

Market Analysis
Potomac Church Apartments
Stafford, Virginia

Prepared for:

Mr. Brian Staub
Marlyn Development Corporation

July, 2020

S. Patz and Associates, Inc.
46175 Westlake Drive, Suite 400
Potomac Falls, Virginia 20165



▪ S. PATZ & ASSOCIATES, INC ▪
▪ REAL ESTATE CONSULTANTS ▪

July 21, 2020

Mr. Brian Staub
Chief Financial Officer
Marlyn Development Corporation
308 35th Street, Suite 101
Virginia Beach, VA 23451

Brian:

Attached is our full narrative market analysis of the proposed 144-unit, Potomac Church Apartments, to be built during 2021 on an attractive site in the Courthouse area of Stafford County and close to the County's largest employment node, which includes Stafford Hospital and all County government offices. The proposal is for 144 apartment units for general occupancy, with rent and income restrictions at 60% of AMI for the Northern Virginia marketplace, but no age restrictions.

Potomac Church Apartments is to be financed with 4% Low Income Housing Tax Credits (LIHTC) using non-taxable bonds. The proposal will be submitted to officials of Virginia Housing Development Authority (VHDA) for tax credit financing. Thus, the report to follow has been prepared in full compliance with the market study requirements of VHDA.

Our market research shows steady employment and demographic growth, which is expected to continue. The current and affordable, general occupancy apartment market is at a nearly 99 percent occupancy rate, with most of the 1,750± affordable apartment units built in 2001 or prior. One new property opened in 2016, with 256 apartment units, and is at a 96 percent occupancy rate, with current rents higher than proposed rents at Potomac Church Apartments.

At this time, there are no active or planned affordable housing proposals, which means the current pent-up demand for new units will increase.

County officials report that there is limited apartment zoned land in the County and the land that exists is expensive and likely not practical for affordable housing. That issue has existed for 20 years, so the growth of "target" households for LIHTC apartments has been limited.

Mr. Brian Staub
July 21, 2020

Given these issues, a ready market exists for Potomac Church Apartments, at the proposed rents, which are at or below "market". We support the apartment unit rents and unit mix. The unit sizes are spacious and fully competitive. The expected lease-up pace is 20 per month for full lease-up within six months, after preleasing, and given the supply/demand data, as explained in the attached report.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Stuart M. Patz". The signature is written in a cursive style with a large initial "S" and a long horizontal stroke extending to the left.

Stuart M. Patz
President

SMP/mes

TABLE OF CONTENTS

	<u>PAGE</u>
Section I Introduction	5
Potomac Church Apartments.....	7
Site Description	7
Site Setting	13
Development Program	18
Rent Comparison.....	19
Site Plan and Building Design	20
Unit Floor Plan.....	24
Development Costs	26
Market Area Definition	26
Market Area Economic Overview.....	27
At-place jobs.....	28
Employment and Labor Force	30
Economic Development Activity	31
Summary	32
Section II Affordable Apartment Market Analysis.....	34
Market Area Demographic Analysis	34
Market Area Population	34
Group Quarters Population.....	35
Households.....	36
Renter Households.....	36
Target Renter Market	37
Competitive LIHTC Apartment Market	38
Characteristics of the Market	38
Net Rental Rates.....	42
Rent Per Square Foot.....	44
Unit Sizes	45
Unit Mix	46
Community Amenities	47
Section III Conclusions	49
Demand Analysis	50
Demand Chart.....	50
Absorption Period	50
The VHDA Capture Rate Chart	51

Section I Introduction

This will set forth our full narrative market study for the proposed development of the new construction, Potomac Church Apartments, that is planned for development during 2021 for 2022 delivery. Potomac Church Apartments is designed as a 144-unit, garden apartment for families, with financing under the federal Low-Income Housing Tax Credit (LIHTC) program, using non-taxable bonds and 4% LIHTC's.

The proposal is well located along Potomac Church Road in Central Stafford County and within 0.7 miles of Stafford Hospital in the Courthouse section of the County. Once built, Potomac Church Apartments will have rent and income restrictions, but no age restrictions.

The proposal is being prepared for submittal to officials of Virginia Housing Development Authority (VHDA) for tax credit financing. As such, the report is prepared in full conformance with the market study requirements of VHDA tax credit studies with LIHTC financing.

To complete the report within VHDA's market study requirements, the study to follow is presented in three separate sections. Section I, the Introduction, presents a detailed description of the study site and its setting along Old Potomac Church Road, and just south of the Stafford County Government Center. Included in this description is the development proposal for 144 one-, two-, and three-bedroom apartment units and their unit sizes, unit mix and proposed rents.

The site setting is described and provides data on area employment centers and adjacent land uses. While the site is located in the center of Stafford County, off of U.S. Route 1 and in close proximity of the County courthouse and government center, the site is surrounded by vacant land and is in a generally undeveloped section of the County. It is, however, adjacent to a new, upscale apartment market complex that was recently completed and in close proximity to an interchange along I-95.

The introduction also includes an analysis of the site's proximity to area public and commercial facilities, such as schools, churches, retail stores, employment centers and other facilities that are required to serve the resident population.

Section I has a second subsection, an Economic Overview Analysis of Stafford County, which describes the economic stability of the County based on job and employment growth. Job and employment growth are the two key factors that show economic stability, and thus, the ability of the marketplace to support new investments, particularly in housing, which is based largely on job and employment growth, as job and employment growth are the basic parameters that support population and households and thus housing unit demand, including affordable housing for families.

This subsection of Section I includes a detailed description of published data on jobs, employment and work force trends, as calculated by the Department of Commerce, Bureau of Labor Statistics (BLS), which provides current to year-end 2018. These published data are supplemented by current data reported by County officials on new business activity, which will generate job growth.

Section II is the supply/demand analysis for new affordable, general occupancy apartment unit development. First presented is the demographic analysis which shows the level of potential demand for new affordable housing. The projection data is 2023, as Potomac Church Apartments is expected to be approved and started by late-2020 or early-2021 and completed by early- to mid-2022. Lease-up, under this schedule would occur during late-2022 and 2023.

The demographic analysis "solves" for the number and growth of renter households with incomes of \$44,000 to \$75,000, based on proposed net rents, as described below. The forecast date is 2023. All income data are presented in constant 2020 dollars.

The second part of Section II is the Competitive Affordable Apartment Market Analysis. We identified ten apartment properties to study. Most have garden and townhome designs. The newest property, Aquia Fifteen at Town Center, is a four-story building with a contemporary design but no elevators. These are all general occupancy properties. We excluded age-restricted properties and properties with deep subsidies from the competitive analysis.

These properties are studied for occupancy, rents, unit characteristics, project features and curb appeal. These data are compared with the Potomac Church Apartments proposal to determine the competitive position of the study proposal based on current competition.

The third and final section of the report is the market study conclusions, based primarily on the VHDA Demand Chart and the penetration rate calculation. Also included in the Conclusion is an analysis of the proposed rents and the development proposal and how the development plan compares with the current and expected competition.

Based on these findings, a projected monthly lease-up pace is presented. If required, proposed project changes are recommended.

Potomac Church Apartments

Site Description

The apartment study site consists of an approximately 12-acre portion of a larger 30-acre parcel located to the east of the successful Abberly Waterstone Apartments that are located along Old Potomac Church Road in the central portion of Stafford County. The study site is located along Old Potomac Church Road approximately 0.7 miles south of Stafford Hospital and the Courthouse area of Stafford County, and 1.5 miles southeast of Courthouse Road's access to I-95. Map A below shows the location of the study site off Old Potomac Church Road.



Map A - Site Location

The site is currently zoned General Business (GB). The sponsor is using TDR's (Transfer Development Rights) to get the required density for the type of development proposed and the number of units planned. Public water is available along Old Potomac Church Road and public sewer is currently being installed at this location by the County, which is scheduled to be completed by March, 2021.

Next shown is a northern aerial of the study site, which is somewhat dated, as noted below. As shown, the site is vacant and fully wooded. The parcel to the north of the site is currently vacant as well. The site's southern boundary is generally marked by power lines. Adjacent developments are briefly detailed in the paragraphs below.

- **Abberly Waterstone Apartment Homes (Note 1)** is an attractive 288-unit, elevator-served apartment complex that opened in 2017. This is a fully-amenitized apartment community with a clubhouse, fitness center, business center and outdoor swimming pool. It contains a mix of 130 one-bedroom, 148 two-bedroom and 10 three-bedroom units. One-bedroom unit rents start at approximately \$1,500 and range to \$1,870+. Rents for the two's are \$1,870 to \$2,142 and for the three's are \$2,154. As of mid-July, 2020, the apartment complex has a 98+ percent occupancy rate.

- **Germanna Community College Barbara J. Fried Center (Note 2)**. Construction was completed in the summer of 2018 on this new 18,920± square foot educational facility, which replaces a smaller 5,000± square space that the community college leased in North Stafford. The new center has two dedicated IT rooms to support a full cybersecurity program and laboratory facilities for health and science programs. The center offers all Germanna Community College programs, including cyber security, business administration and nursing. It serves approximately 1,000 students. Within the same building is the Central Rappahannock Regional Library Fried Center Branch.

Just north of this building, on the southwest corner of the intersection of Old Potomac Church Road and South Campus Boulevard, is an undeveloped parcel that is proposed to be improved with a Minnieland Private Day School. The childcare center will occupy a single-story, 10,000± square foot building. It will also include 12 classrooms and two playgrounds, one at the north side of the building and a larger one at the east side of the building.

- **Marion Manor (Note 3)** is a private 39-bed mature assisted living facility. The facility was constructed in 1977.

In addition to the above land uses are two single-family homes that front along Old Potomac Church Road that were built in 1983 and 1986 (Note 4). Both are well maintained.



Northern Aerial (mature aerial)

Shown next is a wider northern aerial view of the study site and its setting in Central Stafford, which provides a clearer depiction of the property's attributes. The site is shown to be located near the intersection of Route 1 (Jefferson Davis Highway) and Hospital Center Boulevard, which is just east of I-95. Access from Route 1 is by Peake Lane, which cuts directly through Abberly Waterstone Apartment Homes. Access from Hospital Center Boulevard is from Old Potomac Church Road. Old Potomac Church Road will provide primary access to Potomac Church Apartments.

As previously noted, the study site is "sandwiched" between Abberly Waterstone Apartments Homes to the west and Marion Manor to the east. Apart from two large public schools that will serve Potomac Church Apartments, Brooke Point High School (Note 1) and Stafford Middle School (Note 2), most development east of the site consists of single-family homes in wooded settings.

The aerial identifies three large employment clusters located near the site. One is Stafford Hospital (Note 3), which is located at the northwestern intersection of Route 1 and Hospital Center Boulevard. This is the only hospital in Stafford County and employs approximately 400 people on site. This 100-bed, 323,400± square foot full service acute care center, that is part of Mary Washington Healthcare, was built in 2009. Kaiser Permanente opened a 38,380± square foot medical office building adjacent to the hospital in the summer of 2019. The new space provides primary care and rotating specialty care with services including behavioral health, urgent care, pharmacy, optometry, physical therapy, laboratory and imaging.

North of the Stafford Hospital, near the intersection of Route 1 and Courthouse Road, is the Courthouse area of Stafford County (Note 4). Most notably, the area houses Stafford County government and judicial offices, along with the County Courts and School Board. Approximately 980 County staff members work in this area, an increase of 200 employees since 2010.

The third area employment cluster is the Wyche Industrial Park, which flanks Wyche Road to the west of Route 1. At the south side of this roadway is the Rappahannock Regional Jail (Note 5), an expansive facility that opened in 2000 with 264,000± square feet and was expanded by 110,340± square feet in 2006. The Jail employs 380± people. To the north of the Jail is the Rappahannock Juvenile Detention Center (Note 6), an 80-bed, 59,000± square foot facility that also opened in 2000.

Other large employers along Wyche Road include Triumvirate Environmental (Note 7), Phillips Recycling & Aggregates (Note 8), Estes Express Lines (Note 9), Solar Seal Company (Note 10) and Skibo's Auto Body (Note 11).

Overall, this area is the largest employment node within the County and has a wide range of jobs, including professional, hourly wage service and administrative.



Wider Northern Aerial

Shown next are photos of the study site and its setting within this large development area located in close proximity to I-95 and U.S. Route 1 and the Courthouse exit off of I-95.



**View of Potomac Church Road
(Approaching Site)**



**Potomac Church Road
(Site on Left)**



Study Site



**View of Abberly Drive
and Abberly Waterstone Apts.**



**View of Site from
Abberly Waterstone Apts.**

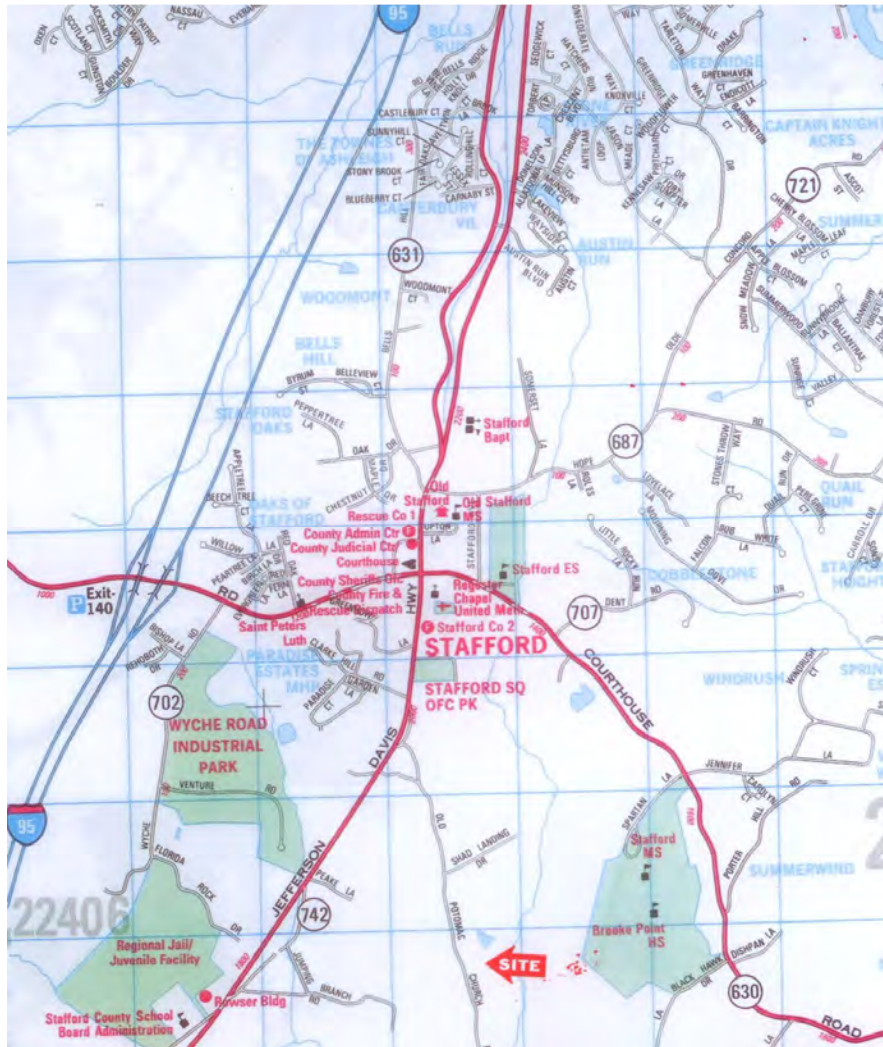
Site Setting

Map B provides a more detailed description of the site setting near the Courthouse area of central Stafford County. Old Potomac Church Road, which will access the study site, is a two-lane roadway that runs in a north-south direction between Hospital Center Boulevard in the north directly to the study site in the south. As previously noted, this roadway largely serves Abberly Waterstone Apartment Homes, Marion Manor ALF and a handful of single-family homes.

I-95 and Route 1 (Jefferson Davis Highway) are located just west of the study site and bisect the County in a north-south direction. They are both major north-south highway routes for area commuters, and for travel along the east coast. They provide access to major employment centers in Northern Virginia to the north as well as to Fredericksburg to the south. Nearby Courthouse Road is an east-west roadway that links a number of schools and residential areas to I-95 and Route 1.

Construction was completed in Summer, 2020 on the reconstruction of the I-95 interchange at Exit 140 (Route 630/Courthouse Road). The new Exit 140 interchange is located slightly south of the existing interchange, with new overpasses carrying Courthouse Road traffic over the interstate. The new Courthouse Road aligns with an extended Hospital Center Boulevard, which connects with Route 1 directly across from

Stafford Hospital. West of I-95, Courthouse Road was also widened to four lanes as far west as Ramoth Church Road and Winding Creek Road. The purpose of this roadway project was to enhance safety and provide additional capacity, as Courthouse Road west is being developed with an abundance of new single-family subdivisions.



Map B - Site Setting

Overall, the study site location is still rural in character, with Old Potomac Road being a narrow two-lane rural road. With that said, the site is in close proximity to schools, employment, churches, and retail establishments, as described below. The site is

in close proximity to a wide range of community facilities, which is unique for Stafford County.

Following are brief descriptions of the public and commercial facilities that will serve the future resident population at Potomac Church Apartments.

Medical Care. As previously noted, the closest hospital to the study site is Stafford Hospital, which is located 101 Hospital Center Boulevard, less than a mile from the site.

Community Facilities. The nearest post office to the study site is located at 2650 Jefferson Davis Highway, approximately 3.5 miles to the north. Stafford 2 Fire Department is located at 305 Jason Mooney Drive, approximately 1.5 miles northwest of the study site. The closest library is the Central Rappahannock Regional Library Fried Center Branch, which is walking distance from the site at 124 Old Potomac Church Road.

Education. School-aged children residing at Potomac Church Apartments will be served by Stafford County Public Schools, which enrolls more than 30,000 students in 17 elementary, eight middle and five high schools. School-aged children residing at Potomac Church Apartments will be served by the following public schools. None of these schools are within walking distance from the Potomac Church Apartments site.

<u>Schools to Serve Broad Potomac Church Apartments</u>		
<u>School</u>	<u>Address</u>	<u>Driving Distance</u>
Stafford Elementary School	1349 Courthouse Road	1.4 miles
Stafford Middle School	101 Spartan Lane	1.7 miles
Brooke Point High School	1700 Courthouse Road	2.2 miles
Source: Stafford County Public Schools		

Multiple opportunities for higher education exist in Stafford County. The University of Mary Washington's graduate school campus is located in Stafford County. The campus offers a variety of career advancement and professional development

programs for working adults. The program enrolls over 1,000 students. Germanna’s new Barbara J. Fried Center is near the study site at 124 Old Potomac Church Road. It opened in the summer of 2018. The facility, which serves approximately 1,000 local students, offers all Germanna transfer programs, including cybersecurity, nursing and business administration. University of Maryland Global Campus offers classes and full services at Quantico Corporate Center (Off-Base) in Stafford.

Parks and Recreation. One community center and two parks are located near the study site. These are briefly described in the paragraphs below.

- **Courthouse Community Center.** This community center is located at 29 Stafford Avenue. The Center is used for a wide variety of recreational programs. Programs available are volleyball, basketball, classes, workshops and special events for children, adults and senior citizens.
- **Embrey Mill Park and Aquatic Center.** Located at 1600 Mine Road, this park includes six lighted fields for youth soccer, lacrosse and football. It also includes a playground and concession stands. The park also contains an indoor component with three pools, including a 50-meter Olympic-size competition pool, a 25-yard recreation pool with water features for kids, an 88 degree wellness pool, full-size basketball court, fitness floor, kids’ club with activities, group fitness/cycling studios and a full-service café.
- **Smith Lake Park** is located at 370 Doc Stone Road. This 17-acre park features three baseball fields (60, 70 and 90-foot) and two synthetic turf soccer fields, all lighted and irrigated. Other amenities include one large and one small picnic pavilion, paved trails, a playground, and a restroom/storage building.

Religious Institutions. Several churches are located within close proximity to the study site. These are listed in the chart below.

<u>Location of Nearby Churches</u>	
<u>Name</u>	<u>Address</u>
New Life Community Church	1449 Courthouse Rd.
The Church of Jesus Christ of Latter-day Saints	1399 Courthouse Rd.
St. Peter’s Lutheran Church	1201 Courthouse Rd.
Stafford Community Baptist Church	1267 Courthouse Rd.
Risen Glory Church	2066 Jefferson Davis Hwy

Shopping. The closest grocery store to the Potomac Church Apartments site is a Weis Supermarket, located in the Foreston Crossing Shopping Center at 2612 Jefferson Davis Highway, approximately three miles north of the study site at the Aquia Harbor community. Other tenants in this 80,000± square foot shopping center, which was built in 2003, include CVS, Anita’s Beautiful Flowers and Pet Plus.

A larger number of shopping centers with regional and national retailers are clustered along Garrisonville Road, less than six miles north of the study site. Larger shopping centers in this area are detailed in the chart below.

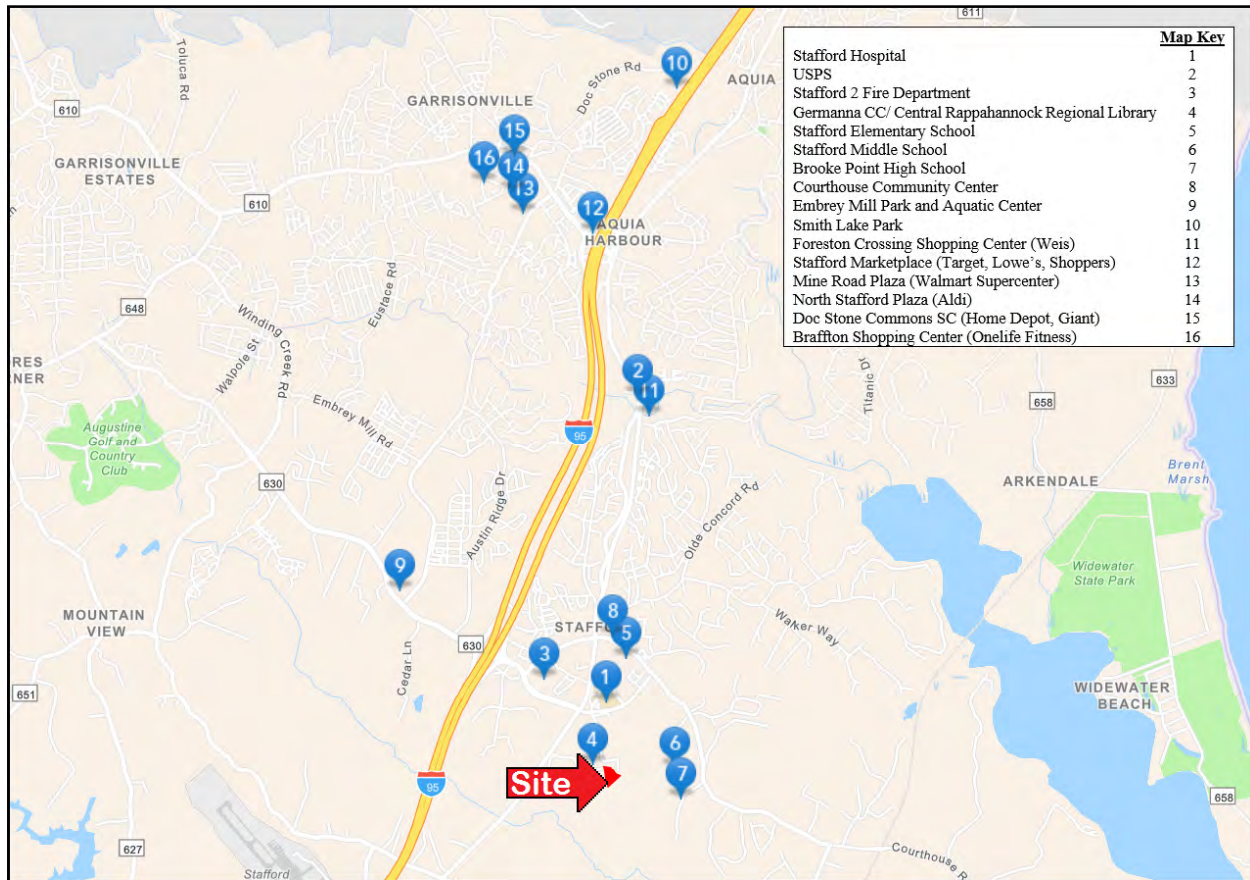
<u>Characteristics of Larger Shopping Centers, Garrisonville Road Corridor, July, 2020</u>		
	<u>Size (Sq. Ft.)</u>	<u>Anchors</u>
Stafford Marketplace	331,050	Target, Lowe’s, Shoppers, Best Buy, Kohl’s
Mine Road Plaza	129,560	Walmart Supercenter
North Stafford Plaza	183,900	Aldi
Doc Stone Commons Shopping Center	416,450	Home Depot, Giant, Petco Staples
Braffton Shopping Center	105,980	Onelife Fitness

Map C shows the location of the community facilities that will serve residents at Potomac Church Apartments. Most important is that the setting has a full array of basic services for area residents. Comparison shopping is available at larger shopping centers to the south in and around Fredericksburg, and also, north along the Route 234 corridor in Prince William County.

The largest retail cluster in the Fredericksburg area is Central Park, a 2.2 million square foot regional shopping center that encompasses over 300 acres and has 170± businesses located on the north side of the City of Fredericksburg at Route 3 and I-95 and in close proximity to the Stafford County Courthouse area. Anchor tenants at Central Park include:

- Walmart
- Lowe’s
- Best Buy
- Ashley Furniture
- Shoppers Food Warehouse
- Target
- Kohl’s
- Barnes & Noble
- PetSmart
- East Coast Appliance

Central Park has an abundance of smaller retailers, restaurants, office space and recreational facilities and is the closest regional mall to central Stafford.



Map C - Location of Area Community and Public Facilities

Development Program

Table 1 provides a detailed description of the Potomac Church Apartments proposal, with data on apartment unit sizes, unit mix and proposed net rents. The apartment units are designed for families and have no age restrictions. All 144 of the units will be set aside for households with incomes at or below 60 percent of the Area Median Income (AMI), when incomes are reported in constant 2020 dollars.

The table shows a mix of 32 one-, 68 two- and 44 three-bedroom units. All one-bedroom units will have one full bathroom, while the two- and three-bedroom units will each have two full bathrooms. The one-bedroom units will measure 848 square feet. The

two-bedroom units will measure 1,194 square feet. The three-bedroom units will measure 1,264 square feet. These apartment units will be spacious in size.

Also shown in Table 1 are the proposed net rents at Potomac Church Apartments, which exclude all utilities. These rates will also include a full-size washer and dryer. One-bedroom net rents will be \$1,090. Two-bedroom net rents will be \$1,270. Three-bedroom net rents will be \$1,470. The UA's are based on a recent energy audit prepared for the proposal.

Table 1: Proposed Unit Characteristics, Potomac Church Apartments 1/					
	<u>Units</u>	<u>Size (Sq. Ft.)</u>	<u>Net Rent</u>	<u>UA</u>	<u>Gross Rent</u>
1BR/ 1BA (60% of AMI)	32	848	\$1,090	\$104	\$1,194
2BR/ 2BA (60% of AMI)	68	1,194	\$1,270	\$127	\$1,397
3BR/ 2BA (60% of AMI)	<u>44</u>	1,264	\$1,470	\$148	\$1,618
Total	144				
Notes: 1/ Rents include trash collection.					
Source: Marlyn Development Corporation					

Rent Comparison

Table 2 shows net and gross rents for the proposed apartment units, with a utility allowance (UA) shown and added to net rents. Base rents include only trash collection, and not electricity and cold water and sewer. The projected UA is based on a recent audit for the proposed apartment property built by the sponsor. The UA was calculated based on the unit sizes and energy efficient HVAC system and appliances. The apartment building will be energy efficient within the VHDA guidelines.

The proposed gross rents shown are compared with the HUD maximum allowable gross rents for the Washington-Arlington-Alexandria, DC-VA-MD HUD Metro FMR Area. These comparisons show that the proposed gross rents, with the calculated UA added, are well below the HUD maximum allowable rents for the market area.

Table 2: <u>Rent Comparison Chart, Potomac Church Apartments and HUD Maximum Allowable Rates</u>				
	<u>Potomac Church Apartments</u>			<u>HUD Maximum Allowable</u>
	<u>Net Rent</u>	<u>UA</u>	<u>Gross Rent</u>	
1BR/ 1BA (60% of AMI)	\$1,090	\$58	\$1,194	\$1,417
2BR/ 2BA (60% of AMI)	\$1,270	\$74	\$1,397	\$1,701
3BR/ 2BA (60% of AMI)	\$1,470	\$89	\$1,618	\$1,965
Source: HUD and Marlyn Development Corporation				

Site Plan and Building Design

Shown next is the proposed site and site plan for Potomac Church Apartments. It shows that the site is generally rectangular in shape and will have only one access point, which is on the northwest section of the property and off of Old Potomac Church Road and opposite Abberly Drive. Abberly Drive accesses Abberly Waterstone Apartments to the west of the study site.

The complex will contain four, four-story garden apartment buildings and a free-standing one-story clubhouse. Three of the apartment buildings will contain 32 units and one will contain 48 units. The clubhouse, which will house the leasing office, club room and fitness center, will measure 4,185 square feet. The apartments will be served by surface parking spaces that will wrap around the property boundary. There will be a total of 317 surface parking spaces, or a ratio of 2.2 spaces per apartment unit.

Also shown in site plan is that grass pavers will provide pedestrian access across the center of the community between each of the four residential buildings and the clubhouse. The clubhouse will contain the rental office, community room and fitness center. The internal site parking will also access outdoor amenity space that will include a dog park, grilling area and outdoor covered seating.

The site plan shows that the site entrance is at the south end of Old Potomac Church Road. Also shown is that Old Potomac Church Road could be expanded to the south in the future.



Potomac Church Apartments Site Plan

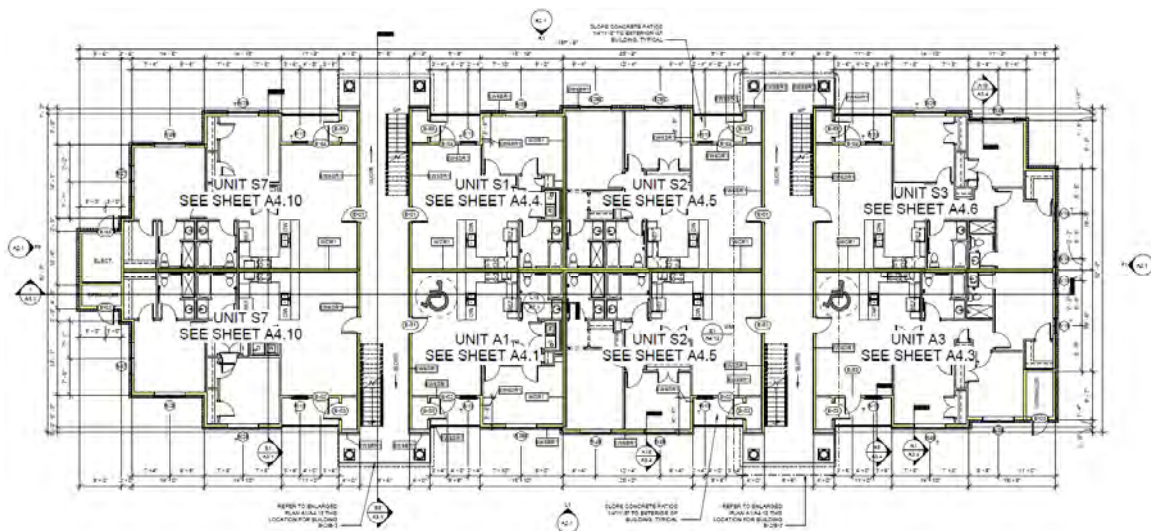
Shown next is a rendering of a typical residential building within the development proposal. The apartment buildings are designed to be four-story walk-up “garden style” apartments, constructed with quality low maintenance exterior building materials. All buildings will be Energy Star certified.

The majority of the buildings will be covered with color-thru composite horizontal board and batten siding with a combination of metal wrapped and PVC Trim elements. The buildings will be highlighted with a brick (masonry veneer) watertable at the ground level and full-height brick facing at the entryways. The covered entryways/breezeways will also feature PVC column wraps sitting on top of brick piers that lead to stairs equipped with a prefinished aluminum safety railing system. Each unit will have a balcony/patio with the same prefinished railing system and exterior grade decking. Energy efficient windows and doors are planned. The buildings roofs will be covered with 30-year architectural asphalt shingles.



Potomac Church Apartments Building Rendering

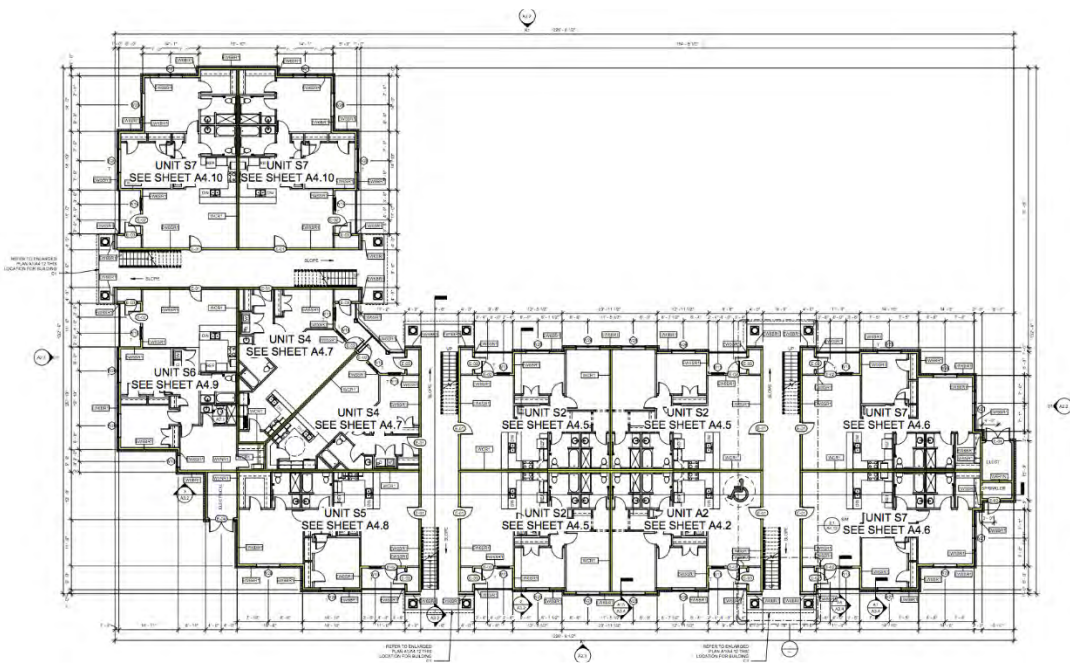
The floor plans for ground level apartments at a typical 32-unit residential building are presented next. It shows that the ground level will be fully residential. It will contain four sets of stairs that will provide exterior access to each of the residential units. The upper three levels will be similar in design, as they will be fully residential as well. The apartment units will have nine-foot ceilings.



Potomac Church Apartments Ground Level Floor Plan

The building design is especially attractive given the current “social distancing” requirements in today’s world. The stairwells will be open and each stairwell will only serve eight apartment units. This represents an excellent marketing concept, as the design is unique and relevant for the current evolving market as it relates to health concerns.

Next shown is the floor plan for the larger 48-unit apartment building. This building will have six stairwells, again with each stairwell serving only eight apartment units. In this building, eight apartment units will be triangular in shape and several apartments will be corner units with an abundance of windows and natural light.

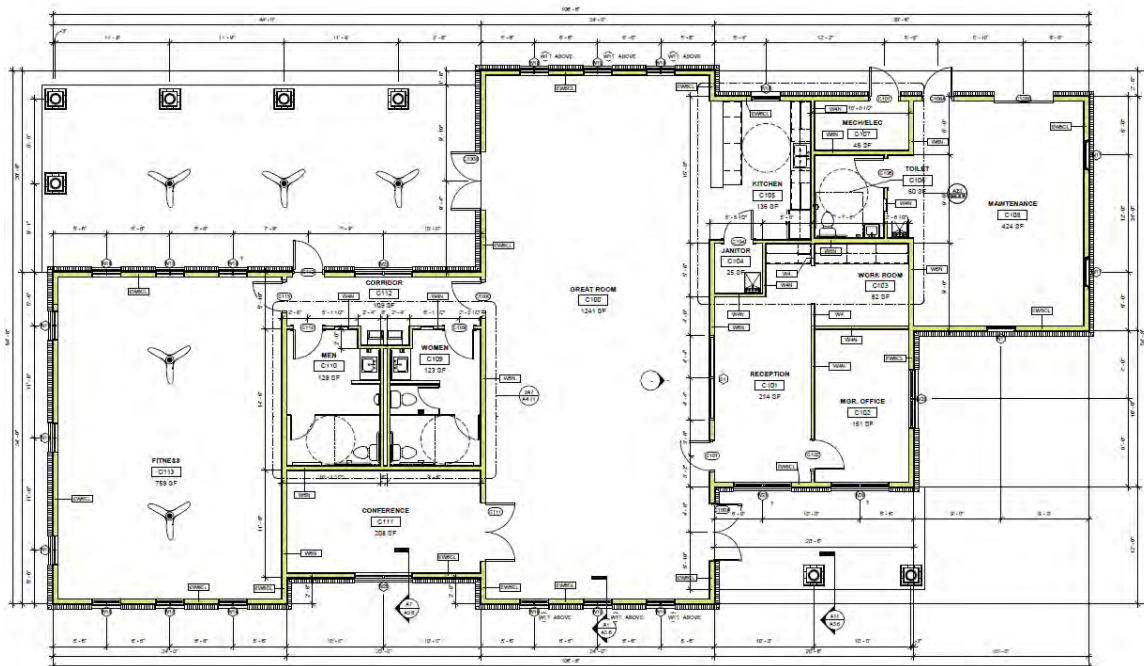


Shown next is a rendering of the clubhouse building. It will be a single-level structure that will share the same exterior designs as the residential structures.



Potomac Church Apartments Clubhouse Rendering

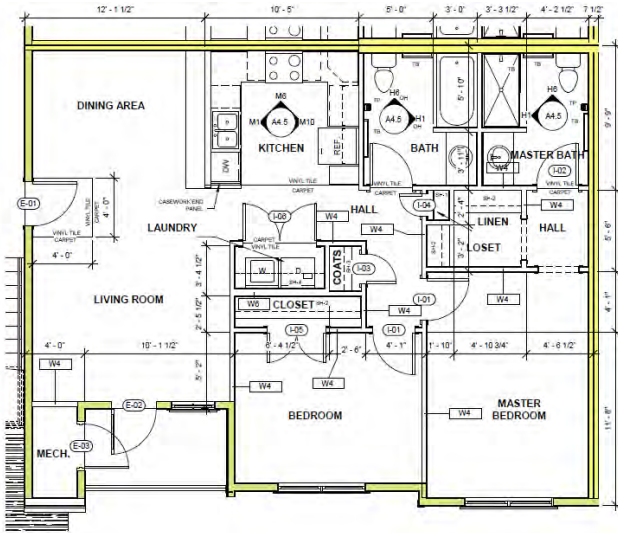
The floor plan for the 4,185 square foot clubhouse is presented next. It shows the clubhouse to contain a management office, maintenance space and janitorial space. It will also contain a 1,240± square foot common room, 210± square foot conference room and 76±0 square foot fitness center. Also included in the clubhouse will be a community kitchen and two restrooms. There will also be an outdoor dining/gathering area.



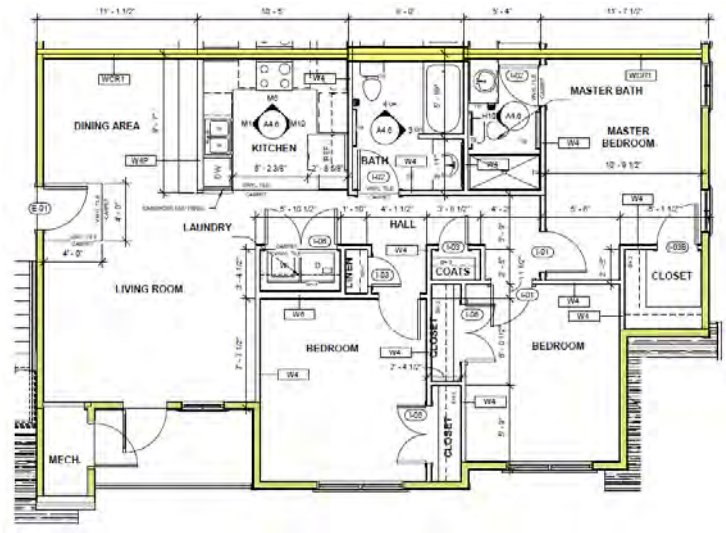
Building Floor Plans

Unit Floor Plans

Next shown are larger drawings of typical apartment unit floor plans. All units will feature a full-sized washer and dryer. The kitchens will have an electric range, microwave, refrigerator, dishwasher and garbage disposal. All of these appliances will



2BR/2BA



3BR/2BA

Development Costs

The proposed building costs, including soft costs and land acquisition, is \$27.1 million, or \$188,460± apartment per unit.

Market Area Definition

The market area for Potomac Church Apartments is defined as Stafford County, as shown in Map D. The market area was defined by interviews with on-site managers at area affordable apartment properties under study. These interviews note the majority of tenants originate from Stafford County.

The key issue is that all of the “urban” growth in Stafford County is along the I-95/U.S. Route 1 corridors on the east side of the County. East-west routes, such as Route 610, Route 630 and Route 17, have developed over time, but primarily for the for-sale home market. Thus, the County’s apartment market is “clustered” on the east side and close to the County’s two major north-south commuter routes.

The study site is shown to be roughly in the center of the County and adjacent to the Marine Corps Base Quantico. Stafford County has historically attracted military and

civilian employees from Quantico for off-base housing. Stafford County has provided a more affordable housing market compared with some northern counties. A more detailed description of trends at Quantico is presented below.



Map D - Potomac Church Apartments Market Area

Market Area Economic Overview

This part of the market analysis presents an economic overview of the defined market area in terms of job and employment growth. Three economic factors are presented and analyzed: (1) at-place job growth, (2) employment and labor force trends, and (3) an evaluation of active development plans that are expected to generate new job and employment growth.

The three economic factors under study are analyzed in the paragraphs to follow. Key to this analysis is that job growth supports growth in population and households, and therefore, housing unit demand, particularly of the type of housing under study.

Thus, the establishment of market area economic stability is a key issue related to the demographic growth of the market area.

At-Place Jobs

As of year-end 2018, the date for which the most recent at-place jobs data are available, Stafford County had approximately 44,080± at-place jobs. The 2018 at-place jobs count is 8,850± jobs above the pre-recession total in 2008, representing an increase of over 25 percent. Thus, not only has Stafford County recovered the jobs lost in the wake of the Great Recession, but the local economy has witnessed significant employment growth since that time. Most recently, Stafford County's employment total expanded by over 430 jobs in 2017 and nearly 1,100 jobs in 2018. Recent growth has been driven largely by Health Care and public sector employment, as described below.

Federal employment recorded the most job growth during this period, adding 2,130± jobs since 2008, or an increase over 86 percent. Much of this employment is situated in and around Marine Corps Base Quantico, which occupies 32,753 acres in northern Stafford County. The Base also employs approximately 7,500 civilians. The FBI Academy and the FBI National Crime Lab are also located at Quantico. The FBI National Crime Lab relocated to Stafford in 2003 and has over 900 employees. The US Drug Enforcement Agency also has a facility on-site. The Military Investigative Services for the various branches of the military have nearly 4,000 employees at the Russell-Knox Complex. The Marine Corps University and several advanced training schools are also located at Quantico. The Marine Corps Systems Command is a tenant on the base that has both civilian and military employees.

The Health Care sector had the second fastest level of job growth since 2008, adding 2,020± new jobs over this period. This represents an increase of nearly 112 percent. Much of this employment growth is associated with the 100-bed Stafford Hospital Center, which is the County's eighth largest employer.

Apart from Health Care and Federal Employment, major employment sectors in Stafford County include Local Government, of which over 4,100 people work for the Stafford County School System; the Retail Trade sector, which serves much of the resident population; Accommodations/ Food and the Professional Services sector. Most of the largest County employers are in these sectors. Each of these sectors has added jobs since 2008, with employment in Local Government expanding by 540±, Retail employment expanded by 1,100±, employment in the Accommodations/ Food sector grew by 680± and employment in Professional Services expanded by 340±.

Other growth sectors include Administrative Services (840± new jobs), Other Services (520± new jobs), State Government (300± new jobs) and Educational Services (250± new jobs).

In terms of job losses, only five employment sectors have fewer jobs at year-end 2018 compared to year-end 2008. Nevertheless, these job losses have been fully offset by job growth in other sectors. The sector with the highest level of job cuts is the Construction sector, with 470± fewer jobs in 2018 compared to 2008. Most of these jobs were lost earlier in the decade and immediately following the recession. Other sectors with job losses represent small components of the local economy. These include Management of Companies (210± jobs lost), Manufacturing (130± jobs lost), Information (120± jobs lost) and Arts/ Entertainment/ Recreation (10± jobs lost).

Table 3: Trends in Average At-Place Employment, Stafford County, Virginia, 2008-2018

Industry	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Change
Agriculture	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	--
Mining	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	--
Utilities	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	--
Construction	2,893	2,172	1,950	2,111	2,069	2,151	2,308	2,412	2,516	2,519	2,419	-474
Manufacturing	721	694	712	704	700	802	742	682	689	641	589	-132
Wholesale Trade	2,246	1,991	1,895	1,712	1,658	1,699	1,869	1,713	ND	ND	ND	--
Retail Trade	3,890	3,800	4,174	4,436	4,469	4,761	4,736	4,799	4,907	4,963	4,987	1,097
Transport./ Warehousing	ND	ND	ND	ND	ND	ND	ND	ND	1,655	1,694	1,696	--
Information	344	321	294	270	273	264	276	256	260	216	221	-123
Finance/Insurance	4,870	4,975	ND	ND	4,882	4,983	ND	ND	ND	ND	ND	--
Real Estate	361	326	ND	ND	309	342	ND	ND	ND	ND	ND	--
Professional Services	2,686	2,702	2,794	30,536	2,893	2,894	2,846	2,941	2,857	2,952	3,029	343
Management of Co.	279	256	83	70	84	73	87	96	108	96	74	-205
Admin Services	921	916	997	1,137	1,210	1,171	1,215	1,409	1,604	1,693	1,763	842
Educational Services	466	433	394	372	419	394	427	514	681	693	716	250
Health Care	1,803	2,420	2,676	2,723	2,881	3,536	3,562	3,592	3,687	3,632	3,820	2,017
Arts/Enter./Recreation	403	401	397	360	373	361	336	419	419	392	396	-7
Accommodations/Food	3,019	3,082	3,168	3,260	3,264	3,356	3,476	3,584	3,540	3,646	3,700	681
Other Services	1,316	1,264	1,321	1,349	1,379	1,405	1,475	1,565	1,592	1,795	1,840	524
Local Government	5,711	5,727	5,837	5,898	5,812	5,837	5,795	5,791	5,877	5,804	6,255	544
State Government	155	158	169	336	391	415	418	414	431	461	455	300
Federal Government	<u>2,466</u>	<u>2,628</u>	<u>2,949</u>	<u>3,449</u>	<u>4,022</u>	<u>4,075</u>	<u>4,162</u>	<u>4,406</u>	<u>4,582</u>	<u>4,592</u>	<u>4,594</u>	<u>2,128</u>
Total	35,228	34,861	35,603	37,297	38,080	39,452	40,375	41,423	42,575	43,007	44,077	8,849

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

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

Employment and Labor Force

At-place jobs refer to where the job is located, and in this instance, that relates to jobs located in the market area. Employment refers to the number of market area residents who are employed, no matter where the job is located. Employment totals are higher than at-place jobs, which means that net out-commuting occurs from Stafford County into adjacent localities, particularly close-by counties in Northern Virginia, and the Fredericksburg area. Employment data are available to year-end 2019.

Table 3 shows employment data in Stafford County. Employment grew by 6,950± since 2008, which is slightly less than the at-place job growth. The same “growth” pattern exists for employment and labor force as for at-place jobs, which is employment growth until the recession in 2008, followed by a short decline and then recovery.

Employment has grown every year since 2010 and eclipsed the pre-recession peak in 2008 by 2016. Most recently, employment has grown by 2,070± in 2018 and 1,720± in 2019, which is a more pronounced level of growth than at-place jobs. Also of note is that the Labor Force has also grown every year since 2010, which indicates a healthy local economy as it means local residents expect to find employment.

Table 4: Trends in Employment and Unemployment Stafford County, Virginia, 2008-2019				
	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Percent Unemployed</u>
2008	66,129	63,852	2,277	3.4%
2009	65,512	61,927	3,585	5.5%
2010	63,904	59,748	4,156	6.5%
2011	65,148	61,126	4,022	6.2%
2012	65,515	61,724	3,791	5.8%
2013	66,087	62,345	3,742	5.7%
2014	66,634	63,079	3,555	5.3%
2015	66,644	63,671	2,973	4.5%
2016	68,200	65,501	2,699	4.0%
2017	69,424	66,922	2,502	3.6%
2018	71,131	68,995	2,136	3.0%
2019	72,712	70,711	2,001	2.8%
Net Change	6,583	6,859	-276	-0.6%
Source: United States Department of Labor, Bureau of Labor Statistics				

Economic Development Activity

Presented below are current major developments in the market area that are job-generating.

- **Red Apple Pediatric**. This parcel, located on the south side of Garrionsville Road near Vulcan Quarry Road, is proposed to be redeveloped to include a 6,260± square foot, single-story medical and dental office building.
- **GRIMM**, a cybersecurity engineering and consulting firm, announced in February, 2020 that it would establish its corporate headquarters in Stafford County. The expansion is expected to create 23 jobs. GRIMM provides products and services including cybersecurity tools, sensors, analytics, frameworks, automated testing and consulting.

- **First Line Technology**, which manufactures disaster preparedness, emergency response equipment and products for military and first responders, announced in October, 2019 that it would relocate from Chantilly to an office and manufacturing/warehouse facility on 487 Lendall Lane. The facility will employ approximately 20 people.
- **Embrey Mill Town Center**. Ground was broken in late-2019 on this Publix anchored shopping center at the northeastern corner of Courthouse Road and Mine Road. The shopping center will also contain 26,5000± square feet of smaller retail space. The 48,000± square foot grocery store anchor will employ 130 people and is expected to open in early-2021.
- **Mary Washington Healthcare** is completed construction in the spring of 2020 on an urgent care facility at 10 Stafford Lakes Parkway, near Geico, that offers urgent care services, X-rays, an outpatient lab and primary care practices.
- **Garrison at Stafford**. This is a proposed mixed-use development in the 400 block of Garrisonville Road. At build out, the development will contain 500,000± square feet of retail space, 450 apartment units and a movie theater. The initial phase of development will contain 200,000± square feet of retail space and 100 apartment units.
- **Merritt Business Park at Quantico Corporate Center**. This is a proposed business park to include two single-story, flex/light industrial buildings, totaling 162,600± square feet. The Class A flex style building is designed to complement existing Class A office space in the Quantico Corporate Center. Construction of the two buildings is expected to be completed by October, 2020.
- **Lidl**, a German based supermarket, announced in March, 2020 that it would open a second store in North Stafford. The store will be approximately 20,000± square feet.
- **Global Logistic Group**, a transportation services company, plans on constructing a three-story, 13,390± square foot office building at the intersection of Brandywine Court and International Parkway.
- **Hampton Run Assisted Living**. This is a proposed one-story, 42,230± square foot assisted living facility to be built near Garrisonville Road. The facility will contain 104 beds.
- **Stafford Nursing Home**. Stafford Residential plans on constructing a 35,290± square foot, 90-bed nursing home.

Summary

Stafford County's job and employment totals have increased steadily over the past 8± years and after the recession of the late-2000's. Much of this growth is the result of expansions at Quantico Marine Corps Base and at Stafford Hospital and related medical facilities.

In spite of (or due to) the sizable employment growth in the County, County officials are concerned with population growth, particularly related to the increase of school aged children. Thus, few sites in the County exist with zoning which allows apartment unit development and/or require sites that can be designed with large subdivisions. That would generate an increase in the school age population.

Section II Affordable Apartment Market Analysis

This section of the report is the supply/demand analysis for the proposed 144-unit Potomac Church Apartments. This section is divided into two parts. Part one is the demand analysis, based on demographic trends and studied for renter households with incomes, reported in constant 2020 dollars, of \$44,000 to \$75,000, based on the proposed rents at Potomac Church Apartments.

The forecast date is 2023, as Potomac Church Apartments is expected to be approved and started by late-2020 or early-2021 and built during 2021 into 2022. Lease-up will likely occur during 2022, and possibly into 2023. All income data are reported in constant 2020 dollars. The proposed rents are net of all utilities (except trash collection) and affordability is based on 30 percent of household income allocated to net rent.

Part two of Section II is the competitive analysis for affordable apartment units, of the type planned. We identified ten “affordable” properties as competitive. These exclude affordable housing for seniors, i.e., age-restricted apartments, and for apartments with “deep” rent subsidies. The Potomac Church Apartments proposal is compared with the ten “comps” in terms of rents, unit mix and characteristics, amenities, and curb appeal. A key issue is current occupancies, and for newer apartments, the time required to reach stabilized occupancy. These factors are compared with the Potomac Church Apartments proposal to determine its competitive position and comparison with the current market.

Market Area Demographic Analysis

Market Area Population

The 2019 market area population count for Stafford County, which is based on current estimates from the Weldon Cooper Center for Public Service, totals 151,700± people. In terms of population growth, the County realized a net growth of 30,210± during the 1990's, 36,510± during the 2000's and 22,730± between 2010 and 2019, or an

average of 2,530± per year for the past seven-year period. The current rate of growth (annualized) is below the growth level of the past two decades due primarily to the past recession of the late-2000's and the significant downturn in the for-sale housing unit market since that time. Based on past trends and economic development activity, the market area population is projected to grow by 10,100± and reach a total of approximately 161,800 by 2023.

To summarize, data in Table 5 show substantial growth in the market area during the 1990's and 2000's, as Northern Virginia's growth expanded south along the I-95 corridor into Stafford County, as land for new residential development in Northern Virginia became scarce and expensive. During that period, growth was for new home developments and new apartment unit development. However, the I-95 corridor also realized growth from Fort Belvoir, Quantico, and new health care facilities. The construction of the Virginia Commuter Railway was another factor that supported new growth recently.

Table 5: <u>Trends and Projections of Population and Household by Tenure, Potomac Church Apartments Market Area, 1990-2023</u>					
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2019</u>	<u>2023</u>
Market Area Population (Stafford County)	62,240	92,450	128,960	151,690	161,790
Group Quarters Population	2,030	1,490	3,590	3,600	3,650
Household Population	60,210	90,960	125,370	148,090	158,140
Persons Per Household	3.10	3.01	3.00	2.98	2.97
Total Households	19,420	30,190	41,770	49,700	53,250
Renter Households	3,510	5,870	9,430	12,670	14,380
Percent Renter Households	18.1%	19.4%	22.6%	25.5%	27.0%
Source: 1990, 2000 and 2010 Census, U.S. Census Bureau, U.S. Department of Commerce; Weldon Cooper Center for Public Service; S. Patz & Associates, Inc.					

Group Quarters Population

The County's Group Quarters population consists almost entirely of seniors in senior housing and hospitals, inmates in correctional institutions, and those facilities residing in military quarters at Marine Corps Base Quantico. The Group Quarters

population has grown considerably since 2000, largely due to growth at Marine Corps Base Quantico and expanding inmate populations.

As of 2019, the Group Quarters population total was 3,600± people, or 2.4 percent of the market area population. The Group Quarters population is subtracted from total population to determine Household Population. Household Population is the basis for determining housing unit demand. Household population increased by nearly 13,000 during the 2010 decade, to date, which is below population growth rates of the prior two decades.

Households

The trend data on households, or occupied housing units, show a sizable increase since the 1990's. As of 2019, the market area's household total equals 49,700±, which represents an increase of 7,930± households over the 2010 census total. This growth trend is expected to continue for the 2019 to 2023 period, based on identified employment in Stafford County. The market area is forecasted to contain 53,250± households in 2023, an increase of 3,550± households from the 2019 total.

Part of the reason that population increased at a slightly slower rate than households is that the average market area household size has decreased. It was 3.10 in 1990, but 3.01 in 2000 and 3.00 in 2010. Average household size is currently estimated at 2.98 and is projected to decrease slightly to 2.97 by 2023. This is a high household size compared with most communities and reflects a suburban marketplace with an abundance of for-sale homes, as shown by the tenure split in Table 5.

Renter Households

In 2019, 25.5 percent of all market area households were renters. That percentage has increased from 19.4 percent in 2000 to 22.6 percent in 2010. By 2023, the market area renter household total is projected to increase to 26.8 percent. The state's percentage of

renter households is 35± percent. That percentage is higher for counties to the north in Northern Virginia. The national average is also in the mid-30's percentage currently.

The percentage of renters in Stafford County has changed since the recession of the late-2000's, as the for-sale housing market decreased and considerable new apartment unit development has increased substantially. This is noted by the increase in renter households and the increase in the percent of renters.

Target Renter Market

The target market for Potomac Church Apartments, based on the net rental rates described above, is renter households earning annual incomes of between \$44,000 and \$75,000, when incomes are reported in constant 2020 dollars.

The demographic analysis in Table 6 shows, that as of 2019, the County had 3,000± renter households within this income range, an increase of 600± over the 2010 total. By 2023, the County is projected to add another 600 additional households within this income category to reach a total of 3,600± households. The reason why the total number of households within the target income range has declined, while the percentage of total renter households has increased, is due to the larger number of market rate apartments that have been built in recent years, along with a sizable number of renters moving into homes originally built for home ownership. This should change during the forecast period and generate a large growth of “target” households.

Table 6: <u>Target Renter Market Incomes, Potomac Church Apartments Market Area, 1990-2023</u> (Constant 2020 Dollars)					
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2019</u>	<u>2023</u>
Renter Households	3,510	5,870	9,430	12,670	14,380
Percent Renter Households	18.1%	19.4%	22.6%	25.5%	27.0%
<u>Target Apartment Market (\$44,000- \$75,000)</u>					
Total Households	1,040	1,720	2,400	3,000	3,600
Percent of Renter Households	29.6%	29.3%	25.4%	23.6%	25.0%
Source: 1990, 2000 and 2010 Census, U.S. Census Bureau, U.S. Department of Commerce. Weldon Cooper Center for Public Service; S. Patz & Associates, Inc.					

Also of note is that Stafford County has limited land currently zoned, and with on-site utilities, for apartment unit development. The land that is available is often defined as too expensive for affordable housing. Thus, while the number of target households have increased, particularly since 1990, the growth rate is likely to be “decreased” due to the inability to build more affordable apartment units.

Competitive LIHTC Apartment Market

Characteristics of the Market

Table 7 identifies the ten general occupancy LIHTC apartment properties in the market area. These communities contain nearly 1,750 apartment units, with rents restricted to 50% and 60% of AMI. The current vacancy rate is very low, at under 1.3 percent.

Only one new apartment complex has opened over the past decade, which is the 256-unit Aquia Fifteen. The community, which is the second largest under study, began leasing in June, 2016 and leased an average of 25 units per month after opening. The community features an array of amenities including an outdoor swimming pool, two-story clubhouse, grilling areas and a fitness center. The complex currently has ten vacant units. Management notes that typical occupancy is between 96 and 98 percent. Of note is that this is the only complex to offer one-bedroom units with affordable rents in Stafford County.

The remaining nine comps were built in the 1990’s and 2000’s. Four affordable apartments opened during the 2000’s, all early in the decade and with nearly 590 units. Of this total, only nine units are now vacant. An additional 906 apartment units were built in the 1990’s. Only three of these units are now vacant. These older units contain a mix of garden apartments and larger two-level, townhome-style units.

Salient points in Table 7 are as follows:

- Only one apartment complex—Aquia Fifteen—has opened over the past decade. All of the remaining “comps” are now at least 19 years old and starting to show signs of aging. One reason for the lack of new inventory is the difficulty of rezoning land in Stafford County to permit multi-family development.
- None of these competitive properties are located in the Courthouse area of Stafford County, which is the largest concentration of employment in the County.
- Apart from Aquia Fifteen, all of the apartments under study were designed exclusively for families with children, as none offer one-bedroom units. Many of these older properties have townhomes designs.
- The market area vacancy rate is very low at 1.3 percent, with only 22 vacant units. Seven of these properties are either fully occupied or have only one vacant units. This is reported to be the norm. Nearly half of all vacancies (ten units) are at Aquia Fifteen.
- None of the competitive properties are facing any occupancy issues.
- **Based on interviews with on-site management, we estimate that approximately 10 percent, or 170± units, are occupied by Section 8 voucher holders.**
- Of note is that three of the oldest properties are at 50% of AMI rents; all other properties are at 60% rents.

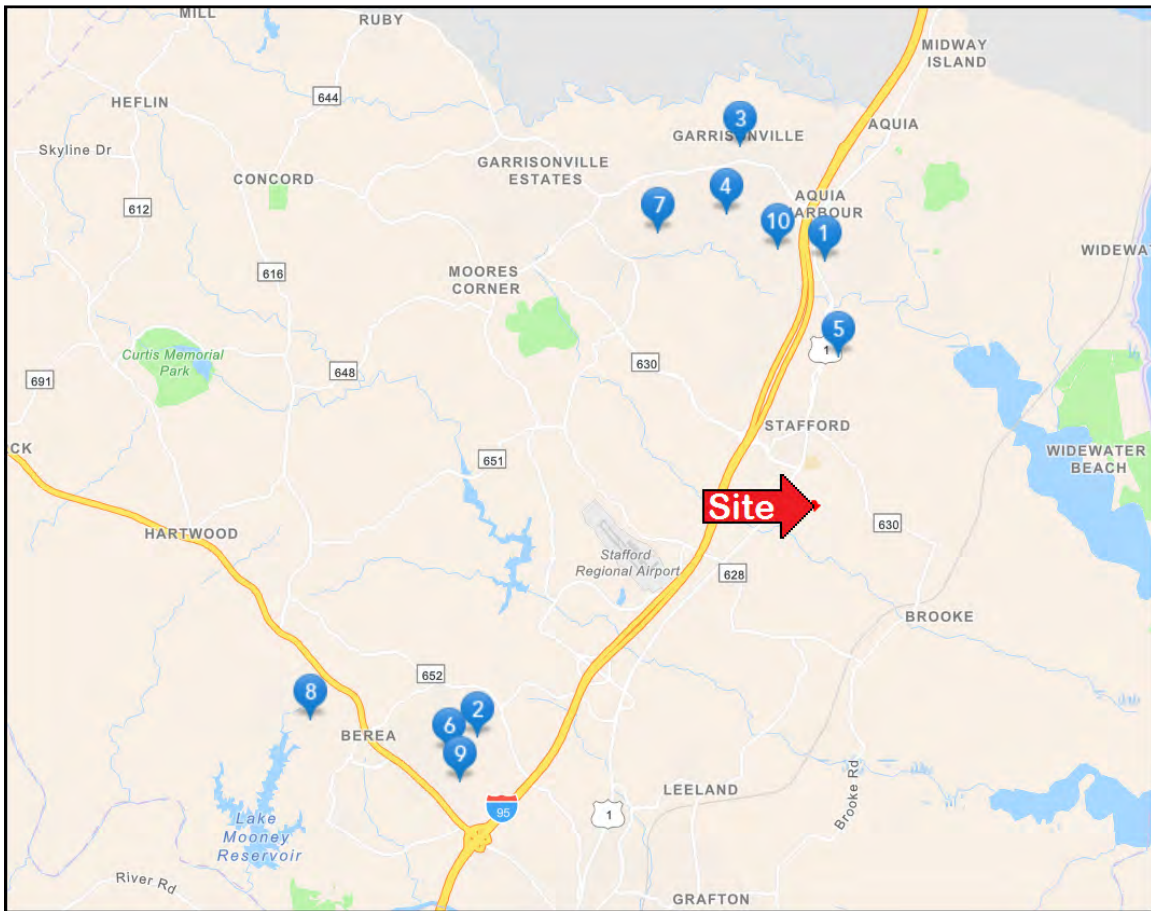
Table 7: Characteristics of Competitive LIHTC Apartments, Potomac Church Apartments Market Area, July, 2020

	<u>Map E</u> <u>Key</u>	<u>Year Built</u>	<u>Restrictions</u> <u>(AMI)</u>	<u>Total</u> <u>Units</u>	<u>Vacant</u> <u>Units</u>
Aquia Fifteen at Towne Center	1	Jun-2016	60%	256	10
England Run Townhomes	2	2001	60%	120	0
Sky Terrace 1/	3	2001	60%	187	6
Stonegate	4	2000	60%	180	1
Crescent Pointe	5	2000	60%	99	2
England Run North	6	1999	60%	340	1
Park Ridge Townhomes	7	1998	60%	94	0
Stafford Lakes	8	1997	50%	150	0
Village at England Run	9	1997	50%	108	1
Arbor Grove	10	1994/98	50%	<u>214</u>	<u>1</u>
Total				1,748	22
Vacancy Rate					1.3%

Notes: 1/ Excludes 46 market rate units.

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

Map E shows the locations of each of the ten apartment properties. None are located in the Courthouse area of Stafford County near the study site. Crescent Pointe is located closest to the Courthouse area, but this is a modest property with only three-bedroom townhome units. Six of the listed communities are located in the north side of the County, generally along and around Garrisonville Road. Four of the competitive apartment properties are situated in the southern portion of the County and along the north side of Route 17 and west of I-95.



Map E - Locations of Competitive LIHTC Apartments

Presented next are photos of each of the apartment properties under study. The photos show that most of these properties were designed for families. The only property with a contemporary design is Aquia Fifteen, which consists of multiple four-story residential buildings and a two-story clubhouse. This complex is not served by elevators. Stonegate, England Run North, Stafford Lakes and Arbor Grove have

traditional garden-style apartments. The remaining apartments have two-level townhomes with private entryways.



Aqua Fifteen at Towne Center



England Run Townhomes



Sky Terrace



Stonegate



Crescent Point



England Run North



Park Ridge Townhomes



Stafford Lakes



Village at England Run



Arbor Grove

Net Rental Rates

Data in Table 8 show the current net rents at the ten LIHTC apartment properties under study. Rents were adjusted to exclude cold water and sewage to remain consistent with the proposed rent structure at Potomac Church Apartments. As shown, most of these apartments include in-unit washers and dryers apart from Crescent Pointe, Village at England Run and Arbor Grove. Potomac Church Apartments will include washers and dryers in each unit.

The only complex with one-bedroom units is Aquia Fifteen. These units rent for \$1,200, which is \$110 above the proposed one-bedroom rents at Potomac Church Apartments. These units have rented well since opening.

The market area average rent for the two-bedroom units is \$1,257, which is only \$13 above the proposed two-bedroom rents at Potomac Church Apartments. Aquia Fifteen has relatively expensive two-bedroom rents at \$1,400, though these units are far newer than the others and have more modern designs. Sky Terrace, Stonegate and England Run North also offer some higher-priced two-bedroom units, at rents of over \$1,300. The older apartments have lower two-bedroom rents at under \$1,200.

The proposed three-bedroom rents at Potomac Church Apartments are \$58 above the market area average of \$1,412. As with its smaller units, the three-bedroom rents at Aquia Fifteen are at the top of the market at \$1,600. This is despite having among the smallest three-bedroom units in the market. England Run Townhomes, Sky Terrace, Stonegate and the less expensive units at England Run North have similar rents to those proposed at Potomac Church Apartments.

Table 8: <u>Net Rental Rates at Competitive LIHTC Apartments,</u> <u>Potomac Church Apartments Market Area, July, 2020</u> ^{1/}			
	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>
Aquia Fifteen at Towne Center	\$1,200	\$1,400	\$1,600
England Run Townhomes 2/	--	\$1,257	\$1,433-\$1,449
Sky Terrace 3/	--	\$1,375	\$1,453
Stonegate	--	\$1,204-\$1,304	\$1,335-\$1,435
Crescent Pointe	--	--	\$1,279
England Run North	--	\$1,254-\$1,538	\$1,440-\$1,767
Park Ridge Townhomes 4/	--	--	\$1,525
Stafford Lakes 5/	--	\$1,075	\$1,186
Village at England Run	--	\$1,140	\$1,299
Arbor Grove 6/	--	\$1,159	\$1,349
Average	\$1,200	\$1,257	\$1,412
Potomac Church Apartments	\$1,090	\$1,270	\$1,470
<p>Notes: 1/ Rents adjusted to exclude utilities. Two- and three-bedroom units have two full bathrooms unless otherwise noted. All comps include in-unit washers and dryers except for Crescent Pointe, Village at England Run and Arbor Grove.</p> <p>2/ Two- and three-bedroom units have 2.5 bathrooms.</p> <p>3/ Some two-bedroom units have 1.5 bathrooms.</p> <p>4/ Three-bedroom units have 2.5 bathrooms.</p> <p>5/ Two-bedroom units have one bathroom.</p> <p>6/ Smaller two-bedroom units have one bathroom. Smaller three-bedroom units have one bathroom. Includes four-bedroom units.</p> <p>Source: Field and Telephone Survey by S. Patz and Associates, Inc.</p>			

Overall, the proposed rents at Potomac Church Apartments are very competitive and may be below market, compared with the net rents at the more mature apartments, particularly given the attractive design of Potomac Church Apartments.

Rent per Square Foot

Table 9 calculates the rent per square foot costs at each of the affordable apartment properties in the market area. The rent per square foot for the one one-bedroom units at Aquia Fifteen are considerably higher than the proposed rent per square foot at Potomac Church Apartments. This is because Aquia Fifteen has higher rents and smaller units compared to the proposal.

Overall, the proposed Potomac Church Apartments rent per square foot would be smaller than the averages for the one- and two-bedroom units. The rent per square foot calculation for the three-bedroom units would be slightly larger than average. This is attributable to the lower rents at the older comps and larger townhome units in the market area.

Table 9: <u>Rent per Square Foot at Competitive LIHTC Apartments, Potomac Church Apartments Market Area, July, 2020</u>			
	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>
Aquia Fifteen at Towne Center	\$1.54	\$1.32	\$1.32
England Run Townhomes	--	\$0.87	\$0.84
Sky Terrace	--	\$1.02	\$1.00
Stonegate	--	\$1.27	\$1.23
Crescent Pointe	--	--	\$0.95
England Run North	--	\$1.23	\$1.26
Park Ridge Townhomes	--	--	\$1.05
Stafford Lakes	--	\$1.05	\$0.93
Village at England Run	--	\$1.04	\$0.99
Arbor Grove	--	\$1.19	\$1.08
Average	\$1.54	\$1.13	\$1.07
Potomac Church Apartments	\$1.29	\$1.06	\$1.16
Source: Field and Telephone Survey by S. Patz and Associates, Inc.			

Unit Sizes

Data in Table 10 show the unit sizes in each of the apartment properties under study. The proposed one-bedroom units at Potomac Church Apartments would be 70 square feet larger than the one-bedroom units at Aquia Fifteen.

The two-bedroom units in the market area average 1,130 square feet, which is 60 square feet smaller than the proposed two-bedroom unit sizes at Potomac Church Apartments. Aquia Fifteen has relatively small two-bedroom units at about 1,060 square feet. The townhome communities have larger units, most notably England Run Townhomes and Sky Terrace, where two-bedroom units exceed 1,300 square feet.

The three-bedroom market area units average 1,340 square feet, which is 80± square feet larger than the proposed three-bedroom units at Potomac Church Apartments. Aquia Fifteen has slightly smaller three-bedroom units than what are being proposed at Potomac Church Apartments. As with the two-bedroom units, many of the townhome rentals have very large three-bedroom units, some with 2.5 bathrooms.

Table 10: <u>Unit Sizes at Competitive LIHTC Apartments,</u> <u>Potomac Church Apartments Market Area, July, 2020</u>			
	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>
Aquia Fifteen at Towne Center	778	1,057	1,215
England Run Townhomes	--	1,451	1,712
Sky Terrace	--	1,347	1,451
Stonegate	--	988	1,128
Crescent Pointe	--	--	1,353
England Run North	--	1,132	1,270
Park Ridge Townhomes	--	--	1,450
Stafford Lakes	--	1,020	1,270
Village at England Run	--	1,093	1,309
Arbor Grove	--	882-1,063	1,008-1,487
Average	778	1,130	1,340
Potomac Church Apartments	848	1,194	1,264
Source: Field and Telephone Survey by S. Patz and Associates, Inc.			

Unit Mix

The unit mix at each of the apartment properties under study, where available from on-site management, is detailed in Table 11. The only complex with one-bedroom units is Aquia Fifteen. There are 56 one-bedroom units in this community. Two properties—Sky Terrace and Village at England Run—offer a combined 49 four-bedroom units. Most of the apartment units at the County’s affordable apartments are two- (42.5 percent) and three-bedroom (50.7 percent) units.

Of note, there are a large number of three-bedroom units in the market area, with over 50 percent of the affordable units being three-bedroom. The occupancy rate is high, indicating a market for these units.

For Potomac Church Apartments, the three-bedroom units equal 30+ percent of total units planned. Potomac Church Apartments will also have considerably more one-bedroom units compared with the competitive market.

The unit mix at Potomac Church Apartments is more in line with the mix at Aquia Fifteen. Both are (or will be) new properties designed for the current market. The other affordable properties are more mature and are 20 to 30 years old. The market has changed over the years to a smaller demand for three-bedroom units. Aquia Fifteen illustrates the success for apartment properties with a more current unit mix, but with a large number of three-bedroom units. This parallels the unit mix at Potomac Church Apartments.

Table 11: Apartment Unit Mix at Competitive LIHTC Apartments, Potomac Church Apartments Market Area, July, 2020

	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>	<u>Four-Bedroom</u>	<u>Total Units</u>
Aquia Fifteen at Towne Center	56	176	24	0	256
England Run Townhomes	0	40	80	0	120
Sky Terrace	0	27	130	30	187
Stonegate	0	120	60	0	180
Crescent Pointe	0	0	99	0	99
England Run North	0	140	200	0	340
Park Ridge Townhomes	0	0	94	0	94
Stafford Lakes	0	114	36	0	150
Village at England Run	<u>0</u>	<u>35</u>	<u>54</u>	<u>19</u>	<u>108</u>
Total	56	652	777	49	1,534
Percent of Total	3.7%	42.5%	50.7%	3.2%	100.0%
Potomac Church Apartments	32	68	44	0	144

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

Community Amenities

Table 12 lists the community amenities at each of the apartments under study. As with the study proposal, most are amenitized. All but two of the comps have clubhouses, and the four newest properties have fitness centers. Every apartment complex built since 2000 has an outdoor swimming pool. Most have playgrounds.

Table 12: Community Amenities at Competitive LIHTC Apartments, Potomac Church Apartments Market Area, July, 2020

	<u>Clubhouse</u>	<u>Fitness</u>	<u>Pool</u>	<u>Business Center</u>	<u>Playground</u>	<u>Laundry Facility</u>
Aquia Fifteen at Towne Center	●	●	●	●	○	○
England Run Townhomes	●	●	●	●	●	●
Sky Terrace	●	●	●	○	●	○
Stonegate	●	●	●	○	●	○
Crescent Pointe	○	○	●	○	●	○
England Run North	●	●	○	●	●	○
Park Ridge Townhomes	○	○	○	○	●	○
Stafford Lakes	●	○	●	●	●	○
Village at England Run	●	○	●	○	●	○
Potomac Church Apartments	●	●	○	○	○	○

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

Potomac Church Apartments will not have a pool or playground. Otherwise, the study proposal has basic amenities.

Section III Conclusions

The above analysis shows a growing economy within Stafford County, with considerable job growth in recent years, and the expectations that job growth will continue.

The study site is well located, near the largest employment centers in the County and in close proximity to I-95 and U.S. Route 1. The immediate area has all of the community facilities required to support current and new population growth. Schools are close-by, as is employment. The large Central Park commercial center is also close-by and convenient.

The defined competitive affordable apartment market is at a near 100 percent occupancy. This is in spite of a mature apartment market, with all but one affordable property being 20± years old. The one new apartment has the highest rents in the market area for LIHTC properties and is at near full occupancy with a 25± per unit monthly occupancy rate.

There are no active pipeline proposals at this time. Few sites are available with proper zoning and available utilities, and those that are available, are defined as expensive. Rezoning is difficult for any proposal that will generate an abundance of school-aged children and the rezoning process is costly.

With continued population and household growth, including among renter households, a pent-up demand exists for new affordable housing. The level of that demand is shown in the Demand Analysis to follow.

Demand Analysis

Demand Chart

The VHDA Demand Chart is presented below. It shows a projected net growth of 600 “target” households for the 2019 to 2023 period, based on the demographic analysis presented above in Table 6.

Added to this is a 15 percent factor that accounts for renters with Section 8 vouchers. This represents the average for residents at LIHTC apartments in the market area.

We do not add a demand total for households in substandard housing, as there is no major issue on substandard housing within Stafford County and these residents would need vouchers.

The other two factors in the demand chart are not relevant to the Potomac Church Apartments proposal.

Total demand is 690. There is no supply of units to be subtracted. The current market is at a near 100 percent occupancy. There are no pipeline proposals. Thus, the net demand is 690.

Absorption Period. The likely absorption period is six months after active preleasing. Given the current and projected supply/demand data, an active preleasing is expected at approximately 25 apartment units. Aquia Fifteen leased at a pace of 25 units per month. The “market” may not be as strong in the future, based on unemployment rates, but there likely will be no available competition, based on current occupancy rates and no new pipeline proposals. Thus, a 20-unit per month lease-up pace is projected from project opening.

<u>Demand Table</u> (2019-2023)				
Income Restrictions			<u>Up to 60%</u>	
New Rental Households			600	
PLUS				
Existing Households - Over-Burdened 1/			90	
PLUS				
Existing Households- Substandard Housing			NA	
PLUS				
Elderly Households- Likely to Convert to Rental Housing			NA	
PLUS				
Existing Qualifying Tenants – to Remain After Renovation			NA	
Total Demand			690	
MINUS				
Supply (includes directly comparable vacant units completed or in pipeline in PMA			0	
<i>EQUALS</i>				
NET DEMAND			690	
ABSORPTION PERIOD (in months)			6 2/	

Notes: 1/ Tenants with rent subsidies at 15 percent of total market.

2/ From start of property opening.

The VHDA Capture Rate Chart

The VHDA capture rate for net growth is shown next. The capture rate is high at 21 percent, because growth in affordable income households has been “controlled” due to a lack of new affordable housing and thus, also, for households within the target income range under study. This trend should change during the projection period, but the capture rate will still be slightly high at 21 percent.

The VHDA capture rate chart is as follows:

	<u>Number</u>
Project Wide Capture Rate - LIHTC Units	21%
Project Wide Capture Rate - Market Units	--
Project Wide Capture Rate - All Units	21%
Project Wide Absorption Period (in months) (after preleasing)	6

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.



Market Analyst

July 20, 2020

Date