>0</u>	<u>150</u>	<u>150</u>	<u>300</u>
<i>(Subtotal)</i>	<i>(575)</i>	<i>(740)</i>	<i>(339)</i>	<i>(1,654)</i>
Total	1,048	1,300	407	2,755
Percent of Total	38.0%	47.2%	14.8%	100.0%
Notes: 1/ Where data is available.				
Source: Field and Telephone Survey by S. Patz and Associates, Inc.				

Apartment Amenities

Almost all of the apartment communities under study are amenitized. All of the newer properties have both a clubhouse and fitness center. All, with the exception of Locust Grove, have an outdoor swimming pool. Business centers are also fairly common among the newer properties.

In terms of the older properties, all but York Place and Norcross Station are fully amenitized with a clubhouse, business center, fitness center and playground. Most of the older properties also have lighted tennis courts and outdoor swimming pools.

Table 14: Community Amenities at Competitive Apartments, Charlottesville Market Area, May, 2017

	<u>Clubhouse</u>	<u>Business</u>	<u>Tennis</u>	<u>Pool</u>	<u>Fitness</u>	<u>Playground</u>
<u>Newer Properties (2012+)</u>						
Arden Place	●	●	○	●	●	●
Beacon on 5 th	●	○	○	●	●	○
City Walk	●	●	○	●	●	○
Locust Grove	●	○	○	○	●	○
Reserve at Belvedere	●	●	○	●	●	●
Stonefield Commons	●	●	○	●	●	○
<u>Properties Opened Before 2012</u>						
Avenmore	●	●	○	●	●	●
Carriage Hill	●	●	●	●	●	●
Jefferson Ridge	●	●	●	●	●	●
Lakeside	●	●	●	●	●	●
Norcross Station	○	○	○	○	○	○
Stone Creek Village	●	●	○	●	●	●
Woodlands of Charlottesville	●	●	●	●	●	●
York Place	○	○	○	○	○	○

Source: Field and Telephone Survey by S. Patz and Associates, Inc.

Section III Conclusions

Currently, the competitive apartment market for Charlottesville is effectively at 100 percent occupancy, except for two newly opened apartment properties. These two properties have 350± apartment units that are still available for lease and/or yet to be finished. Past lease-up trends since 2012 show an average annual absorption of new units, indicating that the current market for just over a one-year's supply of units.

There are new apartment units planned at up to nine new apartment communities. Four of these apartment properties, with 311 units, are under construction – two are in the City of Charlottesville. Five other pipeline proposals exist.

Following is the demand analysis that shows the level of demand that exists for new apartment units of the type under study. Included in this analysis is a detailed description of current pipeline units and a comparison of these, plus current inventory, with projected demand.

Analysis of Apartment Units Planned

Apartment Pipeline

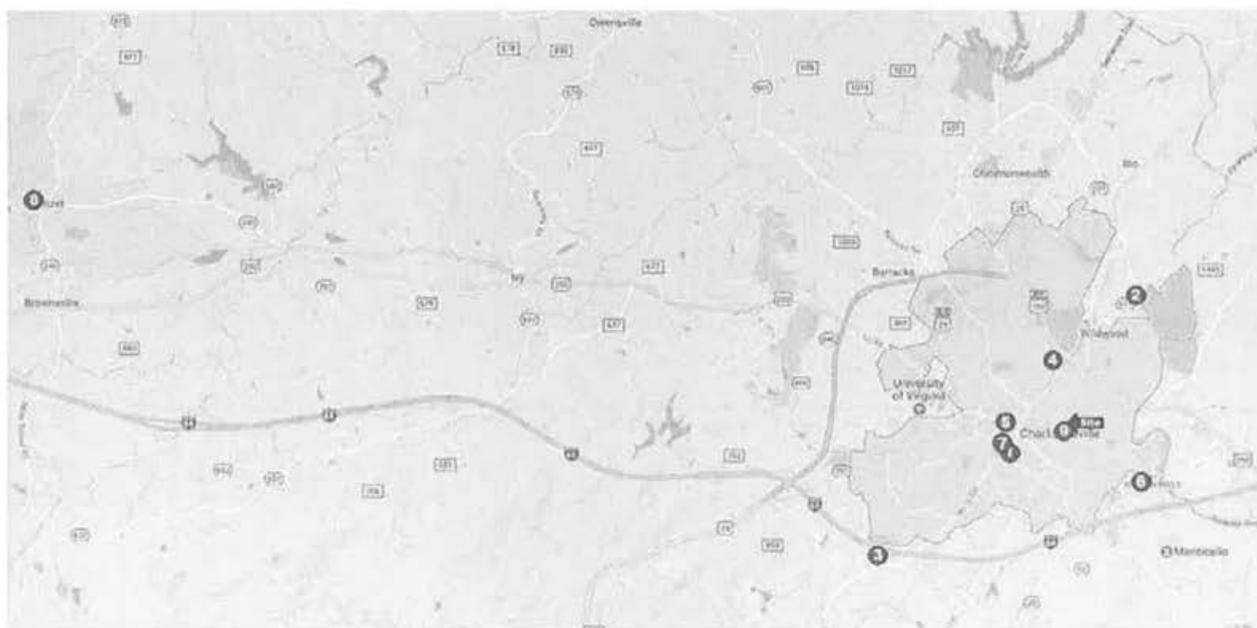
There are currently four apartment properties under construction and five in active planning in both Charlottesville and Albemarle County. The four under construction total 311 units, most of which will deliver in the summer of 2017 or shortly after. The five apartments still in planning will add a total of 357 units to the market area. These will likely deliver between late-2018 and late-2019. In total, 668 units could be built by 2019, a rate of 220± per year on average, which is consistent with current leasing trends.

	<u>Map G Key</u>	<u>Location</u>	<u>Units</u>	<u>Delivery Date</u>
<u>Under Construction</u>				
Burnet on Elliott	1	Charlottesville	10	Summer, 2017
Lofts at Meadowcreek	2	Albemarle	65	Early-2018
Fifth Street Place	3	Albemarle	200	Fall, 2017
McIntire Place	4	Charlottesville	<u>36</u>	Fall, 2017
(Subtotal)			<u>(311)</u>	
<u>Planned</u>				
600 West Main	5	Charlottesville	53	Late-2018
Woolen Mills Factory	6	Albemarle	94	Late-2018
William Taylor Plaza Apartments	7	Charlottesville	27	Late-2018
The Vue	8	Albemarle (Crozet)	126	Early-2019
925 E Market Street	9	Charlottesville	<u>57</u>	Late-2019
(Subtotal)			<u>(357)</u>	
Total			668	
Source: S. Patz & Associates, Inc.				

Map G shows the locations of the apartments in planning and under construction. The small Burnet on Elliot building is one of two apartment properties under construction in the City of Charlottesville. The second is McIntire Place, located off of Harris Street and near U.S. Route 250. Lofts at Meadowcreek is being built along Rio Road north of Pen Park in Albemarle County. Fifth Street Place is being constructed just south of the City and south of I-64 along 5th Street.

In terms of the planned apartments, The Vue is planned for a site on Blue Ridge Avenue in Crozet, approximately thirteen miles west of Charlottesville. 600 West Main, William Taylor Plaza and 925 E Main Street are planned for sites near the center of Charlottesville. The Woolen Mills Factory Redevelopment is located near the southeastern edge of Charlottesville, north of I-64. Of this, 925 E. Main Street is “on hold” but may be restarted later in 2017.

There may be other proposals, but the one’s listed in Table 15 are the one’s that have been announced and are known to the staff at each jurisdiction in the market area. It should be noted that there is a very high and somewhat costly regulatory hurdle to traverse in both Charlottesville and Albemarle County, which limits the market ease of entry and raises relative costs of development.



Map G - Locations of Pipeline Apartments

The paragraphs below detail the status and development concept of each of the apartments under construction and in active planning.

- **Burnet on Elliott.** Construction could be completed in July, 2017 on this 10-unit apartment building on the corner of Elliott Avenue and Ridge Street in Charlottesville. All of the units has already been pre-leased at rents of \$1,050 to \$1,200 for the one-bedroom and \$1,450 to \$1,600 for the two's.
- **Lofts at Meadowcreek.** Construction is in the early stages on this 65-unit apartment community located at 605 East Rio Road, just north of Pen Park in Albemarle County. Planned are 35 one-bedroom units, with rents between \$1,150 and \$1,250, and 28 two-bedroom units, with rents between \$1,350 and \$1,550, the two three-bedroom units will rent for \$1,650.
- **Fifth Street Place.** Construction is ongoing on this 200-unit apartment community on 5th Street south of I-64 at exit 120. The community will contain five buildings with a mix of one- and two-bedroom units. The apartment buildings range from three to four stories. The average unit size will be 939 square feet with features such as 9-foot ceilings, Energy Star appliances, balconies or patios and walk-in closets. Community amenities will include a clubhouse with Wi-Fi, fitness center, coffee bar, business center and a large swimming pool with a grilling area. The community will also have green and sustainability concepts. The community is scheduled to open in the summer of 2017, but an early-2018 opening is more realistic given the status of development.



- **McIntire Place** is a 36-unit apartment building primarily under construction on Allied Street, off of Harris Street and just south of U.S. 250. The site is part of a small commercial/industrial node at this location, with a four-story apartment building at the back of the site. A mix of one- and two-bedroom units are planned. Project opening is possible by Fall, 2017.



- **600 West Main.** This is a planned six-story, 53-unit apartment complex at 510-600 W Main Street near downtown Charlottesville. Two buildings currently on the site will be retained as part of the project. One is the home of the Blue Moon Diner and the other is a convenience store. Parts of the convenience store will be removed. The project will total 53 residential units that will be a mix of studios and one- and two-bedroom units. There will be a common courtyard for residents. Parking for automobiles and bicycles will be beneath the building and accessed through a two-lane driveway at the eastern section of the structure. The developer does not have an approved site plan yet, but the project is reported to be close to being approved. Construction is likely to begin in late-2017.
- **Woolen Mills Factory Redevelopment.** This is the redevelopment the historic Woolen Mills building, built in the early-1900's and located within a landlocked section of Albemarle County. The building recently was used as a storage space for a moving company. Plans call for converting the building into 94 apartment units. Plans also call for the conversion of an existing 15,000± square foot building into a restaurant and the construction of a new 40,000± square for light industrial building. Another 7,230± square foot building would be preserved for commercial uses. Construction on the apartments is scheduled to begin in the summer of 2017.
- **William Taylor Plaza Apartments.** This is the apartment component of a mixed-use development planned by Management Services Corp. in the City of Charlottesville. Plans call for 27 apartment units in a three-story apartment building at Cherry Avenue and Ridge Street. Plans also call for structured parking for 32 cars. Construction may begin in late-2017.
- **The Vue.** This proposal is a proposal for the construction of a 126-unit apartment community in nine two-story buildings at 1194 Blue Ridge Avenue in Crozet. Plans also call for a one-story clubhouse and a pool with a concrete deck. Construction is expected to begin in mid- to late-summer 2017. While this site is within the market area, it is likely too far west of downtown Charlottesville to be directly competitive, as is the case with Terrace Greene.

Total units in active pipeline and in a competitive setting equal 485.

- **925 E. Market Street.** This apartment community, which is currently on hold, is planned for 57 units and 18,300± square feet of commercial space. This will be a six-story elevator building. Construction is not expected to begin until April or May of 2018. There are development issues that need to be resolved before the proposal can be approved. Thus, until there is “closure” to the existing development issues, “925” will not be include as an active pipeline proposal.

Also in long-term planning is the redevelopment of Friendship Court Apartments into a mixed-use community. The community will be redeveloped into 600 units. 150 will be reserved for households earning 30% of AMI. 50 units will be reserved for this earning 60% of AMI. 30 will be reserved for those earning 100% of AMI. The remaining 370 will be market rate units. This is a long-term project and construction is not anticipated to begin until 2019 on the initial phase of 150 affordable units. There is no set timeline for the development of market rate units at this time.

A second apartment in long-term planning is the proposed 80-unit Glass Building Apartments at 201 Garrett Street. This community has no timeline and is likely years from being built.

Pipeline of Apartment Units

The demand analysis is difficult to calculate in the market area, as (1) several of the pre-2000 built apartment properties that converted to condominium ownership represented competitive apartment properties prior to 2000; (2) several existing apartment properties, as listed above, compete for the \$50,000+ income renter but are not direct “comps” with the apartments under study; and (3) prior to the recent construction of off-campus housing for students, some students opted to reside in the apartment communities under study.

Thus, the trends are more accurate in recent years and from the late-2000’s to 2017, in particular. Also, the penetration rates shown in Table 16 are low, as they exclude renters in condominium units, some higher income renters in other apartment properties, and higher income renters in homes built for owner occupancy. The comparison trends are a good indicator of current apartment market trends.

With these points in mind, we calculated apartment unit demand in 2021 based on the best trend data available. The projection, shown in Table 16, is a comparison of the number of renter households with incomes of \$50,000 and above, expressed in constant 2017 dollars, with the number of these renters who occupy the apartment units under study and trends for these data over the 2000 to 2021 period.

Table 16 <u>Projection of Apartment Unit Demand,</u> <u>Charlottesville Market Area, 2000-2021</u> (2017 constant dollars)				
	<u>2000</u>	<u>2010</u>	<u>2016</u>	<u>2021</u>
Target Households 1/	7,690	8,290	10,040	11,760
Occupied Apartment Units 2/	500	1,700	3,000	4,300
Penetration Rate	6.5%	20.5%	30.0%	36.5%
Notes: 1/ Renters with incomes above \$50,000+.				
2/ See Table 9 – 2016 and 2021 figures are rounded				
Source: S. Patz & Associates, Inc.				

The study results show a demand for 4,300 new apartment units at full occupancy. The demand increases to approximately 4,400 units at a 97 percent market area occupancy. Net demand, subtracting current vacant units and pipeline units, equals 460 apartment units.

<u>Net Apartment Unit Demand</u> (2017-2021)	
	<u>Number of Units</u> (rounded)
Net Total Demand (at 97% occupancy)	1,400
Less:	
Current Unfinished & Vacant Units 1/	350
Pipeline Units 2/	<u>611</u>
(Subtotal)	(961)
Net Demand	439
Less: East Jefferson Place	<u>126</u>
Surplus Demand	310 (rounded)
Notes: 1/ See Table 9	
2/ Excludes 925 East Market.	

The conclusion shows a net demand for 460 apartment units by 2021 at a 97 percent market area occupancy rate. Minus an estimated 126 market rent units at East

Jefferson Place, the surplus demand is 310± units (rounded). That is the calculated apartment unit demand for new pipeline proposals at this time and could be subject to change if new properties are announced in the future, or some of those in the pipeline are not built.

Conclusions

The market analysis shows full market support for the ±126 apartment units proposed for East Jefferson Place and that the greater Charlottesville apartment market may even be able to support additional apartment unit development. There is a need for additional apartment unit development in Charlottesville, as evidenced by current and evolving trends in the market area. A case can be made that our projections of apartment unit demand are conservative, given the considerable employment growth that is occurring.

Projecting into the future is always challenging, so a conservative project is warranted. The expanding employment base in and near Downtown Charlottesville will make that location increasingly more desirable for housing, particularly for attractive apartment units.

In addition, it should be noted that there is significant and growing demand from the millennial demographic cohort that has a desire to live within walking distance of increasing downtown jobs, and who like to be able to walk to nearby dining, entertainment and other social venues. The demand for this type of living based on downtown area apartment occupancy rates and past development trends, is currently not being met, partly due to the limited number of readily available sites. East Jefferson Place has the potential to be one of the better located apartment buildings in downtown Charlottesville.

At this time, we support the East Jefferson Place proposal, as summarized above. Rents, in constant 2017 dollar values, are likely to be consistent with current rents shown

for new area apartment communities. Appendix A, to follow, presents the FIA for the East Jefferson Place Apartment proposal, and the new medical office space to be built.

Appendix A: Fiscal Impact Analysis

The fiscal impact analysis for the East Jefferson Place Apartments, and the proposed new medical office building, is presented here. To restate the concept, 126 apartment units are planned to be built at 1011 East Jefferson Street. Prior to the start of construction, the current Jefferson Medical Building will need to be demolished. The building contains three currently-occupied medical offices and one small vacant suite. The three operating practices are to remain in the immediate area in a new building to be built for medical use.

The FIA evaluates the net tax benefits from the new apartment building and one net benefits from the new office building, which refers to the net gain in taxes for the new building compared with the existing building. Combined, the totals equal the full revenue benefits from the development of East Jefferson Place. The following section is a detailed Fiscal Impact Analysis. Fiscal impacts are treated in two ways: first, those impacts which occur directly from activities on-site at each property; and, second, those impacts which occur off-site due to the multiplier, spin-off or ripple effect of expenditures by residents and/or businesses on site. On-site and off-site impacts are computed for both the proposed apartments at the site and the proposed office building. The off-site impacts are explained further on in this report. This section deals with the on-site impacts and off-site impacts for the apartments, followed by similar treatment for the office building. Revenues considered are taxes for the City of Charlottesville. These include taxes generated by East Jefferson Place and its residents on-site.

There is currently a 20,000 square foot medical office building on the site, which will be demolished and replaced with a new medical office building to be constructed on one of two nearby properties. One property is owned by Jefferson Medical Building Limited Partnership and currently used as an auxiliary parking lot fronting on 10th Street. The other potential site is a property at the corner of 10th and East High Streets that is owned by Sentara Martha Jefferson Hospital. Hospital officials have recently submitted a by-right site development plan that is under review by the city.

Under either of these circumstances, the assessed value of the new office building real estate will be increased compared with the current building, as well as an

increase in the value of medical equipment, which will be upgraded and new. All other aspects of the medical building are assumed unchanged. Those aspects should not lead to further fiscal impacts, including employment, if the partnership-owned property is developed for the existing practices.

However, if a joint venture is consummated with Martha Jefferson for development of the Hospital-owned 10th and East High Street property, there will be enhanced net fiscal impacts and employment associated with construction of a building that would likely be ± double the size of the building required to accommodate just the Jefferson Medical Building practices. However, our analysis only studies the net impact for a 20,000 square foot new office space.

The fiscal impact analysis also projects the public service and facility costs to be incurred by the City of Charlottesville by development on-site and for off-site spin-off impacts. The results of the fiscal impact analysis will be to compare the tax revenues generated by the properties with the tax-supported costs incurred by the City to determine the net fiscal impacts in terms of a revenue surplus or deficit over costs. This is done for both on-site and off-site impacts, for both the apartments and a new like sized office building. Total annual impacts for the property are projected at complete buildout of the project. **Results are given in constant year 2017 dollars, rounded to the nearest ten dollars.**

Summary of Fiscal Impacts

The following chart summarizes the total on-site and off-site (spin-off) effects that will accrue to the City of Charlottesville once East Jefferson Place has been fully built out and once a new office building is constructed. The chart shows a small revenue surplus of \$16,650 in impacts for the apartments. There is also a modest net fiscal benefit -- \$30,860 -- from the new office building, based solely on the incremental increase in value of the real estate and business personal property for a new building compared with the current building.

Even though few public school pupils are expected at East Jefferson Place, the costs per pupil contribute to total costs at the apartment that negate much of the apartment's tax revenue.

Overall, the proposed developments should generate a net revenue surplus of \$47,510 annually for the City, when data are presented in constant 2017 dollars. The remainder of this report will give the derivation of these figures. The presentation will address the apartments first, then the office building.

<u>Summary of Net Benefits</u>			
	<u>Apartments</u>	<u>Office Bldg.</u> <u>(incremental)</u>	<u>Total</u>
Total Taxes	\$437,350	\$30,860	\$468,210
Tax-supported Costs	<u>-\$420,700</u>	\$0	<u>-\$420,700</u>
Net Fiscal Benefit	\$16,650	\$30,860	\$47,510

East Jefferson Place Apartments

The derivation of the on-site and off-site tax revenues for the apartments follow, with on-site and off-site tax-supported costs. The conclusion presents the net fiscal benefit from the apartments, being the difference between tax revenues and tax-supported costs.

On-site Impacts: Tax Revenues for the Apartments

The revenues to be considered in this report are taxes collected by the City of Charlottesville for General Fund use. These include property taxes, utility tax, and other smaller taxes. The paragraphs to follow document the derivation of the tax amounts for the on-site development at the property.

Real Property Tax. This is a tax on the assessed value of real estate. The average cost of an apartment unit at East Jefferson Place Apartments is projected in the \$160,000

range, or an estimated total development cost of \$20.0 million. For 126 apartments at this cost, taxed at the rate of \$0.95 per \$100 of valuation, the total real property tax at the site would be \$190,000 each year, in constant 2017 dollars, as the following chart shows.

<u>126 Apartments</u>	<u>Amount</u>
Development Cost	\$20,000,000
Tax Rate at \$0.95/\$100	0.0095
Real Estate Tax	\$190,000

Personal Property Taxes. Residences are assessed personal property taxes. This is a tax on the assessed value of motor vehicles. To address residential personal property taxes, the first step is to estimate the average depreciated value per vehicle in the City. The sequence of calculation to achieve this are shown in Table A-1 and summarized as follows:

- The FY2016-FY2017 Adopted Budget for Charlottesville gives an allocation of \$7.7 million for expected personal property taxes.
- Based on the percent of real estate assessments that are residential – 55 percent – it is estimated that residential personal property taxes are \$4.2 million.
- To this base is added the amount of Personal Property Tax Relief Act (PPTRA) funding the City is expected to receive from the State of Virginia, which has been set at \$3.9 million, bringing the total to \$8.1 million.
- Dividing the total residential personal property tax by the tax rate of \$4.20 per \$100 of assessed valuation produces the total assessed value of vehicles in the City, \$193 million.
- It is estimated that there are 27,500 vehicles in the City. Dividing the number of vehicles into the total assessed value of vehicles gives an average assessed value per vehicle of \$7,000.

Table A-1. <u>Estimation of the Average Depreciated Assessed Value of Residential Vehicles, City of Charlottesville, Virginia</u> (constant \$2017)	
	<u>Amount</u>
Personal Property Tax	\$7,668,696
Percent Residential	55.0%
Residential Property Tax	4,220,369
PPTRA	3,905,957
Total Residential Tax	8,126,326
Personal Prop. Tax Rate	0.042
Total Assessed Value of Vehicles	\$193,483,958
Number Of Vehicles	27,493
Assessed Value Per Vehicle	\$7,038
Sources: FY2016-FY 2017 Adopted Budget for the City of Charlottesville, Virginia	

The last step in deriving the personal property tax for East Jefferson Place is to estimate the number of vehicles at the site, apply the average vehicle depreciated value, and compute the property tax at the City rate of \$4.20 per \$100. In the analysis, an occupancy rate of 97 percent is assumed to account for normal turnover. The result is a projection of the personal property tax at about \$54,190 annually.

Table A-2. Derivation of Personal Property Taxes at East Jefferson Place at Buildout, Charlottesville City, Virginia
(constant \$2017)

	<u>Amount</u>
Number of Apartments	126
Percent Occupied	97%
Number of Households	122
Vehicles Per Household	1.5
Number of Vehicles	183
Assessed Value/Vehicle	\$7,038
Total Assessed Value	\$1,290,198
Tax at \$4.20 Per \$100	\$54,190

Sources: FY2016-FY 2017 Adopted Budget, City of Charlottesville, Virginia, and S. Patz & Associates., Inc.

Consumer Utility Taxes. Expenditures on utilities are typically taxed in Virginia municipalities on the following utilities: electric, gas, water, land line, cell phone, and internet. For households, most utility taxes are approximately \$2.50 per month per utility. For five utilities, this is \$150 per household per year. For 122 households at the site, utility taxes would come to over \$18,300 annually, as the following chart shows.

	<u>Amount</u>
Number of Utilities	5
Ave. Monthly Tax Per Utility	2.5
Number of Months	12
Annual Utility Tax	\$150
Households	122
Utility Tax	\$18,330

Motor Vehicle License Fees. It was shown above that there would be an estimated 183 vehicles at East Jefferson Place. Motor vehicle license fees in the City are \$28.50 per vehicle, yielding total fees at the site of \$5,220.

Recordation Tax. The last tax to be considered is the recordation tax, which yields a small amount per year, on average, for the property. At a total property value of \$20 million, and assuming a resale every twenty years plus the initial recordation, and further assuming two mortgage financings of \$15 million each during those years, the total consideration over 20 years subject to the recordation tax would be \$70 million. The state taxes the (re-)sales and mortgage deeds of trust at \$3.00 per \$1,000 of valuation, of which one third is returned to the City. Total taxes over 20 years allocated to the city would come to \$70,000, or \$3,500 annually.

Summary of Tax Revenues. Table A-3 summarizes the tax revenues that could be expected to flow directly from the homes at East Jefferson Place annually after buildout, in constant 2017 dollars. The total would come to \$271,240 each year.

<u>Table A-3 Summary of Annual Taxes for The City of Charlottesville from East Jefferson Place Annually at Buildout (constant \$2017)</u>		
	<u>Amount</u>	<u>Percent</u>
Real Estate Tax	\$190,000	70.0%
Personal Property	54,190	20.0%
Consumer Utility	18,330	6.8%
Motor Vehicle	5,220	1.9%
Recordation	<u>3,500</u>	<u>1.3%</u>
Total Taxes	\$271,240	100.0%
Source: S. Patz & Associates., Inc.		

On-site Costs to the City of Charlottesville

The previous section has derived the major tax revenues that would accrue to the City of Charlottesville from the on-site development at the property. The fiscal impacts analysis compares revenues with costs. In this case, since taxes are deposited in the City's General Fund, those revenues for the site are compared with the tax-supported costs that the City would incur in serving the residents at the site. Other sources of revenue can be "ignored", since they accrue to separate funds in which expenditures generally equal revenues.

The source for determining the tax-supported costs the City would incur for service to the site is the City's FY2016-FY2017 Adopted Budget. In the succeeding paragraphs, the budget will be presented both in terms of budgeted expenses and the portion that must be tax supported. The tax-supported portion of the budgeted expenditures will be derived and expressed on a per capita basis - for population (representing residents), employment (representing business), and pupils (representing costs of public education). The per capita costs to the City will be applied to the population and pupils at the site to determine the overall costs to the City from the development of the site.

Relative Tax Burden. The fiscal impacts analysis compares taxes generated by the proposed apartment to the costs Charlottesville provides for facilities and services to apartment residents. To be comparable, the costs must be expressed as tax-supported costs to be consistent with tax revenues from the development. This is done by applying the share of City revenues which must be supported by taxes - the relative tax burden - to the expenditures detailed in the FY2016-2017 Budget. The chart below shows 62.7% of the budget is supported by local taxes; that is the relative tax burden.

<u>Revenue Sources</u>	<u>Amount</u>
Local Taxes	\$101,650,460
Non-tax Revenue	60,368,277
Total City Budget	\$162,018,737
Relative Tax Burden	62.7%

Per Capita City Costs. In Table A-4 below, budgeted government expenditures for FY2016-FY2017 are allocated to population (residents), employment (businesses), and public school pupils (education). For most functional non-school departments, total FY2016-FY2017 expenditures are allocated to population and employment in proportion to their numbers - 69.9 percent for population and 30.1 percent for employment. The exceptions are health and welfare, and parks and recreation and culture, which are allocated in their entirety to population.

The table shows that the per capita tax supported cost of services and facilities for the population average \$1,096 per capita; for employment, \$743 per capita; and per pupil cost, \$8,363. This figure for pupils is tax-support costs. Total costs per pupil is net of revenues from other sources.

Table A-4 Allocation of FY2016-FY2017 Budgeted Expenditures to Tax-supported Costs for Residents, Employment and Public School Pupils, Charlottesville City, Virginia

<u>Departments or Functions</u>	<u>Total Budget</u>	<u>Population</u>	<u>Employment</u>
Management	\$4,243,274	\$2,967,685	\$1,275,589
Employee Comp. & Training	1,035,000	723,864	311,136
Non-departmental	608,415	425,517	182,898
Debt Service	7,468,000	5,223,013	2,244,987
Internal Services	1,417,216	991,181	426,035
Financial Services	4,684,748	3,276,446	1,408,302
Recreation and Culture	11,861,356	11,861,356	0
Convention & Visitors Bureau	791,577	553,618	237,959
Health and Welfare	14,542,797	14,542,797	0
Public Works	14,121,713	9,876,525	4,245,188
Public Safety & Justice	37,509,727	26,233,769	11,275,958
Transfers	7,535,164	5,269,986	2,265,178
Subtotal Except Schools	\$105,818,987	\$81,945,758	\$23,873,229
Relative Tax Burden	62.7%	62.7%	62.7%
Tax-supported Expenditures	\$66,390,770	\$51,412,720	\$14,978,050
Persons	67,076	46,912	20,164
Tax Expenditures Per Capita	\$990	\$1,096	\$743
Tax Support Public Schools	\$34,949,378	\$34,949,378	\$0
Enrollment	4,179	4,179	0
Expenditures Per Pupil	\$8,363	\$8,363	\$0
Total City Budget	\$162,018,737	\$137,650,907	\$23,873,229

Sources: FY2016-FY2017 Budget for the City of Charlottesville, Virginia; Charlottesville Schools; U.S. Census of Population; Virginia Employment Commission.

Table A-5 below provides details for expenditures for City schools, showing sources, relative tax burden, and per pupil expenditures (costs). Total expenditures for schools in the City are \$55.7 million. Of this, \$49.3 million (89 percent) are local contributions to the schools by way of budgeted transfers. The table also shows additional transfers for transportation and school building maintenance.

**Table A-5 Allocation of Budgeted FY2016-
FY2017 Expenditures to Tax-
supported Costs for Public School
Pupils, City of Charlottesville,
Virginia**

<u>Source</u>	<u>Education Budget</u>
Local Contribution to Schools	\$49,330,604
Pupil Transportation	2,694,065
School Bldg. Maintenance	3,680,480
Subtotal Schools	\$55,705,149
Relative Tax Burden	62.7%
Tax-supported Expenditures	\$34,949,378
Enrollment	4,179
Expenditures Per Pupil	\$8,363

Sources: FY2016-FY2017 Budget for
Charlottesville, Virginia, and City of
Charlottesville Public Schools

Total On-site Costs to the City for the Apartments. Both residents and public school pupils living on-site at East Jefferson Place would incur costs to Charlottesville City for services and facilities. The analysis above derived the per capita costs for each of these. The discussion to follow estimates the numbers of residents and pupils which would be living at the site after buildout. The estimation of the number of residents is straightforward. The 122 households (occupied dwelling units) are expected to have an average of 1.5 persons per apartment (we have data from existing apartments, some with three bedrooms that have an average persons per household for apartment units at 1.70. These apartments have a different unit mix, some with three-bedroom apartment units. Thus, the 1.5 estimate used for this report appears reasonable). This is a total of 183 people. At a tax-supported cost of \$1,096 per person, the resident cost (including children) would come to \$288,040.

City and school staff have not surveyed subdivisions in the City to determine the pupil generation rate for different types of housing units. The Weldon Cooper Center at

the University of Virginia is currently studying the issue, but the study has not been completed. Appendix Table -B-1 provides data on pupil generation for multi-family apartments at nine properties in three Virginia cities where we have undertaken similar Fiscal Impacts Analyses -- Winchester, Fredericksburg, and Lynchburg. The average number of pupils for these apartments range from 0.09 per unit to 0.16 per unit, with an average of 0.14 per unit. As an estimate for East Jefferson Place, that average will be applied - of 0.14 for multi-family homes. For 122 households, this generates 17 pupils. At \$8,363 in tax-supported expenditures per pupil, the cost of education is \$138,560.

We interviewed on-site management at the one apartment community in Charlottesville (City Walk) to get data on school children. That data was not provided to us. We also contacted the City school department. Data was not available from that source either. Thus, we used the best data we had available and believe it to be credible.

Based on these data, total tax-supported annual costs to the City at build -out of East Jefferson Place would be almost \$339,500, as shown in the following chart:

<u>Apartment Costs</u>	<u>Amount</u>
Population Costs	\$200,920
Pupil Costs	<u>138,560</u>
Total Tax-supported Cost	\$339,480

Summary of On-site Fiscal Impacts

There are few public school pupils expected to reside at the East Jefferson Place. The cost of educating pupils causes the overall net fiscal impact from activities on-site at the apartments to be a net revenue deficit of \$68,000. It will be shown below that off-site spin-off impacts will more than compensate for this deficit.

<u>On-site Impacts – Apts.</u>	<u>Amount</u>
Total Taxes	\$271,240
Tax-supported Costs	<u>-339,480</u>
Net Fiscal Benefit	-\$68,240

Off-site Fiscal Impacts

In addition to the revenues and costs that accrue to the City of Charlottesville from the development “on-site,” as described above, there are also off-site impacts that occur as residents on-site spend their income off-site in the City, and as local businesses then re-spend the receipts off-site for the purchase of goods and services from other vendors in the city. This is referred to as the multiplier effect. The multipliers used in this analysis are specific to the City of Charlottesville, Virginia. Consumer budgets are identified by the U.S. Bureau of Labor Statistics by area and income level.

Consumer expenditures made off-site in the City are translated into economic impacts specifically for the City, using multiplier matrices provided for the local area by the U.S. Bureau of Economic Analysis. These multipliers capture the round-by-round flows of expenditures in the City initiated by residents and businesses on-site. There are separate matrices to calculate off-site business receipts, employment and employee earnings. The resident expenditures and business receipts on-site are multiplied in turn by these expenditure-specific categories in each matrix and summed to give the “ripple effect,” “spin-off,” or “multiplier effect” of circulation of money through the economy. The ripple effects, plus the original consumer expenditures, equal the total economic impacts of apartment residents and office building businesses on the city economy.

The methodology used in projecting fiscal impacts off-site mirror those used to project fiscal impacts on-site. Revenues are limited to taxes, and costs are those that are tax-supported. The RIMS II multipliers from the Bureau of Economic Analysis separate receipts, employment and earnings impacts down into 21 different sectors, and the impact dollar amounts (business revenues) in the sectors form the basis for determining taxes.

Many taxes can be calculated directly from these receipts, such as the retail sales tax, the lodging tax and the meals tax. Other taxes are based on employment impacts in particular sectors. For example, utility taxes in the City accrue from businesses at the rate of \$29 per employee. Similar relations to employment can be derived for real property taxes and personal property taxes, based on square footage per employee and costs per square foot for real property and personal property, from experience on-site and at other developments.

To calculate each tax for 21 sectors for the impacts for the residential use on site would be tedious, so the results will be presented here in summary form according to the type of use on-site that generates the off-site spin-off impacts.

Off-site Fiscal Impacts for the Apartments

The residences of the apartment units would generate \$166,000 in taxes off-site for the City annually, sometime after buildout, and at stabilized occupancies at the apartment building. Off-site impacts would not be immediate, but would build over time as businesses gradually expanded to meet increased demand for goods and services.

The cost to the City for serving expanded business off-site from the apartments is based on projected employment. The apartment property would generate about 109 jobs off-site in the City based on resident expenditures. It was shown that each job represents about \$743 in costs to the City, for a total of about \$81,200 from off-site costs due to apartment resident expenditures. Deducting these tax-supported costs from projected tax revenues calculate to a net fiscal benefit (tax revenue surplus) of over \$84,900 off-site from the apartments annually, in constant year 2017 dollars. These impacts are shown in the chart below.

<u>Apartments</u>	
<u>Off-site Impacts</u>	<u>Amount</u>
Property Taxes	\$70,850
Business Taxes	87,980
Other Taxes	<u>7,280</u>
Total Taxes	\$166,110
Tax-supported Costs	<u>-\$81,220</u>
Net Fiscal Benefit	\$84,890

Total Fiscal Impacts for the Apartments

With an off-site fiscal surplus of \$84,900 and an on-site deficit of \$68,240 per year, the net fiscal benefit to the City of Charlottesville from the Jefferson East Place would be approximately \$17,000 per year. The off-site impacts may not all coincide with the on-site impacts, as the expansion of the local economy from the development will lag slightly behind on-site development as businesses adjust to increased demand for their goods and services. The chart below summarizes the on-site and off-site fiscal impacts for East Jefferson Place, in constant year 2017 dollars.

<u>Summary of Total</u>			
<u>Fiscal Impacts</u>	<u>On-site</u>	<u>Off-site</u>	<u>Total</u>
<u>For the Apartments</u>	<u>Impacts</u>	<u>Impacts</u>	<u>Impacts</u>
Total Tax Revenue	\$271,240	\$166,110	\$437,350
Tax-supportable Costs	<u>339,480</u>	<u>-81,220</u>	<u>-420,700</u>
Net Fiscal Benefit	-\$68,240	\$84,890	\$16,650

Proposed Office Building

The following paragraphs derive the on-site and off-site impacts for a new medical office building of approximately 20,000 square feet. The existing medical office building is planned to be replaced on a nearby site. Therefore, only the incremental increase in value for real estate and business property taxes for the new building will have fiscal impacts for the City. The current revenues for the Jefferson Medical

Building, assessed at \$3.762 million, is held at the same rate, with an increase adjusted for a new building. Costs to the City are kept at current levels.

On-site Tax Revenues for the Office Building

Real Property Tax. Development costs for the 20,000 square foot office building are estimated at \$4.0 million. Adding 20 percent for land costs, brings the total cost of a new building to \$4.8 million. Current assessments for the property are \$3,761,700. Net new real estate taxes will be on the net change, or \$1,038,300. **At the current tax rate (\$0.95 per \$100), the net increment to the real estate taxes for the office building will be \$9,860.**

Business Property Taxes. Businesses are taxed on personal property, business personal property being the value of furniture, fixtures and equipment (FF&E). It is estimated that FF&E at the new building will be increased by 50 percent, as older equipment is replaced. This is estimated to be a change from \$50 per square foot to \$75 per square foot. For 20,000 square feet of medical office space, FF&E at \$75 per square foot – medical equipment being particularly expensive – will yield \$0.5 million in value. **At the tax rate of \$4.20 per \$100, business property taxes will come to \$21,000.**

Other On-site Taxes. Taxes such as the business license tax and utility tax are assumed to be unchanged from the present, as the level of business conducted in the building will also be unchanged.

Summary of On-site Taxes for the Office Building

Given that the only significant change in the medical office space will be in real estate and business property increases, only those two items will produce additional taxes on-site, as the following chart shows:

<u>On-site Taxes for the Office Bldg.</u>	<u>Amount</u>
Real Estate Tax (net)	\$9,860
Business Property Tax	<u>21,000</u>
Total Taxes (net of current Real Est.)	\$30,860

On-site Costs to the City for the Office Building

Among other characteristics that are assumed to remain the same for the office building is on-site employment. Costs to the City can be estimated on the basis of employment, as shown in the budget material above. Thus, no additional costs of services from the City are anticipated.

Net Fiscal Impact On-site for the Office Building

The new office building at build out will have a revenue surplus of almost \$31,000 annually, in constant year 2017 dollars.

<u>On-site Fiscal Impacts</u>	<u>Office Bldg.</u>
Total Taxes	\$30,860
Tax-supported Costs	=
Net Fiscal Benefit	\$30,860

Off-site Impacts from the Office Building

Off-site impacts from office building depend on business receipts for medical services. It is likely that these will remain unchanged in the new building and no increase realized off-site impacts from the office building. Based on the analysis above, the office building will only have impacts in increased revenue from real estate and business property, of \$30,860.

Total Fiscal Impacts

The paragraphs to follow summarize the on-site and off-site impacts for both East Jefferson Place and the proposed new 20,000 square foot office building, giving total tax revenues, tax-supported costs and net fiscal benefit for each.

The chart below summarizes the findings for the two components of the development. Together, the two components of the development will yield \$47,510 in surplus revenue each year for the City of Charlottesville.

<u>Total Fiscal Impacts</u>	<u>Apartments</u>	<u>Office Bldg.</u>	<u>Total Impacts</u>
Total Tax Revenue	\$437,350	\$30,860	\$468,210
Tax-supported Costs	<u>-420,700</u>	<u>—</u>	<u>-420,700</u>
Net fiscal Benefit	\$16,650	\$30,860	\$47,510

Appendix B: Table

Appendix Table B

**Pupil Generation Rates -- Pupils per Household -- for Selected
Apartments in Three Virginia Cities**

<u>Fredericksburg</u>		<u>Lynchburg</u>	
Lakeside	0.16	The Villas	0.09
Summit Crossing	0.16	The Vistas	0.14
		Legacy Apts.	0.14
		Rosedale	0.13
<u>Winchester</u>		<u>Average All Apartments</u>	
Jubal Square	0.14		0.14
Pepper Tree	0.13		
Racey Meadows	0.13		

Sources: Local municipalities and S. Patz & Associates, Inc. field surveys.