

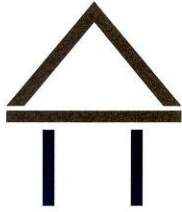
Market Analysis
King William Manor
King William County, Virginia

Prepared for:

Mr. David Koogler
Mark-Dana Corporation

February 26, 2019

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



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

February 28, 2019

Mr. David Koogler
Mark-Dana Corporation
26302 Oak Ridge Drive
Spring, Texas 77380

Dear Mr. Koogler:

This will set forth my updated market study for the proposed development of King William Manor, a 40-unit affordable apartment community for active seniors, planned for 9% LIHTC financing during the 2019 competitive LIHTC round in Virginia. This report is an update to our prior report, as you propose to increase the amount of tax credit financing for the proposal. The site location, which is part of a larger residual development, is located in the Central Garage area of King William County and just northeast of the Richmond Region.

This updated report from last year shows:

- A near 100 percent occupancy rate for apartment properties studied for comparison and that 100 residents of general occupancy LIHTC properties are seniors. These data did not change from last year.
- Significant net rent increases since 2018, of \$60+ and in all properties that are not fully rent-restricted.
- Increased HUD maximum rent allowances of 5.6%
- Very modest comparable properties within the market area, indicating very limited direct competition for the King William Manor proposal.
- No active or planned pipeline proposals that would compete with King William Manor.

King William Place may offer some apartment units for seniors, particularly prior to the opening of King William Manor, but King William Place is a three-story garden building with only 12 one's and 30 two's. Any senior residents will likely move to the elevator-served King William Manor, once completed.

The report is presented within the current VHDA market study guidelines. The market area capture rate is a low 17.4 percent. A pent-up demand exists for apartment units of this type and rent. The attached report supports the proposal, as planned.

Mr. David Koogler
February 28, 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

Cc: Dave Koogler
Dana Koogler
Zach Cavender

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Section I Introduction

This will submit our updated market study for the proposed 40-unit, new construction, age-restricted, affordable apartment property, King William Manor, that is planned for development during late-2019 and 2020 on an attractive site located along Virginia Route 30 in the Central Garage community of King William County. The site is part of a planned mixed-use development, which will include a new general occupancy affordable apartment community, which is nearby ready for initial occupancy, and named King William Place, and a third apartment property, also new construction, that could be built after 2019/20 with no rent restrictions. Once built, King William Manor will have both age, income, and rent restrictions under the federal LIHTC program.

The proposal is being restudied for additional LIHTC financing prior to start of construction. That is the purpose of the following report. **Our field research and site visit was undertaken on February 26, 2019.**

The market study will be submitted to officials of Virginia Housing Development Authority (VHDA) for tax credit approval under the 2019 “9%” competitive round, with a submittal date of March 14, 2019. The report to follow is prepared in accordance with the VHDA market study guidelines.

To carefully conform to the VHDA market study guidelines, the report to follow is presented in three separate sections. The first, the Introduction, includes a detailed description of the King William Manor site, its setting within the rural Central Garage community of King William County, and the development proposal for King William Manor. Also noted is the level of preleasing being undertaken at King William Place for occupancy in March or April, 2019.

The site setting describes the public and commercial facilities that serve the residents of Central Garage and will serve future residents of the apartment proposals on the Subject site. This is a key element for site review, as all of King William County is rural and not fully served by a wide array of community and commercial amenities.

A second part of Section I is an Economic Overview of the market area defined for King William Manor. The economic overview analyzes the economic stability and growth of the market area in terms of at-place job growth, employment growth and future job and employment growth based on the magnitude of new development proposed.

Combined, these three economic factors are also the basis for evaluating demographic growth, as job growth generates population and household growth, and thus, housing unit demand, particularly of the type under study.

Section II is the Apartment Market Analysis for the affordable senior housing proposal. First presented is the demographic analysis that “solves” for the number of market area senior households (65+ years of age) with incomes that can support the proposed rents and fall within the eligible LIHTC guidelines. The senior apartment proposal has a wide range of incomes from 40% of AMI to 60% of AMI. The target income category was determined by the proposed gross rents in each AMI category, plus the HUD maximum allowable incomes for the King William County marketplace. Rents at King William Manor are net rents, with all utilities excluded from the base rent. Thus, renters with incomes in the range identified above can afford the proposed rents and are within the LIHTC rent and household income guidelines for King William County. All incomes are reported in constant 2018 dollars, as 2019 dollars are not yet determined. The active senior population is defined as persons aged 65 years and older, as younger persons typically are not attracted to age-restricted properties and would “skew” the potential demand.

The second part of Section II is the competitive apartment analysis. Given the fact that the market area has only three affordable apartment properties for seniors, we also studied affordable general occupancy apartments to determine the number of low- and moderate-income seniors who live in these properties. In both instances, the apartment properties are studied for rents, occupancy, and unit and property amenities. The key to this analysis is the determination of the number of seniors who live in non-age-restricted properties due to a lack of “product” and the rents that they pay. To the extent that a considerable number of seniors live in general occupancy apartments, a pent-up demand may exist.

The third and final section is the Conclusions. This section analyzes the proposal, evaluates the proposed rents and includes the VHDA Demand Chart. The market area penetration rate is calculated based on the projected demand for each rent category under study to 2021, the date that full occupancy is expected at King William Manor.

Market Area Definition

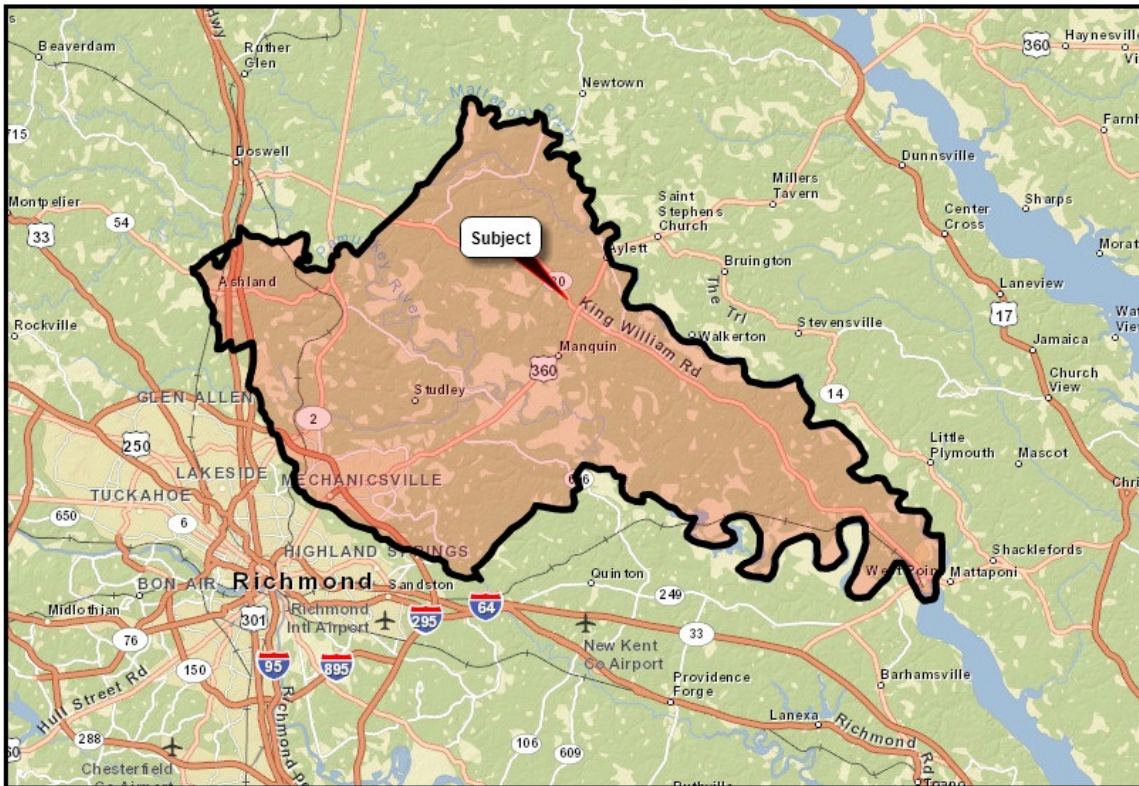
The two closest locations to the King William Manor site with quality apartment unit development are Ashland to the northwest and Mechanicsville to the south. Both of these locations are in Hanover County. We defined a market area to include these two locations, based on the fact that Hanover County has few quality sites zoned for new apartment unit development and County officials have been reluctant to approve new rezonings. Thus, area renters may need to relocate to the Central Garage location of new apartment units and for apartment units with lower rents.

The market area for the King William Manor site includes all of King William County and Hanover County, which is the closest area with urban development and competitive apartment unit development. We defined the market area as the entirety of King William County, as well as the eastern, higher-density portions of Hanover County. King William Manor will compete with age-restricted apartments communities primarily in Hanover County, as there are no direct comps in King William County.

Within Hanover County are the development nodes of Ashland and Mechanicsville. The market area is generally marked as the area east of I-95 in Hanover County, but including the portion of Ashland west of Interstate I-95, and the boundary between Hanover and Henrico counties, south of I-295. With the exception of a few smaller employers near the subject, most of the market area employers are situated within the Hanover County portions of the defined market area.

There are three key issues related to the definition of the market area:

- One, King William Manor is an affordable apartment complex for older adults. There is a limited number of similar apartment properties elsewhere in the market area. Seniors who require affordable and quality housing are likely to be attracted to the Central Garage area, as nearby facilities exist and there are no other convenient competitive locations.
- Two, none of the market area apartment properties have rents as affordable as those at King William Manor, as described below.
- And three, the market area has a sizable pent-up demand for affordable, age-restricted apartment units. For residents of Ashland and Mechanicsville, the Central Garage setting of King William Manor is the most competitive location and the one location where truly affordable housing can be built.



Map A - Market Area

Site Description

The King William Manor site is located along Route 30, just west of U.S. Route 360 in the Central Garage portion of King William County. The property is situated 20± miles east of I-95 from the location of Kings Dominion theme park, 19± miles north of I-295 in Mechanicsville in

Hanover County, and 25± miles west of the Town of West Point in King William County. North of Central Garage along U.S. Route 360 is sparsely developed. Mechanicsville is the closest urban community to Central Garage. It has an abundance of public and commercial services.

Specifically, the site is located directly southeast of King William County Park. Across Route 30 on the south is the Central Crossing subdivision that is being expanded by 90 homes. A medical office structure, fully occupied by King William County Dawn Community Doctors, is adjacent to that subdivision. To the east is land zoned R-1 Suburban Residential and A-C Agricultural Conservation, consisting of large agricultural fields, forest and single-family homes. To the south of site is undeveloped forested properties and a mature single-family home. Map B shows the location of the site.



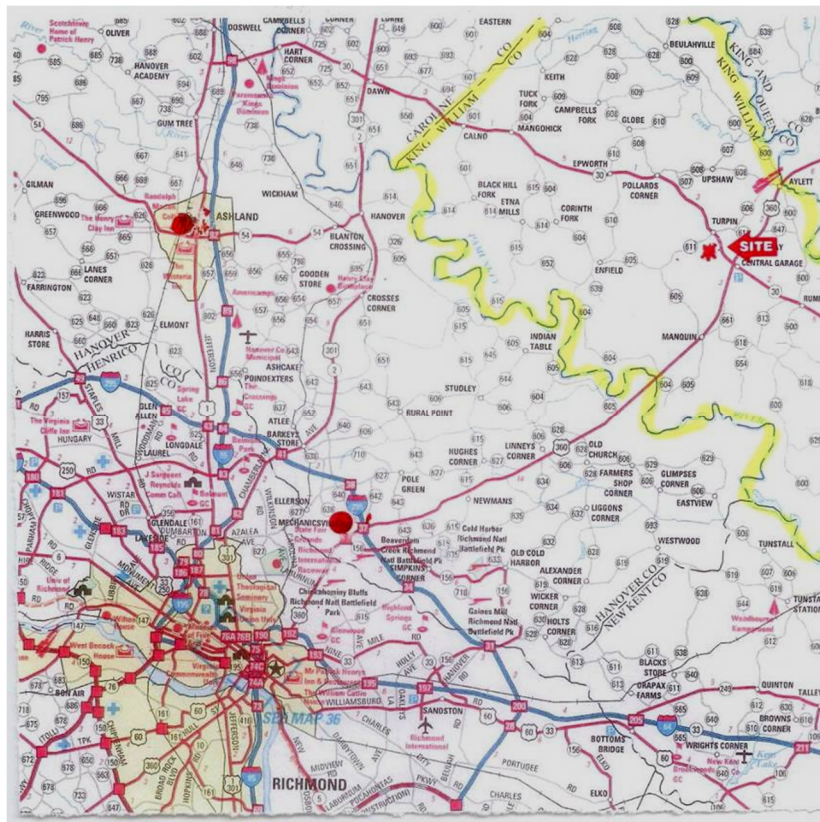
Map B - Site Location

Map C is a better street map that shows the proximity of Ashland and Mechanicsville to the Central Garage area. The outline of King William County is also shown. From Central Garage (and the site) access to Mechanicsville is direct, southwest, via U.S. Route 360. Ashland is directly

west via Route 30 to I-95 and south. There is a commercial node in Central Garage at the intersection of Routes 30 and 360.

To the immediate east of Central Garage, along Route 30, and off of Map C, is the County seat of King William County, the community of King William. Further east, also along Route 30, is the County's one town, West Point.

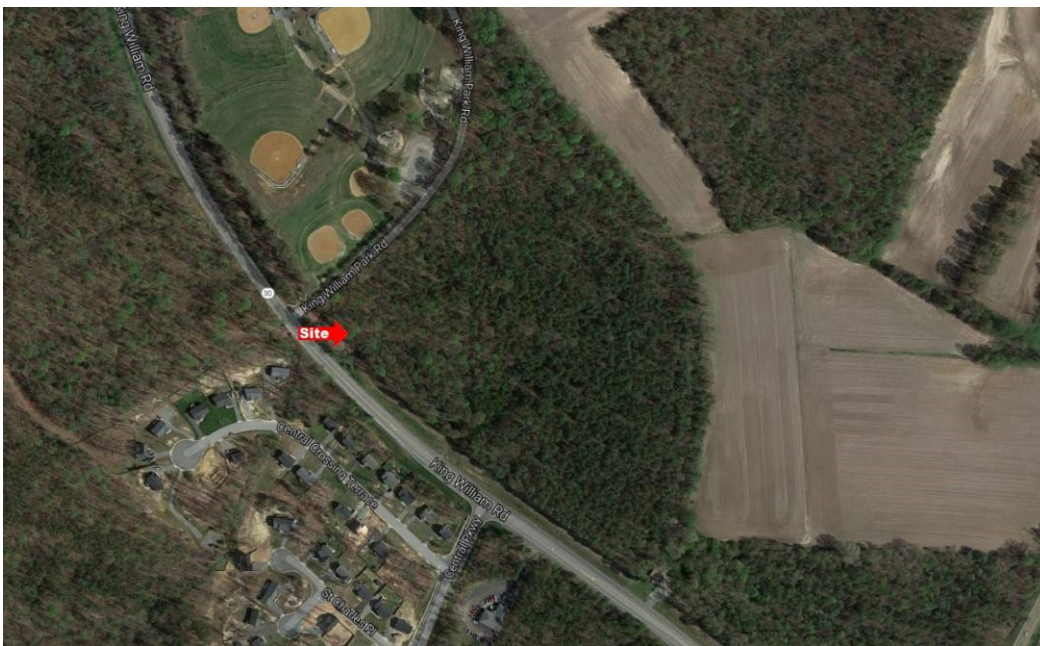
The "star" on Map C is the location of McCauley Park, an upscale residential subdivision of single family homes priced in the \$200,000's to \$300,000's. This subdivision, which has attracted homebuyers from a wide range of areas on the east side of Richmond, was a key factor in the delineation of the market area, as it provided concrete data on the prior residences of home buyers.



Map C - Regional Setting

The King William Manor property is located within a service area for public water or sewer. Water and sewer lines currently exist across Route 30 from the property at the location of the Central Crossing single family subdivision. The developer has extended those utilities to serve the apartment property. VDOT is currently construction a left turn lane into the site from Route 30 east.

To follow is a northern aerial view of the site prior to site development for the new apartment units. It shows that the site was fully wooded with a slight elevation. Site access is directly from King William Road (Route 30). The aerial existed prior to current site development. At this time, the site is being developed with King William Place, an affordable apartment community for families.



Northern Aerial

- **King William Place** is an 84-unit LIHTC also with a mix of 40%, 50% and 60% rents. Site work of this apartment complex was started in early-December, 2017, with an expected completion date of Spring, 2019. The completion date is now March, 2019 as residents are starting to move in.

Photos of the King William Manor site are presented next. Site work is nearly complete for King William Manor and all utilities have been brought into the property. The site plan presented below shows the location of the King

William Place Apartments, along with the location for the King William Manor proposal.

The photos show that considerable treed areas will remain after site development. Current asking rents at King William Place are:

- One-bedroom - \$475-\$600
- Two-bedroom - \$700-\$875
- Three-bedroom - \$950

The following four photos show the status of construction for King William Place. All three buildings are nearly completed. Considerable site work is required for the area around the buildings. Management at Mark Dana Corporation report that certificates of occupancy are now received, so unit occupancy has started. To date, management has 35 applications for apartment unit occupancy. All are from residents of King William County. A considerable number of applications are from seniors and are mostly for one-person households. Management reports that not all of these residents will be able to afford the rents for King William Place, as several applications are from residents who now live with family.



View from Adjacent Park on West



View East into Site



Interior View



**View West from Site Entrance
to King William Place**

The next photos show the King William Manor site on the northwest parcel of the site (see Master Plan). The photo shows that all streets within the site are completed and access is available to the King William Manor site.



**View North to King
William Manor Site**



**Second View North to King
William Manor Site**

The next photo (on the left) is a view into the site from Route 30. The photo on the right is a view of the left side of the subject property that will be designed as market rent apartment units in the future and once Phases I & II are completed.



Site Entrance



View East to Future Apartment Site

The last two photos show the pad site for the third phase of development at the subject property and the site entrance, where a new turning lane will be added.



Future Apartment Site on Right



Site Entrance from Route 30

Site Setting

As previously noted, the site is located off of Route 30 (King William Road), a two-lane undivided roadway that bisects King William County in a northwest-southeast direction between Doswell in the northwest and West Point in the southeast. Its western terminus in Doswell is near

Kings Dominion theme park, approximately 20± miles west of the site. A photo of this roadway adjacent to the site is presented below.



King William Road (Subject on Left)

All of the nearby commercial development that serves the site is located at the intersection of King William Road and Richmond Tappahannock Highway, less than one mile southeast. In addition to several fast food restaurants and gas stations, this is the location of the nearest grocery store, Food Lion, which is part of the 51,600± square foot Central Crossing Shopping Center. The center opened in 2001. Other retailers in this shopping center include Family Dollar, Domino's Pizza, Verizon Wireless, Subway and a state liquor store. Three other small shopping centers with various small retailers are also located in this area.

This is also the location of King William High School. A new retail center, Jackson Square with several restaurants is located on the east side of Route 360, near the high school. This is also the location of Aylett Medical Center, with various physicians offices.



Central Crossing Shopping Center

An application was submitted to the state to upgrade the Route 360 and Route 30 intersection. The state has determined that given the amount of traffic that this intersection generates daily, it requires upgrades. VDOT has since developed plans to upgrade the intersection, including widening Route 30 and making room for additional turn lanes and pedestrian crosswalks. Construction is not expected to begin until sometime in 2019, with completion occurring in 2020 at the earliest.

The aerial below identifies the developments located at the intersection of King William Road and Richmond Tappahannock Highway. In addition to these commercial uses, there are two sizable single-family subdivisions in this area. McCauley Park (1) and Central Crossing (2) which is planned for the expansion of 90 new single family homes. Next to the Central Crossing subdivision, on the west, is a medical office building.



Nearby Development

Just south of the Central Garage retail node, along Route 360, are additional retail stores, including:

- Southern States
- Dollar General
- Small mature strip centers

Mechanicsville has a Lowes, three grocery stores, Patient First, Walmart, medical office space, and considerable service retail and restaurants. A number of churches are at this location. Mechanicsville is also the location of numerous automobile dealerships.

Central Garage, near the Subject, has a commercial node that provides basic services for area residents – grocery store, bank, general merchandise stores, gas stations, local restaurants,

etc. The following paragraphs will show the proximity of other required services for current and future residents of Central Garage.

Medical Care. Riverside King William Medical Center is located at 4917 Richmond Tappahannock Highway #1-B, 0.6 miles southeast of the site. The facility, which is part of the Riverside Medical Group, offers comprehensive medical services. For higher levels of care, residents of Central Garage travel to larger regional health care facilities. Nearby hospitals are briefly detailed below.

- **Riverside Tappahannock Hospital** is located at 618 Hospital Road in Tappahannock, approximately, 19.8 miles northeast of the site. This 67-bed hospital provides a wide variety of services ranging from traditional hospital care to intensive care, including sophisticated diagnostics, home care and physician specialists in most fields.
- **Bon Secours Memorial Regional Medical Center** is located at 8260 Atlee Road, 18.2 miles southwest of the site. This is a full-service acute care hospital offering a full array of services including imaging and diagnostics.
- **VCU Medical Center** is located at 1250 E Marshall St in downtown Richmond, 23.6 miles southwest. The 865-bed medical center is a regional referral center for the state and is the region's only Level I Trauma Center. The center offers more than 200 specialty areas.

Construction was completed on the 640,000 square foot **Children's Hospital of Richmond** Pavilion with an attached parking deck. The hospital is located on Broad Street between 10th and 11th street. The outpatient facility consolidated children's outpatient services into a single facility.

In addition to this project is the 120,000± square foot **Virginia Treatment Center of Children**, a pediatric psychiatric facility located on the Brook Road campus of the Children's Hospital of Richmond at VCU. This facility replaced the former facility on 10th Street.

- **Bon Secours St. Mary's Hospital** is a private, non-profit hospital located 28.7 miles southwest of the subject at 5801 Bremono Road, in the west end of Richmond. The hospital opened in 1966. St. Mary's Hospital is a full-service hospital with 391 beds.
- **Patient First** and other medical office space are located along Route 360 in Mechanicsville.

Community Facilities. The area post office is located at 56 Mill Rd, 2 miles northeast of the site. King William Volunteer Fire and Rescue is located at 7936 Richmond Tappahannock

Highway, 3.2 miles northeast of the site. The Upper King William Branch Library is located at 6941 Sharon Road, 0.8 miles southeast of the site. The library moved into its 4,000± square foot facility in 2002.

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

<u>Location of Nearby Churches</u>	
<u>Name</u>	<u>Address</u>
Sharon Baptist Church	901 Sharon Rd
Twin Rivers Community Church	694 Sharon Rd
Mt. Sinai Baptist Church	2217 Commins Rd
Gethsemane Baptist Church	1890 Dunluce Rd
Church of Virginia	123 Parkwood Dr
St. David's Episcopal Church	11291 W River Rd

Parks and Recreation. The largest park in King William County is the King William County Park, located just north of and within walking distance from the site. This 44-acre park features softball and baseball fields, basketball courts, and a playground area. The facility also has two buildings for public use. One is a combination concession stand/restroom building. The other houses a combination community room and the Department’s office. There is also a picnic shelter available for rental. The park is open daily year-round and on evenings for scheduled activities.

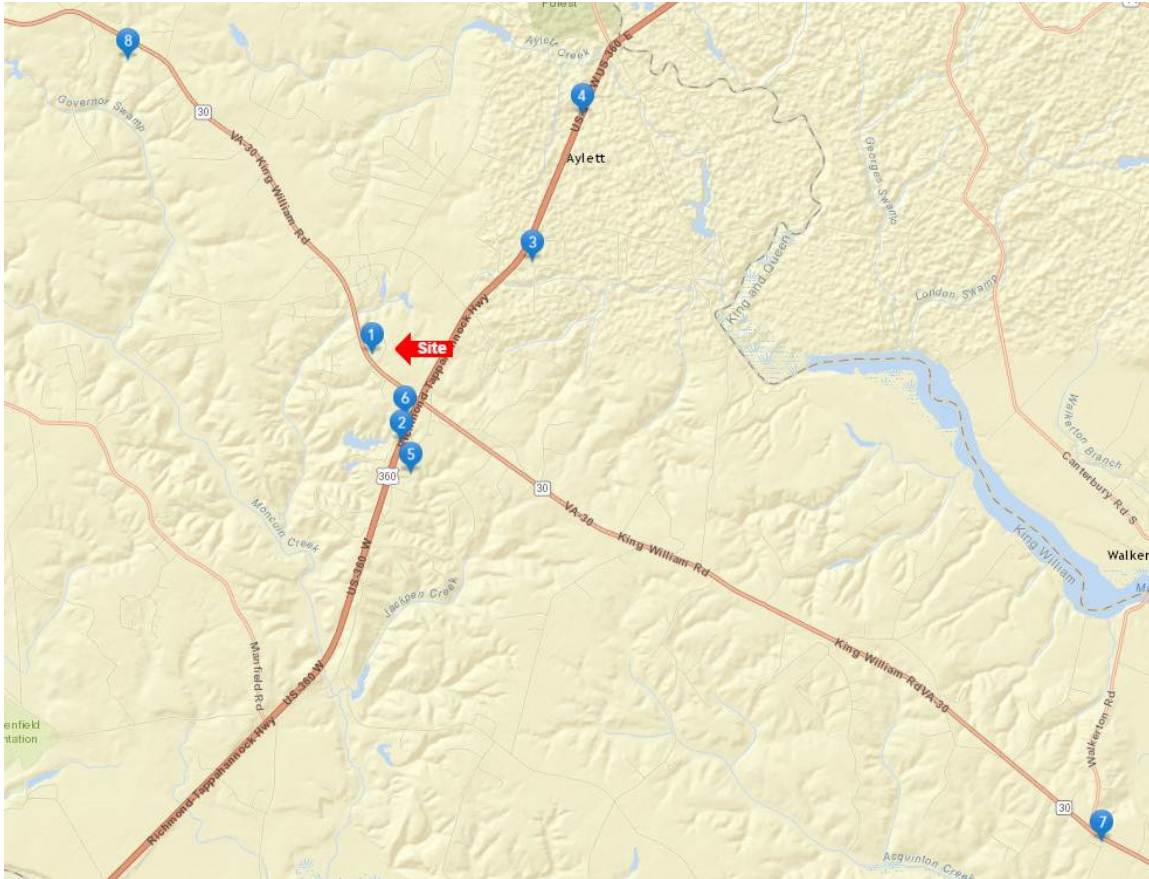
Senior Centers. Two senior centers are located near the site. Middle King William Senior Center is located at 18627 King William Road, approximately seven miles southeast of the site. Upper King William Senior Center is located at 8306 King William Road, approximately 3.2 miles northwest of the site.

Shopping. There is nearby shopping located less than one mile south of the site at the intersection of King William Road and Richmond Tappahannock Highway. This includes a Food Lion. However, the majority of the more upscale retail and service stores that are convenient to future residents and King William Manor are located in Mechanicsville. These include the following shopping centers primarily along Route 360 and approximately 17 miles southwest of the site:

- **Hanover Square** is a 129,890 square foot shopping center located at 7324 Bell Creek Road. The shopping center is anchored by a Martin's, Gold's Gym, Kohl's and Dollar Tree.
- **Hanover Square North** is a 75,000 square foot shopping center located at 7230 Bell Creek Road. This shopping center is anchored by a Marshall's.
- **Hanover Square South** is a 69,500 square foot shopping center located at 7225 Bell Creek Road. This shopping center is anchored by PetsMart, Panera Bread, Dress Barn, Lane Bryant, and Moe's Southwestern Grill.
- **Bell Creek Commons** is located at the intersection of Bell Creek Road and Mechanicsville Turnpike. Tenants in this 46,740 square foot shopping center include Best Buy, Starbuck's, Noodles & Chick-fil-A.
- **Bell Creek Market** is a 14,520 square foot retail center located at 8324 Bell Creek Road. This shopping strip includes a variety of small retailers.
- **Brandy Hill Plaza** is a 67,830 square foot shopping center located at the intersection of Route 360 and Lee Davis Highway. The shopping center is anchored by a 33,800 square foot Food Lion.
- **Hanover Village** is a shopping center located at 7047 Mechanicsville Turnpike. This 90,160 square foot shopping center is anchored by Tractor Supply Co and Tuesday Morning.
- **The Shoppes at Bell Creek** is a 65,000 square foot shopping center located at 8319 Bell Creek Road. This shopping center is anchored by a Food Lion.
- **Spring Centre** is a 30,390 square foot shopping center located at 7124 Mechanicsville Turnpike. Tenants include Tropical Smoothie Cafe, Personal Chef to Go and Martial Arts World.

Several freestanding retailers are also located in this area including Wal-Mart Supercenter, Home Depot, BJ's, Target and Lowe's Home Improvement.

Map D shows the location of the community facilities that will serve the subject. The map legend is attached.



Map D - Location of Area Community and Public Facilities

Map D	
Key	
King William County Park	1
Riverside King William Medical Center	2
USPS	3
King William Volunteer Fire and Rescue	4
Upper King William Branch Library	5
Central Crossing Shopping Center (Food Lion)	6
Middle King William Senior Center	7
Upper King William Senior Center	8

Development Program

Table 1 shows the apartment unit mix and rent categories proposed for King William Manor. The apartment community will contain one one-bedroom unit and 39 two-bedroom units. The one one-bedroom unit will be restricted to rents at 40% of AMI. Three two-bedroom units will be set aside for rents at or below 40% of AMI, while 16 two-bedrooms will be set aside

for rents at the 50% of AMI rent level and 20 two-bedroom units will be set aside for rents at the 60% of AMI rent level. **Rents will exclude all utilities.**

Table 1: <u>Proposed Apartment Unit Mix by Rent Category, King William Manor, February, 2019</u>				
	<u>40% of AMI</u>	<u>50% of AMI</u>	<u>60% of AMI</u>	<u>Total Units</u>
1-BR Units	1	0	0	1
2-BR Units	3	16	20	39
Total	4	16	20	40
Source: Mark-Dana Corporation				

Table 2 provides a more detailed description of the apartment proposal, with data on apartment unit size and proposed net rent. Shown in Table 2 are:

- 40% one-bedroom net rent will be \$493
- 40% two-bedroom net rents will be \$606
- 50% two-bedroom net rents will be \$793
- 60% two-bedroom net rents will be \$980

The apartment unit size for the one-bedroom is 602 square feet. For the two's, all will be 796 square feet and all will have two full baths. Floor plans are shown below.

Table 2: <u>Proposed Net Rents and Sizes of Apartment Units, King William Manor Apartments, February, 2019</u>					
	<u>Total Units</u>	<u>Net Rentable Square Feet</u>	<u>Net Rent</u>	<u>Utility Allowance</u>	<u>Gross Rent</u>
40% of AMI (1BR)	1	602	\$493	\$131	\$624
40% of AMI (2BR)	3	796	\$606	\$143	\$749
50% of AMI (2BR)	16	796	\$793	\$143	\$936
60% of AMI (2BR)	20	796	\$980	\$143	\$1,123
Total	40				
Source: Mark-Dana Corporation					

The proposed gross rents are below the maximum allowable rates for the market area and for the AMI rent designations. They are, thus, within the HUD LIHTC guidelines. The UA's are based on utility audits.

Based on 40 percent of income (for seniors) allocated to gross (and net) rent, the minimum income categories for the King William Manor proposal are:

	<u>Minimum Income</u>
· 40% one-bedroom	--
· 40% two-bedroom	\$22,470
· 50% two-bedroom	\$28,890
· 60% two-bedroom	\$33,690

There is only one, one-bedroom unit proposed and this apartment will be marketable for seniors with incomes under \$18,700±.

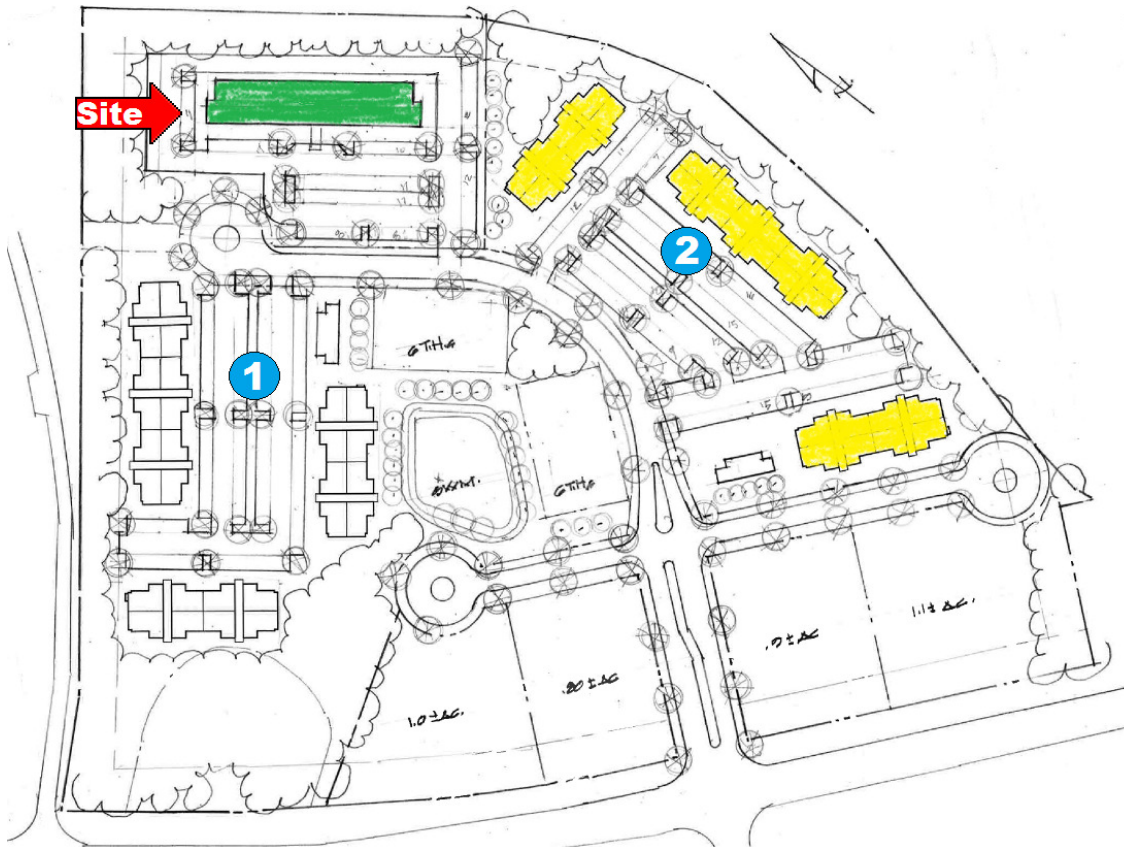
Because only one one-bedroom apartment unit is at 40% of AMI, we studied the market for active adults with incomes of \$22,500± to a maximum of \$39,960, the maximum level for a two-person households with incomes at or below 60% of AMI.

Site Plan/Building Design

The following site plan shows the location of the senior apartment building on the north corner of the site. It will be served by the main road within the property, which was shown in the site photos above. The 40-unit senior building will be served by 57 surface parking spaces that will surround the building.

Also shown is that the site development plan, which includes three garden apartment buildings, that will comprise the new general occupancy apartment complex, King William Place. King William Place will be located at the location shown by “1”. The 84 apartment units will be served by 191 parking spaces. The apartment building is near completion and should get certification of occupancy on or about March, 2019, or shortly after. Management has not officially started formal preleasing, but has 35 applications to date, all from current residents of King William County. Management reports that several applicants have Section 8 vouchers and most are mature, single-person households.

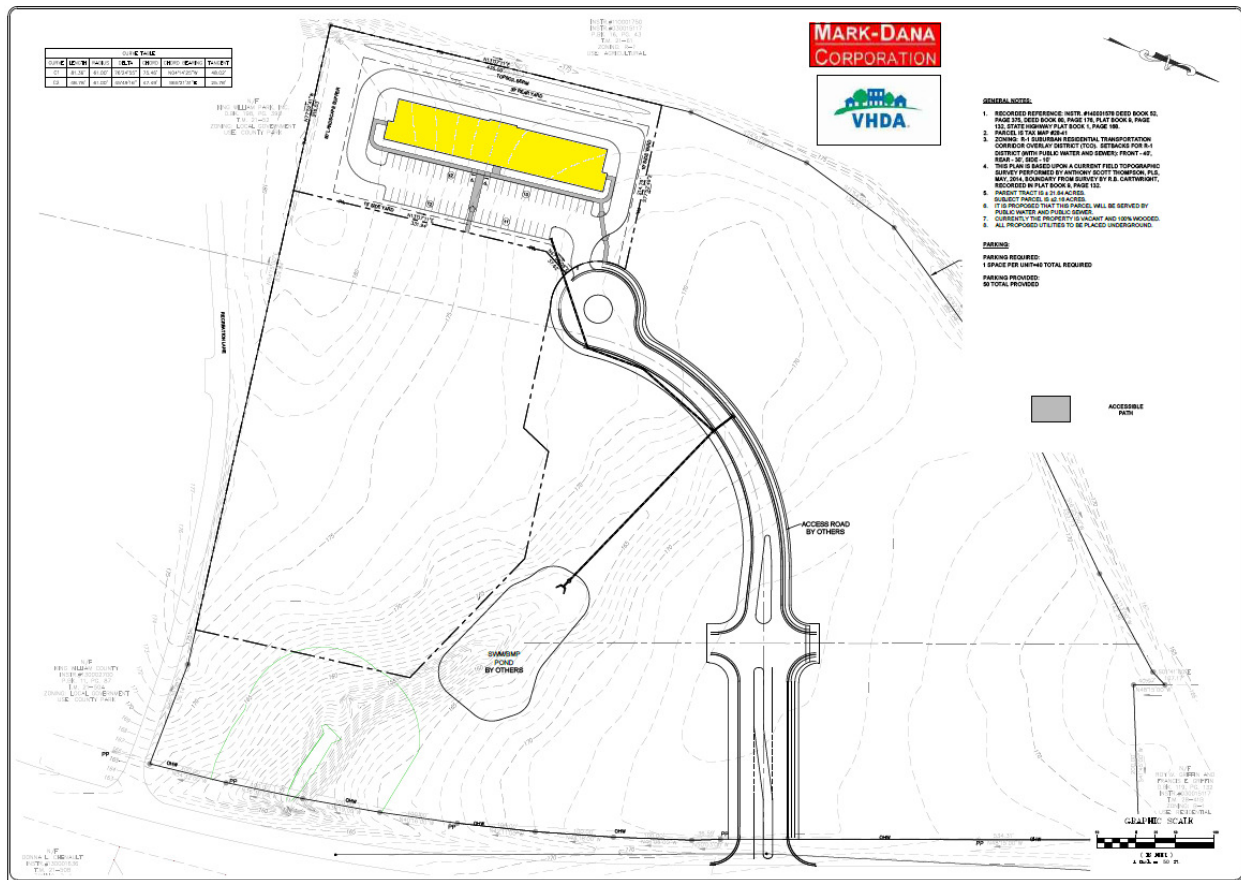
A third section of the site could be developed with 80± additional apartment units. This area is shown by "2". These apartments could be market rent units, but the development concept for these units is not yet set. This site will likely not be started until development is well underway at the two LIHTC proposals.



King William Manor and Plaza Concept Plan

The overall 21-acre site could include 200± apartment units at build-out, plus several commercial pad sites that front on Route 30. The full site master plan is still evolving.

Following is the final site plan for the age-restricted apartment building. The site is accessed by a central new road to be built to the site.



King William Manor Site Plan

The senior apartment building will consist of a single rectangular-shaped three-level structure totaling 40 residential units on approximately 2.75 acres at the northwestern end of the property. Parking will be situated on the eastern, western and southern sides of the structures, while trees will buffer the far northern and western sides of the immediate area. There will be 248 parking spaces throughout the property, for both proposed LIHTC apartment communities, which will adequately serve the two LIHTC communities being proposed. Also shown in the site map are proposed market rent apartments to the south of the King William Manor site. The vacant parcels that front along Route 30 are planned for future housing, possibly for-sale.

At build-out, the 21+ acre property will contain approximately 200 housing units. The initial phases of development will include the 40-unit King William Manor on 2.75-acres, plus the 84-unit King William Place, which is the general occupancy, LIHTC proposal by the same sponsor as the senior apartment proposal. King William Place will be built on approximately four acres.

The site owner and developer plans to develop part of the remaining acres with 80± market rent apartment units. There is no timetable for this proposal at this time.

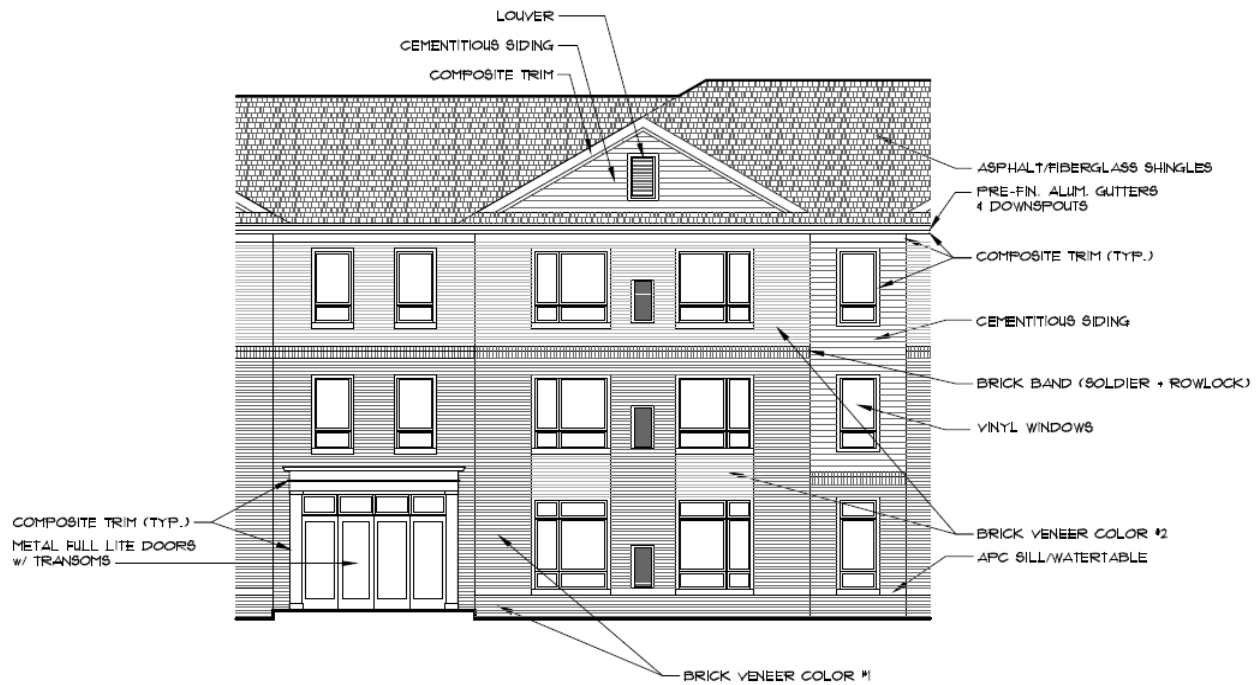
The site plan shows a wetland area on the southwest corner of the site. This area will remain wooded. A SWM pond will be built in the center of the property adjacent to the wetlands. The general occupancy apartments will have a clubhouse.

Next shown is the front building elevation for the age-restricted apartments. The building is a three-story elevator building with a center entrance and lobby area, plus in-building amenities.



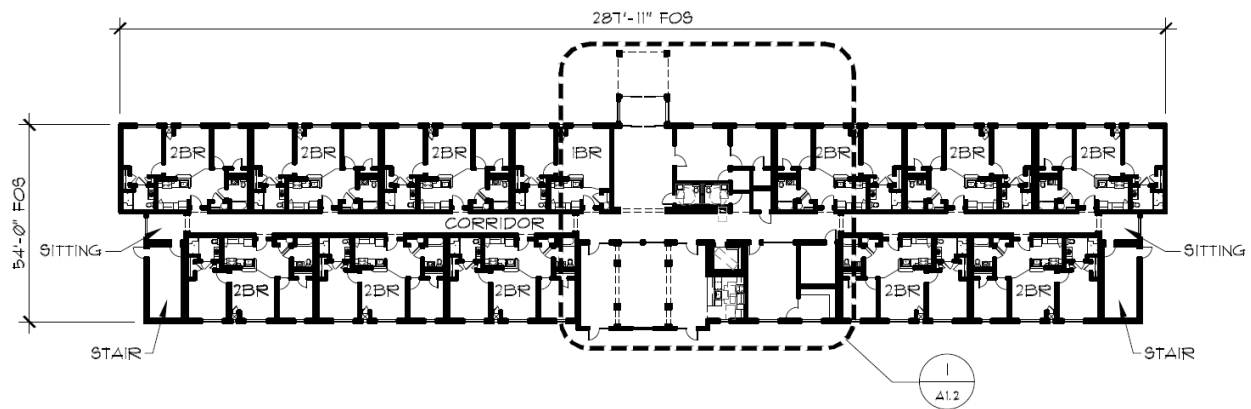
Front Elevation

An enlarged front elevation is presented next. It shows that the building exterior will be brick veneer with a varied color scheme and some hardi-plank. The pitched roof will be constructed of asphalt and fiberglass shingles. Mechanical grills are shown for each apartment unit. Composite panels and trim will provide architectural details.

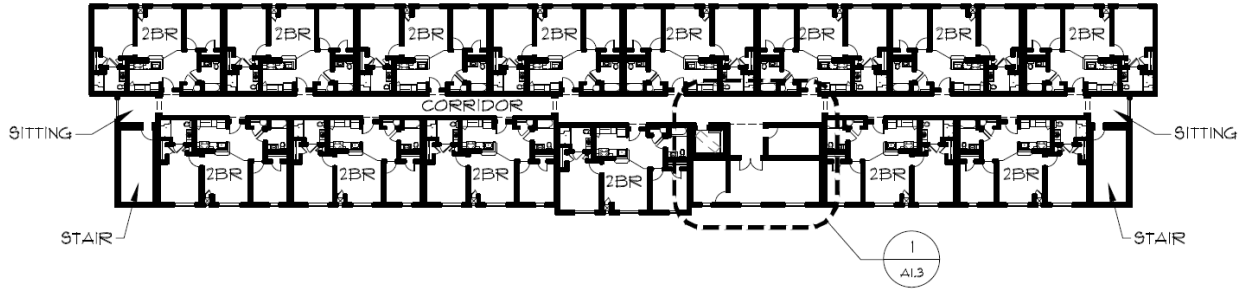


Partial Elevation

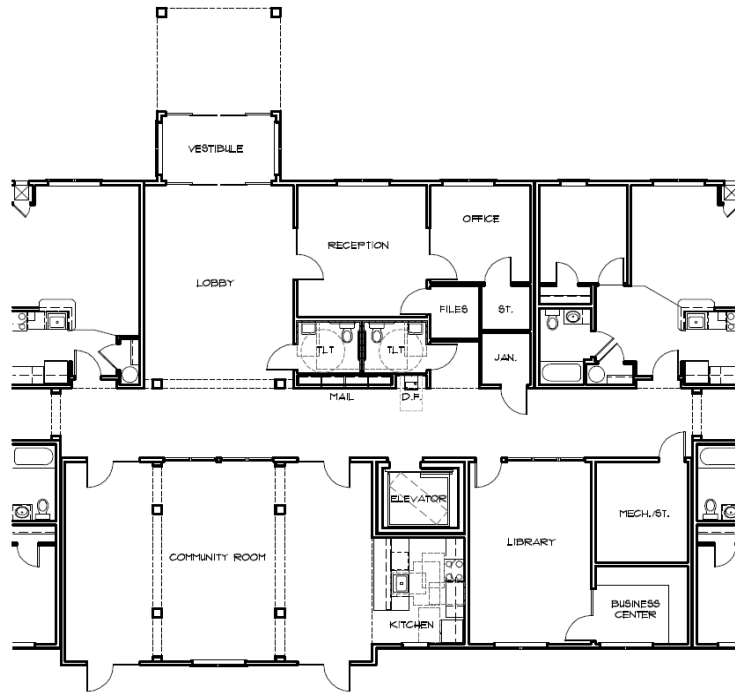
The building floor plans are shown next. The ground level will contain a lobby (see star) adjacent to a reception area, management office community room, library, kitchen and business center. The second floor will contain an activity center and laundry, storage area and laundry room. The third floor will contain a fitness center and storage area. The elevator will be situated in the center of the building. The ground floor will contain twelve units while the upper two floors will each contain 14 units. Stairs will be located at each end of the building as well as a small sitting area.



First Floor Building Plan



Second/Third Floor Building Plan



Partial Enlarged First Floor Plan

Building Costs

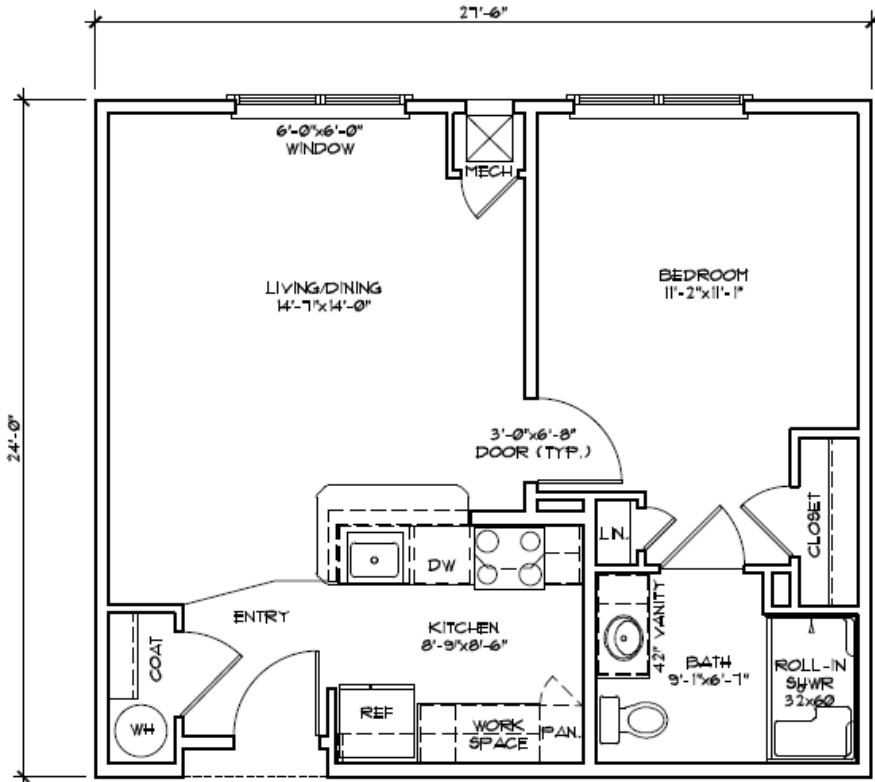
The total building development cost is estimated at just under \$7.0 million, with \$5.0 million in hard construction costs -- \$125,000 per unit on average. The site acquisition cost is approximately \$301,000 (\$7,500 per unit) and the remaining costs represent a variety of soft costs and the developer fee.

Within these costs, the kitchens will have solid wood cabinets with metal glides, as required by VHDA, plus top grade Formica countertops, Energy Star appliances, low flow

faucets, 18+ CF refrigerator, florescent lighting and vinyl floor covering. The living area of the apartments will be carpeted. Other building features will fully comply with VHDA standards.

Floor Plans

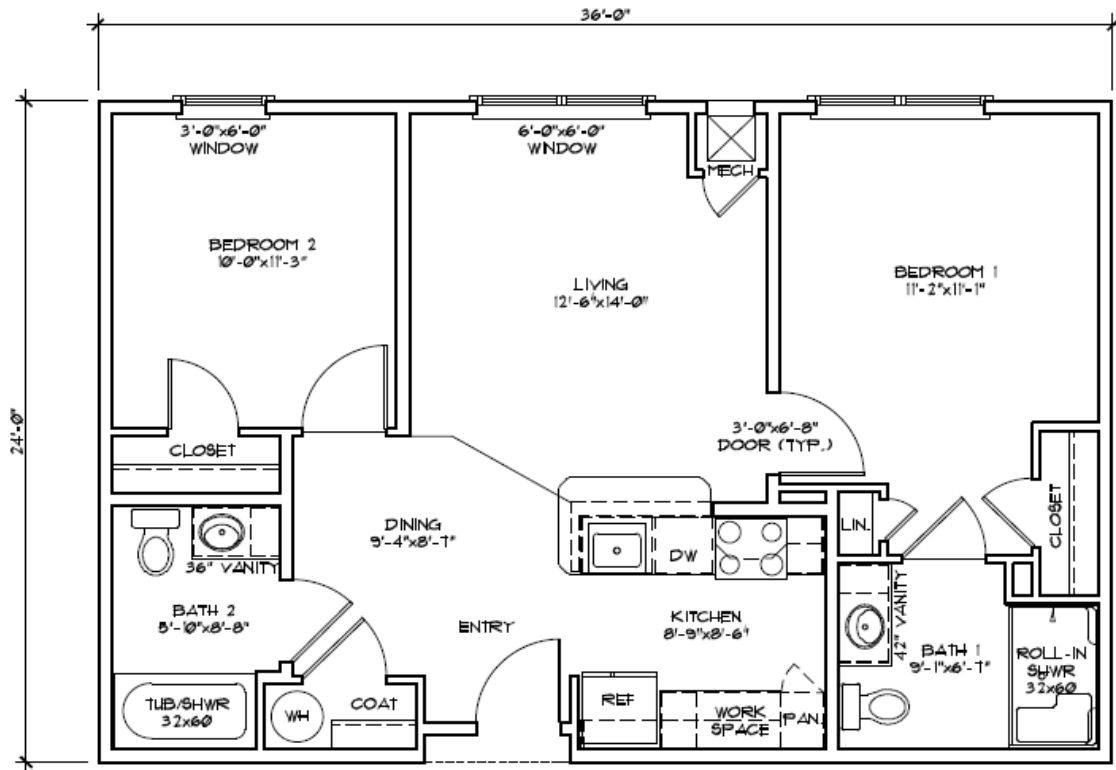
First shown is the proposed one-bedroom floor plan. Entry will be into a small corridor accessing a combined living room and dining room area, as well as a small coat closet and open kitchen. The bedroom will be accessible from the living/dining room and will contain a linen closet, clothing closet and bathroom with a roll-in shower. The kitchens will be enclosed and have a dishwasher and full range of appliances.



One-Bedroom Floor Plan

Next shown is the proposed two-bedroom floor plan. Entry will be into the dining room area, which will provide access to an open kitchen and living room area. There will be bar-top areas adjacent to the kitchen. Each of the two bedrooms will be situated on both sides of the living room. The master bedroom will contain a linen closet, clothing closet and a bathroom with

a roll-in shower. The smaller second bedroom will include only a closet. The bedroom closets are large. The dining room area will also access a coat closet and full bathroom. Overall, the floor plans are attractive and well designed. **The two-bedroom apartment unit will have two full baths, a very competitive feature for age-restricted housing.**



Two-Bedroom Floor Plan

Summary

The apartment proposal is very competitive within the defined marketplace, as will be shown below. The building has excellent visibility from Route 30, in spite of not fronting on the highway. The site, formerly named Pine Crest, is in a quiet, safe community. It has basic community features nearby and is in close proximity to other required services for active adults. The following analysis will show that King William Manor is very attractive and fully competitive within the defined market area. It will serve a pent-up demand that exists for quality affordable housing for seniors.

Market Area Economic Overview

This part of the market analysis presents an economic overview of the defined two-County 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 under study. Thus, the establishment of market area economic stability is a key issue related to the demographic growth of the market area.

Additionally, seniors are more likely to remain in an area, or move to the area, if there is assurance that their family will remain. Job growth is a major issue for families to remain locally.

Data on at-place jobs and employment are from the U.S. Department of Commerce, Bureau of Labor Statistics. These data are current to year-end 2017.

At-Place Jobs

As of year-end 2017, the two-jurisdictional market area of King William and Hanover counties had just 55,180± at-place jobs. That total is nearly 5,420 jobs above the pre-recession 2008 level. **Nearly 93 percent of total jobs within the two-county market area are located within Hanover County.**

Table 3 shows a total of 51,240± jobs as of year-end 2017 in Hanover County, up 910± over the previous year and an increase of 5250± jobs over the past decade. Employment fell sharply in Hanover County in 2009 and 2010, due to the recession of that date, with the combined loss of 510± jobs. A recovery began in 2011, which has continued until the present day. By 2013, total employment in Hanover County exceeded the pre-recession high. Nearly 4,400 new jobs have been created in Hanover County since 2013.

The sector that has added the greatest number of jobs in Hanover County over the past decade has been the Health Care sector, which added 1,620± new jobs since 2008. This is also one of the largest employment sectors in the County. With over 1,000 employees, Bon Secours Memorial Regional Medical is the largest private employer in the County. Other sectors with significant employment growth include Wholesale Trade, which added 1,120± new jobs and Retail Trade, which added 770± new jobs over the past decade.

Other sectors with employment growth during this period include Professional/Technical Services (750± new jobs), Administrative/ Waste Services (710± new jobs), Accommodations/ Food (660± new jobs), Transportation/ Warehousing (290± new jobs), Agriculture (220± new jobs), Arts/ Entertainment/ Recreation (180± new jobs), Management of Companies (180± new jobs), Manufacturing (160± new jobs), Other Services (130± new jobs) and Information (50± new jobs).

In terms of job losses, the Construction sector has accounted for the heaviest job losses over the past decade, totaling a loss of 1,130± jobs. Most of these jobs, however, were lost early in the decade and in the years following the recession. Construction employment expanded by 210± jobs in 2017. Other sectors with job losses during this period include Local Government (140± jobs lost), Finance/ Insurance (120± jobs lost), State Government (110± jobs lost), Real Estate (90± jobs lost), Educational Services (70± jobs lost), Mining (40± jobs lost) and Federal Government (10± jobs lost).

Table 3: Trends in Average At-Place Employment, Hanover County, Virginia, 2008-2017

Industry	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Net Change
Agriculture/Forestry/Fishing	218	216	250	267	311	372	190	2,013	207	439	221
Mining	106	103	100	103	98	98	98	93	60	65	-41
Utilities	27	45	48	57	58	55	42	41	44	32	5
Construction	6,458	5,400	5,020	4,671	4,705	4,768	5,448	5,242	5,118	5,328	-1,130
Manufacturing	3,471	3,210	3,148	3,253	3,206	3,580	3,561	3,541	3,600	3,633	162
Wholesale Trade	4,145	4,342	4,294	4,802	4,782	5,065	4,711	5,185	5,215	5,265	1,120
Retail Trade	6,426	6,413	6,258	6,361	6,356	6,733	6,756	7,172	7,188	7,199	773
Transportation/ Warehousing	1,013	925	962	1,029	1,266	1,312	1,283	1,301	1,374	1,305	292
Information	478	425	408	609	398	503	623	556	522	526	48
Finance/Insurance	777	746	700	721	702	700	708	716	708	659	-118
Real Estate	626	557	489	470	472	450	446	513	540	537	-89
Professional/Tech. Services	1,563	1,551	1,525	1,556	1,599	1,591	2,170	2,159	2,200	2,315	752
Management of Companies	964	976	894	925	920	855	908	1,077	1,068	1,143	179
Administrative/Waste Services	2,063	2,109	2,187	2,221	2,505	2,554	2,754	2,741	2,948	2,772	709
Educational Services	802	792	859	847	859	724	703	721	719	729	-73
Health Care	4,624	4,826	5,059	5,032	5,182	5,438	5,845	6,025	6,158	6,239	1,615
Arts/Enter./Recreation	1,733	1,677	1,653	1,752	1,705	1,897	1,704	1,888	1,953	1,917	184
Accommodations/Food	3,347	3,363	3,459	3,187	3,503	3,575	3,617	3,734	3,858	4,003	656
Other Services	1,698	1,682	1,657	1,677	1,761	1,712	1,766	1,764	1,760	1,826	128
Local Government	4,839	4,874	4,682	4,562	4,532	4,408	4,386	4,451	4,538	4,699	-140
State Government	429	442	502	480	436	322	297	296	305	324	-105
Federal Government	176	176	182	160	152	147	150	155	161	169	-7
Total	45,988	44,846	44,335	44,741	45,506	46,857	48,167	49,596	50,324	51,241	5,253

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

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

Table 4 below details the at-place job totals in King William County. As of year-end 2017, King William County had a total of 3,940± jobs, or 160± more jobs than in 2008. Total employment in the County has grown, albeit slowly, in every year since 2011, with nearly 180 new jobs created in 2016 and 80± new jobs in 2017.

There are considerable disclosure issues in the King William County data, as is often the case in rural communities, so data are not provided for every industrial job category. Sectors with growth over the past decade include Accommodations/ Food (80± new jobs), Professional/ Tech. Services (20± new jobs) and State Government (20± new jobs). Sectors with job losses over the past decade include Retail Trade (110± jobs lost), Local Government (70± jobs lost), Construction (50± jobs lost), Manufacturing (30± jobs lost), Wholesale Trade (30± jobs lost), Finance/Insurance (20± jobs lost) and Real Estate (20± jobs lost).

Table 4: Trends in Average At-Place Employment, King William County, Virginia, 2008-2017

Industry	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Change
Agriculture/Forestry/Fishing	ND	ND	ND	ND	ND	82	93	97	ND	ND	--
Mining	ND	ND	ND	ND	ND	49	53	59	ND	ND	--
Utilities	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	--
Construction	298	230	197	189	186	198	197	254	241	245	-53
Manufacturing	751	689	665	633	650	683	714	712	729	720	-31
Wholesale Trade	120	98	83	69	67	70	73	83	94	93	-27
Retail Trade	560	569	559	539	561	581	600	653	441	451	-109
Transportation/ Warehousing	ND	ND	ND	ND	ND	33	27	27	289	333	--
Information	16	14	ND	ND	7	ND	ND	4	7	ND	--
Finance/Insurance	125	124	108	104	104	101	99	100	100	102	-23
Real Estate	52	47	33	26	32	30	ND	29	33	34	-18
Professional/Tech. Services	133	127	129	121	118	129	141	150	162	152	19
Management of Companies	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	--
Administrative/Waste Services	ND	ND	ND	ND	ND	66	75	85	ND	110	--
Educational Services	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	--
Health Care	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	--
Arts/Enter./Recreation	44	38	36	34	38	35	40	34	37	41	-3
Accommodations/Food	211	208	204	219	224	221	223	259	288	286	75
Other Services	152	145	ND	ND	125	ND	125	118	125	147	-5
Local Government	736	723	718	713	694	672	664	676	669	664	-72
State Government	39	36	35	45	51	56	56	56	58	55	16
Federal Government	<u>25</u>	<u>24</u>	<u>29</u>	<u>21</u>	<u>23</u>	<u>25</u>	<u>23</u>	<u>25</u>	<u>25</u>	<u>26</u>	<u>1</u>
Total	3,773	3,587	3,397	3,309	3,377	3,414	3,479	3,677	3,854	3,936	163

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 two counties that comprise the market area. Employment refers to the number of market area residents who are employed, no matter where the job is located. At-place job totals are slightly lower compared with employment, which means that some net out-commuting occurs from the market area, primarily into Richmond and other surrounding counties.

Data in Table 5 show that total employment in the two-county area increased by 2,380± percent in the ten-year period between 2008 and 2017 from 62,350± in 2008 to 64,730± in 2017. The same “growth” pattern exists for employment and labor force as for at-place jobs – net increase until 2008 and then a decline. The market area unemployment rate jumped from 3.5 percent to 6.6 percent in 2009, as a result of the recession. This was due to the loss of 3,280± jobs.

In 2016, employment in the market area fully rebounded from the pre-recession peak of 62,350± jobs, exceeding the previous employment high by 980± jobs. This follows job growth every year since 2010. Employment grew by an additional 1,260± in 2017. The labor force has also grown every year since 2011, suggesting continued confidence in securing employment. This is a positive sign for future economic growth.

Table 5: <u>Trends in Employment and Unemployment, Hanover and King William Counties, Virginia, 2008-2017</u>				
	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Percent Unemployed</u>
2008	64,595	62,352	2,243	3.5%
2009	63,238	59,070	4,168	6.6%
2010	63,086	58,866	4,220	6.7%
2011	63,660	59,779	3,881	6.1%
2012	63,838	60,248	3,590	5.6%
2013	64,103	60,810	3,293	5.1%
2014	64,546	61,543	3,003	4.7%
2015	64,937	62,388	2,549	3.9%
2016	65,827	63,471	2,356	3.6%
2017	66,977	64,727	2,250	3.4%
Net Change	2,382	2,375	7	-0.1%

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

Data on market area employment and at-place job growth are positive. These data show net growth during the past few years and after the recession. These data and the net growth shown are a prelude to likely new housing unit demand.

Of note is that the market area unemployment rate is at a ten-year low at 3.4 percent, the lowest rate in over a decade. The unemployment rate has declined steadily since 2010.

Current Developments

Next presented is the description of new developments in the market area that are expected to generate net new job growth. The analysis is separated to show the level of growth that is occurring in each market area County.

King William County. Non-residential development in King William County has occurred at low rates in recent years and consists primarily of the relocation of existing businesses within the County, limited new business starts and limited expansions or redevelopments of existing businesses. Most new construction, and other new business activities in the County, occur along the Richmond-Tappahannock Highway (Route 360) corridor. King William County's Board of Supervisors has placed an emphasis on the fact that King William County is a rural community. Preserving the rural nature of the County has limited economic development. No significant new industrial or commercial developments have occurred or are anticipated. Recent developments are small generally include only retail employment.

King William County contains one industrial park called the King William Commerce Park, located off of Route 360 at Commerce Park Drive. The industrial park includes eight light industrial businesses. The County also houses a business park, called the King William Business Park, which is located between Route 662 (Sharon Road) and Route 360. The business park includes approximately 100,000± square feet of retail and office space. A smaller office park in the County is Jackson Square, which was constructed with two buildings covering 20,510± square feet in 2006. The majority of the space is leased and includes community services board offices, retail and service shops, two restaurants and a recently opened nail salon.

Table 6 below shows the largest employers in King William County. The largest employer by far is the WestRock, which employs 600 people at its West Point paper mill. The next largest private employer is Nestle Purina Petcare Company, which operates a kitty litter manufacturing facility at 931 Dunluce Road. Other large private employers include: West Point Veneer, a wood veneer manufacturer; Aylett Sand and Gravel, a concrete manufacturer; ERA Woody Hogg & Associates, a real estate company; and US Components, a manufacturer of wood roof, floor, and wall trusses.

Table 6: Principal Employers, King William County, VA, 2019

<u>Employer</u>	<u>Industry</u>	<u>Employees</u>
WestRock	Paper Mill	600
King William County Schools	Education	250-499
Nestle Purina Petcare Company	Manufacturing	100-199
Town of West Point School Board	Education	100-199
County of King William	Government	100-199
West Point Veneer	Manufacturing	100-199
Aylett Sand and Gravel	Manufacturing	100-199
U.S. Components, Inc.	Manufacturing	100-199
ERA Woody Hogg & Associates	Real Estate	100-199
Food Lion	Retail	50-99
Virginia Log Company	Logging	50-99
Riverside Regional Medical Center	Health Care	50-99
Parent Child Corporation	Non-Profit	50-99
Augusta Lumber Company	Logging	20-49

Source: Virginia Employment Commission

County officials report that a new tractor store is opening in the County and is the only new active commercial development at this time.

Hanover County. Hanover County’s economy consists of manufacturing, government, agriculture, recreation, wholesale, retail trade, and construction. Some of the major manufacturing industries in the County include poultry processing (Tyson’s Food), newsprint products (White Birch Paper), newspaper print (Media General), and sporting goods (AMF). There are also several important non-manufacturing employers in the County, such as First Virginia Bank, Federal Express, SuperValu, Kings Dominion, Food Lion Stores, Randolph-Macon College, Martins Supermarkets, Wal-Mart, and Leadbetter Construction. Table 7 below shows the largest employers in Hanover County.

<u>Employer</u>	<u>Industry</u>	<u>Employees</u>
Hanover County School Board	Education	1,000+
Bon Secours Richmond Health System	Health Care	1,000+
County of Hanover	Government	1,000+
Randolph-Macon College	Education	500-999
Tyson's Food	Poultry Processing	500-999
Richfood	Dairy	500-999
Kings Dominion	Tourism	500-999
Walmart	Retail	250-499
Sales Mark	Marketing	250-499
Acosta Sales & Marketing Co	Marketing	250-499
Kroger	Retail	250-499
Owens & Minor Medical Inc	Medical Equipment	250-499
Bass Pro Shops Outdoor World	Retail	250-499
Food Lion	Retail	250-499
Martin's Food Market	Retail	250-499

Source: Virginia Employment Commission

Notable, new and recent job-generating economic developments in eastern Hanover County are detailed in the paragraphs below:

- **ABC** and the state **Department of General Services**, announced in March, 2018 that it would construct a 95,000± square foot office building and a nearly 315,000± square foot warehouse on a site near the intersection of Pole Green Road and Interstate 295 in Hanover County's Mechanicsville area. The agencies are expected to move-in by the summer of 2021.
- **Lidl** announced in June, 2017 that it would open a store in Mechanicsville. The roughly 30,000 square foot store opened in the summer of 2018.
- **General RV** announced in August, 2017 that it had purchased nearly 70 acres adjacent to its Harley Club Road location, which would be extended to allow for a 70,000± square foot facility with 40 service bays. Another 20 acres will be dedicated to RV displays, including mounted RVs stretching from Ashcake Road to the Richmond Harley Davidson facility facing Interstate 95. The facility is expected to open in early-2019
- **Cascades**, a Canadian leader in the recovery and manufacturing of green packaging and paper tissue products, announced in July, 2018 that it would purchase the former Bear Island Paper Mill in Hanover County where it would employ 140 people.
- **Ashland Theatre**. The restored Ashland Theatre at 205 England Street opened in December, 2018. The revamped theater now features 4K Sony projection systems, 7.1 surround sound and about 300 seats, including the balcony. The interiors have been

redone and expanded, with some original Art Deco features retained. The renovation also added two dressing rooms backstage as well as ADA-accessible features.

Section II Apartment Market Analysis

This section of the market report presents the two factors that show market support for the King William Manor proposal. The first is the demographic analysis that shows demand for new, affordable housing for seniors. The demographic analysis “solves” for the number of active seniors (aged 65+) with incomes that can afford the proposed rents at King William Manor and are within the allowable income ranges for LIHTC apartment units, as noted above. The Subject proposal allows for older adults above 65 years of age to be eligible for occupancy. Most age-restricted apartment communities have few residents under the age of 65, except for persons with disabilities. We also added a 20 percent factor to account for persons with Section 8 vouchers that are not within the age categories under study. This could be a conservative estimate given market data presented below.

The demographic analysis will document the number of active senior-headed households with incomes of \$22,500 to \$39,900. The demographic analysis separates the number of active senior households by the three income categories under study, as described above. The forecast date is 2021. The \$39,900 income category is the maximum allowable income for a two-person household for 60% of AMI rents. The maximum allowable incomes are \$33,300 for a two-person household for 50% rents and \$26,800 for a two-person household at 40% rents.

Maximum incomes for LIHTC apartments in the market area were increased by 5.8 percent by HUD, to reflect current rent trends and increases in household income.

The second part of Section II is the analysis of market area competitive apartment complexes. We identified nine market area LIHTC properties to study. Only three of these are age-restricted. Two of the age-restricted apartment properties are at very low rents. Thus, general apartment occupancy properties were included in the study, with the key factor, the identification of the number of seniors who live in these “family” LIHTC properties, due to a lack of apartment properties designated for older adults. However, only general occupancy apartments with one-bedroom units were studied.

The competitive market study includes six general occupancy LIHTC apartments, three LIHTC properties for seniors, plus a small, modest market rent apartment complex located near the Subject site along Route 30 and with the same rents as the LIHTC properties. In total, our study includes 10 “comps”, a small total for a market area with a population of approximately 100,000.

Demographic Analysis

Population Trends and Projections

The 2010 Census population count for the market area was 92,060±. That total exceeds the 2000 Census count by 13,060 people, or an increase of 16.5 percent. The population grew by 21,860± during the 1990’s. The slower growth during the past decade is likely due to more limited land for development in Hanover County and the decreased demand for for-sale homes. Estimates from the 2017 U.S. Census’ American Community Survey show that the market area population increased by 5,700+ between 2010 and 2017, with most of this growth taking place in Hanover County. This represents an annual population increase of 800±. Based on past trend, the market area’s population is projected to reach nearly 102,000 by 2021.

Of the current 98,000± people living in the market area currently, only 16,660± (14.1 percent) live in King William County. Both jurisdictions within the market area realized population growth over the past two decades. It is likely that much of the net population growth in King William County is from in-migration from adjacent communities for more affordable housing. This was shown in the County’s largest subdivision – McCauley Park.

Trend data presented in Table 8 show a 2021 total market area population of 102,000, of which 2,250 reside in Group Quarters. In 2021, the market area is expected to have 99,750 population in households and 34,500 households. A relatively high 2.66 persons per household is estimated by 2021.

Table 8: Trends and Projections of Population and Households by Tenure and Income, King William Manor Market Area, 1990-2020

(Constant 2018/19 Dollars)

	1990	2000	2010	2017	2021
Market Area Population	57,140	79,000	92,060	97,710	102,000
King William County	10,910	13,150	15,940	16,630	17,300
Eastern Hanover County 1/	46,230	65,850	76,120	81,080	84,700
Group Quarters Population 2/	1,470	2,150	1,990	2,220 3/	2,250
Household Population	55,670	76,850	90,070	95,490	99,750
Persons Per Household	2.75	2.71	2.68	2.67	2.66
Households	20,270	28,370	33,620	35,760	37,500
<u>Senior Population and Households (65+)</u>					
Population	5,930	8,220	11,610	13,780	15,300
Percent of Total Population	10.4%	10.4%	12.6%	14.1%	15.0%
Households	3,650	5,110	7,210	8,560	9,500
Percent of Total Households	18.0%	18.0%	21.5%	23.9%	25.4%
<u>Target Market</u>					
2BR - 40% of AMI (\$22,500-\$26,640)	230	240	290	330	380
% of Senior Households	6.7%	4.6%	4.0%	3.8%	4.0%
2BR - 50% of AMI (\$23,100-\$33,00)	270	330	370	450	500
% of Senior Households	7.5%	6.4%	5.2%	5.2%	5.3%
2BR - 60% of AMI (\$33,700-\$39,600)	300	390	500	580	650
% of Senior Households	8.1%	7.7%	6.9%	6.8%	6.8%
Notes: 1/ Includes the following 2010 U.S. Census tracts in Hanover County: 3206.01, 3206.02, 3207.01, 3207.02, 3208.01, 3208.03, 3208.04, 3208.05, 3209, 3210.01, 3210.02, 3211, 3212.01, 3212.02, 3213, 3214.01, 3214.02 and 3214.03.					
2/ Consists primarily of students at Randolph-Macon College, seniors in nursing homes, and inmates at Pamunkey Regional Jail.					
3/ Includes two new residences hall at Randolph-Macon College: the 120-bed Birdsong Hall that opened in 2014 and the 108-bed Andrews Hall that opened in 2011.					
Source: 1990, 2000 and 2010 U.S. Department of Commerce, Bureau of the Census; and S. Patz and Associates, Inc.					

Group Quarters Population

The market area has a sizeable Group Quarters population, most of which live in residence halls at Randolph-Macon College in Ashland. Some of the Group Quarters population reside in area nursing homes and at Pamunkey Regional Jail in Hanover County, as well. The Group Quarters population grew between 2010 and 2014, as a result of student housing construction at Randolph-Macon College. New dorms include the opening of the 120-bed Birdsong Hall in 2014 and the 108-bed Andrews Hall in 2011. The current Group Quarters population is approximately

2,250, or 2.3 percent of total population. The subtraction of the Group Quarters population from total population generates Household Population, which is the basis for the analysis of new housing unit demand.

Households

Trend data on households show a sizable increase during the 1990's, a growth period for Hanover County. By 2017, the market area's household total reached an estimated 35,800±, which is an increase of 2,220± households since 2010, or 310+ per year on average. That trend is expected to continue for the 2017 to 2021 period, particularly with an improved economy. The market area is projected to contain 37,500± households in 2021, an increase of 1,740± over the 2017 household count.

The increase in households, or occupied housing units, is due to population growth, but also a small, steady decrease in the average household size. The current (2017) market area average household size of 2.67 is below the 2.71 size in 2000 and 2.75 size in 1990. This decrease follows national trends. However, at an average household size of near 2.70, the market area has a predominance of families in single-family homes and an average household size that is well above the state and national average.

Active Senior Population and Households

In 2010, the market area's active senior population (65+ years of age) totaled nearly 14,000, or 14 percent of the total market area population. This is about average. The population in the target age group has increased by 2,400 since 1990. Over the 2000 decade, the net growth of the 65+ population was 2,200±. The last part of the 2000 decade was a difficult time for people to move, particularly seniors. Thus, the growth in market area target households was lower during the 2000's compared with the 1990's. In 2021, 15 percent of the market area population is expected to be in the over 65 age category. By that date, 25+ percent of market area heads of households are likely to be aged 65 and older.

By 2021, the market area is projected to have a total of 15,300 persons in the age category of 65+, or 15 percent of the total population. The forecast is for a net growth of nearly 1,500 persons in this age category between 2017, or 400± per year on average.

Data in Table 8 also show the growth in the number of households with the household head aged 65 years. In 2010, the market area had 7,200 active senior-headed households. By 2021, the total number of households with the head in the age category under study is projected to increase to 9,500 households. Within the market area, in 2010 the average household size of households headed by an older adult was 1.60. The average senior household size is not projected to change during the forecast period.

Overall, the market area population has grown considerably, particularly the active senior population. This is now a sector of the population that exceeds 25 percent. The number and percent of these residents who qualify for LIHTC apartments, of the type under study, are studied in the paragraphs that follow.

Target Market

Only one apartment unit is a one-bedroom at 40% of AMI rents. This unit will have a gross rent of \$620±. That rent requires an income of \$18,600±. The market area has 300± active senior-headed households in that income category. The required capture rate is 0.33%.

Demographic data show that:

- **In total, the market area has approximately 1,000 households aged 65 years or higher with incomes between \$22,500± and \$39,900.** This total is projected to increase to 1,100 by 2021. There is significant overlapping in the income categories. The quoted total reflects adjustments for the overlap of income categories.
- There are 330 households within the target market for the 40% two-bedroom rents.
- There are 450 households within the target market for the 50% two-bedroom rents.

- There are 580 households within the target market for the 60% two-bedroom rents.

Each of these income categories are expected to increase over the 2017 to 2021 period, as noted in Table 8.

Competitive Apartment Analysis

Following is the competitive apartment market. The competitive market is small, with 10 identified apartment properties, of which only three are age-restricted. Only one apartment complex is located near the King William Manor site. The analysis to follow will show a pent-up demand for quality affordable apartments for active adults.

Characteristics of the Market

King William County has three apartment complexes. One, Colonial Square is a modest, two-story 30± year-old market rate community located in the Central Garage community and close to the King William Manor site. It has 32 apartment units and is without amenities. It remains fully occupied in spite of relatively high rents and being one of the oldest of the “comps”. This is a two-story walk-up.

King William Village and Winters Point are two age-restricted apartment properties located in West Point – both are RD communities with very low rents and LIHTC upgrades. Both are fully occupied. As shown on Map E, they are not in close proximity to Central Garage. They too are mature, with opening dates of 1989 and early-1990’s.

Omni Park Place is the only affordable age-restricted apartment community in the market area with comparable rents with King William Manor. It is a 18-year old property. It is full with a waiting list. It has an attractive design and is one of the better comparable apartment properties.

The other six LIHTC apartment complexes market to the general public who are eligible for apartments with rent restrictions and have no age restrictions. There are 538 apartment units

in these six properties, **100± units of which are occupied by persons over 55 years of age**. This total excludes any low-income residents, such as at Academy Village, a project-based Section 8 community.

Thus, there are 119 apartment units in the market area's age-restricted properties, but only Omni Park Place is somewhat comparable with King William Manor. King William Village and Winters Point have only one-bedroom units at rent restricted rents.

Winters Point is an RD property, as is King William Village. Additionally, Omni Park Place has high rent one-bedroom and only eight two-bedroom units. It does have a waiting list; management reports a potential longer waiting list, but limits the list to ten.

None of the age-restricted apartment properties are good comps for King William Manor:

- Omni Park Place has 52 one-bedroom and only 8 two-bedroom units.
- King William Village has all one's, as does Winters Point. Both have "deep" additional rent restrictions.

There are likely to be prospective residents among the ten persons on the Omni Park Place waiting list and among the seniors in the LIHTC properties with general occupancy. In total, there are ten residents on the Omni Park Place waiting list and 100± seniors in the LIHTC general occupancy units. This equates to a potential demand of 110±.

The current occupancy level is the same as in 2017 when the original market study was completed. The current level of interest for King William Place, particularly by older adults, indicates a larger pent-up demand for apartments for older adults.

The analysis to follow will further show that the market area has no direct comps for King William Manor. The market area has over 1,000 active senior households within the income ranges that support gross rents of \$620+, but less than 100+ apartment units that serve this sector of the market. There are 100± active senior households that can afford rents of \$600+ who reside in LIHTC apartment units for families.

The following market data will show a relatively large demand for affordable, age-restricted apartment units, but a very small supply of units. The King William Manor proposal will serve a market that is not now being fully served.

The basic apartment unit characteristics of the defined comps are shown in Table 9. The market area vacancy is low at 1.6 percent. There are no vacant units at the three age-restricted apartment properties, and all have waiting lists. Academy Apartments is also at full occupancy, as are two other LIHTC properties.

The market area has eight other (market rent) apartment complexes with 1,269 units. These are general occupancy, market rent properties. The vacancy rate at these other market area properties is a low rate and at near full occupancy.

Of the “comps” listed in Table 9, Omni Park Place is the newest. However, it is now 19 years old. Phase II of Ashland Woods is also a 2000 built property. The other properties were built prior to 2000, with some dating back to the 1980’s and 1970’s.

**Table 9: Characteristics of Competitive Apartments,
King William Manor Market Area, February, 2019**

	<u>Map E</u> <u>Key</u>	<u>Year</u> <u>Built</u>	<u>Total</u> <u>Units</u>	<u>Vacant</u> <u>Units</u>
<u>Market Rate Family Apartments</u>				
Colonial Square Apartments	1	1986	32	0
<u>LIHTC Family Apartments</u> 2/				
Ashland Woods I & II	2	1990/00	150	3
Chickahominy Bluff	3	1996	120	1
Hanover Apartments	4	1998	40 1/	1
Laurel Woods	5	1985/07	40	0
Pines at Cold Harbor	6	1978	156	6
Academy Apartments 5/	7	1998	<u>32</u>	<u>0</u>
(Subtotal)			(538)	(11)
<u>Age-Restricted LIHTC Apartments</u>				
Omni Park Place	8	2000	60	0
King William Village	9	1989/08	32	0
Winter's Point 4/	10	1990's	<u>27</u>	<u>0</u>
(Subtotal)			(119)	(0)
Total			689	11
Vacancy Rate				1.6%
Notes: 1/ 20 RD units. 2/ Rents restricted to 60% of AMI. Laurel Woods and Hanover Apartments are RD properties and contain approximately 35 Section 8 voucher holders. 3/ Long waiting list. 4/ Section 202 property. 5/ Section 8 property. Source: Field and Telephone Survey by S. Patz and Associates, Inc.				

All of these apartment complexes are number-keyed to Map E. Photos are attached.

- **Colonial Square** is mature and built in a townhouse style. It is not competitive for seniors as it is a two-story walk-up.
- **Ashland Woods**, in Ashland, also has a townhouse design. Rents are well above the rates proposed at King William Manor, as shown below.
- **Chickahominy Bluff** was recently renovated. It is a mix of two- and three-bedroom units. It is a modest property.
- **Hanover Apartments & Laurel Woods** are mature and modest. Hanover Apartments is an RD property with lower rents and all tenants with rent restrictions.
- **Pines at Cold Harbor** has high rents.

- **Academy Apartments** has the same design as Hanover Apartments and was an RD property. Rent restrictions have been removed.



Colonial Square Apartments



Ashland Woods



Chickahominy Bluff



Hanover Apartments



Laurel Woods



Pines at Cold Harbor

The next four photos show the age-restricted properties, as well as Academy Apartments. Omni Park Place is attractive. The others, which are all in West Point, are not.



Academy Apartments



Omni Park Place

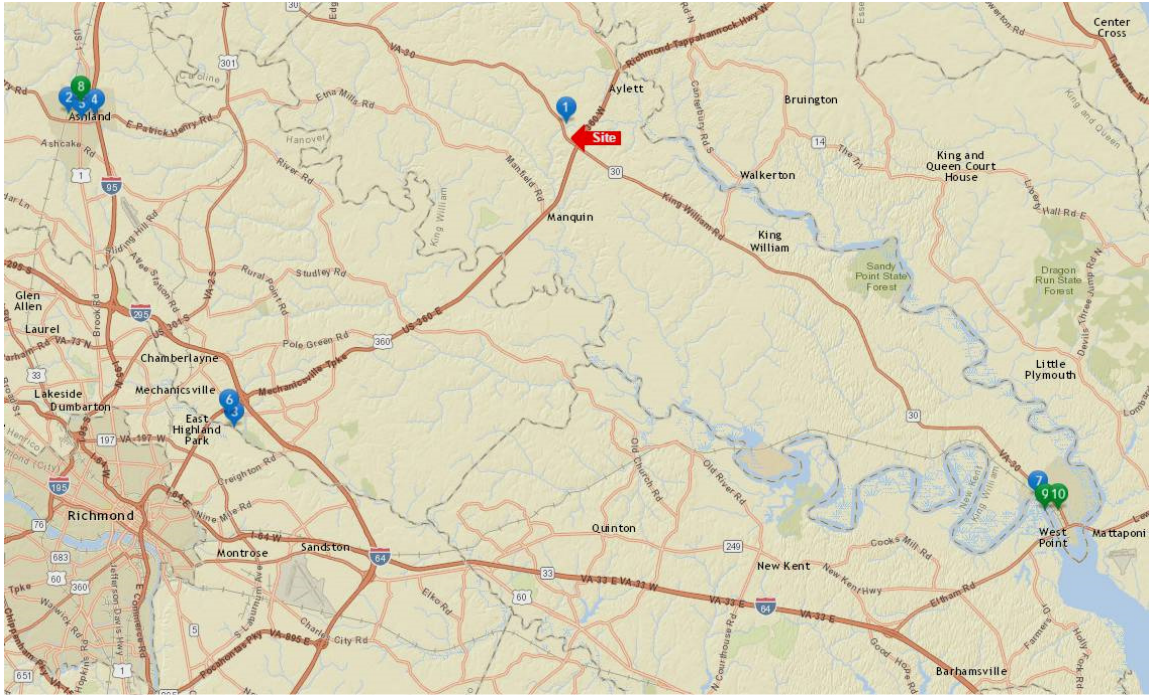


King William Village



Winter's Point

Map E shows the location of the apartment properties under study.



Map E - Locations of Competitive Apartments

Net Rent Analysis

All rents shown in Table 10 were adjusted to exclude utilities. All rents increased since February, 2018. The average rent increased for the one-bedroom, senior properties were \$100; for the two's it was \$65.

Colonial Square is a 30-year-old, non-amenitized apartment property. Rents there were \$785 to \$825 for a two-bedroom last year. The proposed two-bedroom rents for King William Manor are \$749 to \$963. Colonial Square has small two-bedroom units with only one full bath. The rents for King William Manor are fully competitive.

Omni Park Place has rents of \$810 for their one-bedroom and \$940 for their two-bedroom. These rents are \$60 higher than last year. The two-bedrooms at Omni Park Place are small, at below 800 square feet and have only one bath. Ashland Woods and Chickahominy Bluff have high rents.

The rent comparison analysis is very positive. The new, elevator building, King William Manor, has equal or lower rents compared with the areas mature comps. King William Manor has two-bedroom/two bath units. King William Manor has on-site amenities. The competitive apartment properties are outdated, modest in design and curb appeal and mostly without amenities.

Table 10: <u>Rental Rates 1/ at Competitive Family Apartments, King William Manor Market Area, February, 2019</u>		
	<u>One-Bedroom</u>	<u>Two-Bedroom</u>
<u>Market Rate Family Apartments</u>		
Colonial Square Apartments	--	\$865-\$905
<u>LIHTC Family Apartments</u>		
Ashland Woods I & II	--	\$905-\$913
Chickahominy Bluff	--	\$997
Hanover Apartments 2/	\$440-\$640	\$483-\$683
Laurel Woods 4/	\$572	\$660
Pines at Cold Harbor	\$865	\$1,025
Academy Apartments	\$500-\$718	\$600-\$759
(Average)	(\$710)	(\$810)
<u>Age-Restricted LIHTC Apartments</u>		
Omni Park Place	\$810	\$940
King William Village	\$603	--
Winter's Point 3/	--	--
(Average)	(\$710)	(\$940)
Average		
King William Manor	\$589	\$749-\$963
Notes: 1/ Rents adjusted to exclude utilities.		
2/ Excludes RD units.		
3/Section 202 property.		
4/ Estimate		
5/ Excludes 40% one-bedrooms at \$460 net rent.		
Source: Field and Telephone Survey by S. Patz and Associates, Inc.		

Rent Per Square Foot

We did not do this calculation as there are no direct comps for the Subject proposal.

Apartment Unit Sizes

The apartment unit sizes at King William Manor are very competitive. They are larger than the units at Omni Park Place.

Table 11: <u>Unit Sizes at Competitive Apartments, King William Manor Market Area, February, 2019</u>		
	<u>One-Bedroom</u>	<u>Two-Bedroom</u>
<u>Market Rate Family Apartments</u>		
Colonial Square Apartments	--	785
<u>LIHTC Family Apartments</u>		
Ashland Woods I & II	--	900
Chickahominy Bluff	--	1,000
Hanover Apartments	550	684
Laurel Woods	423	742
Pines at Cold Harbor	655	855
Academy Apartments	NA	NA
<i>(Average)</i>	<i>(543)</i>	<i>(836)</i>
<u>Age-Restricted LIHTC Apartments</u>		
Omni Park Place	516	773
King William Village	900	--
Winter's Point	526	--
<i>(Average)</i>	<i>(647)</i>	<i>(773)</i>
King William Manor	602	796
Source: Field and Telephone Survey by S. Patz and Associates, Inc.		

Apartment Unit Mix

For the age-restricted apartment properties, almost all units are one-bedroom.

Table 12: <u>Unit Mix at Competitive Apartments, King William Manor Market Area, February, 2019</u>				
	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>	<u>Total Units</u>
<u>Market Rate Family Apartments</u>				
Colonial Square Apartments	0	32	0	32
<u>LIHTC Family Apartments</u>				
Ashland Woods I & II	0	124	26	150
Chickahominy Bluff	0	66	54	120
Hanover Apartments	20	20	0	40 3/
Laurel Woods	8	32	0	40
Pines at Cold Harbor	14	104	38	156
Academy Apartments	<u>16</u>	<u>16</u>	<u>0</u>	<u>32</u>
<i>(Subtotal)</i>	<i>(58)</i>	<i>(362)</i>	<i>(118)</i>	<i>(538)</i>
<u>Age-Restricted LIHTC Apartments</u>				
Omni Park Place	52	8 1/	0	60
King William Village	32	0	0	32
Winter's Point	<u>27</u>	<u>0</u>	<u>0</u>	<u>27</u>
<i>(Subtotal)</i>	<i>(111)</i>	<i>(8)</i>	<i>(0)</i>	<i>(119)</i>
Total	285	1,404	269	1,958
Percent of Total	14.6%	71.7%	6.9%	100.0%
King William Manor	1	39	0	40
Notes: 1/ Includes two full bathrooms.				
Source: Field and Telephone Survey by S. Patz and Associates, Inc.				

Section III Conclusions

The market area under study is realizing considerable population and household growth, particularly for the active senior population. In spite of this growth, the market area has few apartment units for seniors, and particularly, only a small number of units for moderate income seniors. At this time, there are no pipeline proposals within the market area for senior housing, affordable or market rent. King William Place, with 84 units, may attract seniors, but is not a senior designed property. It is expected to open for occupancy by April, 2019.

Neither Hanover County or King William County have limited land zoned and with utilities for the support of multifamily senior housing. Land prices in Hanover County are likely to be high, if rezoned land opens to the market. Within King William County, few sites have public utilities to serve multifamily homes.

While these issues restrict new housing development, the existing market is at near full capacity and with a waiting list. Most senior households in rental housing occupy housing units originally built for families. Thus, a pent-up demand for new senior housing exists, as calculated in the following VHDA Demand Chart.

Demand Chart

The Demand Chart shows net growth demand by income/rent category being proposed and with a total net growth of 170 income and age-qualified households, with the elimination of any overlap among income groups. To that, we added:

- 30 households for rent overburdened households, which represents a small percentage of Section 8 residents at LIHTC apartments for seniors. We distributed these estimates evenly between income categories, as more specific data are not available.
- We know from current pre-leasing at King William Place that substandard housing does exist in King William County, but relevant data are not available. Thus, we note this to be an issue, but did not guess on demand within this category.

- 30 households for seniors who rent at general occupancy LIHTC apartments in the market area and who are likely to transfer to King William Manor.
 - Elderly households who convert to rental are included in the growth projections.
- There are no vacant or pipeline units for seniors in senior housing.

The net demand is for a total potential of 230 households, broken down by income category as shown in the Demand Chart.

Thus, growth demand represents 70% of potential demand. Additional demand will come from transfer demand for rent overburdened seniors and seniors in family housing. Current marketing at King William Place show doubling-up on seniors in other households. If these seniors move to new housing units, those totals are included in household growth.

For the absorption period, we assume that:

- The 40% rent units will be preleased
- The 50% rent units will rent at four units per month
- The 60% rent units will rent at five units per month

<u>Demand Table</u> (2012-2021)					
Income Restrictions		Up to 40%	Up to 50%	Up to 60%	Total
New Rental Households		50	50	70	170
PLUS					
Existing Households - Over-Burdened 2/		10	10	10	30
PLUS					
Existing Households-Substandard Housing		0	0	0	0
PLUS					
Elderly Households-Likely to Convert to Rental Housing 1/		10	10	10	30
PLUS					
Existing Qualifying Tenants – to Remain After Renovation		NA	NA	NA	
Total Demand		70	70	90	230
MINUS					
Supply (includes directly comparable vacant units completed or in pipeline in PMA)		0	0	0	
<i>EQUALS</i>		0	0	0	
NET DEMAND		70	70	90	230
Proposed Units		4	16	20	40
ABSORPTION PERIOD 1/ (see write-up above)		0	4	5	5

Notes: 1/ Refers to 100 seniors in LIHTC apartments for families; 30 percent transfer demand.

	<u>Number</u>
Project Wide Capture Rate - LIHTC Units	17.4%
Project Wide Capture Rate - Market Units	NA
Project Wide Capture Rate - All Units	17.4%
Project Wide Absorption Period (in months)	5

I affirm the following:

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



February 28, 2019

Market Analyst

Date