

Market Analysis for Renovation
South First Street Apartments
Charlottesville, Virginia

Prepared for:

Mr. Grant Duffield
South First Phase One, LLC

March 11, 2019

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■ REAL ESTATE CONSULTANTS ■

March 11, 2019

Mr. Grant Duffield
Executive Director
Charlottesville Redevelopment & Housing Authority
500 South First Street
Charlottesville, Virginia 22902

Dear Mr. Duffield:

This will submit our full narrative market study of the 62-unit, new construction, South First Street Apartments, to be built on an adjacent site to Crescent Halls Apartments, on South First Street. The proposal is for 37 apartment units to be subsidized under Section 8 and/or Section 9, with the remaining 25 units offered for rent at LIHTC rents.

The attached market study shows a very strong market for affordable housing units for families and a large pent-up demand for additional units. The current LIHTC apartment market for families is at a 100 percent occupancy rate and with a sizable waiting list. The City of Charlottesville has a history of providing attractive affordable housing and South First Street Apartments fits into that category. South First Street Apartments requires a low 9.1 percent capture rate for full occupancy and is expected to be fully occupied within five months of opening.

The detailed market and economic data that supports our findings, conclusions and recommendations are presented in the attached report. Please call if additional data or clarification are needed.

Sincerely,

Stuart M. Patz
President

SMP/mes

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Section I Introduction

Following is our full market analysis prepared within the VHDA market study requirements, for the proposed new construction 62-unit, First Street South Apartments that are to be built on a 7.86-acre, vacant property owned by the Charlottesville Redevelopment and Housing Authority (CRHA) and located adjacent to the existing Crescent Halls Apartments, an age-restricted public housing building. Both properties are being submitted to officials of VHDA for Low Income Housing Tax Credit financing during the 2019 “9”% competitive round. Crescent Halls is proposed for full renovation, with residents in place. South First Street Apartments is a new construction garden apartment proposal and, once built, will be income, and rent-restricted, but not age-restricted.

The report to follow is prepared within the current market study guidelines of VHDA. To undertake this assignment within these guidelines, the report to follow is presented in three separated sections.

The subject site inspection, and the inspection of the competitive apartment properties, was undertaken on January 16, 2019.

Section I, the Introduction, is a detailed analysis of the South First Street Apartment site and proposal, including an analysis of site characteristics and the site setting near the downtown area of Charlottesville. The development proposal is fully described, which includes an analysis of the target market intended for apartment unit occupancy. As part of the site setting analysis, the level of public and commercial services that will serve the future residents of the new apartment units are fully described. Included in the site description is an analysis of the Crescent Halls renovation proposal.

Section I has a second part, an Economic Overview Analysis of the Charlottesville area economy, which is undertaken with an analysis of trends in at-place jobs and employment growth. The level and trends in at-place jobs and employment are key to the evaluation of the market area stability, which in turn, establishes the stability of the

market area to support new investment of the type under study. At-place job and employment growth support population and household growth, and thus, housing unit demand.

Section II is the supply-demand analysis for new affordable housing. First presented is the demographic analysis of the defined market area, which “solves” for the number and growth of renter households with incomes reported in constant 2018 dollars of \$19,000 to \$51,200. The income range is wide, as rents are proposed at 40%, 50%, and 60% of AMI for one, two, and three-bedroom units. South First Street Apartments will have 3 (of 62) units with rent subsidies, both project-based Section 8 and public housing designations. The remaining units will be at LIHTC rents.

The sponsor has designated units with LIHTC rents for the proposal for project financing. These are described below. However, it is expected that at least 60 percent of the residents will have fully rent restricted rates, and possibly all, based on the availability of Section 8 rents.

However, the market study must show the ability of management to rent at LIHTC rates, if the rent subsidies are removed. That is done based on the LIHTC rental rates proposed, as noted below.

The second part of Section II is the competitive affordable apartment analysis. For this analysis, we identified 10 affordable general occupancy apartment properties. These are used for comparison apartments for the evaluation of rents and apartment unit characteristics. South First Street Apartments will have primarily two- and three-bedroom units. Thus, we did not include the market area’s age-restricted properties in our analysis.

Because of the target market planned for South First Street Apartments, we “limited” our analysis to the market area’s general occupancy LIHTC communities, as

these represent true “comps” for the new apartment proposal. The identified comps are studied for rents, occupancy, project features, and amenities.

The third and final section of the report is the Conclusions which evaluate the proposed gross rents for South First Street Apartments, and based on the subject proposal show net demand for the 62 apartment units within the VHDA Demand Analysis Chart.

Market Area Definition

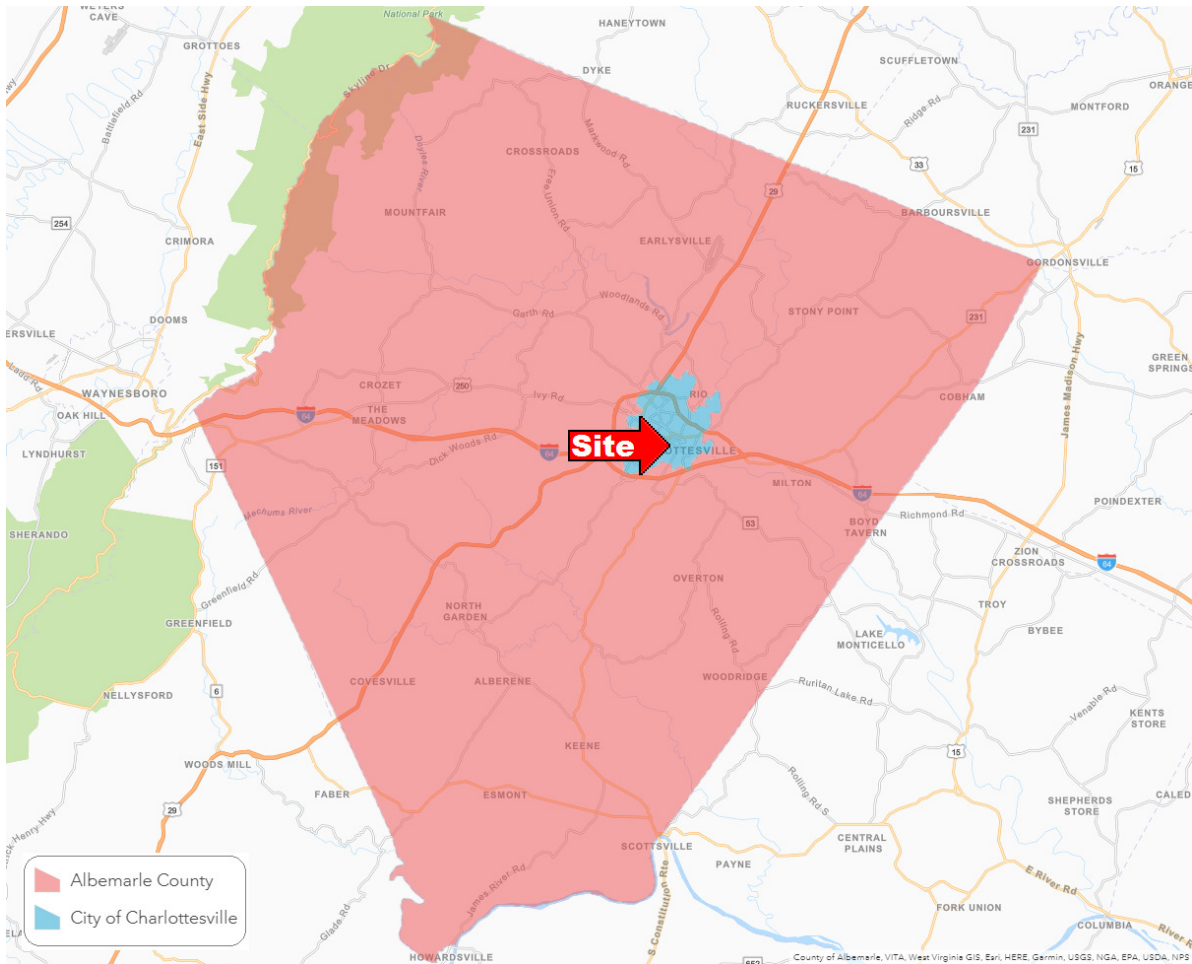
The defined market area for South First Street Apartments, and all other affordable area apartment communities, is Albemarle County and the City of Charlottesville. All of the urban development and apartment unit development within Albemarle County are located in the City or close to the city limits of Charlottesville, particularly along U.S. Route 29, and particularly on the north side of the City. This is the location of much of the commercial services for the city and also for most of the defined competitive apartment properties.

The City has a large number of apartment properties that compete exclusively for students at UVA. These are not competitive with the South First Street Apartments proposal, which is also the case for older, blighted and very low rent properties, for this study, as described. There is a mix of a large number of subsidized apartment properties in the City and also numerous upscale ones. Both the City and County have a limited number of LIHTC apartment communities.

Management at all of these properties report that there is no real distinction between the City and County in terms of apartment unit demand for affordable, professionals and blue-collar workers. Nearly all of the apartment complexes within the County are located close to the City, with the exception being a few properties in the Crozet area west of Charlottesville. UVA and other large employment centers in the region are located both in the City and County. There is a total connection between both jurisdictions.

Map A shows the site location within the defined market area. The north part of the County is mostly rural, as is Greene County. This is also true of Fluvanna County to the east, and Buckingham and Nelson counties to the south. The parts of Albemarle County near these adjacent counties are also rural. The City of Waynesboro and Augusta County have apartment affordable properties, but these are at much lower rents compared with Charlottesville area affordable apartment market.

Thus, given the close proximity of City and County apartment locations and the fact that adjacent areas located outside of the County have no direct competitive apartment properties, the market area is defined as the City of Charlottesville and Albemarle County, with the understanding that almost all renters are located in the urban areas of the County in and near the City.



Map A - South First Street Apartments Market Area

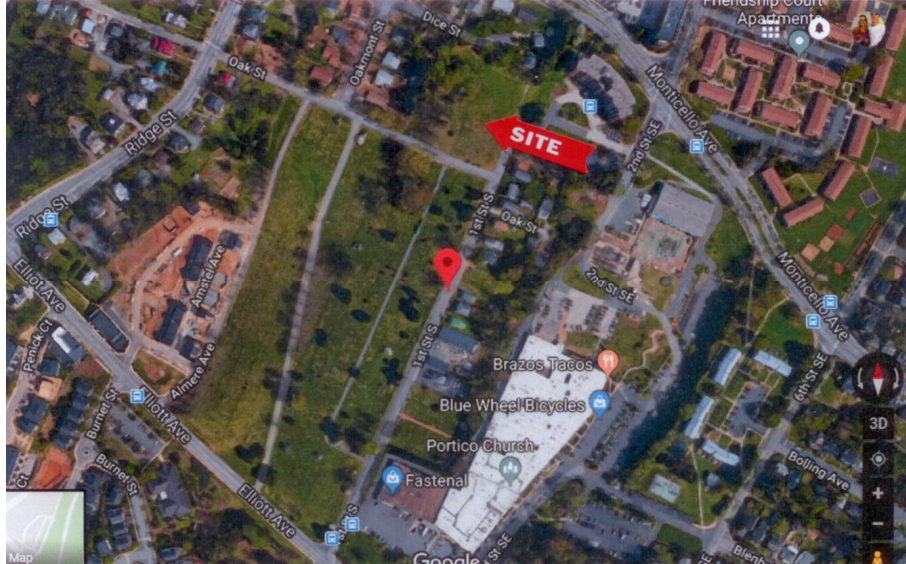
South First Street Apartments

Site Description and Setting

The South First Street Apartments site is located on the west side of South First Street, north of Oak Street and adjacent to Crescent Halls on the east. Oakmont Street is the west boundary, and to the south of the site, is the mature Oakmont Hebrew Cemetery. The north side of the property is Dice Street. Dice Street and Oakmont Street, both adjacent to the site, contain mature, but attractive single-family homes.

The aerial to follow shows the site to be vacant and partially wooded on the west side. Access to the property is via First Street on the south end, and via the Crescent Halls parking lot on the east side. There are no access points on the west and north; these areas are residential and dead-end streets.

The aerial shows the property to be just south of Monticello Avenue. South First Street dead-ends prior to Monticello Avenue, so the easiest site access is south on Second Street, SE, from Monticello Avenue, and west through the parking lot at Crescent Halls, as shown on the Crescent Halls site plan. The triangle on the site plan is the location of the west exit from the Crescent Halls site. The “star” is the Subject.



South First Street Apartments Site & Setting

The aerial shows the study site to be in a mixed-use neighborhood. To the northeast is Crescent Halls (see photo below). The South Second Street corridor is commercial with industrial and warehouse uses at the north end and a mixed retail area to the south, with restaurants, bicycle shop, storefront church, and other retail outlets in a converted warehouse building.

The South First Street corridor is low density residential with mature single-family homes on sizable lots.

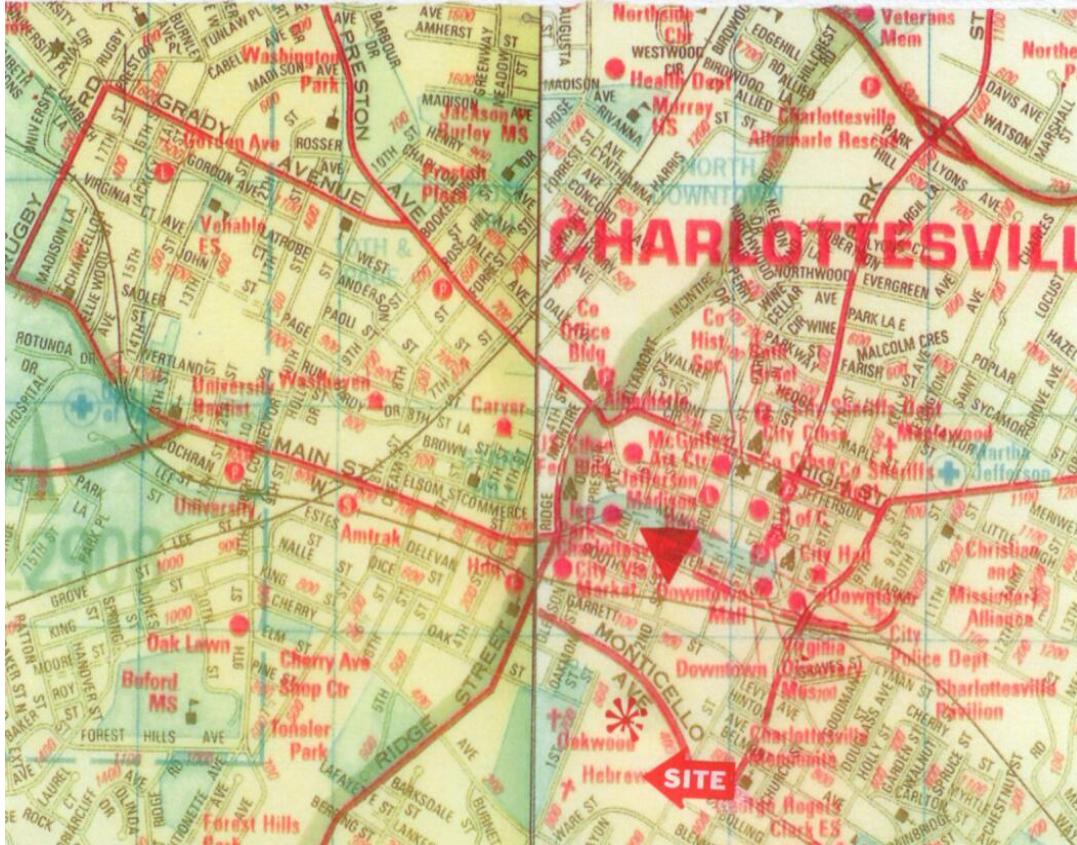
Monticello Avenue is a major east-west arterial road that connects Ridge Street on the west and runs south to I-66. Ridge Street is a north-south arterial that runs north to the downtown pedestrian mall and south to I-66. On the south end of Ridge Street/5th Street is a new Wegman’s Center, as described below.



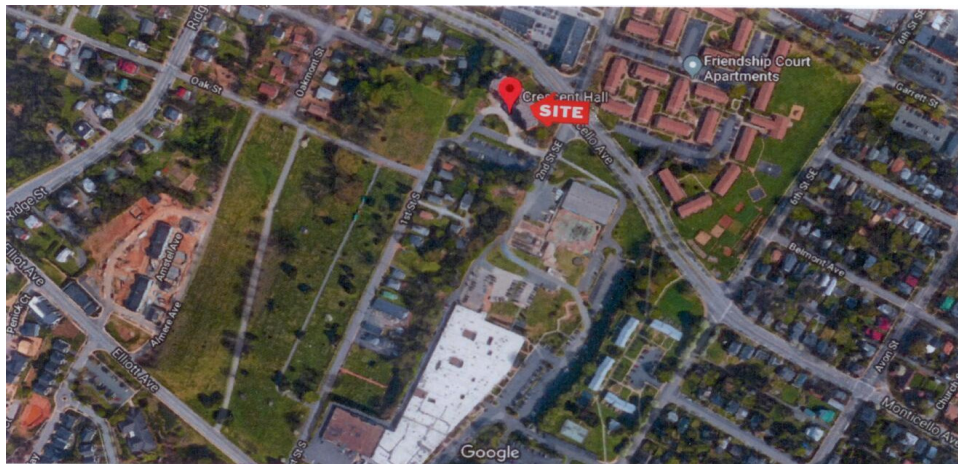
Crescent Halls Apartments

Next shown is an expanded site setting map that shows the study site's location in Central Charlottesville. The downtown pedestrian mall is a few blocks to the north of Monticello Avenue, shown with a triangle. The "star" is the South First Street Apartments location. The site area shows the location of Crescent Halls, adjacent to the study site. On the west side of the map, at the end of Main Street, is the UVA Hospital. Main Street, at this location, along with the pedestrian mall, have a wide range of retail stores and restaurants, many upscale. More moderately priced restaurants are along South Second Street, south of Crescent Halls.

Key issues on Map B are the close proximity of the site to downtown Charlottesville and employment opportunities. This is a vibrant section of the City of Charlottesville, with a wide range of commercial uses, service uses, public offices and public transportation.



Map B - South First Street Apartments Site & Setting



Immediate Site Setting

To the north of Monticello Avenue, along Second Street, is office buildings, a large gym and the large Friendship Court Apartments, a rent-restricted property described in

the competitive apartment section. Second Street runs north to the downtown pedestrian mall.

As shown in the aerial, First Street is a largely residential street within the Ridge Street neighborhood. The area has mature single-family homes within a low density setting (see pictures to follow). A mature cemetery is located on the west side of First Street. The South First Street Apartments site for the new garden apartment units is shown. It is a vacant parcel, primarily level and with a tree cluster on the west. The west and north sides of the study site are lined with single-family homes..



First Street View



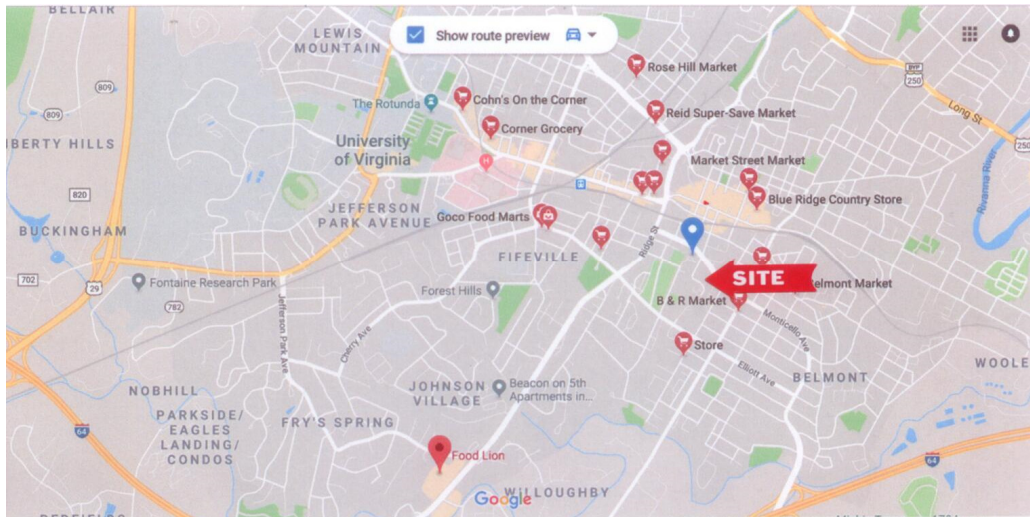
South First Street Apartments Site

The South First Street site is not in a walkable setting, as Second Street rises from south to east and is surrounded by commercial uses. Monticello Avenue is a primary arterial that separates Crescent Halls and the South First Street site from the areas closer to downtown. However, Crescent Halls has been a successful apartment building for seniors for 40+ years, as it is within close proximity to shopping, medical care and health care, as shown on Map C. These assets are also true for the South First Street proposed apartments.

Map C shows retail stores located near the study site. A Food Lion is located south on Ridge Street/5th Street at Willoughby Square Shopping Center, which also includes

Family Dollar and CVS, among other stores. Otherwise, there are an abundance of nearby small markets.

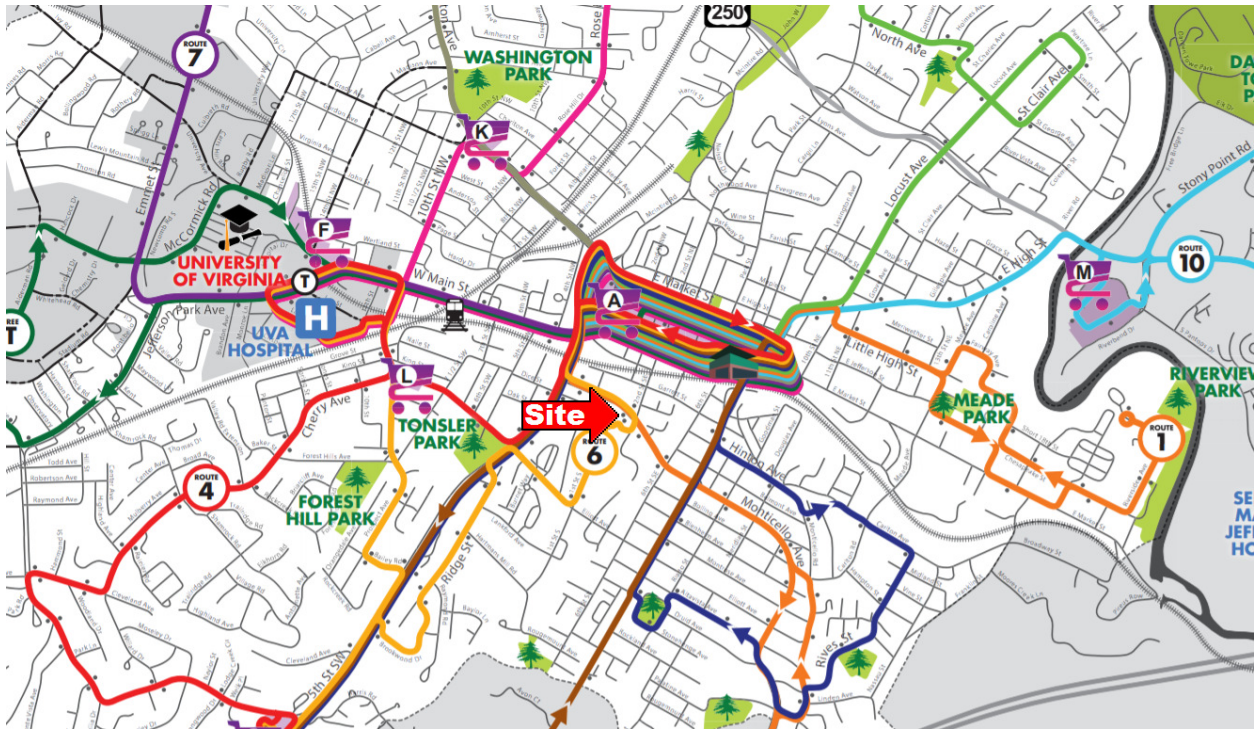
The Crescent Halls and study sites are not necessarily convenient to area shopping, but with City bus service, residents are adequately served.



Map C - Area Retail Locations

A new large shopping center, Fifth Street Station, has recently opened, anchored by Wegman's. This center is further south on Fifth Street.

Map D shows the Route 6 bus route that serves Crescent Halls and will serve the new apartment units on the adjacent site. The Route 6 bus line serves the Downtown Mall area, the UVA Hospital, the Ridge Street/Fifth Street corridor and some of the retail stores in the area.

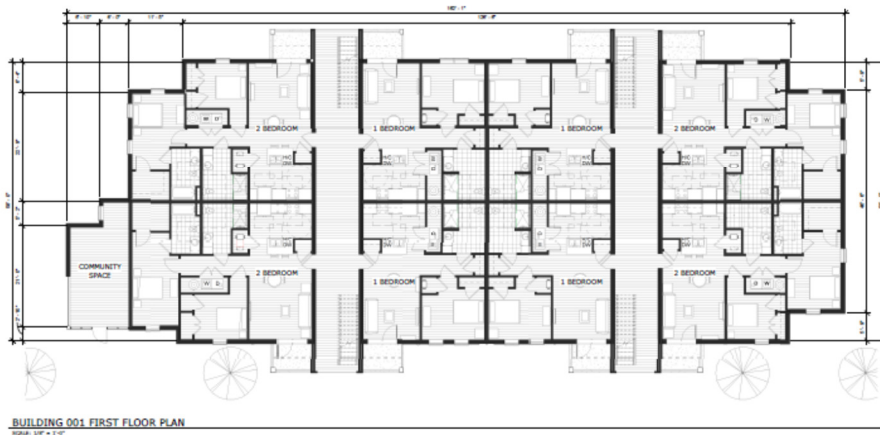


Map D - Local Bus Routes (Charlottesville Area Transit)

South First Street Development Proposal

The proposal is for the new construction of 62 new apartment units in three, three-story garden buildings on the 7.86-acre site. The buildings will be three-story slab on grade construction with wood framed walls. One building has a rear portion that is four stories, due to the site topography. The exterior finish materials will consist of faux brick, fiber cement board siding and TPO membrane roofing.

Following is the front elevation of one building. It has a contemporary design with two open stairwells and a flat roof. The design and scale will be consistent with the adjacent housing in the neighborhood. All three buildings have three floors above grade. All units are served by the open stairwells.



Above are the building floorplans. These are generally rectangular shaped units. The unit sizes range from one to three bedrooms.

Apartment Unit Mix and Sizes. The 62 units have a mix of 13 one's 31 two's, and 18 three's. The unit sizes (net rentable space) are spacious. One-bedroom units have one full bath. The two's and three's have two full baths.

The rents are shown. Seven two-bedroom units are proposed at 40% rents of \$555 gross. There are 24 units with rents at or below 50% of AMI. These rents range from \$665 to \$1,027, with the \$665 rent (for 6 units) public housing or Section 8 rates. Thirty-one units are at 60% rents. These too have a very wide range in rents. The highest rents are \$1,478 for a three-bedroom/two bath unit at or below 60% of AMI.

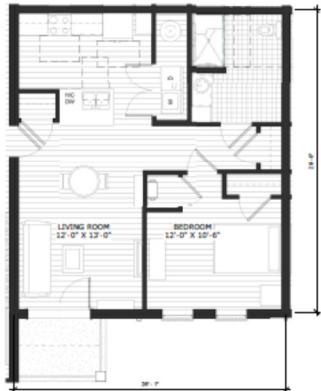
The analysis to follow in Section II will show some of these proposed rents above market for LIHTC apartment units in the Charlottesville area, even for new construction. Recommendations will show a slightly modified rent schedule.

Table 1 <u>Apartment Unit Characteristics of Proposed Net Rents, South First Street Apartments, February, 2019</u>				
<u>Unit Type</u>	<u>Rent Target</u>	<u>Number of Units</u>	<u>Net Rentable Square Feet</u>	<u>Monthly Rent Per Unit</u>
One-BR-1 Bath	50% AMI	6	900	\$1,002
One-BR-1 Bath	60% AMI	6	900	\$750
Two-BR-2 Bath	40% AMI	7	900	\$530
Two -BR-2 Bath	50% AMI	12	1,000	\$1,144
Two -BR-2 Bath	60% AMI	12	1,000	\$900
Three-BR-2 Bath	50% AMI	6	1,100	\$630
Three-BR-2 Bath	60% AMI	6	1,100	\$1,433
Three-BR-2 Bath	60% AMI	6	1,100	\$1,000
Total		62		
Source: South First Street Phase I, LLC				

The owner, CRHA, will submeter the rents for water and the tenants will pay \$25, \$35 or \$45 per month for water, depending upon unit size.

All units need to be studied for market support at the net rents shown and without rent subsidies. The public housing units will likely be occupied with persons on the CRHA waiting list. This is also true for residents for the project-based Section 8 units, these residents are also likely to come from the CRHA’s waiting list. Only 25 units (or less) will be marketed to the public at LIHTC rents. All units (and rents) need to be supportable without rent subsidy, in case rent subsidies are removed in the future.

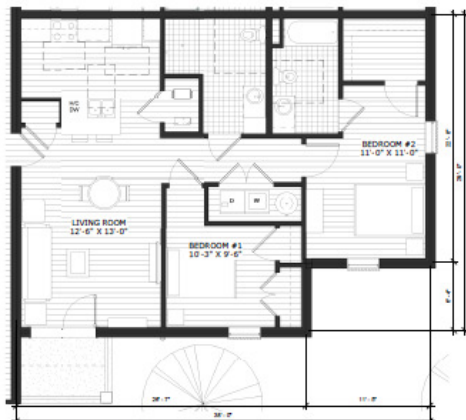
Floor Plans. Next shown are the floor plans for the various apartment units. The unit sizes are spacious with open floor plans. Key features of these apartment units are open kitchens, an abundance of closet space and modern unit designs. All one-bedroom apartment units have one full bath; the larger units have two full baths.



1 BEDROOM FLOOR PLAN 756 SF
SCALE: 1/4" = 1'-0"



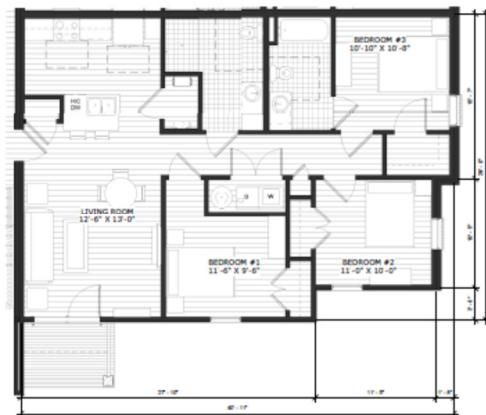
1 BEDROOM PERSPECTIVE PLAN
SCALE:



2 BEDROOM FLOOR PLAN 1,029 SF
SCALE: 1/4" = 1'-0"



2 BEDROOM PERSPECTIVE PLAN
SCALE:



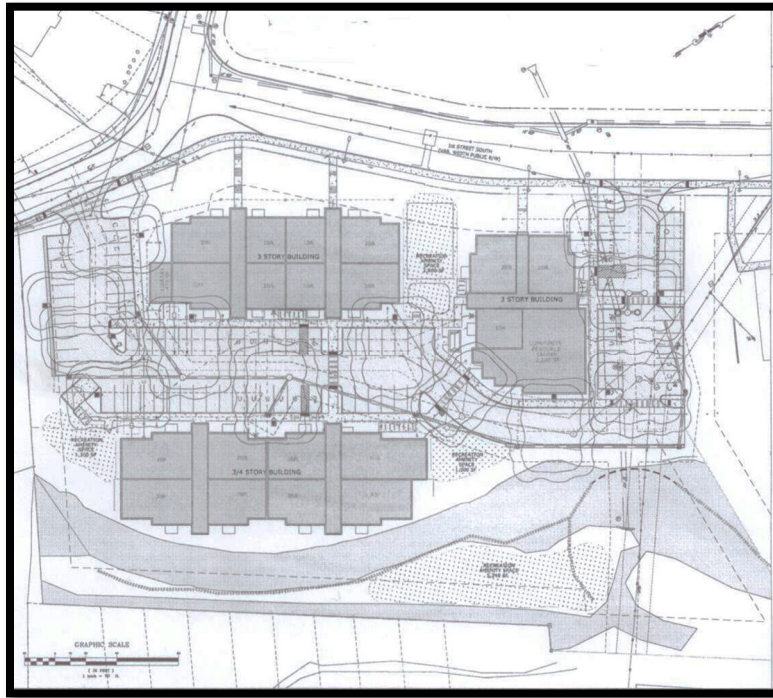
3 BEDROOM TYP PLAN 1,130 SF
SCALE: 1/4" = 1'-0"



3 BEDROOM PERSPECTIVE PLAN
SCALE:

Site Plan

The site plan follows. It shows the three buildings planned for the apartment proposal. Each is a different size, but all have similar exterior designs. The site has approximately 90 surface parking spaces that are located near each apartment building. The site will have trees buffering South First Street on the north and west sides of the property. Access to the site is at the north of the property, where South First Street intersects with Hartman Street. The site will have one road that serves all the buildings and will have parking on both sides.



Site Plan

Development Costs

The total estimated development cost for the South First Street Apartments is \$12.44 million, or approximately \$200,000 per apartment unit. This total is broken down as follows:

• Construction Costs -	\$6,810,000
• Land Improvements -	\$1,250,000
• Owner Costs -	\$2,000,500
• Other Costs -	\$1,379,300
• Developer Costs -	<u>\$1,000,000</u>
Total	\$12,441,800 (rounded)

Market Area Economic Overview

This economic stability and growth of the Charlottesville marketplace is an important factor in evaluating the feasibility of the 63-unit South First Street Apartments, as a stable economy means that residents, and family, will remain in the market area. Thus, even though current and future residents of South First Street may not be filling in the workforce, the study of at-place jobs and employment growth is an integral part of the market study.

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 market area 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 2017, the total number of at-place jobs in the market area totaled 95,600±. The most recent at-place job totals are 9,230± more than in 2008, indicating an average annual growth of 920± jobs over the past decade.

Data in Table 2 show a decrease in total jobs in the key recession year of 2009, which followed sizable growth for the first eight years of the 2000 decade. The recession

years of 2009 and 2010 were not growth years. For the period of 2010 to 2017, net job growth was 12,400±, or approximately 1,770± per year on average. 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, over 1,900 jobs were created in 2016 and over 2,400 jobs were created in 2017.

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 affiliated with the University of Virginia, but these data are not published.

The sector with the most pronounced growth has been the Health Care sector, which added 1,710± jobs over the past decade, largely in Albemarle County. Several of the market area's largest employers are in the Health Care Sector including the University of VA Medical Center, Sentara Healthcare and UVA Health Services Foundation. Employment in this sector is likely to continue growing due to several major medical expansions associated with UVA.

The Accommodations/ Food sector is the second fastest growing employment sector, having grown by 1,540± since 2008. Much of this growth has been associated with five new hotels that have opened over the past decade. These include:

- Residence Inn Charlottesville Downtown (124 rooms, opened in 2016)
- Country Inn & Suites Charlottesville UVA (87 rooms, opened in 2016)
- Oakhurst Inn (27 rooms, opened in 2014)
- Homewood Suites by Hilton Charlottesville (150 rooms, opened in 2014)
- Hyatt Place Charlottesville (137 rooms, opened in 2013)

Several other hotels opened in 2018, are under construction and are in planning. This will further increase employment in this employment sector over the coming years.

Other job sectors with growth over past decade include Admin./ Waste Services (1,470± new jobs), Arts/ Entertainment/ Recreation (680± new jobs), Other Services (610± new jobs), Finance/ Insurance (610± new jobs), Professional/ Technical Services (490± new jobs), Educational Services (430± new jobs), and Real Estate (90± new jobs).

Since 2008, the industrial sectors with the most pronounced job losses have been the Construction and Manufacturing sectors. Notable manufacturing losses during this period include 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).

Table 2: Trends in Average At-Place Employment, Charlottesville City-Albemarle County, VA, 2008-2017

Industry	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Agriculture, Forestry, Fishing	519	476	479	447	ND	ND	ND	ND	599	ND
Mining	ND	ND	ND	ND	ND	ND	ND	ND	ND	91
Utilities	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Construction	4,951	4,167	3,964	3,771	3,803	3,771	3,696	4,021	3,794	4,061
Manufacturing	3,745	3,406	3,058	2,948	ND	ND	ND	ND	2,917	ND
Wholesale Trade	ND	ND	ND	1,354	1,392	1,297	1,325	1,282	1,263	1,312
Retail Trade	9,831	9,054	8,736	8,915	8,963	9,122	9,124	9,281	9,449	9,821
Transport. & Warehousing	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Information	2,193	2,051	2,035	2,021	2,108	2,094	2,035	2,018	2,008	1,963
Finance/Insurance	1,858	1,794	1,797	1,779	1,747	2,245	2,305	2,336	2,318	2,464
Real Estate	1,358	1,255	1,226	1,252	1,319	1,473	1,461	1,500	1,480	1,443
Professional/Tech. Services	6,069	5,931	5,668	5,581	5,493	5,635	5,644	5,955	6,300	6,562
Management of Companies	1,802	1,906	1,884	1,850	1,920	1,943	1,903	1,916	1,873	1,815
Admin./Waste Services	3,035	2,842	2,830	2,889	3,505	3,541	4,099	4,471	4,534	4,500
Educational Services	1,217	1,248	1,298	1,388	1,523	1,583	1,604	1,720	1,679	1,649
Health Care	8,005	8,316	8,479	8,588	8,521	8,615	8,608	9,115	9,546	9,718
Arts/Enter./Recreation	1,515	1,541	1,812	1,883	1,909	1,914	2,006	2,142	2,281	2,194
Accommodations/Food	8,357	8,124	8,116	8,163	8,318	8,423	8,827	9,083	9,494	9,896
Other Services	3,369	3,375	3,435	3,587	3,644	3,615	3,782	3,808	3,896	4,029
Local Government	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
State Government	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Federal Government	<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>1,270</u>	<u>1,281</u>
Total	86,381	83,872	83,199	84,237	85,611	86,179	87,939	91,263	93,164	95,596

Notes: ND = Data do not meet BLS or State agency disclosure standards.
Source: United States Department of Labor, Bureau of Labor Statistics

Table 3 shows the net change in at-place job totals, separated by jurisdiction, over the previous ten years. The data shows employment growth in a wide range of employment sectors in both Charlottesville and Albemarle County.

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 peak of 2008. The recession resulted in job losses in 2009 and 2010, but net growth has occurred since 2010, with the 2014 job totals area above the pre-recession year total.

Table 3: Trends in Average At-Place Employment, By Jurisdiction, 2008-2017			
	<u>Charlottesville City</u>	<u>Albemarle County</u>	<u>Total</u>
Agriculture, Forestry, Fishing	--	127	--
Mining	--	20	--
Utilities	--	--	--
Construction	-188	-702	-890
Manufacturing	--	-859	--
Wholesale Trade	-75	--	--
Retail Trade	-639	629	-10
Transport. & Warehousing	--	-8	--
Information	-354	124	-230
Finance/Insurance	626	-20	606
Real Estate	-40	125	85
Professional/Tech. Services	-347	840	493
Management of Companies	199	-186	13
Admin./Waste Services	1,337	128	1,465
Educational Services	251	181	432
Health Care	-121	1,834	1,713
Arts/Enter./Recreation	223	456	679
Accommodations/Food	562	977	1,539
Other Services	495	165	660
Local Government	--	--	--
State Government	--	--	--
Federal Government	-242	214	-28
Total	3,033	6,182	9,215
Source: United States Department of Labor, Bureau of Labor Statistics			

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 2017 employment data are available and show that 78,670± employees exist in the market area, approximately 16,920 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 at better paying jobs within the market area. Employment in the market area grew by 880± jobs in 2016 and 2,250± in 2017. Employment increased by 6,710± since 2008, which is less than the increases of at-place jobs.

The number of persons in the Labor Force grew at a slightly quicker pace 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 3.2 percent as of year-end 2017. This is down from the previous year's rate of 3.5 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 4: <u>Trends in Employment and Unemployment,</u> <u>Charlottesville/ Albemarle County, Virginia, 2008-2017</u>				
	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Percent Unemployed</u>
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	75,926	72,284	3,642	4.8%
2014	77,813	74,349	3,464	4.5%
2015	78,558	75,543	3,015	3.8%
2016	79,219	76,424	2,795	3.5%
2017	81,306	78,672	2,634	3.2%
Net Change	6,926	6,705	221	0.0%
Source: United States Department of Labor, Bureau of Labor Statistics				

Market Area Development Activity

The University of Virginia 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 Charlottesville Albemarle Airport in northern Albemarle County. The growth trend at these large employers are 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 5 shows the enrollment trends at UVA for the ten-year period between 2009 and 2018. These data represent total on-campus fall enrollment headcount totals. The enrollment data show a net growth of 2,090± students over this period, or ten percent increase. This represents an average enrollment growth rate of 210± students per year. Net growth has been recorded in both the undergraduate and graduate populations. Undergraduate enrollment grew by 13.6 percent and graduate enrollment grew by 2.2 percent during this period.

<u>Table 5: UVA On-Campus Fall Headcount Enrollment Trends, Fall 2009- Fall 2018</u>			
	<u>Undergraduate</u>	<u>Graduate</u>	<u>Total</u>
Fall 2009	14,297	6,598	20,895
Fall 2010	14,445	6,604	21,049
Fall 2011	14,591	6,515	21,106
Fall 2012	14,641	6,454	21,095
Fall 2013	14,898	6,340	21,238
Fall 2014	15,405	6,395	21,800
Fall 2015	15,669	6,316	21,985
Fall 2016	15,891	6,500	22,391
Fall 2017	16,034	6,771	22,805
Fall 2018	16,239	6,746	22,985
Net Change	1,942	148	2,090
Percent Change	13.6%	2.2%	10.0%

Source: UVA Office of Institutional Assessment and Studies

Data in Table 6 show the projection for total enrollment to a 2022 forecast date and a breakout of student enrollment projections by category. Projection data show moderate growth, with enrollment expanding by only 870± students by 2022. Undergraduate enrollment is projected to increase by 230± students by the Fall, 2022 semester. Graduate enrollment is projected to increase by 640± students by 2022.

Table 6: <u>UVA On-Campus Fall Headcount Enrollment Projections, Fall 2018 – Fall 2022</u>			
	<u>Undergraduate</u>	<u>Graduate</u>	<u>Total</u>
Fall 2018 (Realized)	16,239	6,746	22,985
Fall 2019	16,317	7,049	23,366
Fall 2020	16,395	7,173	23,568
Fall 2021	16,456	7,276	23,732
Fall 2022	16,469	7,387	23,856
Net Change	230	641	871
Percent Change	1.4%	9.5%	3.8%
Source: State Council of Higher Education for Virginia (SCHEV)			

Often, student enrollment growth projections are conservative, so these numbers may change.

Employment at UVA. Employment at the University of Virginia currently stands at 17,480± persons, which is up 3,120± over the 2012 total. This represents an increase in employment of nearly 22 percent. UVA is the region’s largest employer. About 85 percent of employees are full-time employees. The following table shows the significant growth of employment at the University since 2012, with most growth related to full time employees. Much of this growth was driven by expansions at the UVA Medical Center.

Table 7: <u>Trends in Employment at UVA,</u> <u>Fall 2012 – Fall 2018</u>			
	<u>Full Time</u>	<u>Part Time</u>	<u>Total</u>
Fall 2012	12,271	2,086	14,357
Fall 2013	12,288	2,224	14,512
Fall 2014	12,620	2,433	15,053
Fall 2015	12,978	2,676	15,654
Fall 2016	13,525	2,650	16,175
Fall 2017	14,136	2,652	16,788
Fall 2018	14,769	2,712	17,481
Net Change	2,498	626	3,124
Percent Change	20.4%	30.0%	21.8%
Source: University of Virginia Office of Institutional Assessment and Studies			

UVA Development. Several construction projects are planned and ongoing at UVA. Major ones are detailed in the paragraphs below. They will add net job growth at the University.

- **UVA Medical Center.** Construction is ongoing on a 440,000± square foot expansion to the UVA Medical Center that will expand the Emergency Department, surgical services and inpatient care into a new facility. This construction is occurring on the east end of University Hospital at the corner of Lee Street and Crispell Drive. The Hospital will receive a second helipad atop the new facility allowing for multiple landing areas. The expansion will add 43 beds to the Emergency Department, for a total of 80 beds. The expansion of the emergency department and the interventional areas are scheduled to open in summer or fall 2019, and the new patient rooms are slated to open in early 2020. A renovation of 90,000 square feet of existing space is scheduled for completion in 2021.
- **UVA Musculoskeletal Center.** Ground was broken in September, 2018 on a new facility at the site of the former Kluge Children’s Rehabilitation Center on Ivy Road. The 195,000± square foot facility will have a retail pharmacy, roughly 95-exam rooms, and six outpatient operating rooms for orthopedic and sports medicine surgeries. The facility is expected to open in February, 2022.
- **Brandon Avenue Upper Class Housing.** Construction is ongoing on this six-story residence hall on Brandon Avenue. The building, to include two levels of podium parking, will accommodate 313 students in apartment-style housing and parking for 137 vehicles. There will be some programmable space on the first floor of the building, which could include academic and multi-use spaces that will serve the

Brandon Avenue district as well as others within the University community. Delivery is slated for the summer of 2019.

- **New Student Health Center.** This is a proposed 100,000± square foot student health center that may possibly include a second 66,000± square foot facility for tenants. The entire structure, with tenants, will be three to five stories tall plus two lower-level parking platforms that will have grade access to Monroe Lane.
- **The McCormick Road Houses.** The project consists of six, four-story residence hall buildings, including four at approximately 60,000± square feet, two at 30,000± square feet, and a 10-acre site with sidewalks, ramps and stairs connecting the buildings. The renovation of the 1950's residence halls will include the replacement of mechanical, plumbing, and electrical systems and the renovation of The Castle dining facility. Completion is expected in May, 2020.

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 Charlottesville Albemarle Airport and north of Charlottesville. Due to its size, it is highlighted there as a major employer. 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 there. 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

- **3TWENTY3.** Ground was broken in November, 2018 on this 120,000± square foot office building at 323 Second St. S.E. The be five-story office building with a four-

level parking garage is slated for to open in the spring of 2020. The building will be built on what is now the back half of The Glass Building and a parking lot. The front of the Glass Building – currently occupied by Augustiner, The Bluegrass Grill & Bakery and Paradox Pastry – will continue to be used as retail space. McGuireWoods already has signed up to occupy 17,220± square feet on the third floor of the building. Building amenities include a rooftop terrace with patio, an event facility and electric-car charging stations.

- **The Draftsman**. Construction was completed in May, 2018 on this 150-room hotel with 2,300 square feet of event space, a fitness center and an on-site farm-to-table restaurant called Renewal. The hotel is located at 1106 W. Main Street.
- **Apex Clean Energy** announced in March, 2018 that would build a 130,000± square foot headquarters in downtown Charlottesville and will occupy 60,000± square feet in the seven-story building on Garrett Street. The remaining space will be leased to other tenants, including 10,000 square feet of street-level retail space. Apex Clean Energy builds, owns and operates utility-scale wind and solar power facilities.
- **WillowTree Inc.**, a mobile applications developer, announced in August, 2018 that it would renovate and lease 50,000± square feet in the former Woolen Mills factory in Albemarle County. The expansion is expected to create 200 jobs, doubling the workforce at WillowTree.
- **CoConstruct**, which provides a web-based project management system for customer homebuilders and remodelers, announced in May, 2018 that it would expand its Albemarle County operation, creating 69 new jobs.
- **Lighthouse Industries**, a global supplier of laser test and measurement systems for pharmaceutical and contract manufacturing industries, announced in February, 2018 that it would expand its medical manufacturing operation in Albemarle County and hire ten additional employees.
- **Home2Suites by Hilton**. Construction was completed in September, 2018 on this 113-room hotel at 201 Monticello Avenue. In addition to two meeting rooms, the hotel includes a fitness center, swimming pool, and business center.
- **Staybridge Suites Charlottesville Airport**. Construction is nearing completion on this 103-room hotel located at 3060 Laurel Park Lane. The four-story hotel includes an indoor swimming pool, fitness center and business center.
- **Quirck Hotel**. Construction is ongoing on this 80-room hotel at 425, 501 and 503 W. Main Street, near Charlottesville’s Downtown Mall. The hotel will include a rooftop bar and on-site restaurant.

- **Gallery Court Hotel**. This is a proposed seven-story, 72-room hotel planned for 140 Emmett Street. The hotel will replace the existing 40-room Excel Inn & Suites, which was heavily damaged by fire in May, 2017.
- **Dairy Central**. Construction is ongoing on this multi-phase renovation and expansion of the old Monticello Dairy building at the intersection of Preston and Grady avenues and 10th Street NW. Phase I of the project includes renovating the 37,000± square foot original dairy space into Dairy Market, a 20-stall food hall, with around 7,000± square feet of open seating. Behind the dairy, 63,000± square feet of office space on multiple floors will be added. Phase I is expected to delivery January, 2020. Phase II is a residential component with 175 apartments. 20 units will be restricted to 80% of AMI and the remaining will be market rate.
- **The Center of Developing Entrepreneurs (CODE)**. This project is the redevelopment of the former Main Street Arena in the Downtown Mall into a 170,000± square foot tech hub. CODE will allocate 23.5 percent of its square footage for tech/venture space, and 26 percent goes toward a common area for events and presentations. An unnamed anchor-tenant will use 35 percent of the space, with the remaining saved for smaller offices and other retail. Construction is expected to be completed by the summer of 2020.

Section II: Affordable Apartment Unit Analyses

Section II is the supply-demand analyses for the South First Street Apartment proposal. It is presented in two sections. The first is a demographic analysis for the proposal that “solves” for the number and growth of renter households in the market area that are within the various income categories under study. **The income categories are many, due to the wide unit mix and income categories under study.** Incomes are reported in constant 2018 dollars, as 2019 dollars are not yet calculated.

These income categories are based on unit sizes and number of persons per unit, as defined by IRS, plus the gross rents, that are affordable at 35% of household income. We limited the analysis to two-bedroom units with a maximum of three residents and a maximum of four residents for a three-bedroom unit.

The forecast data for the demographic analysis is 2021, as South First Street Apartments will likely be started in early-2020 and open for occupancy in 2021.

The competitive apartment market is studied next. For the one-, two- and three-bedroom units, we studied the Charlottesville area LIHTC apartment market, for families. There are 10 competitive properties. These have rents comparable to some of the rents proposed for South First Street Apartments.

The 10 competitive apartment properties are compared with the South First Street proposal in terms of occupancy, plus unit rents, sizes, unit mix and amenities.

Demographic Analysis

Population

The estimated 2018 population for the two jurisdictions in the market area, as shown in Table 8, is approximately 157,920, based on current estimates from the Weldon Cooper Center for Public Service. At this level, the market area population increased by approximately 15,470 since 2010, or over 1,900± per year on average. Both the City of

Charlottesville and Albemarle County realized net population growth since 2010, but the majority of the population growth occurred in the County, as more developable land exists there. The nearly 6,000 population increase in the City's population between 2010 and 2018, after a small population loss during the 2000's, is likely due to new apartment unit development, both for the UVA and non-UVA market, and particularly in the downtown. As with many cities across the country, population growth occurred in central cities in new construction and adaptive reuse properties. As stated above, the UVA enrollment also grew considerably during the 2010 decade. The net population growth in the City occurred after the post-recession ended.

In addition, employment growth generated some of the recent market area's net population growth. Based on past trends and ongoing employment growth, the market area population is projected to increase by 5,810± and reach 163,730± by 2021. The projections show population growth in both jurisdictions in the market area.

**Table 8: Population Trends and Projections by Income,
Charlottesville-Albemarle County, Virginia, 1990-2021**
(Constant 2019 Dollars)

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018</u>	<u>2021</u>
Market Area Population	108,380	124,290	142,450	157,920 1/	163,730
City of Charlottesville	40,340	45,050	43,480	49,280	51,460
Albemarle County	68,040	79,240	98,970	108,640	112,270
Group Quarters Population	8,490	8,370	9,300	10,000 2/	10,050 3/
Household Population	99,890	115,920	133,150	147,920	153,680
Persons Per Household	2.47	2.38	2.38	2.37	2.36
Total Households	40,440	48,730	55,940	62,410	65,120
Rental Households	17,990	20,850	23,560	26,710	27,940
Percent Rental	44.5%	42.8%	42.1%	42.8%	42.9%
<u>Target Market</u>					
40% of AMI (\$19,029-\$30,720)					
Total Households	2,430	3,080	3,790	4,360	4,570
Percent of Renter Households	13.5%	14.8%	16.1%	16.3%	16.4%
50% of AMI (\$35,211-\$42,650)					
Total Households	1,450	1,670	1,900	2,140	2,260
Percent of Renter Households	8.1%	8.0%	8.0%	8.0%	8.1%
60% of AMI (\$25,714-\$51,180)					
Total Households	5,030	5,860	6,640	7,300	7,550
Percent of Renter Households	28.0%	28.1%	28.2%	27.3%	27.0%
Notes: 1/ Based on population estimates from the Weldon Cooper Center for Public Service. 2/ Includes in on-campus occupancy growth of 630± students at UVA. 3/ Includes new UVA residence hall with 313 beds that will open in 2019.					
Source: 1990, 2000 and 2010 Census, U.S. Census Bureau; State Council of Higher Education for Virginia; Weldon Cooper Center for Public Service; 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 residence halls, plus seniors in nursing homes, assisted living facilities and hospitals. Also included are people in shelters and jails. UVA students who live in privately-owned homes, condos or apartment units off campus are part of the household population and therefore are excluded from the Group Quarters total. With or without the on-campus population at UVA, the Group Quarters Population is growing. New assisted living apartments are part of this growth.

The Group Quarters Population of 10,000± in 2018 was deducted from total population to determine Household Population, as shown. Household Population is the basis for determining housing unit demand. It was 147,920± in 2018.

Households. The market area had a total of 62,410± households (occupied housing units), as of 2018. That total is 6,470± more than the 2010 total. By 2021, forecast data show the potential for a net growth of 2,710± households, based on population growth and the trends in average household size. Thus, there could be an estimated 65,210± households in the market area by 2021.

The current average household size is estimated at 2.37, which has been nearly unchanged since 2000. Household size 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.

However, the greater Charlottesville area is an attractive retirement community and has a sizable number of senior adult households. Graduate students at UVA would typically be one- or 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 2.36.

Target Market Analysis

The three income categories are large, due to the mix of apartment unit sizes. In summary, there are:

- 4,360 households in the 40% income category in 2018 and an expected growth of 210 households by 2021.
- 2,140 households in the 50% category (2018) with an expected net growth of 120 households.

- 7,300 households in the 60% category in 2018, with an expected net growth of 250 households.

Competitive Apartment Market

Characteristics of the Market

Data in Table 9 list the 10 general occupancy apartment properties in the market area. These are number-keyed to Map E. The competitive affordable apartment market has 1,317 apartment units within these 10 properties. Timberland Park is the newest LIHTC property, which opened in December, 2018. To date, 48 of the 80 units have been leased since December, or within 2.5 months, plus pre-leasing. Carlton Views, with 54 apartment units, opened in 2017 and is now fully occupied. Thus, over the past two years, 130± new units were added to the market, 100± of these units have been occupied.

The market area has a very low vacancy rate of 1.5 percent for properties at stabilized occupancy. Most of these properties are full and with a waiting list. The combined waiting list is 600± units, based on interviews with the property managers. There could be some duplication in this total, but a sizable waiting list exists.

The recent lease-up of 160± new units over the 2017 and 2018 period, the current 1.5 percent vacancy rate, and the large waiting list shows a large pent-up demand for new affordable apartment units for families.

Data in Table 9 show that three of these apartment properties were built during the 1970's; two were upgraded under the LIHTC program. Friendship Court was built for low-income families and is not a LIHTC property. There were three LIHTC properties built during the 1990's and one during the 2000's, prior to the opening of Carlton Views and Timberland Park.

These apartments have 440 Section 8 tenants (33% of total units). One property not listed in Table 9, Brookdale, is under construction with 84 units and is expected to open in 2020.

Aside from Timberland Park, which has three-bedroom units unrented, Mallside Forest is the only apartment property with vacancies. Current management at Mallside reports a recent management change, without more specifics. With the large market area waiting list, these vacant units are not due to “demand”. The adjacent Rio Hill is full and with a waiting list.

There are three vacant units at the very modest Parks Edge Apartments.

Table 9 Characteristics of Family Affordable Apartment Properties, Charlottesville Market Area, February, 2019

	<u>Map E</u> <u>Key</u>	<u>Date</u> <u>Built</u>	<u>Total</u> <u>Units</u>	<u>Vacant</u> <u>Units</u>
Parks Edge	1	2003	96	3
Hearthwood Apts.	2	1970/17	200	0 1/
Greenstone on Fifth	3	1979/15	202	0 1/
Carlton Views	4	2017	54	0 1/ 2/
Friendship Courts	5	1978/03	150	0 1/
Rio Hill	6	1995	139	0 1/
Treesdale Apts.	7	2012	92	0 1/
Mallside Forest	8	1990	160	14 3/
Wilton Farm	9	1991	144	2
Timberland Park	10	12/18	<u>80</u>	<u>6/</u>
Total			1,317 8/	19

Notes: 1/ Waiting list. Total wait list for all apartment properties is 600±, but could have duplications.
 2/ 44-unit expansion planned to open in 2020.
 3/ Management change/problems
 4/ **Total of 100 seniors in these apartment properties.**
 5/ Excludes smaller properties and PWD disabled properties.

- Carlton Neighborhood – 35 apts.
- Virnita Court – 16 units

6/ In lease-up; 48 units leased since preleasing and Dec. 2018 opening.
 7/ **Brookdale with 84 units is under construction for 2020 opening.**
 8/ 440± units are occupied by residents with Section 8 rental assistance.

Source: Field and telephone survey by SPA

Photos of these properties are shown next. The older properties have the basic design of three-story garden buildings. Greenstone, Carlton Views and Timberland Place are more modern in design and do not have the “institutional” look. Only one of these apartment properties is below “par.” Parks Edge is a basic apartment community with a poor site plan, poorly designed buildings and no site landscaping. It is fairly new with a 2003 construction date, but is far below the quality of other comps in curb appeal.

Heartwood Apartments is a rehab of a former market rent property. It has a “two over one” design, and with massard roof, looks outdated.

Rio Hill, Wilton Farms, and Mallside Forest have the same basic design and were all built during the early-1990's. Greenstone on Fifth and Carlton Views have contemporary designs. These are the two newest properties. Treesdale and Timberland Park are attractive and comparable in design for market rent properties.



Parks Edge



Hearthwood



Greenstone on Fifth



Carlton Views



Friendship Court



Rio Hill



Treesdale



Mallside Forest

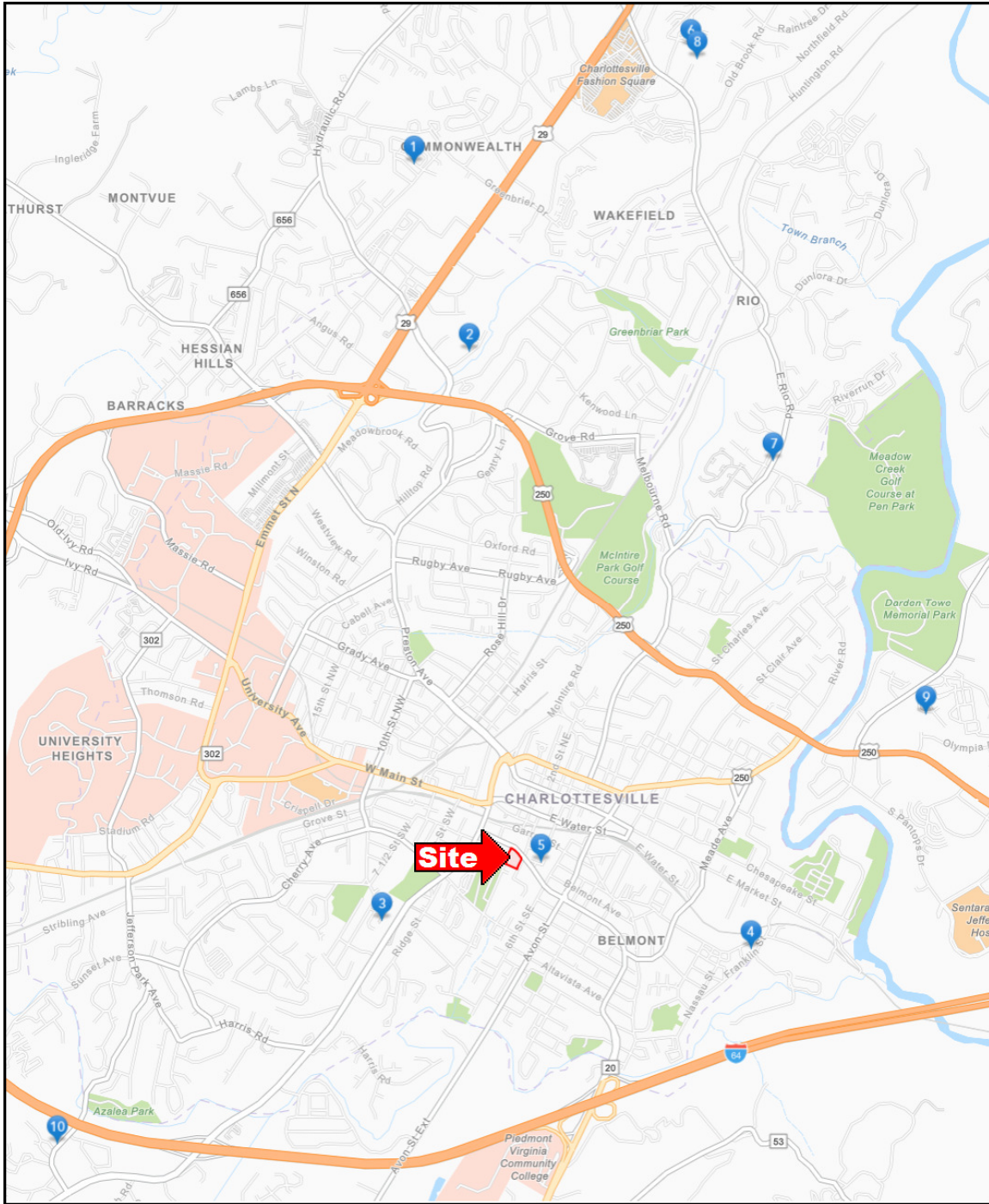


Wilton Farm



Timberland Park

Map E shows that these properties are scattered throughout the region. Four are located on the north side of Charlottesville in Albemarle County and generally along the Route 29 corridor. Four are located in central Charlottesville, near the study site. Wilton Farms is located in Pantops, on the Route 20 corridor.



Map E - Locations of Competitive Apartments

Following are descriptions of the two most recent LIHTC additions to the market.

- **Timberland Park** is located on Old Lynchburg Road, between Doncester Lane and I-64 on the south side of Charlottesville in Albemarle County. The apartment

community has 80 apartment units with a mix of two- and three-bedroom units. 24 of the apartment units are at rents at or below 50% of AMI, while 56 units are at 60% rents. The unit sizes are:

- Two-bedroom at 1,003 square feet
- Three-bedroom at 1,226 square feet

All units have two full baths. Washer/dryers hookups are in each unit. All two-bedroom units are leased, with only three's left.

- **Carlton View I** is located on East Market Street on the east side of the City of Charlottesville. It has a mix of one- and two-bedroom units, with sizes of:
 - One-bedroom at 668-703 square feet
 - Two-bedroom at 960-1,008 square feet

The exterior is a contemporary design, as is the interiors, with open kitchens and a pass-through design to the dining area. This is an elevator building with high-speed internet, washer/dryer hookups, full appliances in the kitchen, granite countertops, hardwood floors, built-in bookshelves, among other amenities. The property is full and a second phase is in planning, as will be described below.

Both of these new LIHTC apartment properties are a “notch” above the other comps in terms of design, curb appeal, and amenities/features. They are competitive with market rent properties in this regard. Treesdale Park is also a more attractive affordable apartment complex.

Net Rents

Table 10 shows the net rents at the 10 affordable general occupancy apartment properties in the market area. Rents include cold water, sewer and trash collection. The one-bedroom rents average \$820 and range from \$665 to \$960. The two-bedroom rents average \$940 and range from \$765 to \$1,182. Three-bedroom rents are at an average of \$1,100, with the higher rate at \$1,200+ Hearthwoods. Three-bedroom rents average \$1,100 and range from \$850 to \$1,200. These rents are being readily accepted, as evidenced by the near 100 percent occupancy rate.

There are a wide range in rents, as shown, based on property age, building features and designated AMI rents. Given the market area occupancy rates, there is a market for

all units within the LIHTC range. These rents are comparable with the proposed LIHTC rents proposed at South First Street Apartments. The current LIHTC apartment market (for families) has 30± percent Section 8 tenants.

Table 10 <u>Net Rents at Family Affordable Apartment Properties, Charlottesville Market Area, February, 2019</u>			
	<u>One-BR</u>	<u>Two-BR</u>	<u>Three-BR</u>
Parks Edge 1/	\$722	\$853	\$980
Hearthwood Apts. 1/ 2/	\$899	\$1,049-\$1,080	\$1,249-\$1,269
Greenstone on Fifth 1/	\$665	\$765	\$850
Carlton Vista I 3/	\$850	\$1,015	\$1,155
Friendship Courts	4/	4/	4/
Rio Hill 1/	--	\$880-\$970	\$1,000-\$1,097
Treesdale Apts. 2/	--	\$815	\$1,150
Mallside Forest 1/	\$960	\$1,182	\$1,331
Wilton Farms 1/	--	\$930	\$995
Timberland Park 2/	--	\$820	\$1,120
Average	(\$820)	(\$940)	(\$1,100)
Notes: 1/ Includes cold water, sewer and trash collection.			
2/ Studio unit at \$699 rent.			
3/ Trash only			
4/ Section 8 rents			
Source: Field and telephone survey by SPA			

South First Street Apartments has rents well below those of apartments listed in Table 10 and well above these rents.

The two-bedroom proposed rents at South First Street Apartments also range from well below the market range and also goes well beyond. This is also true for the three-bedrooms.

The rents proposed for South First Street Apartments are unique and not “standard”, as the property will be owned by the CRHA and will have both public housing rents and Section 8 rents. The proposed rents are therefore difficult to compare with the current market.

Rent Increases. Rent data listed in Table 11 show the recent per month rent increases at these tax credit properties. Since 2009, rents have increased by \$24 per month on average per year for the one-bedroom units and \$23 on average for the two's. Three-bedroom apartment units realized an average annual rent increase of \$33 per month. These trends, along with near 100 percent occupancy, a large waiting list and recent quick lease-up at the two newest tax credit properties confirm a very strong pent-up demand for affordable housing in the greater Charlottesville market area.

Table 11 <u>Change in Net Rents at Older Affordable Family Apartment Properties, Charlottesville Market Area, February, 2009-2019</u>			
	<u>One-BR</u>	<u>Two-BR</u>	<u>Three-BR</u>
Parks Edge	\$167	\$135	\$140
Hearthwood	\$200	\$270	\$364
Rio Hill	--	\$130	\$240
Treesdale Apts.	--	\$145	\$425
Mallside Forest	\$300	\$390	\$350
(Average)	(\$220)	(\$210)	(\$300)
% Increase	34%	29%	34%
Annual Average Increases	\$24	\$23	\$33
Note: 1/ Excludes properties built after 2009 and Friendship Courts. Source: Field and telephone survey by SPA			

Apartment Unit Sizes

Data in Table 12 show the unit sizes at the market area's affordable, general occupancy apartment properties. These are modest in size. A wide range of sizes exists. Only Greenstone on Fifth has relatively small units. The apartment unit sizes proposed at South First Street Apartments are competitive.

Table 12 Apartment Unit Sizes at Selected Family Affordable Apartment Properties, Charlottesville Market Area, February, 2019

	<u>One-BR</u>	<u>Two-BR</u>	<u>Three-BR</u>
Parks Edge	690	835-994	1,128
Hearthwood Apts.	686	980	1,100
Greenstone on Fifth	585	708	861
Carlton Vista I	668-703	960-1,000	--
Friendship Courts	NA	NA	NA
Rio Hill	--	1,100	1,300
Treesdale Apts.	--	1,082	1,213
Mallside Forest	690	932	1,191
Wilton Farms	--	882-1,008	1,118-1,241
Timberland Park	--	781	929
(Average)	(665)	(935)	(1,120)
Source: Field and telephone survey by SPA			

Apartment Unit Mix

The unit mix for the market area’s affordable apartment market is shown next for apartment properties where data are available. These data show that half of the apartment units are two’s. Only 16± percent are one’s. Timberland Place has an abundance of three’s and these have not rented as good as the two’s.

Table 13 Apartment Unit Mix at Selected Family Affordable Apartment Properties, Charlottesville Market Area, February, 2019

	<u>One-BR</u>	<u>Two-BR</u>	<u>Three-BR</u>	<u>Total</u>
Parks Edge	19	57	20	96
Hearthwood Apts.	83	80	37	200
Greenstone on 5th	24	97	84	202
Rio Hill	--	103	36	139
Carlton Views I	25	25	4	54
Treesdale Apts.	--	64	24	88
Mallside Forest	32	68	60	160
Wilton Farm	--	88	56	144
Timberland Park	--	24	56	80
Total	185	606	377	1,168
% of Total	15.8%	51.9%	32.3%	100%
Source: Field and telephone survey by SPA				

Rent Per Square Foot

We did not undertake this calculation, as there are too many variables in the market to make this calculation relevant.

Section III Conclusions

The above analysis has four primary market study findings:

1. The South First Street site and setting are quite attractive and this location has proven to be a viable place for affordable housing. Aside from the public transportation service available, site proximity to a wide range of city commercial facilities and services exists. The \$13 million renovation to the adjacent Crescent Halls Apartments is an added plus.
2. The design proposal is extremely attractive. It is in keeping with the contemporary design of the three new LIHTC properties. The unit sizes are spacious and the site has surface parking.

We fully understand that the ultimate target market is a mix of Section 8 and public housing units. However, the best comparables are the area LIHTC properties.

3. The competitive apartment market is nearly fully occupied and has a large waiting list. The new units that were placed on the market have leased well, with the possible exception of all of the three's at Timberland Place.
4. A large pent-up demand currently exists for additional LIHTC apartment units for general occupancy.
5. There are several active pipeline proposals. There is a sufficient number of households on the various apartment waiting lists to support these proposals.

These issues are the basis for the market study findings and conclusions presented below. The most difficult issue is the evaluation of the proposed rents, with or without rent subsidies.

Demand Analysis

Pipeline Proposals

There are three active competitive pipeline proposals in the market area at this time. One is under construction and two are active proposals for 9% tax credit financing during the 9% competitive round. All are for general occupancy. These are described below.

- **Brookdale Apartments** is a 96-unit garden proposal for general occupancy located on a 5.76-acre parcel, west of Old Lynchburg Road, between Mountain Wood Road on the north and Country Green Road on the south, in Albemarle County. The proposal is a mix of two-bedroom (72 units) and three-bedroom (24 units) with rents at or below 60% of AMI. These are spacious units with 1,000 to 1,200 square feet and net rents of \$950 to \$1,100. The apartment units are under construction for 2020 delivery.
- **Carlton Views II** is a 48-unit expansion of Phase I at this location. It will include 43 one-bedroom units and 5 two-bedroom units. As with Phase I, this too is an elevator building, with four stories. It will have seven units set aside for persons with disabilities. Rents are defined as a mix of 40% and 60% units.
- **Friendship Court**. Management at Friendship Court has a future plan to redevelop the entire 150-unit Friendship Court property. Currently, the proposal is for 106 new affordable units to be built on vacant land at the community. These new units will largely be occupied by existing residents at Friendship Court. The new apartments will be a mix of public housing, Section 8, and LIHTC units. The 106 new units will be:

	<u>Number</u>
One-Bedroom	21
Two-Bedroom	44
Three-Bedroom	30
Four-Bedroom	<u>11</u>
Total	106

Future phases of this four-phase proposal could include some market rate apartments.

In evaluating the pipeline proposals, care is needed in the analysis of proposals that are not yet approved for financing.

Brookdale is under construction. It is a 50% LIHTC proposal with rents at the market area average. The other two proposals are not yet approved for financing. Carlton View II will have competitive rents. Friendship Court, Phase I, will have a mix of rent restricted apartment units and units at LIHTC rents. There are also 11 three-bedroom units proposed.

Rent Analysis

To be eligible and competitive for LIHTC apartment properties, assuming no rent restrictions at apartments at South First Street Apartments, gross rents need to be adjusted, as follows:

	<u>40%</u>	<u>50%</u>	<u>60%</u>
One-Bedroom	--	\$950	\$950
Two-Bedroom	\$1,050	\$1,050	\$1,050
Three-Bedroom	\$1,120	\$1,120	\$1,120

These are gross rents, as proposed, with all utilities included. These represent the rates for apartment units at South First Street Apartments without Section 8 or public housing rental assistance.

Demand Chart

First shown is the net household growth in each income category for the period of 2018 to 2021. 2021 is the date that project lease-up is expected.

Added to these totals is the number of renters on the waiting lists at the LIHTC properties under study, adjusted to account for double counting, with residents on more than one waiting list. We did not add Section 8 residents to this list, as that too many may be double counting. The greater Charlottesville marketplace has limited substandard

housing. The other two-line items – conversion of elderly and existing tenants – are not relevant for this analysis.

The total demand for net growth of income eligible renters is 780. The supply is the 96 units being built at Brookdale. The net average demand is 685 and the overall capture rate is 9.1 percent. The capture rate is broken down for each income category.

The absorption rate for all 62 units, at the rents identified above, is five months. The 40% units should be preleased. With the area waiting lists, the pent-up demand in the market area will allow for a fast lease-up period, as described above for the two newest area apartment properties.

Demand Table (2018-2021)					
Income Restrictions		Up to 40%	Up to 50%	Up to 60%	Market Rate
New Rental Households		210	120	250	580
PLUS					
Existing Households - Over-Burdened		100	50	50	200
PLUS					
Existing Households-Substandard Housing		--	--	--	
PLUS					
Elderly Households-Likely to Convert to Rental Housing		NA	NA	NA	NA
PLUS					
Existing Qualifying Tenants – to Remain After Renovation		--	--	--	
Total Demand		310	170	300	780
MINUS					
Supply (includes directly comparable vacant units completed or in pipeline in PMA)		0	70	25	95
<i>EQUALS</i>					
NET DEMAND		310	100	275	685
Number of Units		7	24	31	62
Capture Rate		23.0%	24.0%	11.3%	9.1%
Absorption in Months		0	3	5	5

The VHDA capture rate chart is as follows:

	<u>Number</u>
Project Wide Capture Rate - LIHTC Units	9.1%
Project Wide Capture Rate - Market Units	--
Project Wide Capture Rate - All Units	9.1%
Project Wide Absorption Period (in months)	5

I affirm the following:

1. I have made a physical inspection of the site and market area.
2. The appropriate information has been used in the comprehensive evaluation of the need and demand for the proposed rental units.
3. To the best of my knowledge, the market can support the demand shown in this study. I understand that any misrepresentation in this statement may result in the denial of participation in the Low Income Housing Tax Credit Program in Virginia as administered by the Virginia Housing Development Authority.
4. Neither I nor anyone at my firm has any interest in the proposed development or relationship with the ownership entity.
5. Neither I nor anyone at my firm nor anyone acting on behalf of my firm in connection with the preparation of this report has communicated to others that my firm is representing VHDA or in any way acting for, at the request of, or on behalf of VHDA.
6. Compensation for my services is not contingent upon this development receiving a LIHTC reservation or allocation.



March 11, 2019

Market Analyst

Date