

Market Analysis  
School Street Apartments  
Richmond, Virginia

Prepared for:

Mr. Zachery R. Frederick  
CRF, LLC

September, 2019

S. Patz and Associates, Inc.  
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▪ S. PATZ & ASSOCIATES, INC ▪  
▪ REAL ESTATE CONSULTANTS ▪

September 12, 2019

Mr. Zachery R. Frederick  
President  
CRF, LLC  
600 Ridge Top Road  
Richmond, VA 23229

Dear Mr. Frederick:

Attached is our full narrative market report for the proposed 152-unit, new construction, senior apartment building, School Street Apartments, that is planned for development beginning in late-2019 or early-2020 and expected to open in 2021. The proposal is for affordable housing for active seniors at rents at or below 60 percent of AMI for the Richmond MSA. The proposal is for non-taxable bond financing with 4% LIHTC. The target market is for active seniors, with the household head aged 62 to 79 and with annual incomes of \$27,480 to \$41,520, which is the income required to afford the reported rents and remain within the HUD guidance for maximum allowable rents for affordable housing.

Once built, School Street Apartments will have income, rent and age restrictions. The site was field surveyed on August 27, 2019.

The attached market analysis shows considerable employment growth within the City of Richmond and overall demographic growth within the geographically defined market area. The market area has approximately 3,000 households within the target age and income group under study, which is expected to increase to nearly 3,200 by 2022.

There are 11 affordable age-restricted apartment properties in the defined market area, with over 1,000 apartment units and a 0.7 percent vacancy rate. The combined waiting list at these competitive properties is long at approximately 150. The market area and City have a sizable number of housing units without indoor plumbing. An estimate of these units, occupied by seniors, was included in the final demand analysis.

The detailed market and economic data that support our findings and conclusions are presented in the attached report. Please call if additional data or clarification are needed. We remain available to assist you with all required approvals for this attractive proposal.

Mr. Zachery R. Frederick  
September 12, 2019

Sincerely,

A handwritten signature in black ink, appearing to read "Stuart M. Patz". The signature is fluid and cursive, with a long, sweeping underline that extends to the left.

Stuart M. Patz  
President

SMP/mes

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## **Section I Introduction**

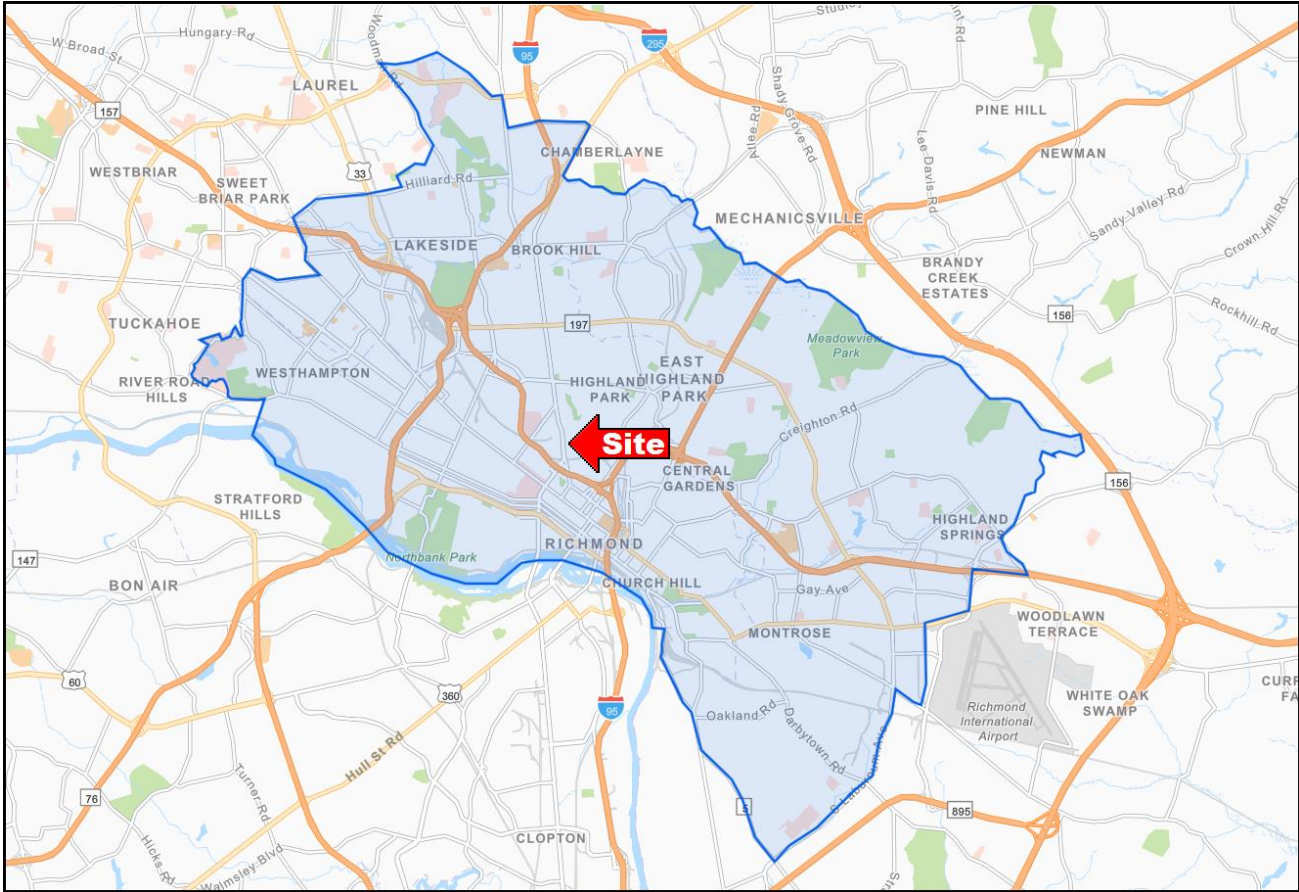
Following is our full narrative market study for the proposed 152-unit new construction School Street Apartments to be built in Richmond, Virginia during 2019/2020 for a 2021 unit delivery. The proposal is for affordable housing for active adults. The proposal will be submitted to officials of Virginia Housing Development Authority for project financing under the Low-Income Housing Tax Credit program, based on non-tangible bonds and 4% tax credit financing. The market study to follow is prepared within the market study guidelines, as required by officials at Virginia Housing Development Authority.

**The site visit was undertaken on August 27, 2019.** Once built, School Street Apartments will have rent, income and age restrictions.

### **Market Area Definition**

The market area defined for School Street Apartments includes the northern portions of the City of Richmond, particularly the portions of the City north of the James River, as well as the adjacent U.S. Census tracts in southern Henrico County. Several senior affordable apartments are located within this area, with management in the Henrico County facilities noting that they are fully competitive with the Richmond City communities and attract seniors from within the City.

Specifically, the market area's southern boundary is the James River and its northern boundary is generally the Chickahominy River. Its eastern boundary is generally S. Laburnum Avenue while its western boundary is generally the Henrico County-Richmond City border. The market area is shown on Map A.



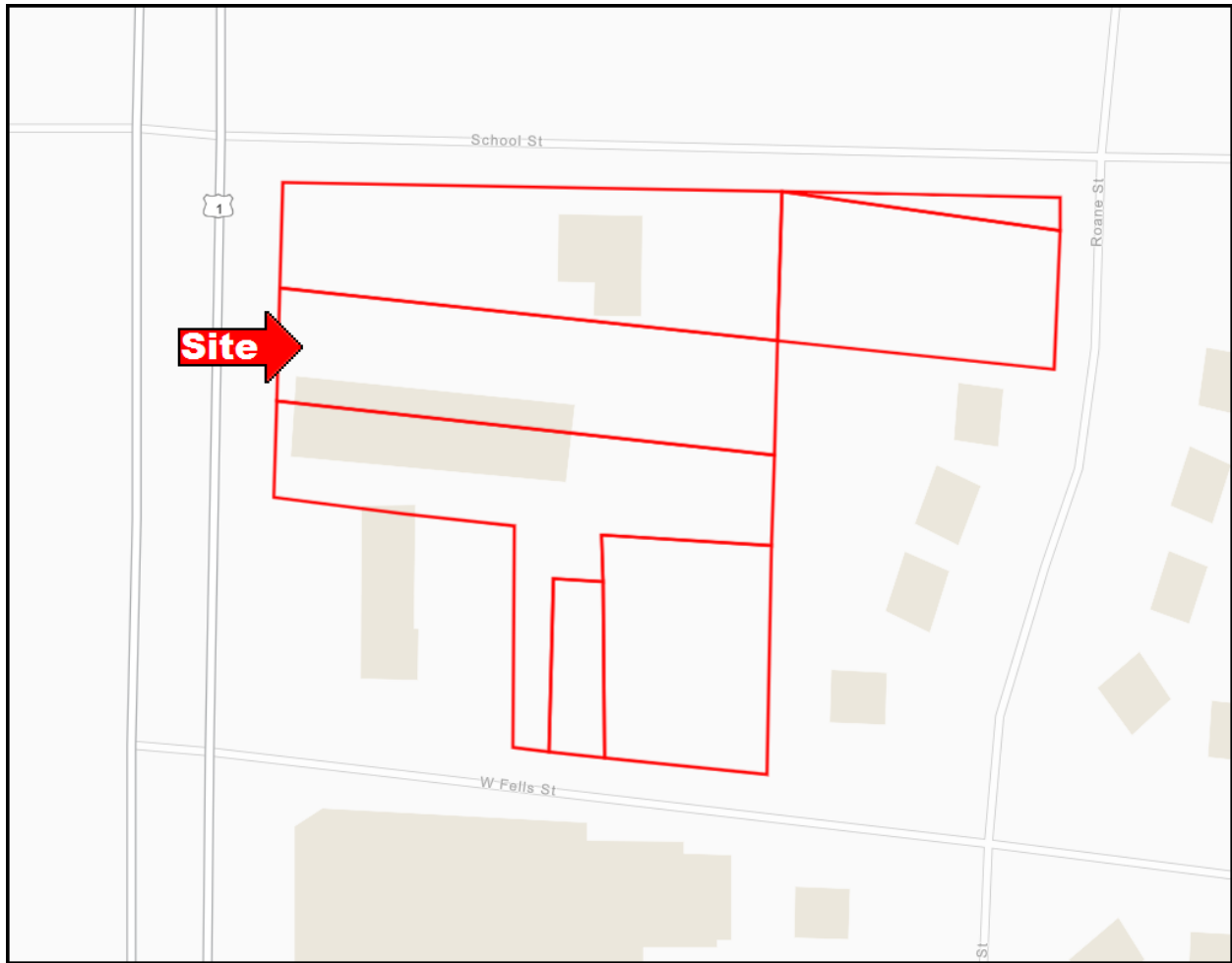
**Map A - Market Area Definition**

**School Street Apartments**

**Site Description**

The study site is located at the southeastern intersection of School Street and Chamberlayne Avenue, approximately 1.5 miles northwest of Downtown Richmond and a half mile north of the I-64 interchange with Chamberlayne Avenue. The site location is shown in Map B below.

The property consists of seven contiguous parcels that total 1.56 acres in the block bordered by Chamberlayne and School, Fells and Roane streets. Specifically, the parcels are located at 710 and 712 West Fells Street, 1705, 1705 ½ and 1707 Chamberlayne Avenue, and 1716 and 1718 Roane Street.

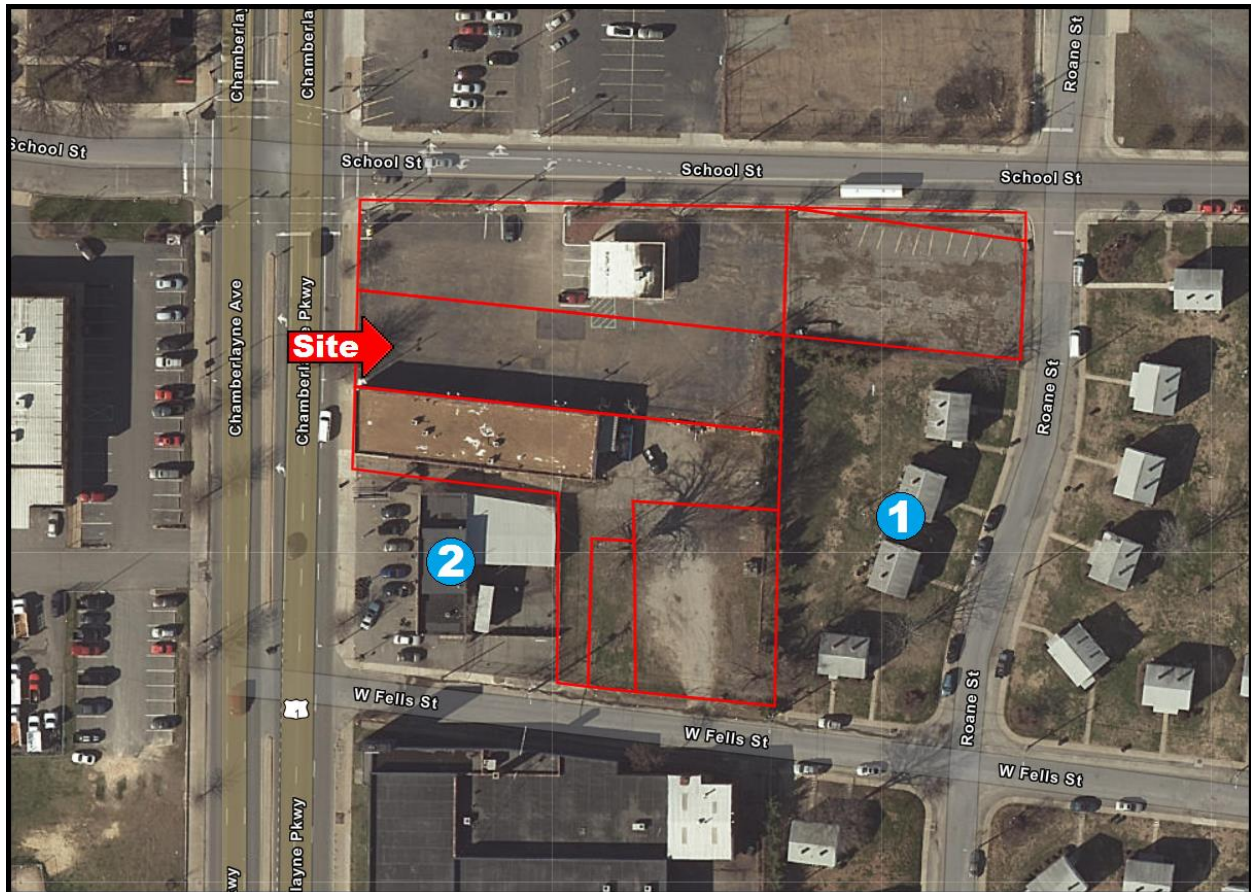


**Map B - Site Location**

The property was successfully rezoned from M-1 (Light Industrial District) and R-53 (Multifamily Residential District) to the B-6 (Mixed-Use Business District) in December, 2018. Thus, the property is properly zoned for development of apartment units, as planned.

Next shown is a northern aerial of the study site. It shows that 1705 ½ and 1707 Chamberlayne Avenue are improved with a large paved parking area and a one-story, commercial building with 780± square feet of floor area. This building is formerly occupied by a financial consultant. 1716 and 1718 Roane Street are paved vacant parcels that are currently being used for vehicle storage. 1705 Chamberlayne Avenue is currently improved with a derelict warehouse/retail building built in 1953 and containing 5,690± square feet of floor area. 710 and 712 West Fells Street are currently unimproved.

Also shown in the aerial are the other developments located on the same city block. To the east of the site is a portion of College Park Apartments (Note 1), a 242-unit apartment community built in 1945 that primarily leases to students from the nearby Virginia Union University. At the southwestern edge of the block is a 3,580± square foot building occupied by Sam's New & Used Tires (Note 2).



**Northern Aerial of Subject**

Next shown is a wider aerial view of the site location. It shows the site to be located within a mixed-use area containing primarily apartments and industrial and retail buildings. College Park Apartments is visible east of the site and extends for several blocks. East of this apartment complex is the Elson Redmond Golf Complex (Note 1), a golf course that focuses on teaching youth to play the sport.



Development along Chamberlayne Avenue and its feeder streets near the study site consists largely of industrial and retail uses that make up what is generally referred to as the Chamberlayne Industrial Center. Businesses along this roadway near the site include NAPA Auto Parts, Welders Rental, Arc4 Gases, Karn Custom Woodwork Talley Sign and A & R Motors. A large USPS facility (Note 2) is also located nearby, off Brook Road. Further south, at 601 W Bacon Street, is the James Apartments (Note 3), an attractive student housing apartment that primarily leases to VUU and VCU students. This development, formerly known as the Collegiate, consists of 270 one-, two-, three- and four-bedroom units. It opened in 2012.



Wide Aerial

Next shown are photos of the study site. Again, the existing buildings will be demolished for construction of the 152-unit apartment building.



**Existing Smaller Building**



**Existing Larger Building**



**View from School Street**



**View from W Fells Street**

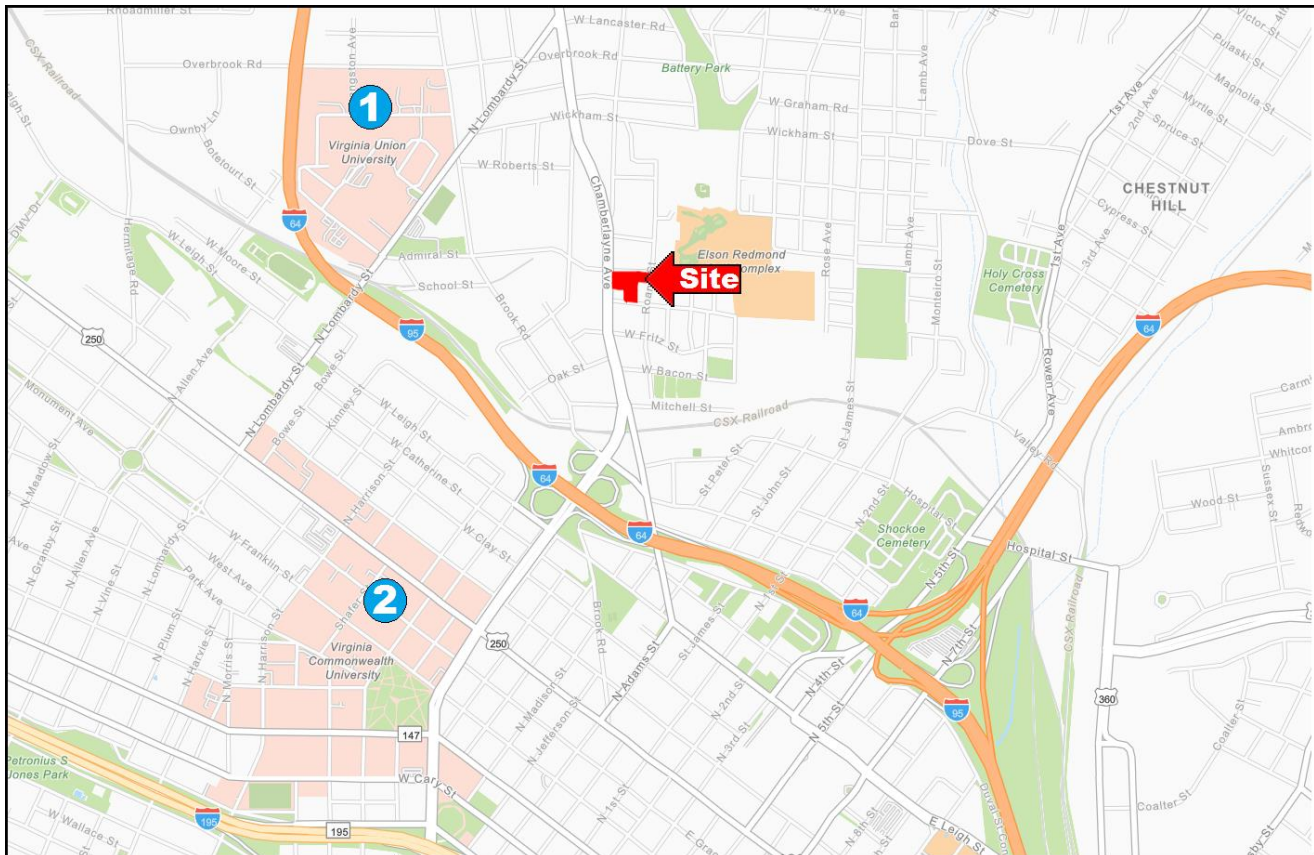
### **Site Setting**

Map C shows the site setting within northern Richmond. As previously noted, the study site is located at the intersection of School Street and Chamberlayne Avenue. Chamberlayne Avenue is a major commercial route through the neighborhood and is currently a six-lane boulevard with a narrow median. This roadway provides direct access to Downtown Richmond and runs north to Richmond's northern suburbs. This roadway also accesses I-95 four miles north of the site and I-64 a half mile south of the site. Thus, the site is easily accessible.

School Street and W Fells Street run in an east-west direction and access College Park Apartments and The First Tee of Greater Richmond to the east. They both access primarily industrial uses toward the west, on the western side of Chamberlayne Avenue.

Also shown in Map C is the site's close proximity to both Virginia Union University (Note 1) and Virginia Commonwealth University (Note 2). Adjacent to the VUU campus, at 2009 Brook Road, is the proposed Brook Road Apartments. Construction is expected to begin soon on this 224-unit apartment community at the site of a former warehousing facility. The community will contain two four-story buildings. A building along Brook Road would house 118 apartments, while the other building along Roberts

Street would include 106 units. Units at the apartments will have market rates, with rents for one-bedroom units starting at around \$1,000.



Map C - Site Setting

Following are brief descriptions of the public and commercial facilities that will serve the study site's resident population and are key assets to attract new residents to the area.

**Medical Care.** The closest hospital to the study site is the VCU Medical Center, located 2.5 miles southeast of the site at 1213 E. Clay Street. The 865-bed medical center is a regional referral center for the state and is the region's only Level I Trauma Center. The medical center offers more than 200 specialty areas. This is a major facility with several ongoing and planned developments that will expand medical services. These developments will be detailed further below.

**Community Facilities.** The closest post office is located at 1801 Brook Road, 0.3 miles northwest of the site. Fire Station No. 5 is located at 324 W Leigh Street. The main branch of the Richmond Public Library is located at 101 E Franklin Street, 1.4 miles southeast of the site.

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

<b><u>Locations of Nearby Churches</u></b>	
<b><u>Name</u></b>	<b><u>Address</u></b>
St Philip’s Episcopal Church	2900 Hanes Ave
Vineyard Christian Fellowship	1710 Altamont Ave
St John’s United Church Christ	503 Stuart Cir
Center Church	934 W Grace St
Harvest Renewal Church	822 W Franklin St
Source: S. Patz & Associates field survey	

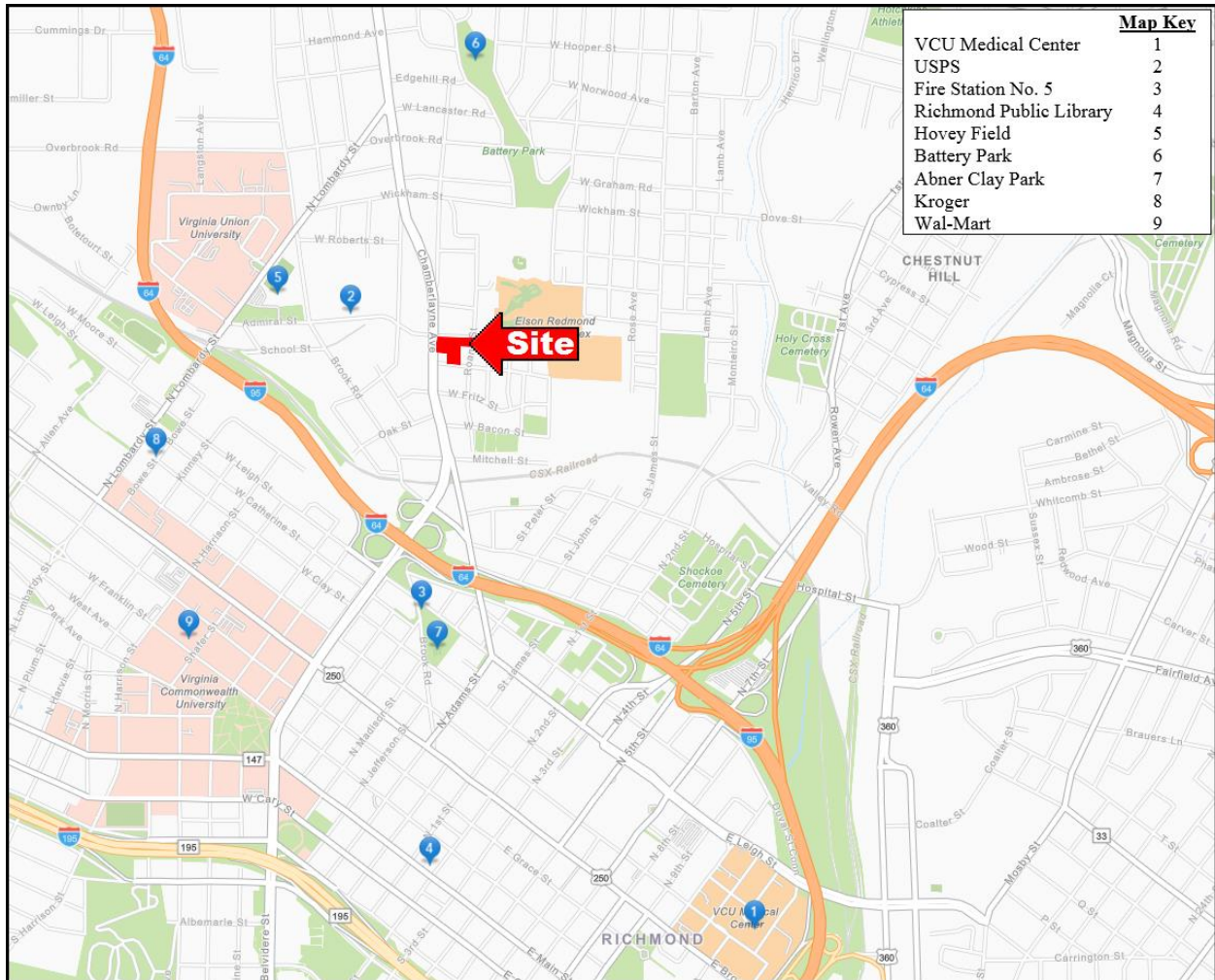
**Parks and Recreation.** Several parks and recreational facilities are located near the study site. These are briefly described in the paragraphs below.

- **Hovey Field** is located at 1500 N Lombardy Street. This is a stadium the houses the Virginia Union Panthers. Historic Hovey Field has been the home to Virginia Union University football team since 1907. Hovey Field seats over 10,000 people.
- **Battery Park** is located at 2803 Dupont Circle. In addition to the tennis courts with push button lighting for fulltime play, the park includes basketball courts, two children’s playgrounds, restrooms, horseshoe pits, a community center that houses a free computer lab and swimming pool.
- **Abner Clay Park**, located at the intersection of Brook Road and West Clay Street, contains a tennis court, athletic field and playground.

**Shopping.** The closest shopping cluster to the study site is located along W. Broad Street, less than a mile southwest of the site in Downtown Richmond. This is the location of the nearest grocery store, which is a Kroger, as well as a Lowe’s Home Improvement. A Wal-Mart is also located near the study site at 914 W Grace Street. More expansive retail

options are situated along Brook Road, north of I-95, approximately four miles north of the site. Major retailers in this area include Wal-Mart, Food Lion and Big Lots.

Map D shows the location of the community facilities that will serve residents at School Street Apartments. Most important is that the setting has a full array of basic services for area residents.



**Map D - Location of Area Community and Public Facilities**

**Development Program**

Table 1 provides a detailed description of the apartment proposal, with data on apartment unit sizes and proposed rents. All units will be one-bedroom units with a single

bathroom. There will be five different floor plans that will range in size between 517 and 764 square feet. All units will be one- restricted to 60% of AMI. These units will have net rents of \$916. The rents will include cold water, sewage and trash collection. The utility allowance covers only the cost of electricity, for which the tenant will pay. All units will be equipped with a washer and dryer.

<b>Table 1: <u>Proposed Unit Characteristics, School Street Apartments</u> <u>Richmond, VA, September, 2019</u> 1/</b>					
	<b><u>Units</u></b>	<b><u>Size (Sq. Ft.)</u></b>	<b><u>Net Rent</u></b>	<b><u>UA</u></b>	<b><u>Gross Rent</u></b>
1BR/ 1BA	8	517	\$916	\$56	\$972
1BR/ 1BA	101	550	\$916	\$56	\$972
1BR/ 1BA	32	570	\$916	\$56	\$972
1BR/ 1BA	8	627	\$916	\$56	\$972
1BR/ 1BA	<u>3</u>	764	\$916	\$56	\$972
<b>Total/Average</b>	<b>152</b>	<b>561</b>	<b>\$916</b>	<b>\$56</b>	<b>\$972</b>
Notes: 1/ Rents to include cold water, sewage and trash collection. All units to be equipped with in-unit washer and dryer.					
Source: CRF, LLC					

### **Rent Comparison**

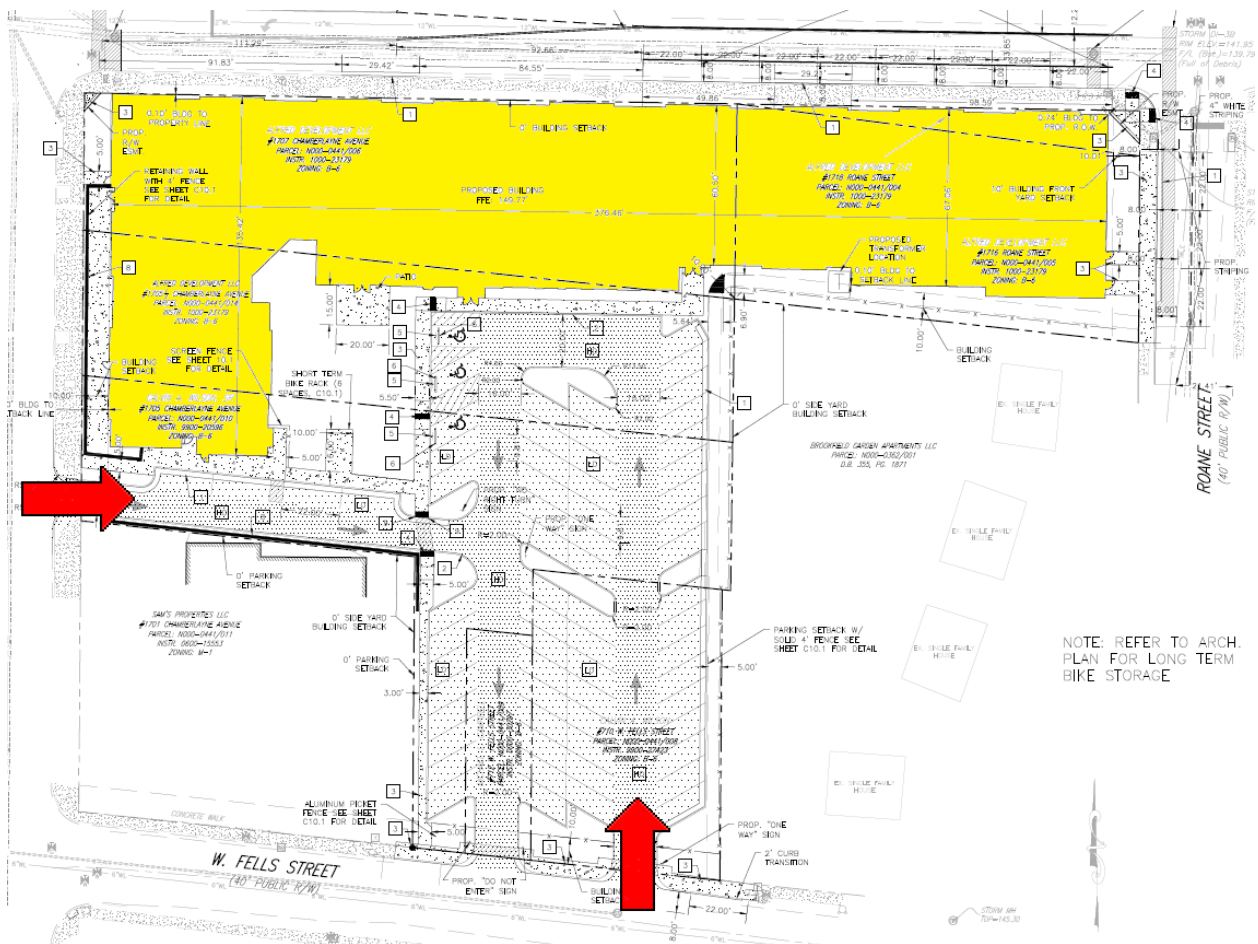
Table 2 shows gross rents for the apartment units with a utility allowance (UA) added to net rents for utility costs. The UA was calculated for the sponsor based on the unit sizes and energy efficient HVAC system and appliances. The apartment building will be fully energy efficient within the VHDA guidelines. The gross rents shown are compared with the HUD maximum allowable gross rents for the City of Richmond. The comparison shows that the proposed gross rents, based on the calculated UA, are at the maximum allowable rates for the Richmond region.

<b>Table 2: <u>Rent Comparison Chart, School Street Apartments and</u> <u>HUD Maximum Allowable Rates</u></b>				
	<b><u>School Street Apartments</u></b>			<b><u>HUD Maximum Allowable</u></b>
	<b><u>Net Rent</u></b>	<b><u>UA</u></b>	<b><u>Gross Rent</u></b>	
1BR/ 1BA	\$916	\$56	\$972	\$972
Source: CRF, LLC				

## Site Plan and Building Design

The following site plan shows the location of the proposed apartment building. The plan shows the building to have a “L” shape, with frontage along both Chamberlayne Avenue to the west and School Street to the north. A surface parking area will be located on the southeast side of the parking and total 76 parking spaces, or a ratio of one space per two units. A bus stop is located adjacent to the site, providing access throughout the city.

The site will be accessible from Chamberlayne Avenue from the west and W Fells Street from the south. An outdoor amenity space is also planned adjacent to the building that will include a fire pit, grilling station and walking trail.



School Street Apartments Site Plan



Shown next are renderings of the proposed apartment complex. It shows the complex to be a four story, elevator-served building with a contemporary design. The building exterior will contain a mix of aluminum coping, FCB siding, and FCB Panel. The first level will be wrapped with face brick.



1 COURTYARD



2 CHAMBRLAYNE AVENUE



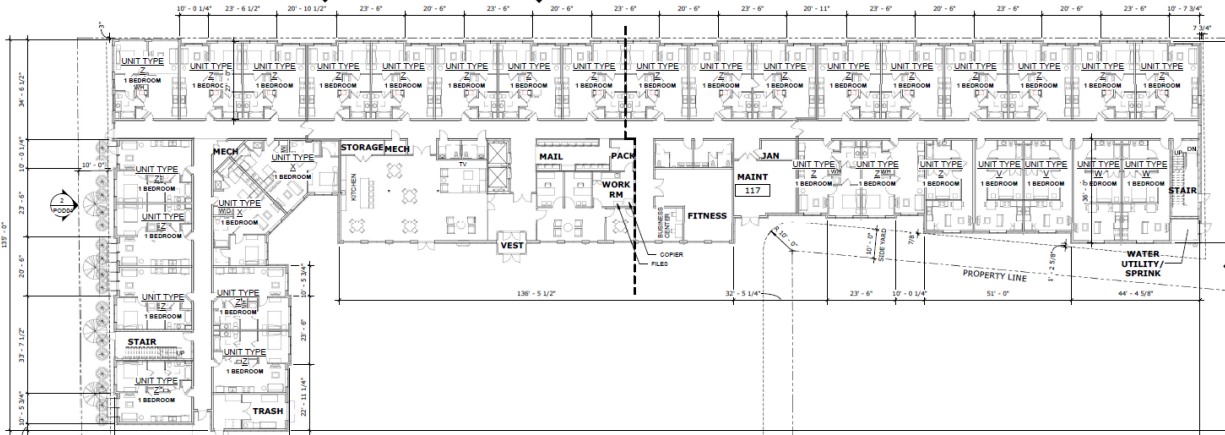
3 CORNER OF CHAMBRLAYNE AVE & SCHOOL ST



4 BIRD'S EYE VIEW - SCHOOL ST

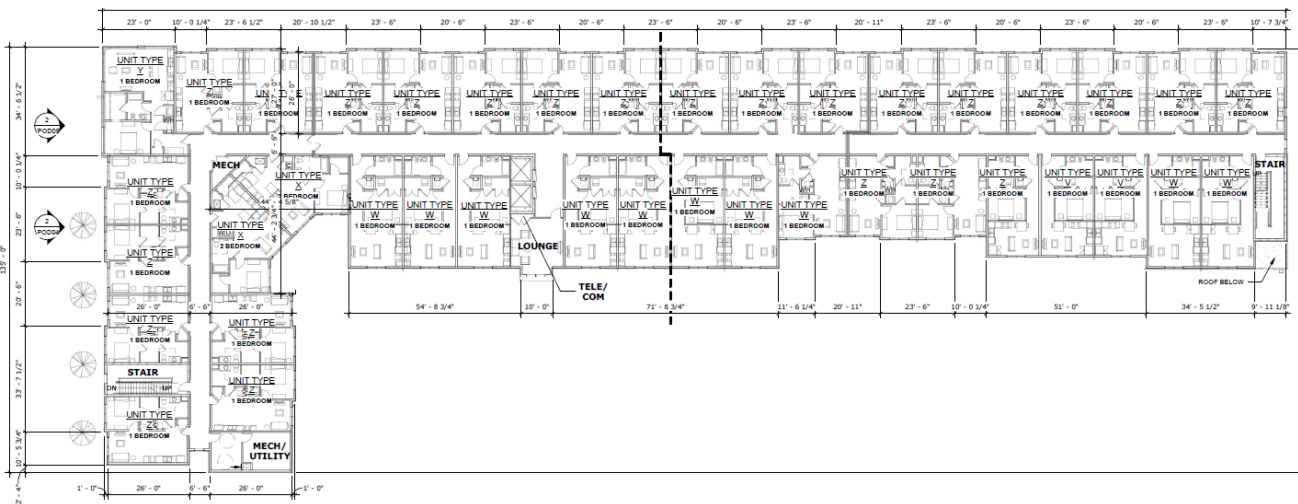
### School Street Apartments Renderings

Following are schematic floor plans for each level of the building. Entry into the building will be at the elbow where a common space will be located. Common area will include kitchen and ample meeting space that will have rotating services (hair, medical, etc.). It will also include a fitness area.



**Ground Level Floor Plan**

Shown next are the floor plans for the upper levels. Apart from community space on each level, each floor will be fully residential.



**Upper Levels**

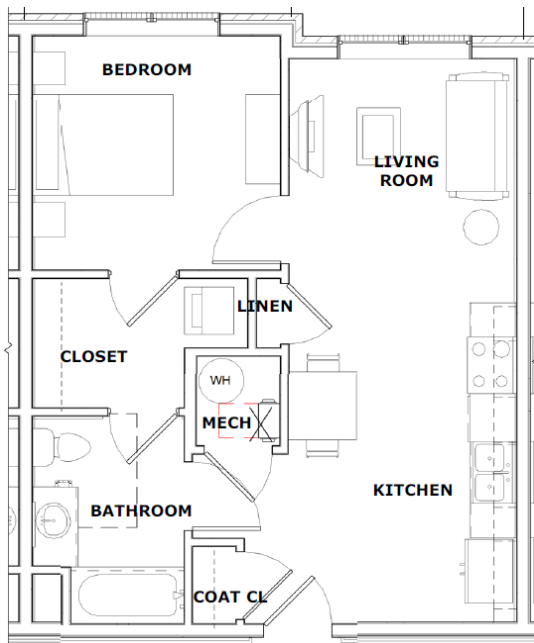
**Unit Floor Plans**

Next shown are some typical floor plans proposed for some of the apartment units. The units will have LVT flooring in both the living areas and bedrooms. The bathrooms will have porcelain tile. There will be wood cabinetry, granite countertops and black Frigidaire appliances. All units will include washers and dryers.

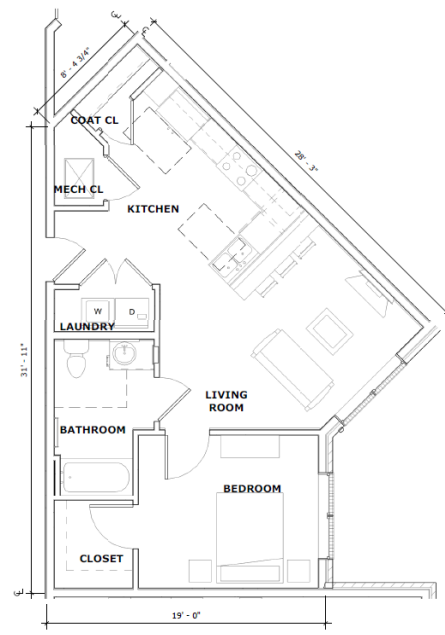
Each unit will have an open design, including an open kitchen and a combined living and dining room area. Windows in the living areas and bedrooms will provide an

abundance of natural light. Each unit will contain a closet at the entry. Some of the one-bedroom floor plans will have a walk-through closet from the bedroom to the bathroom, which will also access the living area. Other one-bedroom designs will have a bathroom accessible only from the living area, with a smaller bedroom closet.

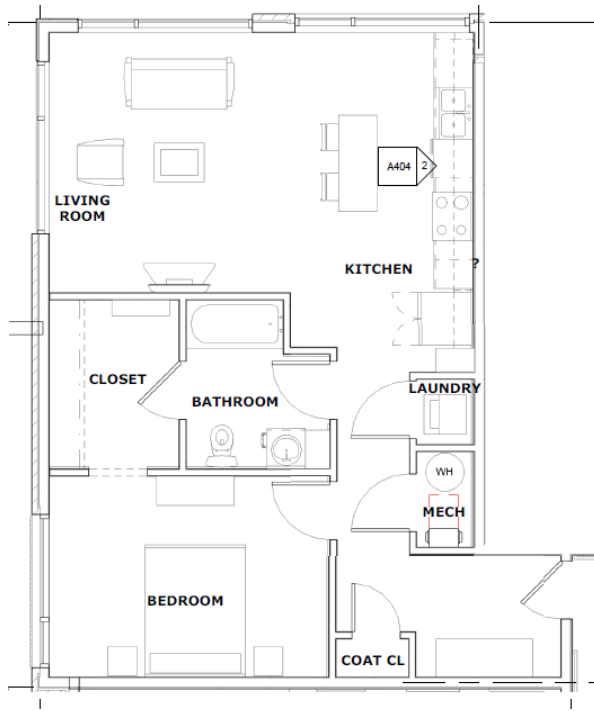
The two-bedroom units will each have a full bathroom in the living area and a half bathroom in the master bedroom. The master bedroom in these units will have a walk-in closet while the smaller bedroom will have a walk-through to the full bathroom.



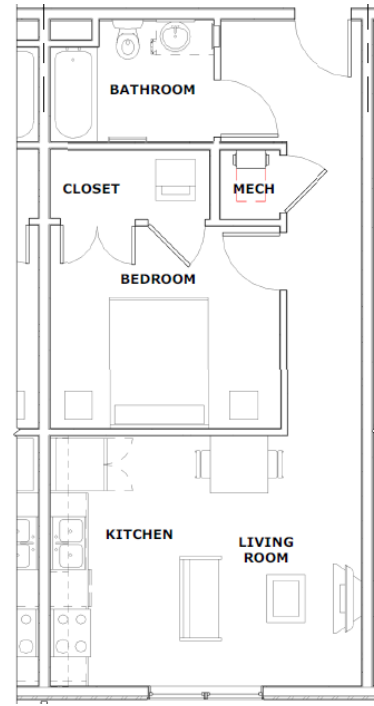
**One-Bedroom (550 Sq. Ft.)**



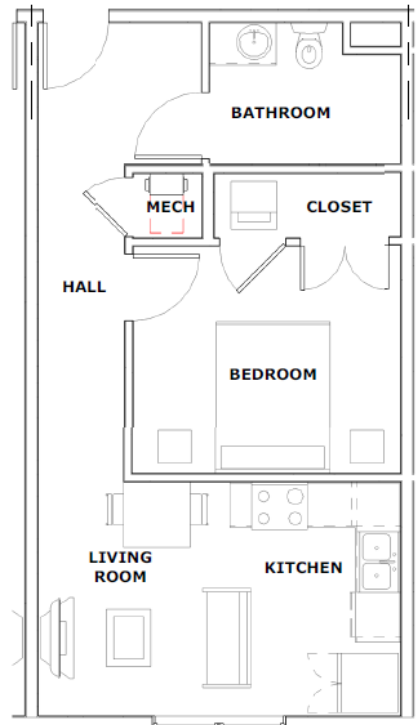
**One-Bedroom (627 Sq. Ft.)**



**One-Bedroom (764 Sq. Ft.)**



**One-Bedroom (570 Sq. Ft.)**



**One-Bedroom (517 Sq. Ft.)**

## **Development Costs**

The proposed building costs, including soft costs and land acquisition, is \$21.6 million, or \$142,030± per unit.

## **Market Area Economic Overview**

This part of the market analysis presents an economic overview of the *Richmond* marketplace in terms of job and employment growth. Economic data are shown primarily for the City of Richmond, but trend data are also presented for the adjacent counties. 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 housing type 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**

At-place jobs refer to the number of jobs located within the City of *Richmond*, and data in Table 3 show a total of 155,750± jobs as of year-end 2018, up 1,250± over the previous year yet down 3,310± since 2008. As of year-end 2018, Richmond has not fully recovered all jobs lost as a result of the recession. Nevertheless, employment growth has taken place every year since 2013, with 7,340± new jobs added since that time. These data refer to at-place jobs. Employment data, the number of persons employed, presented below, will show net growth.

As with many urban areas, growth in the housing market is larger than the job growth market, as many renter households desire to live in an evolving downtown

location and commute to the suburbs. That is the case in Richmond. Employment refers to the number of persons employed and is a better indication of housing unit demand, compared with at-place job growth. This will be described in more detail below.

To restate, Central Richmond has attracted a large number of persons who reverse commute and live in the city and work in the County. These residents are studied in employment. They represent a sizable part of the net household growth in the Central area of Richmond.

The largest employment sector in Richmond is State Government, which accounted for 25,200± jobs as of year-end 2018. This represents 16.2 percent of total employment in the City. The largest State Government employer is Virginia Commonwealth University (VCU).

The second largest employment sector in Richmond is Health Care, accounting for a total of 23,500± jobs in 2018, or approximately 15.1 percent of total employment. Three of the five largest employers in the City are in the Health Care industry. These include the VCU Health System, with 9,310± employees, HCA Virginia Health System, with 7,630± employees, and Bon Secours Richmond Health System, with 7,140± employees. These three employers added a combined 850± new jobs over the past year. This is an employment sector that will almost certainly continue to grow for several years given the ongoing and planned construction of several large medical facilities in the City. With 1,770± new jobs added over the past decade, this among the fastest growing employment sector in Richmond.

Another sector with significant growth is the Accommodations/Food sector. Approximately 3,420 jobs were added in this sector since 2008 and 380± jobs were created in 2018 alone. This is a sector that has grown every year since 2009. Much of this growth is associated with the many hotels that have opened in Richmond over the past decade. Two new hotels opened recently, the 144-room Hampton Inn & Suites and the 100-room

Homewood Suites. Both delivered in Downtown Richmond in 2016. In 2017, the 205-room Graduate Richmond Hotel opened on West Franklin Street, also in Downtown Richmond.

Other sectors with significant growth over the past decade include Educational Services (570± new jobs), and Arts/Enter./Recreation (570± new jobs), Finance/Insurance (540± new jobs) and Transportation and Warehousing (290± new jobs).

Richmond has become less dependent on traditional manufacturing industries, with the sector comprising only 3.56 percent of the City's total jobs as of year-end 2018, compared with 5.8 percent in 2008 and a higher percentage prior to 2007. As shown in Table 3, 3,520± Manufacturing jobs were lost since 2011, with job losses recovered every year between 2007 and 2014. A small number of manufacturing jobs were added between 2014 and 2017. There was no growth in this sector in 2018. This sector has lost more jobs than any other private sector over the past decade.

Major manufacturing losses over the past decade include Evergreen Packaging Group (120± jobs cut in 2008), Reynolds Packaging Group (490± jobs cut in 2008 and 160± jobs cut in 2009), PM Beef Holdings (80± jobs cut in 2008), Caraustar Industries (50± jobs cut in 2008), Duro Bag Manufacturing Co. (170± jobs cut in 2011) and Carpenter Company (60± jobs lost in June, 2015). Most recently Land-O-Sun Dairies closed its fluid milk processing facility in October, 2017, which resulted in the loss of 70± jobs.

Other sectors with employment losses include: Management of Companies (2,090± jobs lost), Information (1,320± jobs lost), Retail Trade (1,320± jobs lost), Wholesale Trade (820± jobs lost), Admin./ Waste Services (810± jobs lost), Local Government (770± jobs lost), Other Services (340± jobs lost), Professional/ Technical Services (160± jobs lost) and Federal Government (50± jobs lost).

**Table 3: Trends in Average At-Place Employment, Richmond, Virginia, 2008-2018**

<b>Industry</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Agriculture	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	23
Mining	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	28
Utilities	247	239	241	244	307	316	305	296	298	293	221
Construction	ND	5,638	5,095	5,155	5,007	5,124	5,215	5,779	5,971	5,975	6,062
Manufacturing	9,138	7,491	6,905	6,253	5,923	5,906	5,637	ND	5,668	5,692	5,621
Wholesale Trade	5,008	4,606	4,387	4,236	4,032	3,965	3,868	3,962	3,965	3,921	4,189
Retail Trade	9,054	8,286	8,142	8,232	8,495	7,938	7,969	7,839	7,790	7,826	7,738
Transport. & Warehousing	3,328	3,058	3,058	3,080	3,029	3,128	3,253	3,352	3,334	3,421	3,622
Information	2,895	2,468	2,138	ND	1,571	ND	1,565	1,513	1,501	1,607	1,580
Finance/Insurance	7,316	7,007	6,909	6,844	7,292	7,201	7,564	7,504	7,600	7,671	7,860
Real Estate	1,951	1,849	1,812	1,539	1,576	1,429	1,441	1,776	1,819	1,914	1,960
Professional/Tech. Services	10,795	10,199	10,236	11,505	11,154	10,728	10,403	10,399	10,848	10,805	10,637
Management of Companies	10,853	10,146	9,464	9,875	9,418	9,103	9,058	9,107	8,961	8,761	8,814
Admin./Waste Services	9,056	8,021	8,075	9,303	7,996	7,567	7,824	8,056	8,792	8,446	8,244
Educational Services	2,975	3,156	3,236	3,240	3,424	3,481	3,544	3,516	3,565	3,621	3,546
Health Care	21,726	21,463	21,815	20,996	21,629	22,682	23,057	22,500	22,929	23,184	23,500
Arts/Enter./Recreation	1,890	1,920	2,021	2,098	2,075	2,248	2,182	2,281	2,358	2,347	2,464
Accommodations/Food	9,138	8,439	8,577	9,300	9,878	10,224	10,501	10,902	11,495	12,177	12,556
Other Services	5,596	5,364	5,735	5,332	5,445	5,227	ND	5,040	5,120	5,177	5,252
Local Government	11,141	11,145	11,053	10,943	10,908	10,559	10,313	10,369	10,193	10,244	10,374
State Government	24,114	24,175	24,432	24,632	24,233	24,094	24,536	24,449	24,950	25,313	25,201
Federal Government	<u>5,969</u>	<u>6,059</u>	<u>5,065</u>	<u>4,857</u>	<u>4,964</u>	<u>5,072</u>	<u>5,129</u>	<u>5,392</u>	<u>5,707</u>	<u>5,780</u>	<u>5,918</u>
<b>Total</b>	<b>159,063</b>	<b>150,777</b>	<b>148,083</b>	<b>149,540</b>	<b>148,410</b>	<b>147,607</b>	<b>148,477</b>	<b>149,651</b>	<b>153,128</b>	<b>154,502</b>	<b>155,753</b>

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

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

Table 4 shows the net change in at-place job totals over the past ten years. As previously noted, growth was most pronounced in the Health Care and Accommodations/Food sectors. Losses were largely in the Manufacturing, Information, Management of Companies, Wholesale Trade and Retail Trade sectors. There has been a net growth of 7,340± at-place jobs since 2013, as the national and local economies expanded after the recession.



<b>Table 4: <u>Change in Total At-Place Employment,</u> <u>Richmond, VA, 2008-2018</u></b>		
	<b><u>Net Change</u></b>	<b><u>Percent Change</u></b>
Utilities	-26	-10.5%
Manufacturing	-3,517	-38.5%
Wholesale Trade	-819	-16.4%
Retail Trade	-1,316	-14.5%
Transport. & Warehousing	294	8.8%
Information	-1,315	-45.4%
Finance/Insurance	544	7.4%
Real Estate	9	0.5%
Professional/Tech. Services	-158	-1.5%
Management of Companies	-2,039	-18.8%
Admin./Waste Services	-812	-9.0%
Educational Services	571	19.2%
Health Care	1,774	8.2%
Arts/Enter./Recreation	574	30.4%
Accommodations/Food	3,418	37.4%
Other Services	-344	-6.1%
Local Government	-767	-6.9%
State Government	1,087	4.5%
Federal Government	-51	-0.9%
<b>Total</b>	<b>-3,310</b>	<b>-2.1%</b>

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. At-place jobs refer to where the job is located, i.e., the City of Richmond. Data are current to year-end 2018 for Employment and Labor Force and at-place jobs.

Richmond realized a net increase in employment of 17,480± jobs over the eleven-year period between 2008 and 2018. Like at-place job trends, employment grew early in the decade up until 2008, when employment reached 95,650± jobs. Employment totals are lower than at-place job totals, which means some net in-commuting occurs into the City from neighboring counties.

Employment fell sharply in 2009 when 4,230± jobs were lost, pushing the unemployment rate up from 5.8 percent to 9.6 percent in a single year. Total employment in the City has increased every year since 2010 and currently stands at 113,130±, which is

17,480± more jobs than the pre-recession high. Employment grew by 1,910± in 2016, 2,370± in 2017 and 1,370± in 2018.

Coupled with employment growth has been the ongoing expansion of the labor force, which has also grown every year since 2010, suggesting growing confidence in the labor market, which is a positive sign. This has pushed the overall unemployment rate higher than it otherwise would be. The unemployment rate in the City currently stands at 3.5 percent, the lowest rate in over a decade.

<b>Table 5: <u>Trends in Employment and Unemployment</u> <u>Richmond, Virginia, 2008-2018</u></b>				
	<b><u>Labor Force</u></b>	<b><u>Employment</u></b>	<b><u>Unemployment</u></b>	<b><u>Percent Unemployed</u></b>
2008	101,506	95,650	5,856	5.8%
2009	101,096	91,416	9,680	9.6%
2010	106,456	96,347	10,109	9.5%
2011	107,647	98,520	9,127	8.5%
2012	109,323	101,135	8,188	7.5%
2013	110,462	102,949	7,513	6.8%
2014	112,298	105,385	6,913	6.2%
2015	112,678	106,801	5,877	5.2%
2016	114,503	109,125	5,378	4.7%
2017	116,779	111,758	5,021	4.3%
2018	117,259	113,125	4,134	3.5%
<b>Net Change</b>	<b>15,753</b>	<b>17,475</b>	<b>-1,722</b>	<b>-2.3%</b>

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

A key factor in the comparison of At-place jobs with Employment is that Employment grew by over 17,000± since 2008, yet At-place jobs decreased during that same period. That comparison contains the fact that persons living in the Richmond commute outside of the City for work. That factor has been identified from interviews with on-site management at several apartment buildings. Employment is a better indicator for housing unit demand, as it refers to where people live. The point is restated here.

There are two salient points that need further explanation. First, some of the job and employment losses in the City are often due to shifts to the suburbs. This is

particularly true for Henrico County and Chesterfield County, where job growth since 2008 has equaled 31,020±. The two counties realized job losses during the recession and have fully recovered (see Table 6). A sizable and growing part of the Richmond residents undertake a reverse commute to the suburbs.

<b>Table 6: <u>Trends in At-Place Employment, Henrico-Chesterfield Counties, VA, 2008-2018</u></b>			
<b><u>Year</u></b>	<b><u>Chesterfield County Jobs</u></b>	<b><u>Henrico County Jobs</u></b>	<b><u>Total Suburban Jobs</u></b>
2008	120,195	178,807	299,002
2009	114,800	170,881	285,681
2010	113,322	170,411	283,733
2011	113,833	172,959	286,792
2012	117,645	178,088	295,733
2013	122,389	179,427	301,816
2014	124,399	179,377	303,776
2015	131,126	187,015	318,141
2016	134,066	189,377	323,443
2017	135,816	192,970	328,786
2018	138,428	191,595	330,023
<b>Net Change</b>	<b>18,233</b>	<b>12,788</b>	<b>31,021</b>

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

**Unemployment.** During the past recession period of the late-2000’s, Richmond’s unemployment rate exceeded nine percent and stayed above seven percent until 2013. It has now decreased to 3.5 percent, the lowest rate in over a decade. The decrease is due to net job growth since 2009.

**Economic Development Activity**

A considerable number of developments are ongoing and planned in in the market area. Job-generating developments within the market area are detailed in the paragraphs below.

- **Dominion Headquarters.** Ground was broken in late-2016 on the new 20-story, million square foot building at 111 S 6<sup>th</sup> Street that will house over 1,000 Dominion employees. Once completed, as expected in 2019, the tower will hold 17 floors of office space, two floors of above-ground parking and four floors of underground parking. Around 5,000 square feet of ground floor retail space is also planned for the building’s northeast side on Seventh Street and Cary Street. Currently, Dominion has about 2,500 downtown employees in several buildings: A three

building corporate headquarters complex on Tredegar St., One James River Plaza, the 20-story Eighth and Main Building and a couple of buildings on Grayland Ave. Dominion has said it is also considering building a separate, neighboring tower on the site of its current headquarters that would span 850,000± square feet on 16 floors.

- **Ocean Network Express**, a global container shipping company, announced in August, 2018 that it would expand its North American headquarters in Richmond and create 129 new jobs. Ocean Network Express currently has 216 employees in Richmond.
- **Richmond Arena**. NH District Corp submitted a proposal in August, 2018 for a mixed-use, residential and business project. The entire project, built on city-owned real estate, would be funded via a mixture of publicly backed bonds, private investment and the creation of a special tax district. project calls for replacing the Coliseum with a 17,500-seat arena and redeveloping the 10-block area with 2,800 new housing units, including 2,520 market-rate apartments and 680 income-based units, and a 23-story, 527-room Hyatt Regency hotel. Plans also call for preserving and redeveloping the Blues Armory with a 20,000± square foot food court plus entertainment and event spaces, replacing the GRTC transfer center along Ninth Street, and re-use of sites filled with outdated city buildings. There is no timeline for this project.
- **SAIC** announced in July, 2018 that would create 75 information technology jobs in Richmond.
- **Need Supply Co**, a high-end retailer, announced in August, 2018 that it would move into 20,700± square feet of office space in the Handcraft Cleaners Building, which sits at the corner of Roseneath Road and West Moore Street in Scott's Addition. Need Supply will use 13,000± square feet as office space and more than 7,000± square feet as photo studio space. The new headquarters will consolidate two offices and a photo studio that Need Supply has in Richmond. The Scott's Addition office will house Need Supply's e-commerce, marketing, copywriting, development, operations, human resources, finance, administrative and executive staff.
- **VCU Outpatient Facility**. Ground was broken in June, 2018 on this 16-story, 603,000± square foot building on the grounds of the former Virginia Treatment Center for Children on the MCV Campus. of VCU. The development will also include a 472,000± square foot parking deck with more than 1,000 parking spaces. The new outpatient facility will consolidate most of VCU Massey Cancer Center's outpatient care, on-site laboratory services, medical imaging, and women's and rehabilitation services. It is expected to open in the summer of 2020.
- **VCU Engineering Research Building**. Ground was broken in May, 2018 on this research building on the northeast corner of Cary and Belvidere streets. The 133,000± square foot building, scheduled to open in 2020, will significantly expand

the college’s laboratory capacity and serve as a collaboration hub for advanced research, economic development initiatives and hands-on approaches to engineering.

- **VCU’s School of Allied Health Professions.** Construction is nearing completion on this 154,000± square foot building that will provide a unified space for Virginia Commonwealth University’s School of Allied Health Professions. The building will host the college’s nine academic units, the doctoral program in health-related sciences, the dean’s office and the Virginia Center on Aging.
- **Power Systems & Controls,** a company that supplies power products to Fortune 500s and federal government agencies, announced in February, 2018 that would expand its local facility by 20 people.
- **The Community Foundation** relocated from the Boulders office park in Chesterfield County to its new headquarters at 3409 W. Moore Street in Scott's Addition. The nonprofit, which provides grant money to other local nonprofits, moved into the new space in late November, 2018. 50 people work in the space. Other tenants in the 106,000± square foot former laundry warehouse include Tazza Kitchen and tech company CloudBees. Thalhimer Realty Partners, which bought the site in 2016.
- **2900-2904 W. Clay St.** The buildings at 2900 and 2904 W. Clay St. in Scott’s Addition are proposed to be converted into a 7,800± square foot food hall that would house a variety of restaurants and beverage makers.

In addition to new construction jobs, the above announcements would expand the City’s at-place jobs by several thousand.

In terms of layoffs, there have been three major layoff announcements in Richmond in 2019. Combined, these layoffs have resulted in the loss of 450± jobs. These three layoffs are detailed in Table 7 below.

<b>Table 7: <u>Major Layoffs, Richmond, Virginia, 2019</u></b>			
<b><u>Company</u></b>	<b><u>Business Description</u></b>	<b><u>Jobs Lost</u></b>	<b><u>Layoff Date</u></b>
Health Diagnostic Laboratory	Clinical Laboratory Diagnostics	399	07/2019
Genworth Financial	Insurance services	21	05/2019
Confluence Coffee	Coffee Manufacturing	33	02/2019
<b>Total</b>		<b>453</b>	
Source: Virginia Economic Development Partnership			

**Summary.** In addition to the sizable employment growth that occurred in the City of Richmond since the recession there has been a net growth of over 31,000 of new jobs in the two adjacent suburban counties since 2008.

## **Section II Affordable Apartment Analysis**

This section of the report presents the supply/demand analysis for the 152-unit proposal. First presented is the demographic analysis which “solves” for the defined target market for School Street Apartments. The market under study is the active senior market, defined as household heads within the 62 to 79 age category and with incomes of \$27,400 to \$41,500. This is the income range that is eligible for “60%” rents within the Richmond marketplace and who can afford the proposed rents.

The proposed net rents for the one-bedroom apartment unit is just under \$920. Seniors are “allowed” to spend up to 40% of income for net rent. Thus most residents at School Street Apartments will need incomes of at least \$27,000.

The forecast date for the analysis is 2022, as the apartment building is expected to be started by 2020 and completed by late-2021 or early-2022.

The second part of Section II is the analysis of the current affordable age-restricted apartment properties. We identified 11 apartment properties that would be defined as competitive with School Street Apartments. These eliminate the Section 8 properties and older properties with lower rents, compared with the School Street Apartments proposal.

### **Demographic Analysis**

#### **Population Trends and Projections**

The market area population as of 2010, and based on the most recent Census count, was 208,730±. The market area’s population increased by approximately 21,180 during the 2000 decade, after adding only 1,590± people during the 1990’s. Population growth took place in the Henrico County portion of the market area during the 1990’s, while the population declined in the Richmond portion of the market area during that period. The more recent population growth was principally driven by expansions at Virginia Commonwealth University (VCU) and its expansive medical center after 2000 as well as

development of new downtown apartment properties, serving both professional and student renters.

The market area's post-2010 population grew considerably, adding 2,120± people every year, on average. This too was driven primarily by a continued increase in VCU student enrollment during the 2010 decade. Students living on or off-campus on April 15th of the Census year are counted in the population of that jurisdiction.

The net population growth shown for the market area is an anomaly for most downtown areas. There is significant net population growth. Data show that both the resident population and VCU student population realized increases since 1990. Some of the resident population growth includes students who live off campus.

Based on estimates from the Weldon Cooper Center for Public Service, the market area population increased by 19,160± between 2010 and 2018 to reach 227,890±. This represents an annual growth rate of 2,400±, the most pronounced growth rate in nearly three decades. These data were used to calculate the 2022 population forecast of 237,470±. In addition to the Weldon Cooper Center, we used new development activity, including employment and housing unit development, to determine expected population growth after 2018.

Part of the market area's population growth since 2000 was VCU student growth. However, there was also a significant amount of new professional growth supported by new downtown apartment unit development, and to a lesser extent, condominium development. Since 2000, the downtown area realized the development of over 8,000 new housing units, mostly rental apartments. Thus, the combination of student and professional growth in Downtown Richmond was the reason behind the significant population growth since 2000, which is the antithesis of trends in most downtown areas of larger and mid-sized cities. The downtown population growth for students, professionals in the various adaptive-reuse buildings and some empty nester growth in



downtown condominiums, were large enough to offset any population declines in other neighborhoods in the City.

<b>Table 8: Trends and Projections of Population and Households by Tenure and Income, School Street Apartments Market Area, 1990-2022</b>					
(Constant 2019 Dollars)					
	<b>1990</b>	<b>2000</b>	<b>2010</b>	<b>2018</b>	<b>2022</b>
Market Area Population	185,960	187,550	208,730	227,890	237,480
Richmond City Portion 1/	114,630	111,610	120,420	133,810	140,510
Henrico County Portion 2/	71,330	75,950	88,310	94,080	96,970
Group Quarters Population 3/	8,330	8,800	12,190	13,960 3/	14,050
Household Population	177,630	178,750	196,540	213,930	223,430
Persons Per Household	2.26	2.23	2.22	2.20	2.18
Households	78,500	80,260	88,630	97,240	102,490
<b>Senior Demographics (62-79)</b>					
Total Population	26,190	21,070	21,680	22,790	23,350
Percent of Total Population	14.1%	11.2%	10.4%	10.0%	9.8%
Senior Households	17,410	14,630	14,860	15,720	16,100
Percent of Total Households	22.2%	18.2%	16.8%	16.2%	15.7%
<b>Target Market (\$27,500-\$41,500)</b>					
Total Households	2,710	2,270	2,770	3,000	3,180
Percent of Total Households	3.5%	2.8%	3.0%	3.1%	3.1%
Percent of Senior Households	15.6%	15.5%	18.6%	19.1%	19.8%
Notes: 1/ Includes the following 2010 U.S. Census tracts in Richmond City: 102, 103, 104.01, 104.02, 105, 106, 107, 108, 109, 110, 111, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 301, 302, 305, 402, 403, 404, 405, 406, 407, 108, 409, 410, 411, 412, 413, 414, 416, 501, 502, 503, 504, 505 and 506.					
2/ Includes the following 2010 U.S. Census tracts in Henrico County: 2003.01, 2003.02, 2004.04, 2005.01, 2005.02, 5006, 2007, 2008.01, 2008.02, 2008.01, 2008.05, 2010.01, 2010.02, 2010.03, 2011.01, 2011.02, 2012.01, 2012.02, 2014.01 and 2012.01.					
3/On-campus housing occupancy increase of 1,740± students at VCU. Includes the 1,524-bed Gladding Residence Hall at VCU, which delivered in August, 2018. Due to demolitions, this added 600± new beds.					
Source: 1990, 2000 and 2010 U.S. Department of Commerce, Bureau of the Census; Weldon Cooper Center for Public Service; S. Patz and Associates, Inc.					

### **Group Quarters Population**

The market area has a large Group Quarters population, due primarily to on-campus housing related to VCU. The Group Quarters population also includes persons in jails, hospitals, nursing homes, shelters, etc. The market area’s Group Quarters population totals approximately 13,960±, or approximately 6.1 percent of total population. This is

higher than most areas, but not unusual given the large number of VCU students residing in residence halls. Of note is that the Group Quarters population count expanded considerably between 2010 and 2018. Much of this growth took place in the fall of 2018 with the opening of the 1,518-bed Gladding Residence Center in mid-2018. The Group Quarters population is subtracted from total population to determine Household Population. Household Population is the key determinate for the analysis of housing unit demand.

### **Households**

The market area's total number of households in 2010 was 88,630±. There was a net growth of 8,370± households in the market area during the 2000's, which equates to an average annual growth of 840±. The market area's household total is estimated to have reached 97,240± as of 2018, an increase of 1,080± households per year on average since 2010. Clearly, the market area population and households grew at a much higher rate during the 2010 decade compared with the 2000 decade. That is largely due to the effects of new housing development in and around the downtown, which in turn, generated more demand for retail and office space.

By 2022, the market area is expected to realize an increase of 5,250± new households. This equals to a growth of approximately 1,310± households annually for the 2018 to 2022 period. This net average annual projection of household growth is slightly above the 1,080± rate for the 2010 to 2018 period.

Of note is the small average household size in the market area. As of 2018, the average household size was 2.20. This number has been on the decline since the 1990's, due largely to large number of small apartment units built, which attract primarily one- and two-person households. Average household size is projected to decline to 2.18 by 2022 as the market area continues to attract small households, including single-household students who live off-campus.

The population and household growth rates for the post-2010 period are significantly greater than the rate of growth during the 2000 decade. Continued growth at VCU and continued projected occupancy of new housing are the key issues related to the larger level of population and household growth.

### **Active Senior Population**

The active senior population was defined as seniors between the ages of 62 and 79. In 2018, the senior population in the market area totaled 22,790±, or 10.0 percent of the total market area population. The percentage of seniors in the market area is below the state and national averages of approximately 13.5 percent. This is due to the large student population in the market area. During the 2010 to 2018 period, the net growth of this population was 1,110±, or 140± people per year on average. By 2022, the market area is projected to total 23,350± active seniors in this age category, or 9.8 percent of the market area population. This forecast is for a net growth of 560± persons.

Data in Table 8 also show the net growth in the number of households with the household head aged 62 to 79 years old. In 2018, the market area had 15,720± active senior-headed households. By 2022, this total is projected to grow by 380± and reach 16,100± households. Data on senior households show an average household size of 1.45, which is slightly below the average in many market areas.

### **Target Senior Market**

School Street Apartments will have rents restricted to seniors earning 60% of the Area Median Income (AMI) in the Richmond, VA MSA. Qualified senior households for this income category must earn annual incomes ranging between \$27,500 and \$41,500, when reported in constant 2019 dollars.

The demographic analysis shows that as of 2018, the market area had 3,000± senior households within this income range. The 2018 total exceeds the 2010 total by 230±

households. By 2022, the market area is projected to add 180± households within the age and income category under study to reach 3,180± households.

**Renter Households by Size**

As of 2010, nearly 37 percent of market area households were single-person households. An additional 31.9 percent were two-person households. These percentages, and others, did not change significantly over the 2000 decade.

<b>Table 9: <u>Trends in Household Size, School Street Apts Market Area, 2000-2010</u></b>				
	<b>2000</b>		<b>2010</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Total Households</b>	80,258		88,629	
1-person household	29,437	36.7%	32,636	36.8%
2-person household	25,225	31.4%	28,297	31.9%
3-person household	12,537	15.6%	13,500	15.2%
4-person household	7,631	9.5%	8,274	9.3%
5-person household	3,411	4.3%	3,555	4.0%
6-person household	1,226	1.5%	1,433	1.6%
7-or-more-person household	791	1.0%	934	1.1%

Source: 2000 and 2010 U.S. Department of Commerce, Bureau of the Census

**Summary**

While the overall market area population has grown due to the area student population, there has been net growth in the active senior population and household market, particularly since 2000. During the 2010 to 2018 period, the active senior household market, with incomes in the range under study, increased by 230. Another 180 “target” households are projected during the 2018 to 2022 period.

**Competitive Affordable Apartment Market**

Table 10 lists the eleven competitive LIHTC age-restricted apartments in the market area. This total excludes several Section 8 senior properties that are not

competitive with the School Street Apartments proposal. The 11 communities under study are fully competitive, all with rents at 50% and 60% of the Area Median Income (AMI).

The newest senior community to open is Somanth Senior Apartments. This small complex of 39 apartment units opened in 2013 with rents restricted to 40% and 50% of AMI and is at full occupancy with a 20-person wait list. The complex includes a three-story, 32-unit and a one-story, seven-unit apartment complex. Atlantic at Brook Run opened with 120 units amidst the recession in 2009 and currently has six vacant units. This is a single elevator-served building. Other apartments to open during this decade include the 28-unit Washington Plaza, 108-unit Darby House, 152-unit Carter Woods Apartments and 104-unit Reflections Apartments. All of these properties are at or near full occupancy at this time. Washington Plaza maintains a wait list of five people and Darby House maintains a wait list of 25 people. Management at Reflections Apartments note that their current wait list extends for at least three years. Several of the other full properties also maintain a wait list.

Five older senior properties were built in the 2000's and total 481 units. Despite being older, these communities are fully occupied. Guardian Place maintains an extensive wait list of 80 people, primarily for the community's studio and one-bedroom units.

Thus, a large number of units were added during the 1990's and 2000's, while very few units have been constructions since. Only one small complex of 39 units has been built during the post-2010 period. No senior apartments have been built in over five years. This has contributed to the pent-up demand.

Overall, the market area totals 1,032 affordable, age-restricted units, with only seven vacancy units at this time. This represents a very low vacancy rate of only 0.7 percent. Nine of these properties are fully occupied and one has only one vacant unit. None of the properties face any occupancy challenges.

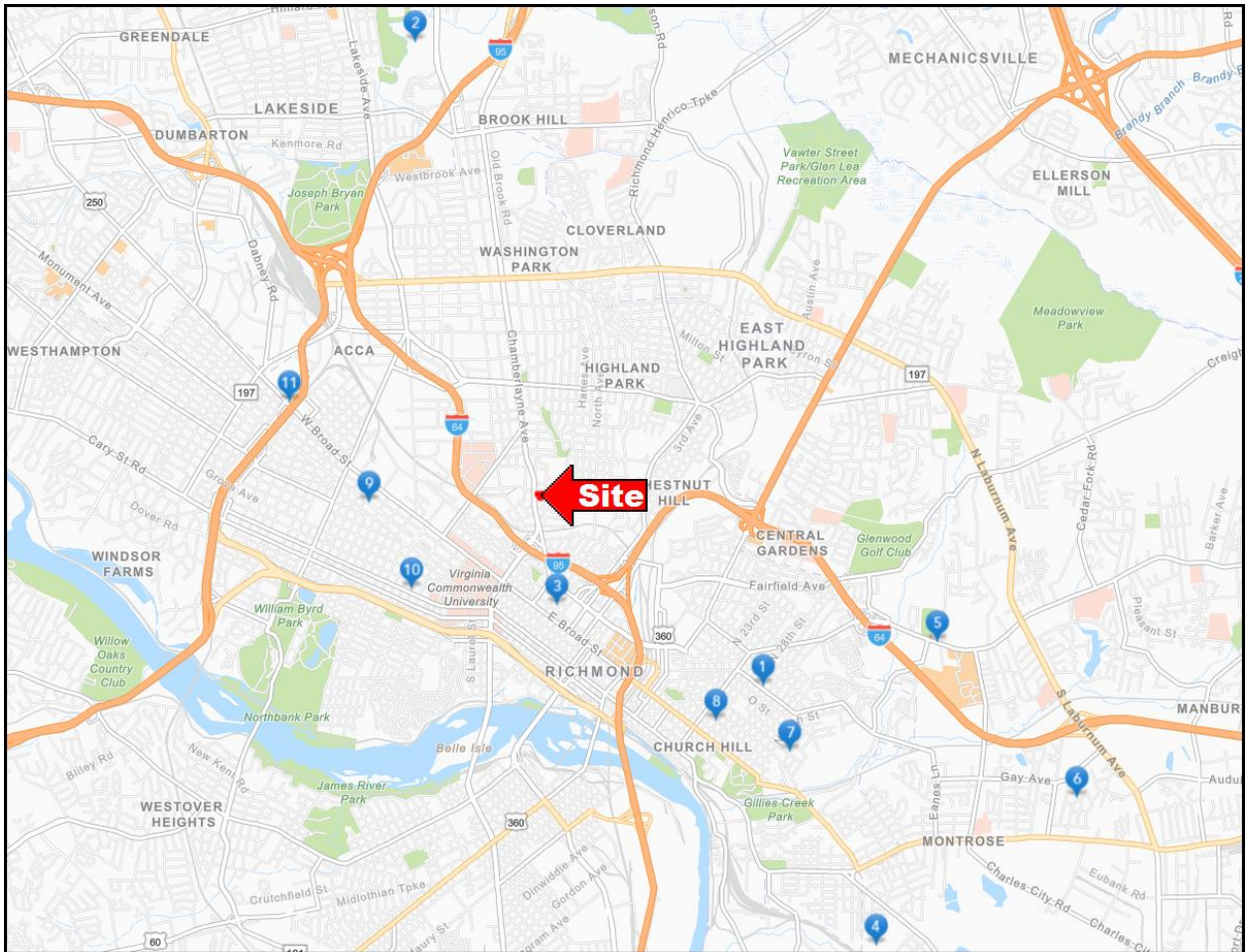
**Table 10: Characteristics of Competitive Apartment Communities, School Street Apartments Market Area, September, 2019** <sup>1/</sup>

	<u>Map E</u> <u>Key</u>	<u>Year</u> <u>Built</u>	<u>Income</u> <u>Restrictions</u>	<u>Total</u> <u>Units</u>	<u>Vacant</u> <u>Units</u>
Somanath Senior Apartments	1	2013	40%/50%	39	0 4/
Atlantic at Brook Run	2	2009	60%	120	6
Washington Plaza	3	2008	60%	28	0 5/
Darby House	4	2006	40%/50%	108	0 6/
Carter Woods I & II	5	2004/06	40%/50%/60%	152	1
Reflections Apartments	6	2002	40%/50%	104	0 7/
Bacon Retirement Community	7	1999	50%/60%	58	0
Bowler Retirement Community	8	1997	50%/60%	62	0
William Byrd	9	1996/17 3/	60%	104	0 5/
Columns on Grove	10	1998	50%/60%	21	0
Guardian Place I & II	11	1994/00	60%	<u>236</u>	<u>0 8/</u>
<b>Total</b>				<b>1,032</b> <sup>2/</sup>	<b>7</b>
<b>Vacancy Rate</b>					<b>0.7%</b>

Notes: 1/ Excludes Section 8 properties.  
 2/ Approximately 60 voucher holders.  
 3/ Fully renovated in 2017.  
 4/ 20 person wait list.  
 5/ 5 person wait list.  
 6/ 25 person wait list.  
 7/ 3-4 year wait list.  
 8/ 80 person wait list.

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

Map E identifies the locations of each of these senior properties. Atlantic at Brook Run is located north of the study site along Brook Road in Henrico County. Three properties—Somanath Senior Apartments, Bacon Retirement Community and Bowler Retirement Community—are located in the Church Hill neighborhood of Richmond. Carter Woods and Reflections Apartments are located further east in Henrico County. Washington Plaza, William Byrd and Columns on Grove are located in the Richmond greater Downtown area. Guardian Place is located west of downtown at the northern intersection of W. Broad Street and N. Hamilton Street



**Map E - Locations of Competitive Apartments**

Shown next are photos of each of the competitive senior apartments. Washington Plaza, Columns on Grove, Bacon Retirement Community, Bowler Retirement Community and William Byrd are adaptive-reuse developments. The remaining six senior apartment properties are new construction communities. Apart from the single-level Reflection Apartments, all of the competitive apartments are multi-level, elevator-served communities. None of these properties have the same upscale curb appeal as the School Street Apartments proposal.



**Somanth Senior Apartments**



**Atlantic at Brook Run**



**Washington Plaza**



**Darby House**



**Carter Woods**



**Reflections Apartments**





**Bacon Retirement Community**



**Bowler Retirement Community**



**Columns on Grove**



**Guardian Place**



**William Byrd**

## Rent Analysis

Data in Table 11 list the rents at all of the senior apartment communities under study. For the sake of consistency, rents have been adjusted to include only cold water, sewage and trash collection. None of these communities have in-unit washers and dryers. These rents are for 50% and 60% rates.

The rents highlighted in Table 11 are 60% rents. The others are at 50%. The 50% rents are low. Three apartments have 60% rents at \$850+. None of these properties are at \$900+ in rent.

Two-bedroom units at these properties are generally above the high-\$800's and several generate rents over \$900. These are more mature properties and are without in-unit washers and dryers, a \$45 premium.

**Table 11: Rental Rates Competitive Apartment Communities, School Street Apartments Market Area, September, 2019 1/**

	<u>Studio</u>	<u>One-Bedroom</u>	<u>Two-Bedroom</u>
Somanath Senior Apartments 2/	--	\$707	\$845
Atlantic at Brook Run	--	<b>\$887</b>	\$1,047
Washington Plaza	--	<b>\$745-\$765</b>	\$840-\$890
Darby House	--	\$695	\$815
Carter Woods I & II	--	\$700- <b>\$855</b>	\$835-\$1,020
Reflections Apartments	--	\$730	\$870
Bacon Retirement Community	--	\$642	\$725
Bowler Retirement Community	--	\$642	--
William Byrd	--	<b>\$837</b>	--
Columns on Grove 4/	--	\$750	\$900
Guardian Place I & II	\$650	<b>\$813</b>	\$943
<b>Average</b>	<b>\$650</b>	<b>\$749</b>	<b>\$882</b>
<b>Proposed Rents 3/</b>	--	<b>\$916</b>	--

Notes: 1/ Rents adjusted to include only water, sewage and trash collection. Only 50% and 60% rents shown.

2/ Two-bedroom units have one bathroom.

3/ Includes in-unit washers and dryers.

4/ Estimate.

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

## Rent Per Square Foot

Next shown is the rent per square foot calculation for the age-restricted apartments under study. The one-bedroom units have an average rent per square foot of \$1.48, which is compared to a calculation of \$1.43 for School Street Apartments. Atlantic at Brook Run and Washington Plaza have similar rent per square foot calculations.

<b>Table 12: <u>Rent per Square Foot at Competitive Apartment Communities, School Street Apartments Market Area, September, 2019</u></b>			
	<u>Studio</u>	<u>One-Bedroom</u>	<u>Two-Bedroom</u>
Somanath Senior Apartments	--	\$1.16	\$1.00
Atlantic at Brook Run	--	\$1.43	\$1.25
Washington Plaza	--	\$1.41	\$1.05
Darby House	--	\$1.10	\$0.92
Carter Woods I & II	--	\$1.30	\$1.16
Reflections Apartments	--	\$0.93	\$0.87
Bacon Retirement Community	--	\$0.95	\$0.74
Bowler Retirement Community	--	\$1.07	--
William Byrd	--	\$1.78	--
Guardian Place I & II	\$1.59	\$1.25	\$1.41
<b>Average</b>	<b>\$1.29</b>	<b>\$1.48</b>	<b>\$1.14</b>
<b>Proposed Rent per Square Foot</b>	--	<b>\$1.43</b>	--
Source: Field and Telephone Survey by S. Patz and Associates, Inc.			

## Unit Sizes

Table 13 below shows the unit sizes at the competitive senior apartment communities. The studio units are 408 square foot units at Guardian Place. The two-bedroom units are an average of 847 square feet.

At 641 square feet, the proposed one-bedroom units at School Street Apartments will be 33 square feet larger than the market area average. The smaller one-bedroom units at Guardian Place, William Byrd and some of the smaller units at Washington Plaza are smaller have leased well.

**Table 13: Unit Sizes at Competitive Apartment Communities, School Street Apartments Market Area, September, 2019**

	<u>Studio</u>	<u>One-Bedroom</u>	<u>Two-Bedroom</u>
Somanath Senior Apartments	--	609	841
Atlantic at Brook Run	--	620	835
Washington Plaza	--	450-620	720-921
Darby House	--	623-643	883
Carter Woods I & II	--	600	800
Reflections Apartments	--	788	997
Bacon Retirement Community	--	678	985
Bowler Retirement Community	--	600	--
William Byrd	--	416-525	--
Columns on Grove	--	600	640
Guardian Place I & II	408	549	824
<b>Average</b>	<b>408</b>	<b>608</b>	<b>847</b>
<b>Proposed Unit Sizes (Range)</b>	--	<b>517-764</b>	--
<b>Proposed Unit Sizes (Average)</b>	--	<b>641</b>	--
Source: Field and Telephone Survey by S. Patz and Associates, Inc.			

**Unit Mix**

The unit mix at each of the competitive properties is shown below. Only Guardian Place offers studio units and totals 54 of these units. 70.5 percent of the competitive units are one-bedroom compared with 24.2 percent that are two-bedroom units. All of the comps have a majority of one-bedroom units, except for Reflections Apartments which has an even mix of one- and two-bedroom units. Comps with a sizable number of two-bedroom units include Atlantic at Brook Run, Darby House, Carter Woods, Reflections Apartments and Guardian Place. All units at School Street Apartments will be one-bedroom units.

<b>Table 14: <u>Unit Mix at Competitive Apartment Communities,</u> <u>School Street Apartments Market Area, September, 2019</u></b>				
	<b><u>Studio</u></b>	<b><u>One-Bedroom</u></b>	<b><u>Two-Bedroom</u></b>	<b><u>Total Units</u></b>
Somanath Senior Apartments	0	32	7	39
Atlantic at Brook Run	0	80	40	120
Washington Plaza	0	18	10	28
Darby House	0	76	32	108
Carter Woods I & II	0	91	61	152
Reflections Apartments	0	52	52	104
Bacon Retirement Community	0	57	1	58
Bowler Retirement Community	0	62	0	62
William Byrd	0	104	0	104
Columns on Grove	0	18	3	21
Guardian Place I & II	<u>54</u>	<u>138</u>	<u>44</u>	<u>236</u>
<b>Total</b>	<b>54</b>	<b>728</b>	<b>250</b>	<b>1,032</b>
<b>Percent of Total</b>	<b>5.2%</b>	<b>70.5%</b>	<b>24.2%</b>	<b>100.0%</b>
<b>Proposed Unit Mix</b>	<b>01</b>	<b>152</b>	<b>0</b>	<b>152</b>
Source: Field and Telephone Survey by S. Patz and Associates, Inc.				

### **Community Amenities**

The competitive communities offer very few amenities. Given that none have in-unit washers and dryers, all have on-site laundry rooms. Several also have community rooms. Darby House has an on-site fitness center. School Street Apartments will also have this amenity.

### **Section III Market Study Conclusions**

The above analysis presented a positive “picture” of the market area in terms of overall growth, new investments, and a strong market for senior housing for active adults. The market area is at near full occupancy, with a 0.7 percent vacancy rate and a combined waiting list of at least 150 senior households.

The School Street Apartments is an attractive building with sufficient on-site parking, standard amenities for seniors, and units with washers/dryers. This is the only affordable apartment property for seniors with in-unit washer/dryers.

The unit mix and unit sizes at the study proposal are at market. Rents at School Street Apartments are very competitive given the new construction and in-unit washers/dryers.

The demand analysis for new age-restricted apartment units, presented next, will show full demand for the School Street Apartments proposal at the rents and apartment unit mix, as proposed.

#### **Analysis of Demand**

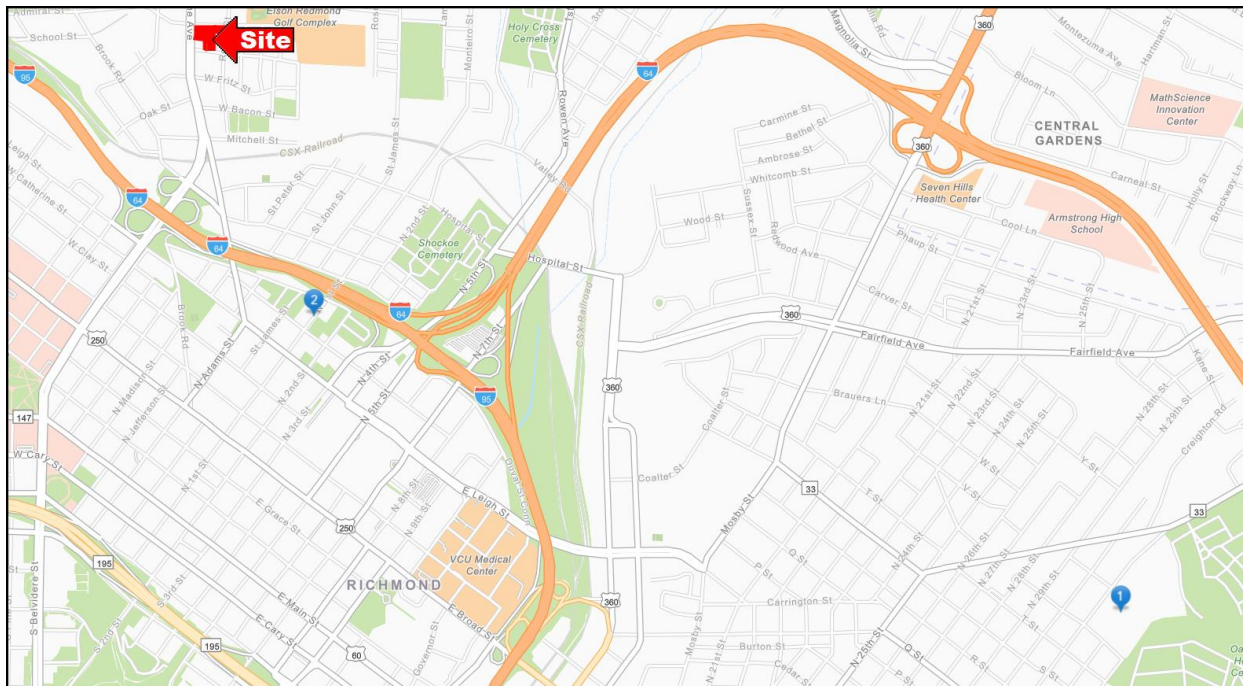
##### **Apartment Pipeline**

Table 15 details the age- and income-restricted apartments in planning and under construction in the market area. Two communities are currently under construction and will add 117 units. Both should be completed by the end of 2019. Within the 117 units will be eight units restricted to 40% of AMI, 91 units restricted to 50% of AMI and only 18 units restricted to 60% of AMI.

	<u>Map F</u> <u>Key</u>	<u>40% of</u> <u>AMI</u>	<u>50% of</u> <u>AMI</u>	<u>60% of</u> <u>AMI</u>	<u>Total</u> <u>Units</u>	<u>Delivery</u>
Church Hill North 1B	1	0	27	18	45	Late-2019
Jackson Ward Senior	2	8	64	0	72	Late-2019
<b>Total</b>		<b>8</b>	<b>91</b>	<b>18</b>	<b>117</b>	

Notes: 1/ Excludes Church Hill North 2B, proposed for 45 age-restricted unit all with Section 8.  
Source: S. Patz & Associates

Map F shows the locations of the two apartments under construction. Both are located in the northern side of Richmond, near the study site.



**Map F - Locations of Pipeline Apartments.**

The paragraphs below detail each of the competitive apartments under construction.

- **Church Hill North 1B.** Construction will be completed in late-2019 on this 45-unit, age-restricted community at 1611 North 31<sup>st</sup> Street. This will be a three-story, elevator-served building. Amenities will include a community room and common laundry room on each level. 27 units will have 50% rents and 18 units will have 60% rents. The unit mix will be 43 one-bedroom and two two-bedroom units.

- **Jackson Ward Senior.** Construction will be completed in October, 2019 on this 72-unit mixed-income community located at 105 E Duval Street. This too will be an elevator-served building that will include an amenity area, community room and access to a memorial garden. There will also be a common area laundry facility. Of the 72 units, eight will be rent restricted to 40% of AMI while the remaining 64 will be rent restricted to 50% of AMI. There will be no difference in rent between the two restrictions. All units will be 606 square feet with net rents of \$732.

Photos of the existing conditions of each of the apartments above are shown below.



**Church Hill North 1B**



**Jackson Ward Senior**

### **Demand Chart**

The market area has an expected net growth of 180 target households. This could be conservative given the fact that a 152-unit proposal is being planned in a location with limited land for new development in the past.

Added to this is the rent overburdened category. Within the market area there are approximately 150 persons on the wait list for the competitive senior apartments under study. We defined this as the rent-overburdened category.

The third category is substandard housing. Within the City of Richmond, there are 1,400± housing units without indoor plumbing. This total was reduced to 500 to



account for the margin of error in the census estimate and to include only households with the head 62+ years. The 80 households shown in the Demand Chart accounts for approximately 20 percent of these households occupied by seniors.

The supply total refers to the 60% rent pipeline units at the Church Hill North IB proposal.

The net demand is 390. These units are expected to have a sizable preleasing unit total of 40 percent, or 45 to 50 units, and a ten-unit per month lease-up pace for the 100± units not preleased. The lease-up period is ten months after project opening.

<b><u>Demand Table (2018-2022)</u></b>	
	<b><u>Up to 60% of AMI</u></b>
New Rental Households	180
PLUS	
Existing Households - Over-Burdened (wait list)	150
PLUS	
Existing Households-Substandard Housing	80
PLUS	
Elderly Households-Likely to Convert to Rental Housing	0
PLUS	
Existing Qualifying Tenants – to Remain After Renovation	0
PLUS	
Total Demand	410
MINUS	
<b>Supply</b> (includes directly comparable vacant units completed or in pipeline in PMA)	20
Equals	
Net Demand	390
Absorption Period	10 Months

The VHDA capture rate chart is as follows

	<b><u>Number</u></b>
Project Wide Capture Rate – LIHTC Units	39.0%
Project Wide Capture Rate – Market Rate Units	N/A
Project Wide Capture Rate – All Units	39.0%
Project Wide Absorption Period	10 Months

The high capture rate is due to the large number of units being added to a market area with limited land for new development.

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.



September 12, 2019

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Market Analyst

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Date