

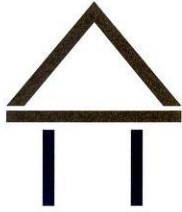
Market Analysis
The Arbors at Western Branch
Chesapeake, Virginia

Prepared for:

Mr. Brian Staub
Marlyn Development Corporation

May, 2020

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



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

May 20, 2020

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

Brian:

This will set forth our full narrative market study for the proposed mixed-income, age-restricted apartment community, The Arbors at Western Branch, that is proposed for development during 2021 for 2022 delivery. The 162-unit apartment building will have a mix of 129 market rent apartment units and 33 rent-restricted apartment units, at the 50% of AMI rent levels.

The study site is well located near the Chesapeake Square Mall in the Western Branch section of Chesapeake County, Virginia. It is located near considerable retail and commercial space, including several national “big box” retail stores. Several grocery stores are nearby, and local access is excellent. The site is in close proximity to two hospitals - Sentra Belle Harbour at Belle Harbour and Bon Secours Health Center at Harbor View. Each hospital location has an abundance of medical office buildings.

The market area defined for The Arbors at Western Branch has several age-restricted apartment properties. Most are 13+ years old. One new facility opened in early-2019, but has mostly LIHTC apartment units. The larger market rent, age-restricted properties were built in 2006. There are also three newer independent living facilities, with two being recent additions to the market. The vacancy rate for these properties is below two percent. Overall, the market area is a growth area, with considerable employment growth and demographic growth. The active senior population, persons in the 62 to 79 age category is 12+ percent of total population.

We studied the market for persons in the active age category of 62 to 79 years of age. This category likely will represent 85± percent of the target market for The Arbors at Western Branch. We studied these demographics for the two income categories under study.

Mr. Brian Staub
May 20, 2020

The report shows considerable demand for age-restricted housing for both income categories. There is almost no current inventory and the pipeline market is modest for both income categories.

The Arbors at Western Branch is well positioned to compete for the target, active senior household market in terms of rent, unit sizes and mix and project amenities and features.

We show a low penetration rate between 9 and 10 percent for the proposal, based on income categories, and a likely full lease-up within 13 months.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Stuart M. Patz". The signature is 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

This will present our detailed market study, within the Virginia Housing Development Authority's (VHDA) market study guidelines, for a mixed-income age-restricted apartment proposal to be built during 2021 on an attractive site near the Chesapeake Square Mall in the Western Branch section of northwestern Chesapeake County.

The proposal will include a mix of market rent and affordable apartment units designated for active adults, primarily in the age group of 62 to 79. The two income categories will require two separate analyses for demographic trends and for the competitive senior apartments, because of the difference in rents between the market rate apartments and the affordable apartments, with rents set at 50% of AMI.

The market study will be included in the financing package to be submitted to officials of VHDA for tax credit approval using non-taxable bonds and four percent Low Income Housing Tax Credits (LIHTC). The report is prepared within the guidelines of the current VHDA market study methodology. All required market and economic data and trends are fully presented.

To comply with the 2020 VHDA Market Study Guide, the report to follow is presented in three separate sections. The first, the Introduction, is a detailed description of the senior apartment site and development proposal and its setting within the Western Branch community of Chesapeake City. The project description shows the proposed rents, unit count, unit sizes and mix and project features. Detailed data are provided on the rents for the market rate and affordable apartment units and the household incomes required to support these rents.

Also described in detail are the area services available to support the new residents, with particular emphasis on health care and commercial facilities.

The second part of Section I is an Economic Overview of the Chesapeake marketplace, with particular emphasis on the economic stability of the defined market area for The Arbors at Western Branch. This is based on the trends in at-place job growth and employment.

Jobs and employment are the key factors for population and household growth, and thus, housing unit demand, even for age-restricted housing, as a stable economy will provide a likely environment for families to remain in place and for seniors to relocate to live near family if their family is unlikely to move.

Section II is the supply/demand analysis for the proposed senior housing. First presented is the demographic analysis which solves for the number and growth of active seniors who have sufficient incomes to afford the proposed rents at Arbors at Western Branch.

The active senior market refers to households with the household head 62 to 79 years of age. This is the primary market for the type of senior housing proposed, i.e., with age restrictions, but without services such as daily meals, housekeeping and laundry service. Typically, seniors in the active age group will constitute 80± percent of the target market for age-restricted housing of the type proposed. To the extent that The Arbors will attract seniors in the 55 to 61 age category and/or the over 80 year old population, we will adjust the demand totals based on input from on-site property managers of like properties in the market area.

The two target markets related in household incomes under study are:

- \$21,000 to \$31,000 for the affordable units at rents of 50% of AMI
- \$43,000 for the market rent apartments

Households with the household head in the 62 to 79 age category are studied for these two income categories, with the projection date of 2023. Construction could be started on The Arbors by early-2021. Project construction will require at least 12 months, which would place project opening by early-2022, with primary lease-up in 2022.

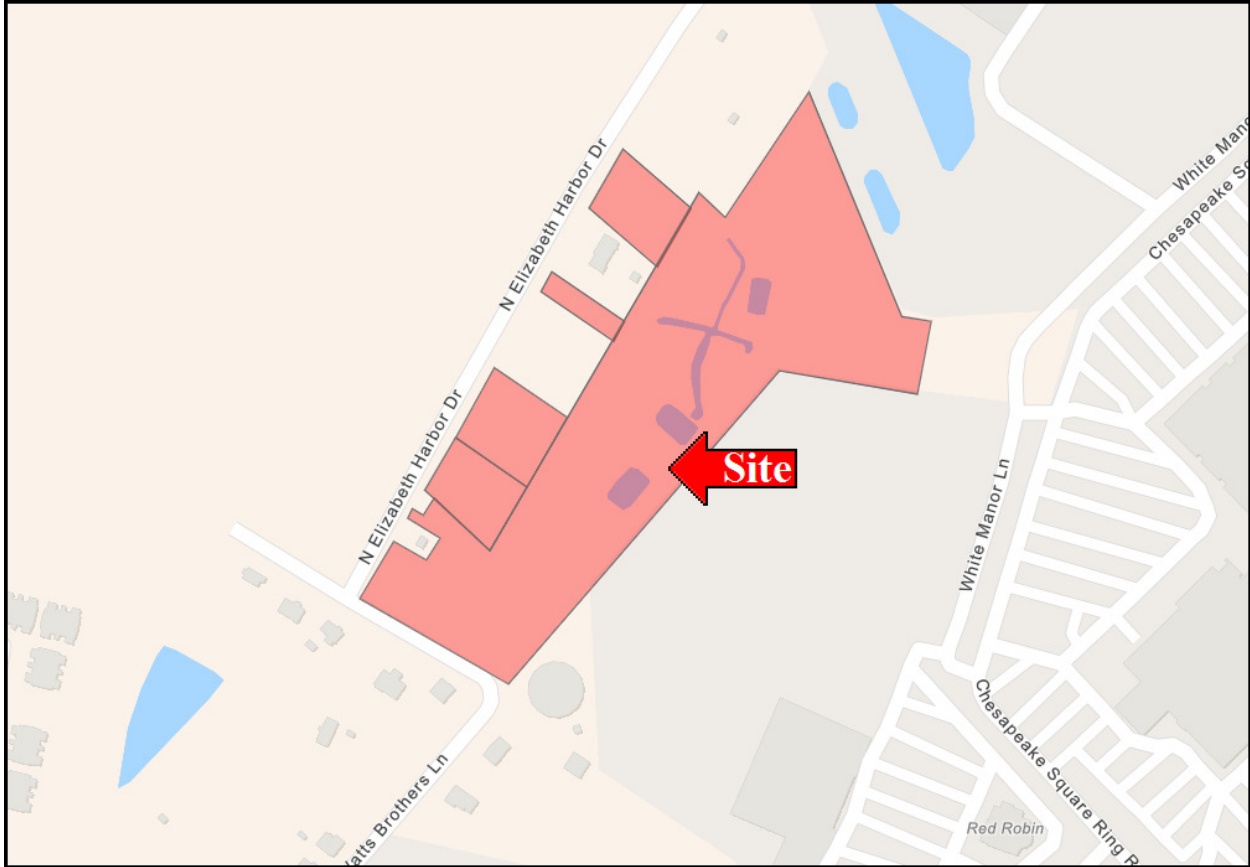
The second part of Section II is the analysis of the competitive age-restricted apartment market. As noted above, this analysis is separated for the affordable market and market rent market, as the rent differs greatly for each of the two income categories. Both sets of “comps” are studied for occupancy, rents, unit sizes and mix, amenities and curb appeal. Wait lists are noted for each property, if relevant. These data are compared with the study proposal to evaluate project feasibility.

Section III is the market study conclusions, based on the completion of the VHDA Demand Chart. Analysis of achievable rents and unit mix are also presented in the conclusion section.

The Arbors at Western Branch

Site Description

The study site consists of five adjacent parcels located on the east side of N, Western Branch Drive, just west of Chesapeake Square Mall in the Western Branch portion of northwestern Chesapeake City. The study site is located approximately 0.7 miles northwest of the I-664 interchange along Portsmouth Boulevard, and approximately five miles southwest of Suffolk’s Harbour View area, the location of several major medical facilities. Map A below shows the location of the study site.



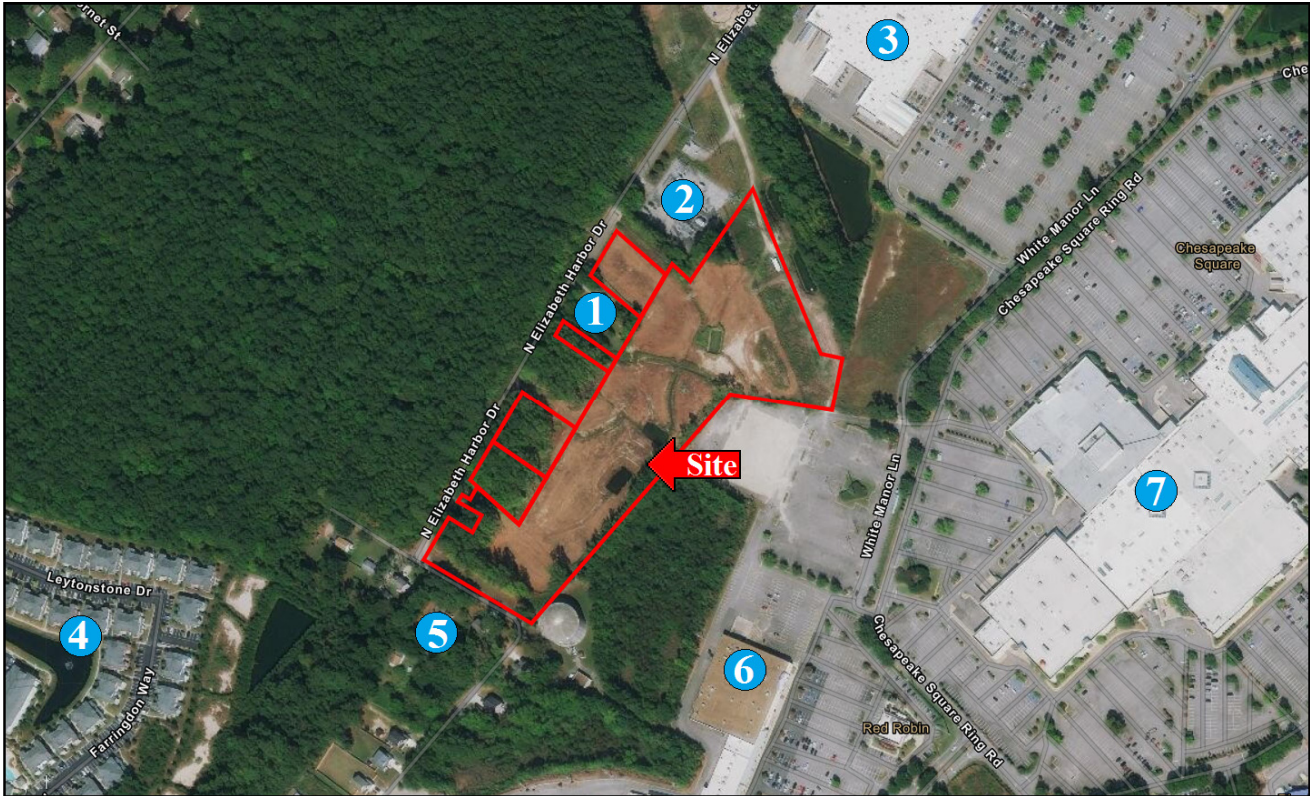
Map A - Site Location

Shown next is a northern aerial of the study site. The five parcels total approximately 11.7 acres. All were previously zoned R-15s (Residential District) and the site has recently been rezoned to R-MF-1 (Multifamily Residential District) and C-2 (Conservation-Recreation District), which will permit the development, as proposed. The property line is shown to be located on the southwest corner of Western Branch Drive and Watts Brothers Lane. Public water and sewer are located in the right-of-way adjacent to the property. There is a 12" water main and an 8" sewer main on Western Branch Drive.

As shown, the five parcels that comprise the study site are currently vacant. The northern portion of the property is largely encumbered by an existing Dominion Power Easement and will not be developed as part of the proposal. It will be the location of a stormwater management pond. The eastern portions of the site are generally cleared, while the western portions, closer to Western Branch Drive, are wooded.

The aerial also identifies the adjacent developments, which contain a mix of residential and commercial uses. To the west of the study site, on the western side of Western Branch Drive, is a wooded 42.5-acre vacant parcel that is zoned for agricultural uses and is not currently planned to be developed. Each of these adjacent land uses is briefly described in the paragraphs below.

- **2203 Western Branch Drive** (Note 1). This is a 1,790± square foot, single-story single-family home that was constructed in 1995. The home was sold most recently in 2002.
- **Hodges Ferry Substation** (Note 2). This is a power station owned by Dominion Energy and located on a 2.6-acre parcel.
- **Walmart Supercenter** (Note 3). This is a 224,080± square foot Walmart Supercenter that was constructed in 2002. To the north of the Walmart is a 130,110± square foot Sam's Club that opened in the same year.
- **King's Pointe at Western Branch** (Note 4). This is a 396-unit condominium community with two- and three-bedroom units ranging in size between 1,300 and 1,880 square feet. These homes were built in the 2010's and have generally sold in the low-\$200,000's.
- **Drum Point Creek** (Note 5). This is a neighborhood of single-family homes located along the south of the study site. Some homes were constructed in the 1960's and others were built more recently, since 2010. These homes are all well maintained.
- **Chesapeake Center** (Note 6). This 296,870± square foot shopping center is located at 4300 Portsmouth Boulevard and is anchored by Gabe's, Big Lots, Value City Furniture and PetSmart. Smaller tenants include Dollar Tree, My Eye Dr, Sally Beauty, Phenix Salon Suites, AJ Gators, Outback Steakhouse and Red Robin.
- **Chesapeake Square Mall** (Note 7). This is a 717,280± square foot regional mall that is anchored by a Target and Burlington. Smaller retailers include American Eagle Outfitters, Finish Line, Foot Locker, Gymboree, Men's Wearhouse & Tux, New York & Company, Stride Rite,, Victoria's Secret and Zales Jewelers.



Northern Aerial

Shown next is a wider northern aerial view of the study site showing its setting on the north side of Portsmouth Boulevard. Development west of the site consist of residential uses and vacant wooded land.

The following aerial shows an abundance of retailers and restaurants along Portsmouth Boulevard to the south of the study site. Big box retailers in this area include Walmart Supercenter (Note 1), Lowe's Home Improvement (Note 2), Target (Note 3), Burlington (Note 4), BJ's Wholesale (Note 5), Best Buy (Note 6), Gabe's (Note 7), and PetSmart (Note 8). This is also the location of several grocery stores including Food Lion (Note 9), Lidl (Note 10) and Aldi (Note 11). Thus, the site is located within close proximity to a wide mix of local and national retailers.



Wider Northern Aerial of Study Site Setting

To follow are photos of the study site and its setting. First shown is a northern photo of Western Branch Drive. The site is shown to be located on the east side of this lightly-trafficked roadway.



Northern View of Western Branch Drive

Shown next are photos of the study site with views from Western Branch Drive. The site is shown to be partially wooded and partially cleared.



Eastern View of Study Site from Western Branch Drive



Eastern View of Study Site from Western Branch Drive

The next set of photos show the western view of the study site from parking area that serves the Chesapeake Square Mall. This will be the prime entryway to Arbors at Western Branch.



Western View of Study Site from Rear of Chesapeake Square Mall

Site Setting

Map B shows the site setting within the Western Branch portion of Chesapeake. Western Branch Drive, which as previously noted marks the western boundary of the study site. It is a quiet two-lane roadway that runs between Watts Brothers Lane in the south and Taylor Road to the north. Apart from a single-family home and an electrical substation adjacent to the site, there is essentially no development along Western Branch Drive. Construction is ongoing on a new subdivision at the western intersection of Western Branch Drive and Taylor Road called The Woodlands at Western Branch. This is a 136-unit condominium community with two- and three-bedroom attached homes, with prices starting in the low-\$200,000's. The units are all constructed in four-plex buildings. Photos of each of these are shown below.



2203 Western Branch Drive



Hodges Ferry Substation



The Woodlands at Western Branch

Portsmouth Boulevard (SR 337) is shown to be south of study site. This is a primary state highway in the South Hampton Roads area. It runs east from Suffolk to Portsmouth, where it crosses the Jordan Bridge. It continues on the east side of the Southern Branch Elizabeth River in the South Norfolk neighborhood of Chesapeake. There it turns north, through Norfolk, crossing the Berkley Bridge into downtown, and ending at the Naval Station Norfolk at Sewell's Point. Several hotels, shopping centers, free-standing retailers and restaurants are located along this roadway near the study site.

Portsmouth Boulevard is also shown to access I-664, less than a mile from the study site. This is an auxiliary Interstate Highway that runs for nearly 21 miles from I-64 and I-264 in Chesapeake north to I-64 in Hampton. I-664 forms the west side of the

Hampton Roads Beltway, a circumferential highway serving the Hampton Roads metropolitan area.



Map B - Site Setting

Following are brief descriptions of the public and commercial facilities that will serve the resident population at The Arbors at Western Branch.

Medical Care. The two nearest hospitals are located in the Harbour View portion of North Suffolk, approximately five miles northwest of the study site. These hospitals are detailed in the paragraphs below.

- **Sentara BelleHarbor** is a 75,000± square foot medical center located at 3920 Bridge Road. The facility opened in 2008 and includes physical

therapy, sports medicine and physicians' offices. 185 people are employed at the hospital.

- **Bon Secours Health Center at Harbour View** is at 5818 Harbour View Boulevard. The facility opened in 1999 in a single building of 55,000± square feet with six operating rooms and an imaging department. Today, Bon Secours Health Center at Harbour View is close to 160,000± square feet in size in multiple buildings with a broad array of health care services.

In addition to the above is the two-building, 30,000± square foot Bon Secours Hampton Roads facility that opened in 2017 at 2613 Taylor Road, less than one mile northeast of the study site. The medical office space offers primary care, physical therapy and occupational medicine services. InMotion Physical Therapy and Bon Secours Occupational Medicine practices were both relocated from Chesapeake Square. Internists of Western Branch moved there from Raintree Road, and Western Branch Family Practice came from Taylor Road, with all of the offices combining to become Western Branch Primary Care.

Community Facilities. The closest post office is located less than a mile south of the site at 4300 Portsmouth Blvd Ste 174. Chesapeake Fire Department, Station 11 is located at 2040 Dock Landing Road, approximately two miles southwest of the site. Russell Memorial Library is located a half mile north of the study site at 2808 Taylor Road.

Parks and Recreation. The only park near the study site is Western Branch Park and Sports Park, which is located at 4437 Portsmouth Boulevard, approximately a half mile south of the study site. This 93-acre park, which is adjacent to Western Branch Community Center, features a variety of multipurpose athletic fields and open spaces. This family-oriented facility is dedicated to fun, sports, recreation and relaxation.

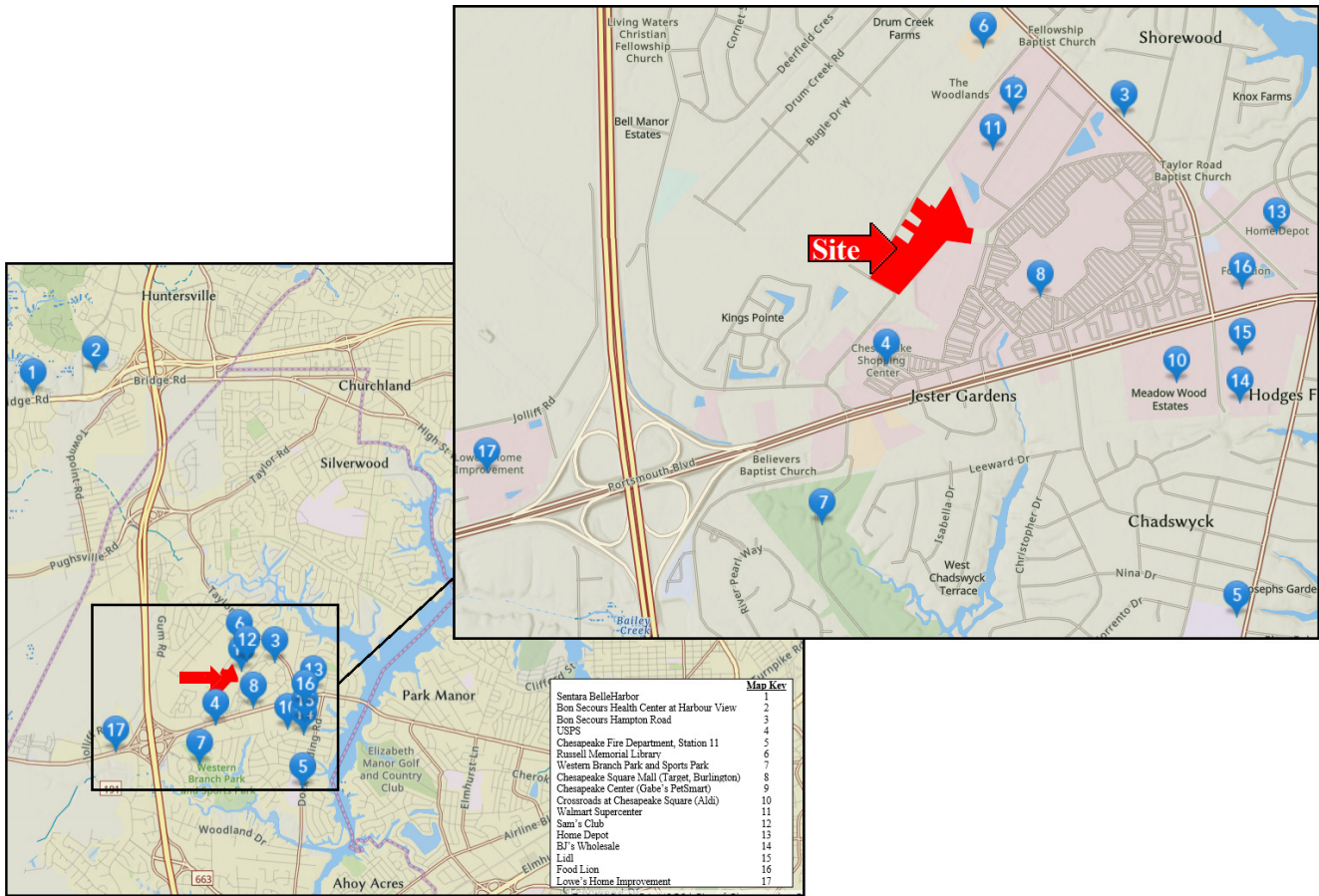
The closest senior center in the City of Chesapeake is the Rokeby Center, located at approximately 18 miles east of the study site at 1709 Rokeby Avenue. The facility includes a multi-purpose room and kitchen. It hosts, arts and crafts classes, fitness classes and social/ bingo events.

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

<u>Location of Nearby Religious Institutions</u>	
<u>Church</u>	<u>Address</u>
Church of St. Therese	4137 Portsmouth Blvd
Westside Church	4209 Portsmouth Blvd
Taylor Road Baptist Church	2509 Taylor Rd
Lee Memorial Baptist Church	2430 Gum Rd
Living Waters Christian Fellowship	2700 Gum Rd
Point Harbor Community Church	2705 Taylor Rd
Good News Baptist Church	3252 Taylor Rd
Source: S. Patz & Associates field survey	

Shopping. As previously noted, several shopping centers, big box retailers and grocery stores are located near the study site along Portsmouth Boulevard. All are located within a five-minute drive from the study site.

Map C shows the locations of the community facilities that will serve residents at The Arbors at Western Branch. Most important is that the setting has a full array of basic services for area residents.



Map C - Location of Area Community and Public Facilities

Market Area Definition

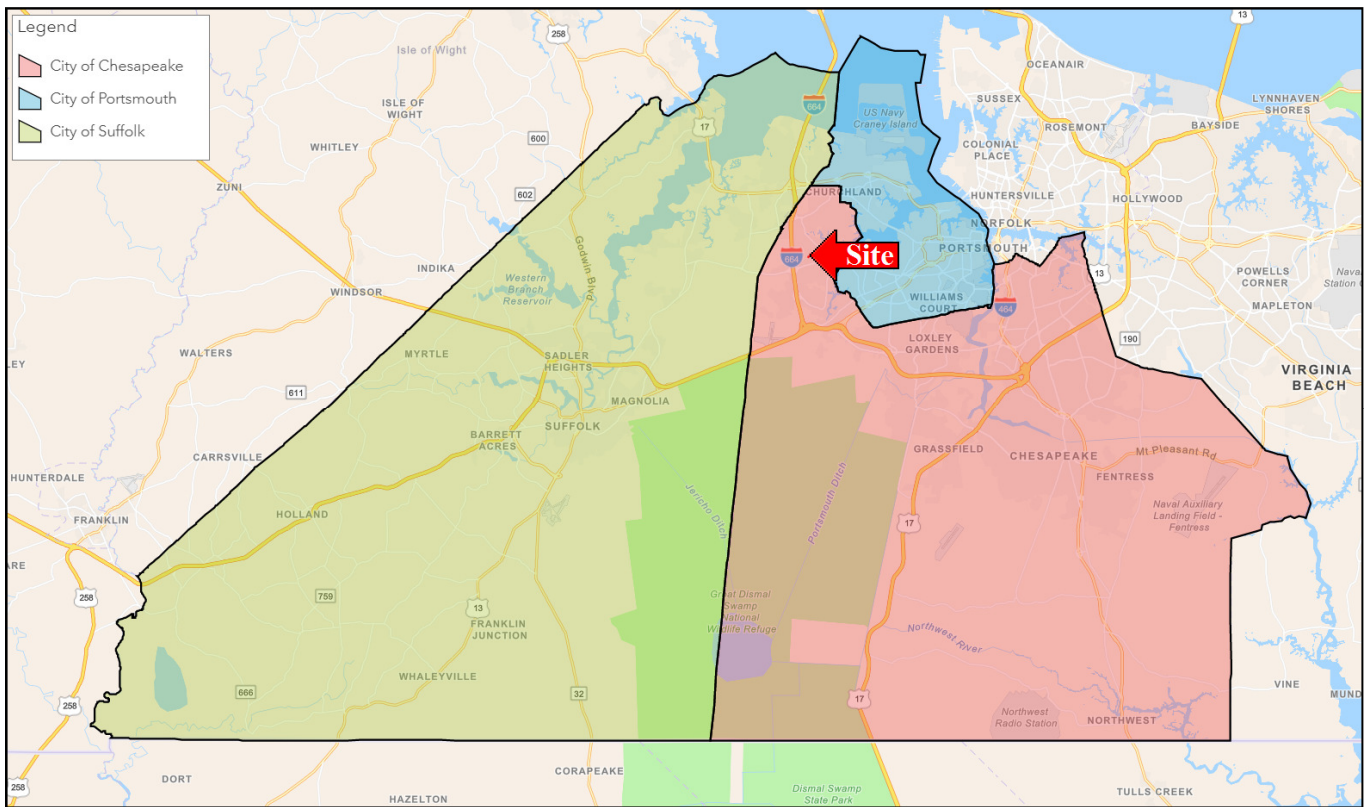
Based on the site location and input from area on-site property managers, the market area defined for The Arbors at Western Branch is the southwestern side of the Hampton Roads Region, specifically including the cities of Suffolk, Portsmouth and Chesapeake. Although this is a large market area, it is not uncommon for seniors to search over a wider area for adequate housing that meets their needs. This appears to be the case in the Hampton Roads Region, according to an on-site manager at age-restricted properties.

Management in the area senior apartment communities note that they attract senior renters from across the City of Chesapeake, as well as the other neighboring municipalities that comprise the market area, particularly those who are seeking more affordable housing options. Many of the existing senior renters are either downsizing or

are relocating to the area from inside and outside of Virginia, because it is either close to their adult children or they used to live in the area and are familiar with the neighborhood; this is particularly true for the retired military population.

While limited demand may be generated from neighboring Isle of Wight County and Franklin City, which are largely rural and with small populations, this demand has been taken into account in the projections of household growth in the market area. The same is true for more urbanized communities to the east of the study area in Norfolk and Virginia Beach.

Map D below shows the defined market area for The Arbors at Western Branch. Much of the market area, on the south, is rural and sparsely developed. Part of this area contains the Great Dismal Swamp and is not developable. We used the City boundaries for ease of data tabulation.



Development Program

Table 1 provides a detailed description of The Arbors at Western Branch apartment proposal, with data on apartment unit sizes, unit mix and proposed rents. All units will be restricted to seniors. 33 of the units will be set aside for seniors with incomes at or below 50 percent of the Area Median Income (AMI), while the remaining 129 units will be at market rents, without any income restrictions.

Table 1 shows a mix of 51 one-bedroom units and 111 two-bedroom units, for a total of 162 apartment units. All one-bedroom units will have a full bathroom. 28 of the one-bedroom units will have market rents and range in size between 706 and 840 square feet. The remaining 23 one-bedroom units will have income restrictions. These units will also range in size between 706 and 840 square feet.

There will be ten two-bedroom units with income restrictions, each measuring 1,140 square feet in size. These units will have 1.5 bathrooms. 69 of the market rate two-bedroom units will have 1.5 bathrooms and measure 1,100 square feet. There will also be 32 two-bedroom units with two full bathrooms. These units will measure 1,140 square feet.

Also shown in Table 1 are the proposed rents, which will include cold water, sewage and trash collection. These rates include a full-size washer and dryer. All of the affordable units will be restricted to incomes of 50% of AMI. One-bedroom affordable net rents will be \$700. Two-bedroom affordable net rents will be \$830. The utility costs are based on audits completed for each apartment unit. The Utility Allowance (UA) are for electricity, as the cost of other utilities are included in the rent.

The one-bedroom market rent units will rent for \$1,250. The two-bedroom market rate units will rent for between \$1,450 1.5 bathroom units and \$1,550 for the two-bathroom units.

Table 1: <u>Proposed Unit Characteristics, The Arbors at Western Branch</u> 1/					
	<u>Units</u>	<u>Size (Sq. Ft.)</u>	<u>Net Rent</u>	<u>UA</u>	<u>Gross Rent</u>
<u>Market Rate</u>					
1BR/ 1BA	28	706-840	\$1,250	--	--
2BR/ 1.5BA	69	1,100	\$1,450	--	--
2BR/ 2BA	<u>32</u>	1,140	\$1,550	--	--
(Subtotal)	(129)				
<u>50% of AMI</u>					
1BR/ 1BA	23	706-840	\$700	\$58	\$744
2BR/ 1.5BA	<u>10</u>	1,140	\$830	\$75	\$892
(Subtotal)	(<u>33</u>)				
Total	162				
Notes: 1/ Rents to include water, sewage and trash collection.					
Source: Marlyn Development Corporation					

The market rent apartment units also include all utilities, except electricity. These are not rent-restricted, so the UA is not shown. The UA for the market rent units will be the same as for the affordable units.

Gross Rent Comparison

Table 2 shows gross rents for the affordable apartment units with a utility allowance (UA) added to net rents. The UA was calculated for the sponsor based on the unit sizes and energy efficient HVAC system and appliances. The apartment building will be energy efficient within the VHDA guidelines. The gross rents shown are compared with the HUD maximum allowable gross rents for the Virginia Beach-Norfolk-Newport News, VA-NC HUD Metro FMR Area. The comparison shows that the proposed gross rents, based on the calculated UA, are below the maximum allowable rates.

Table 2: <u>Rent Comparison Chart, Arbors at Western Branch and HUD Maximum Allowable Rates</u>				
	<u>Arbors at Western Branch</u>			<u>HUD Maximum Allowable</u>
	<u>Net Rent</u>	<u>UA</u>	<u>Gross Rent</u>	
<u>50% of AMI</u>				
1BR/ 1BA	\$700	\$58	\$758	\$773
2BR/ 1.5BA	\$830	\$75	\$905	\$928
Source: HUD and Marlyn Development Corporation				

Site Plan and Building Design

Shown next is the site plan for The Arbors at Western Branch. The site plan shows that the apartments will be accessible from Western Branch Drive to the west, as well as from Ring Road around Chesapeake Square Mall. The Ring Road entrance will be the primary entrance to the apartment building. These access points are identified by red the arrows. The Western Branch Drive access point will provide gated emergency access. The community will have ample outdoor space and amenities, including sidewalks surrounding the building, raised garden plots for resident use, a grilling area and a dog park.

Surface parking will be located on the east side of the building, which will also be the location of the main entryway. There will be a total of 296 parking spaces, or a parking ratio of 1.82 spaces per unit.

A community van will be provided for regularly scheduled outings and shopping trips. An Activity Coordinator will assist residents in planning events and in encouraging socialization. In addition to the Activities Coordinator, the community will employ a Manager, Leasing Assistant, Housekeeper, and a Maintenance Technician. At least one employee will be on call 24 hours per day, seven days per week.



The Arbors at Western Branch Site Plan

Shown next is an elevation of Arbors at Western Branch. The proposed apartment units will be located in a four-story wood-framed elevator-served structure. The building's exterior will feature a combination of brick, Hardie plank and vinyl siding. The structure will have a central main entrance and two residential wings on each side. The building will include secure building entrances with security cameras and key fob entry.



The Arbors at Western Branch Rendering

Building Floor Plans

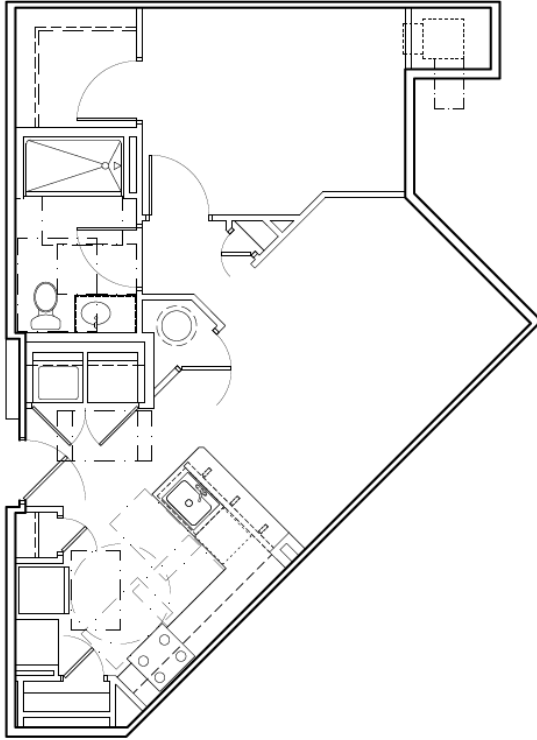
Following are floor plans of each level in the building. On the ground floor, there will be a grand two-story entrance, lobby and community room. The leasing and management offices will be located off of the main lobby along with a meeting room, mailroom and restrooms. The community will have a media room, fitness center, multipurpose room, business center, library, beauty salon and billiards room. Three elevators will service the building.

Given the current social distancing, it is recommended that the architect design larger elevators, if possible, and provide removable glass/Plexiglas partitions to separate residents in the case of future viruses.

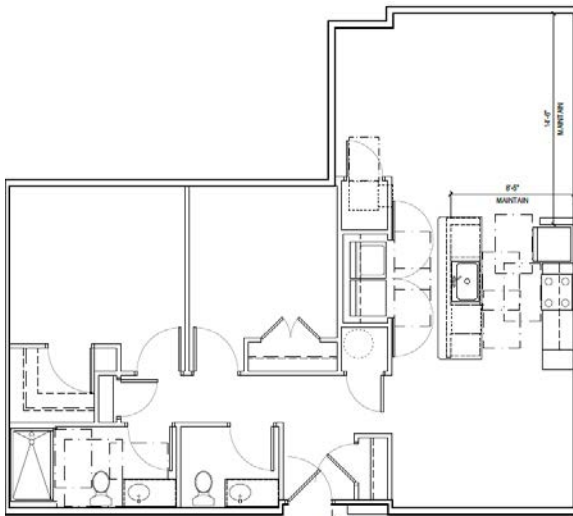
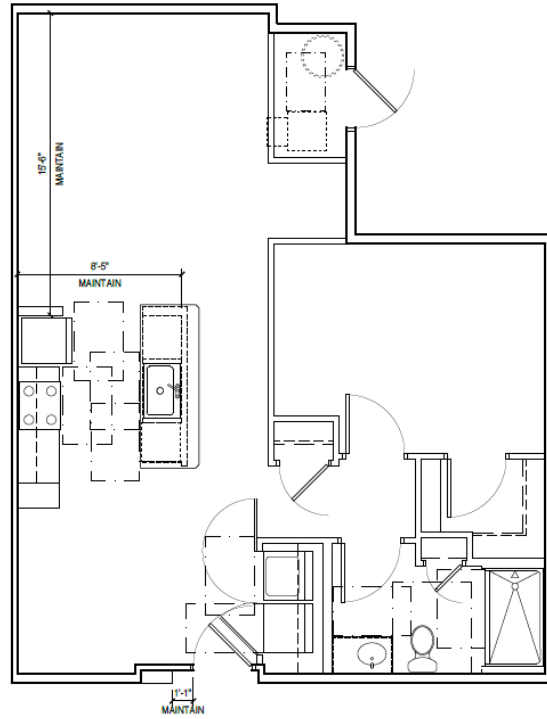
Unit Floor Plans

Next shown are typical unit floor plans. All units at The Arbors at Western Branch will be equipped with emergency pull cords in the bedrooms and bathrooms. The bathrooms will contain one-piece shower, or tub fixtures, with grab bars. Showers will have molded seats. The living area will have a central kitchen with an island, an electric range, a refrigerator, a dishwasher and a garbage disposal. Full-size washers and dryers will be provided in each unit. All units will have central air conditioning. Proposed flooring is carpeting in living rooms and bedrooms, with high-quality wood grained vinyl for kitchens, foyers and bathrooms. All floor plans will include a walk-in bedroom closet and a coat closet. Units will offer private outdoor space in the form of a balcony or patio.

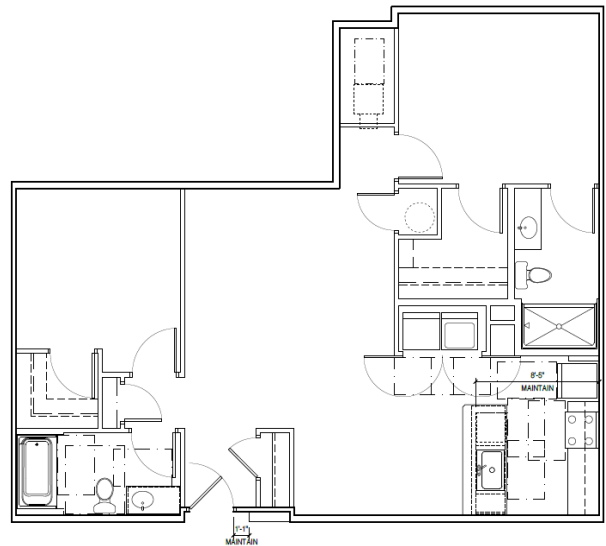
All one-bedroom units will have a full bathroom, while the two-bedroom units will have a mix of 1.5 and two full bathrooms. All affordable two-bedroom units will have 1.5 bathrooms.



1BR/1 BA



2BR/1.5 BA



2BR/2 BA

Development Costs

The proposed building costs, including soft costs and land acquisition, is \$25.3 million, or \$156,420± per unit, on average.

Market Area Economic Overview

This part of the market analysis presents an economic overview of the market area under study in terms of job and employment growth. Three economic factors are presented: (1) at-place job growth, (2) employment and labor force trends, and (3) new active development plans that are expected to generate net new job growth. Employment stability shows economic stability and the “ability” of the market area to retain seniors or to attract seniors to the market area.

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

At-Place Jobs

As of year-end 2018, the market had nearly 177,330 at-place jobs, exceeding the 2008 total by 9,550± jobs, or 5.7 percent. As shown in Table 3, the market area faced significant job losses between in 2009 and 2012, due to the recession of that time. Over 5,900 jobs were lost during 2019 alone. Job growth occurred between 2010 and 2013 totaled 5,250± new jobs. Job growth was stagnant in 2014, with the loss of nearly 180 jobs. Employment growth has been steady ever since, with 3,720± jobs added in 2015, 1,360± jobs added in 2016 and 1,940± jobs added in 2017. 2018 had significant job growth totaling 3,380± new jobs. 2019 data is not yet published and will likely be made available by the end of Summer, 2020.

The largest private employment sector in the market area is the Retail Trade sector, accounting for 12.6 percent of the market area employment. Most of the employment in this sector is in Chesapeake within the Greenbrier area of the City. The second major retail cluster in the market area is in northern Suffolk. Retail employment grew by 180± jobs since 2008, with growth driven by expansions in Suffolk.

The second largest private employment sector is the Health Care sector, which accounts for 11.5 percent of employment in the market area. This has been the fastest growing sector in the market area, having accounted for only 8.5 percent of total employment in 2008. The Health Care sector has added 5,800± jobs since 2008, at an average annual rate of 530± new jobs. 28.1 This is the only private employment sector that faced no job losses during the recession. Ongoing Health Care expansions, to be detailed further below, will continue to drive up increase employment in this sector.

The federal government has also been an important source of job growth over the past decade, having added over 4,600 new jobs since 2008, with most this growth taking place in the military installations in Portsmouth. The chart below details the five major military-related federal employers in market area. All are located in Portsmouth and Suffolk and represent both civilian and military employment. None of these employers offer a significant number of on-base housing units, and thus employment growth at these installations generate considerable apartment unit demand. The chart shows that the three Portsmouth facilities—Norfolk Naval Shipyard, Naval Medical Center and U.S. Coast Guard Command—added a combined 8,820± jobs over the past five years. Most of this growth occurred over the past two years at Norfolk Naval Shipyard. The two Suffolk facilities-Navy Information Dominance Forces Commands and J-7 Joint Staff—are steady employers, with no job growth or losses since 2014.

<u>Military-Related Employment Trends, Portsmouth/ Suffolk, VA, 2014-2018</u> 1/					
	<u>Portsmouth</u>				<u>Suffolk</u>
	<u>Norfolk Naval Shipyard</u>	<u>Naval Medical Center</u>	<u>US Coast Guard Command</u>	<u>J-7 Joint Staff</u>	<u>Navy Information Dominance Forces Commands</u>
2014	9,000	5,347	2,233	1,200	1,500
2015	9,000	5,400	2,233	1,200	1,500
2016	9,000	7,000	2,500	1,200	1,500
2017	14,000	7,000	2,500	1,200	1,500
2018	16,000	7,000	2,500	1,200	1,500
Net Change	7,000	1,653	167	0	0

Notes: 1/ Naval Medical Center and the US Coast Guard Command have a combined 5,100± active duty personnel.

Source: City of Portsmouth, City of Suffolk

Other sectors with job growth over the past decade include Transportation and Warehousing (1,360± jobs added), Accommodations/Food (1,200± jobs added), Finance/Insurance (320± jobs added), Arts/Entertainment/Recreation (300± jobs added), Retail Trade (180± jobs added), Professional/Technical Services (20± jobs added) and Educational Services (20± jobs added).

In terms of job losses, the sector that has shed the largest number of jobs over the past decade has been Construction. Employment in this sector has fallen by over 2,000. Most of these losses took place early in the decade following the past recession. Local Government has also faced steep job declines, shrinking by over 1,000 jobs since 2008. Other sectors with major job losses over the previous decade include Information (960± jobs lost) and Real Estate (290± jobs lost).

Table 3: Trends in Average At-Place Employment, Portsmouth-Suffolk-Chesapeake, VA, 2008-2018

Industry	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Agriculture	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Mining	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Utilities	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Construction	13,698	11,674	11,351	10,954	10,780	11,352	11,119	11,818	11,607	11,700	11,644
Manufacturing	9,135	8,391	8,188	8,417	8,423	8,360	8,156	7,875	ND	ND	ND
Wholesale Trade	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Retail Trade	22,209	20,838	20,799	21,064	20,951	21,036	21,255	22,093	22,726	22,691	22,390
Transport. & Warehousing	7,417	6,856	6,901	6,763	6,660	6,789	7,078	7,425	8,056	8,573	8,779
Information	3,664	ND	3,288	2,743	2,671	2,707	2,583	2,676	2,676	2,693	2,701
Finance/Insurance	3,990	3,583	3,301	3,485	3,356	3,564	3,782	3,295	4,223	4,307	4,311
Real Estate	2,330	2,221	2,189	1,988	2,073	2,120	2,098	2,012	1,996	2,010	2,041
Professional/Tech. Services	11,020	10,924	10,181	10,015	11,592	11,689	11,826	11,808	11,876	12,075	11,041
Management of Companies	1,270	1,514	1,973	1,424	1,472	1,728	1,778	1,728	ND	ND	ND
Admin./Waste Services	9,966	9,380	10,058	11,133	11,976	11,653	11,828	11,411	ND	ND	ND
Educational Services	1,356	1,315	1,410	1,298	1,318	1,218	1,195	1,262	1,443	1,430	1,379
Health Care	14,534	14,730	15,046	15,763	16,580	17,350	17,837	18,540	18,769	18,650	20,337
Arts/Enter./Recreation	1,165	1,109	1,100	1,134	1,100	1,068	1,086	1,015	1,185	1,509	1,463
Accommodations/Food	14,009	13,722	13,577	13,620	13,806	13,991	13,865	14,297	14,871	14,866	15,206
Other Services	6,372	6,312	6,261	6,154	6,065	6,058	5,917	6,087	5,965	6,200	6,332
Local Government	22,295	22,572	22,721	22,266	22,035	21,828	20,978	20,730	20,824	21,029	21,201
State Government	3,479	3,531	3,606	3,637	3,654	3,572	3,583	3,552	3,525	3,519	3,448
Federal Government	<u>12,223</u>	<u>12,514</u>	<u>13,229</u>	<u>14,079</u>	<u>14,761</u>	<u>14,743</u>	<u>14,814</u>	<u>15,872</u>	<u>16,402</u>	<u>16,456</u>	<u>16,827</u>
Total	167,773	161,870	162,235	162,734	165,896	167,115	166,936	170,654	172,013	173,950	177,325

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, separated by jurisdiction, over the past eleven years. Jobs growth was recorded in all three jurisdictions. Apart from growth in Transportation/ Warehousing and Accommodations/Food Sector, a large share of job growth has been in professional employment categories.

Also shown is that most of the recent job growth took place in Suffolk. Nearly 65 percent of new jobs added in the market area were in Suffolk, and most of these were in the north side of the City. Job growth in Portsmouth has relied on Federal employment. Health Care has driven job growth in Chesapeake.

	<u>Portsmouth</u>	<u>Suffolk</u>	<u>Chesapeake</u>	<u>Total</u>
Agriculture, Forestry, Fishing	--	--	-89	--
Mining	--	--	29	--
Utilities	--	--	16	--
Construction	-755	-136	-1,163	-2,054
Manufacturing	--	12	-182	--
Wholesale Trade	--	--	-594	--
Retail Trade	-38	594	-375	181
Transport. & Warehousing	132	868	362	1,362
Information	-194	-21	-748	-963
Finance/Insurance	-115	-17	453	321
Real Estate	-105	-32	-152	-289
Professional/Tech. Services	280	739	-998	21
Management of Companies	-35	--	699	--
Admin./Waste Services	40	--	593	--
Educational Services	-114	43	94	23
Health Care	671	1,478	3,654	5,803
Arts/Enter./Recreation	31	22	245	298
Accommodations/Food	-97	1,002	292	1,197
Other Services	-528	182	306	-40
Local Government	-743	410	-761	-1,094
State Government	427	-491	33	-31
Federal Government	<u>3,617</u>	<u>783</u>	<u>204</u>	<u>4,604</u>
Total	1,256	6,175	2,121	9,552

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, while at-place jobs refer to where the job is physically located. Employment data are current to year-end 2018.

Employment data is shown next. Employment refers to where people live. Employment totals are higher than at-place job totals, which means some net out-commuting occurs from the market area, likely to Norfolk and Virginia Beach areas. Employment is the better indicator of housing unit demand, as it refers to where people live.

The market area realized a net increase in employment of 6,940± jobs over the eleven-year period between 2008 and 2018. Mirroring at-place job trends, employment grew early in the decade, up until 2008, when employment reached a pre-recession peak of 195,400± jobs. Employment fell sharply in 2009 when 8,600± jobs were lost, pushing the unemployment rate from 4.2 percent to 6.9 percent in a single year.

Growth in employment has occurred every year since 2011, with employment exceeding the precession peak in 2017. Employment grew by 5,470± in 2017 and 2,040± in 2018.

The labor force has also grown every year since 2016, suggesting growing confidence in securing employment, which is a key measure of economic health. This has pushed the overall unemployment rate higher than it otherwise would be. Data in Table 5 show that in 2018 the unemployment rate was a low 3.3 percent, down from 4.2 percent in 2017 and down from nearly 8% in 2010.

Table 5: <u>Trends in Employment and Unemployment, The Arbors at Western Branch Market Area, 2008-2018</u>				
	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Percent Unemployed</u>
2008	203,954	195,399	8,555	4.2%
2009	200,676	186,798	13,878	6.9%
2010	200,533	184,856	15,677	7.8%
2011	202,340	187,006	15,334	7.6%
2012	202,715	188,365	14,350	7.1%
2013	203,802	190,556	13,246	6.5%
2014	204,585	192,659	11,926	5.8%
2015	202,808	192,677	10,131	5.0%
2016	204,683	194,833	9,850	4.8%
2017	209,025	200,302	8,723	4.2%
2018	209,234	202,338	6,896	3.3%
Net Change	5,280	6,939	-1,659	-0.9%
Source: United States Department of Labor, Bureau of Labor Statistics				

Economic Development Activity

The paragraphs below detail the recent job announcements within the market area that are expected to generate job growth.

- **Wanchese Fish Co.** announced in November, 2018 that it would hire 69 new employees over the next three years in Suffolk. These include jobs in a new corporate office and on new retail seafood production lines.
- **Sentara Healthcare.** Construction was completed in March, 2019 on a 100,000± square, foot expansion and renovation of Sentara Healthcare’s BelleHarbour campus outpatient medical center. The expansion at Sentara BelleHarbour is 92,000± square feet, and the renovation of the existing space about 10,000± square feet. Sentara BelleHarbour is operationally part of Sentara Obici Hospital. The addition to the BelleHarbour campus includes an ambulatory surgery center, new observation beds for overnight stays, and an expanded 24-hour emergency department. There is also a new helipad for Nightingale, as well as new office spaces for medical practices.
- **Target** announced in December, 2018 that it would expand its Suffolk Upstream Distribution Center by adding a new packaging department. This expansion will 225 new jobs.
- **Cinema Café** announced in March, 2019 that it would build a seven- or eight-screen, 35,000± square foot movie theater with more than 700 reclining seats on the former Obici Hospital site at 1900 N. Main Street. Construction would likely begin

before summer 2021, and the project is expected to be completed by fall 2022 (maybe).

- **Family Medicine Healthcare**, a privately owned, independent family practice, completed construction in June, 2019 on a new medical office building at the former site of a garden center on Portsmouth Boulevard in Chesapeake. The site was previously occupied for 25 years by McDonald Garden Center, which closed in 2017. The 10,000± square foot building has parking, a covered porte-cochere and building canopy at the entrance and multifunctional exam and procedure rooms. There is also room on the site for an additional 10,000± square foot future expansion and courtyard.
- **Preferred Freezer Services** announced in April, 2019 that it would build 200,000± square foot warehouse at the former BASF site in Portsmouth where it will employ 60 people. The new cold storage warehouse will be used to import, export process and distribute a variety of food products.
- **Chesapeake Regional Medical Center**. Ground was broken in January, 2020 on a 72,000± square foot addition to Chesapeake Regional Medical Center. As its medical services increase, the hospital expects to hire about 83 more staffers. The hospital's new project involves significant work to the Sidney M. Oman Cancer Treatment Center. Expected to be completed in February 2021, the construction will double the size of the facility and add technology, such as stereotactic radiosurgery and advanced imaging tests. The tower, which will be finished by the end of next year, will house the intensive care unit, a new hybrid cardiac operating room and a telemetry stroke unit. The space will hold 94 new beds and be designed to support families with overnight room accommodations. The final portion, expected to be completed by Summer, 2022, will renovate the birthing center to include a short-term neonatal intensive care unit and make each postpartum room 1 ½ times larger.
- **Mitsubishi Chemical Composites America**, which manufactures metals and plastics, announced in July, 2019 that it would expand its Chesapeake facility by 40,000± square feet and add 30 new jobs.
- **Total Fiber Recovery** announced in February, 2020 that it would establish its first pulp recycling facility in Chesapeake, creating 68 jobs. The Chesapeake facility is set to begin operations in 2021 and annually process 300,000± tons of mixed paper and recycled fiber from materials recovery facilities in the region. The pulp product created by the Chesapeake TFR facility will be transported to domestic and international paper plants to be repurposed.
- **Amazon.com** Inc announced in March, 2020 that it would build two major operations facilities in Hampton Roads, creating an expected 1,500 jobs by the end of 2021. The first facility is a multi-story robotics fulfillment center in Suffolk, which will create 1,000 jobs. The second is a 650,000± square foot processing center in Chesapeake, which will create 500 jobs.

- **Acesur USA**, an international olive oil manufacturer, announced in February, 2020 that it would establish its first U.S. production operation in Suffolk, creating 29 jobs. The company purchased an 87,870± square foot, two-story manufacturing facility at 1010 Obici Industrial Boulevard to house the operations.
- **Mitsubishi Chemical Composites America**, which manufactures metals and plastics, announced in July, 2019 that it would expand its Chesapeake facility and add 30 new jobs.
- **Smithfield Foods** announced in May, 2019 that it would hire 170 people to staff a 20,000± square foot building in the Bridgeway Technology Center II in Suffolk.
- **Blue Bell Ice Cream** opened a new 14,000± square foot distribution center in July, 2019 in the Northgate Commerce Park in Suffolk. Blue Bell's Suffolk location has 18 employees.
- **Sentara Obici Hospital** announced in January, 2020 that it would expand its emergency department in Suffolk. The expansion will add about 7,000± square feet and include an increase in treatment spaces from 23 to 37, which includes six more vertical care spaces that will help with less serious cases and five observation rooms. Sentara Obici will also add a behavioral health room to the one it has now to conduct psychiatric evaluations. When finished around December 2021, the ER will increase in size to 20,000± square feet.
- **Lakeview Medical Center at Harbour View**. Ground was broken in May, 2019 on this 42,000± square foot medical office building and ambulatory surgery center in Suffolk. The three-story building will be nearly identical to its facility off of First Colonial Road in Virginia Beach that was built 10 years ago. On the first floor will be OBGYN, pulmonary and cardiology services, while the orthopedic group will be on the second floor and offer orthopedic sports medicine and pain management, primarily. The ambulatory surgery center will be on the third floor and provide outpatient surgery.
- **Sentara Healthcare** completed construction in March, 2019 on a 100,000± square foot expansion and renovation of its BelleHarbour campus outpatient medical center serving the growing North Suffolk area of the city. The expansion at Sentara BelleHarbour off of Bridge Road is 92,000± square feet, and the renovation of the existing space about 10,000± square feet. The addition to the BelleHarbour campus includes an ambulatory surgery center, new observation beds for overnight stays, and an expanded 24-hour emergency department. There is also a new helipad for Nightingale, as well as new office spaces for medical practices.
- **Bridgeport**. This is a mixed-use development that is being built in three phases in Suffolk. At build out, it will contain 700 apartments and 150,000± square feet of commercial space. The first phase, which is in development, will total five buildings including 288 apartments called 3800 Acqua. The second phase, which

is also ongoing, includes the 159-unit age-restricted Royal Sail at Bridgeport apartments. The final phase is in planning.

The above announcements will add nearly 3,000 new jobs to the market area, excluding temporary construction jobs, spinoff jobs and retail jobs.

Section II Senior Apartment Market Analysis

This section of the report is the supply/demand analysis for the proposed age-restricted apartment units. First presented is the demographic analysis that solves for the number and growth of active adults who have incomes that qualify for the proposed rents. The demographic analysis is presented separately for the residents who can afford market rate rents and the “50%” affordable rents.

The forecast date is 2023, and project lease-up is expected to start by late-2021 or early-2022.

The second part of Section II presents an analysis of the competitive age-restricted apartment properties in the market area. These include market rate properties with and without services and affordable properties. These are studied in comparison with The Arbors at Western Branch proposal to determine project feasibility of the study proposal. Data are studied on occupancy, rental rates, unit characteristics, and project amenities.

Market Area Demographic Analysis

Population Trends and Projections

The 2019 population count for the market area was 434,160±. This total is based on estimates from the Weldon Cooper Center for Public Service. That total exceeds the 2010 Census count by 31,830±. This represents an average annual population growth rate of 3,540± people. This growth rate is below the average annual population growth rate of 3,890± during the 2000’s. This slower growth rate is likely due to the lingering impacts of the housing crises sparked by the past recession.

Also shown is that essentially all of the recent population growth has occurred in the cities of Suffolk and Chesapeake. Most of the population growth in Suffolk has taken place on the north side of the City in the Harbour View area and near the study site. The Portsmouth portion of the market area, which is largely built out, has had a declining

population since 1990. Based on recent trends and ongoing economic expansions, the market areas population is projected to grow by 14,150± and reach 448,310± by 2023. Suffolk and Chesapeake are expected to capture most of the projected growth.

Data in Table 6 show an expected net population growth of over 14,000 over the next four years, or 3,500± per year on average. Up to 90 percent of the net growth is expected to be in Chesapeake.

Table 6: Trends and Projections of Population and Households, The Arbors at Western Branch Market Area, 1990-2023					
	1990	2000	2010	2019	2023
Market Area Population	308,020	363,430	402,330	434,160	448,310
City of Chesapeake	151,980	199,180	222,210	245,750	--
City of Suffolk	52,140	63,680	84,590	93,830	--
City of Portsmouth	103,910	100,570	95,540	94,580	--
Group Quarters Population 2/	5,790	9,910	8,270	8,300	8,350
Household Population	302,230	353,520	394,060	425,860	439,960
Persons Per Household	2.77	2.69	2.67	2.66	2.65
Total Households	109,220	131,350	147,770	160,100	166,020
Source: 1990, 2000 and 2010 Census, U.S. Census Bureau, U.S. Department of Commerce; Weldon Cooper Center for Public Service; S. Patz & Associates, Inc.					

Group Quarters Population

The market area has a modest Group Quarters population, accounting for nearly two percent of the market area population in 2019. Most of the Group Quarters population consists of inmates at Western Tidewater Regional Jail in Suffolk, Indian Creek Correctional Center in Chesapeake, and St. Brides Correctional Center in Chesapeake. The total also includes a sizeable number of seniors in area hospitals, nursing homes and assisted living facilities.

The Group Quarters population total in 2000 is thought to be the result of an inaccurate overcount of those living on a Coast Guard base near Craney Island in Portsmouth. Census data show that 2,500± people lived in military quarters in 2000, but only 590± in 2010. City and Coast Guard officials have been unable to explain the drop.

About 1,400 people worked on the base during the 2010 Census, and no more than 110 live there at any given time. This has been the case since at least the 1990's. Since the Census has no mechanism to review or correct the 2000 Census count, and the City of Portsmouth did not file a challenge to contest the numbers at the time, these numbers were never officially amended, but are regarded as inaccurate. The Group Quarters population total in 2010, which is also a census count, is deemed to be accurate and a correction over the previous error.

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 since the 1990's. By 2019, the market area's household total reached 160,100±, which shows an increase of 12,330± households since 2010. That growth trend is expected to continue for the 2019 to 2023 period.

The market area is projected to contain 166,020± households in 2023, an increase of 5,920± over the 2019 household count. The increase in households, or occupied housing units, is due to population growth, but also a decrease in the average household size. The 2019 estimated average household size in the market area of 2.66 is below the 2.69 percentage in 2000 and the 2.77 household size in 1990. This trend denotes a significant increase in the number of one- and two-person households over this period.

Active Senior Demographics

The target age bracket for the age-restricted apartment market under study is seniors between the ages of 62 and 79. This is defined as the active senior housing market. Although younger adults, between the ages of 55 and 61, are often permitted to rent in senior apartment facilities, this segment of the adult population makes up only a small portion of the number of seniors who occupy apartments of the type under study. This is

also true for the over 80 year-old population. Thus, including these demographic sectors would greatly overstate the market. This cohort is detailed in Table 7.

In 2019, the active senior population in the market area numbered 52,970±, or 12.2 percent of the total market area population. This represents an increase of 7,660± seniors between 2010 and 2019, or an average annual increase of 850±. By 2023, the market area is projected to add 3,520± seniors within this age group to reach a total of 56,490± seniors.

Data in Table 7 also show the growth in the number of households with the household head aged 62 to 79. At 12 percent, the market area’s active adult population is at a higher percentage than most communities. In 2019, the market area had 32,780± active senior-headed households. By 2023, this total is projected to grow by 2,180± and reach 34,960± households by that date.

Table 7: <u>Trends and Projections of Senior Population and Households, The Arbors at Western Branch Area, 1990-2023</u>					
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2019</u>	<u>2023</u>
Market Area Population	308,020	363,430	402,330	434,160	448,310
Market Area Households	109,220	131,350	147,770	160,100	166,020
<u>Active Senior Demographics (62-79)</u>					
Total Population	35,400	37,520	45,310	52,970	56,490
Percent of Total Population	11.5%	10.3%	11.3%	12.2%	12.6%
Senior Households	21,880	24,020	28,040	32,780	34,960
Percent of Total Households	20.0%	18.2%	19.0%	20.5%	21.1%
Source: 1990, 2000 and 2010 Census, U.S. Census Bureau, U.S. Department of Commerce; Weldon Cooper Center for Public Service; S. Patz & Associates, Inc.					

Oddly, the market area’s active adult population has remained steady at 10+ to 12+ percent of total population. Typically, market areas show faster growth rates of seniors, although the market area’s active adult population increased from 10+ to 12+ percent over the 2000 to 2010 period.

Target Market

The last set of data presented in Table 8 is the number of active senior-headed households within the two income categories under study. Trends in these demographics are detailed in the paragraphs below.

- **Market Rate Units.** For the market rate units with no income restrictions, the target market includes senior-headed households earning an annual income of over \$43,000, when reported in constant 2020 dollars. This represents senior households that can afford net rents of \$1,250 and above. The estimate for households in this income category in 2010 is 16,550±, or 59.0 percent of the market area senior households. By 2019, this total is estimated to have increased by 2,820± to reach 19,370± households. This represents 12.1 percent of total households and 59.1 percent of senior households. By 2023, total senior households within this income category is projected to increase by 1,330± to reach 20,700±.
- **Affordable Units.** For the units with rents restricted to households earning 50 percent of AMI, the target market includes senior-headed households earning annual incomes ranging between \$21,000 and \$31,000, with \$31,000 being the maximum allowable income for a two-person household. The estimate of the number of households that are in this income category in 2010 is 2,750± households, or 9.8 percent of senior households. By 2023, this total is projected to reach 3,320± households. This will represent 9.5 percent of senior households. These income ranges are based on rental rates of 40% of gross income for older adults.

Table 8: <u>Trends and Projections of Senior Population and Households, The Arbors at Western Branch Market Area, 1990-2023</u> (Constant 2020 Dollars)					
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2019</u>	<u>2023</u>
Market Area Households	109,220	131,350	147,770	160,100	166,020
Senior Households	21,880	24,020	28,040	32,780	34,960
<u>Target Market</u>					
Market Rate Units (\$43,000+)					
Total Households	10,300	13,540	16,550	19,370	20,700
Percent of Senior Households	47.1%	56.4%	59.0%	59.1%	59.2%
Percent of Total Households	9.4%	10.3%	11.2%	12.1%	12.5%
50% of AMI Units (\$21,000-\$31,000)					
Total Households	2,450	2,370	2,750	3,150	3,320
Percent of Senior Households	11.2%	9.9%	9.8%	9.6%	9.5%
Percent of Total Households	2.2%	1.8%	1.9%	2.0%	2.0%
Source: 1990, 2000 and 2010 Census, U.S. Census Bureau, U.S. Department of Commerce; Weldon Cooper Center for Public Service; S. Patz & Associates, Inc.					

Renter Household by Size

Table 9 below provides data on sizes of renter households within the market area. Data show that just over 30 percent of renter household are single-person households while 27 percent are two-person households.

Table 9: <u>Renter Households by Size, The Arbors at Western Branch Market Area, 2010</u>		
	<u>Household</u>	<u>Percent of Total</u>
1-person household	13,897	30.7%
2-person household	12,202	27.0%
3-person household	8,365	18.5%
4-person household	5,788	12.8%
5-person household	2,973	6.6%
6-person household	1,212	2.7%
7-or-more-person household	<u>782</u>	<u>1.7%</u>
Total Renter Households	45,219	100.0%
Source: 2010 Census, U.S. Census Bureau, U.S. Department of Commerce		

Characteristics of the Market Rate Senior Apartment Market

Table 10 describes the competitive market rent age-restricted apartment communities in the market area. As shown, the “market” for age-restricted housing, without rent restrictions is delineated into three components, as there are three different

product types that cater to active senior renters. These include senior apartments in mixed-income communities, senior apartments in standard age-restricted complexes, and senior apartments in full-service independent living facilities that include services such as meals, housekeeping and laundry service within the basic rent structure. No Continuing Care Retirement Communities (CCRC's) are located within the market area.

Table 10 shows that the market area contains four mixed-income apartment communities with 146 market rate units. Only six of these units are vacant at this time. While the majority of units at The Arbors at Western Branch will have market rents, the market rate units within these four competitive apartments represent only small portions of the total units at these communities. Apart from Chesapeake Crossing with 75 market rate units, the other three complexes each have fewer than 30 market rate units.

The newest community to open is Arbors at Shoulders Hill. This complex opened between February and April, 2019 with 138 units, of which 27 have market rents. Nearly all market rate units were leased at opening. This was the only mixed-income community to open since 2010. One complex, Orchards at Belleville Harbor, opened in 2007 with 24 market rate units. Chesapeake Crossing and Commons at Churchland are older and opened in the 1980's and 1990's with 95 market rent combined units.

The table also shows that the market area contains three standard age-restricted apartment communities. These apartments offer limited services and do not include meals or housekeeping within the rental structure. All of these three apartments opened in 2006 and added a total of 367 units, of which only six units are vacant. These include the 132-unit Commons at Centerbrooke, 63-unit Sunstone Apartments and 172-unit Reserve at Greenbrier. Commons at Centerbrooke is a modest property located in an off-centered location near downtown Suffolk. The community attracts a large number of tenants from east of Suffolk in search of more affordable rents. Sunstone is located closest to the study site and has maintained high occupancy for years.

Table 10 also shows that the market area contains three full-service independent living facilities, with rents that include all utilities, some meals, housekeeping and other services. Two of these independent living facilities opened since 2010. Willow Creek opened most recently in 2016 with 125 units and has only one vacant unit. Harmony at Harbour View opened in 2013 and has three vacant units. Lighthouse Pointe is somewhat older, having opened in 2005 with 117 units. It is fully occupied.

Overall, the market area has a very low vacancy rate of 1.9 percent for market rate, age-restricted apartments. Apart from Chesapeake Crossing, all of the mixed-income apartments are at or near full occupancy. Over 30 percent of market area vacancies are at Chesapeake Crossing, which is a mature property with low rents. The vacancy rate at the standard market rate complexes is a low 1.6 percent.

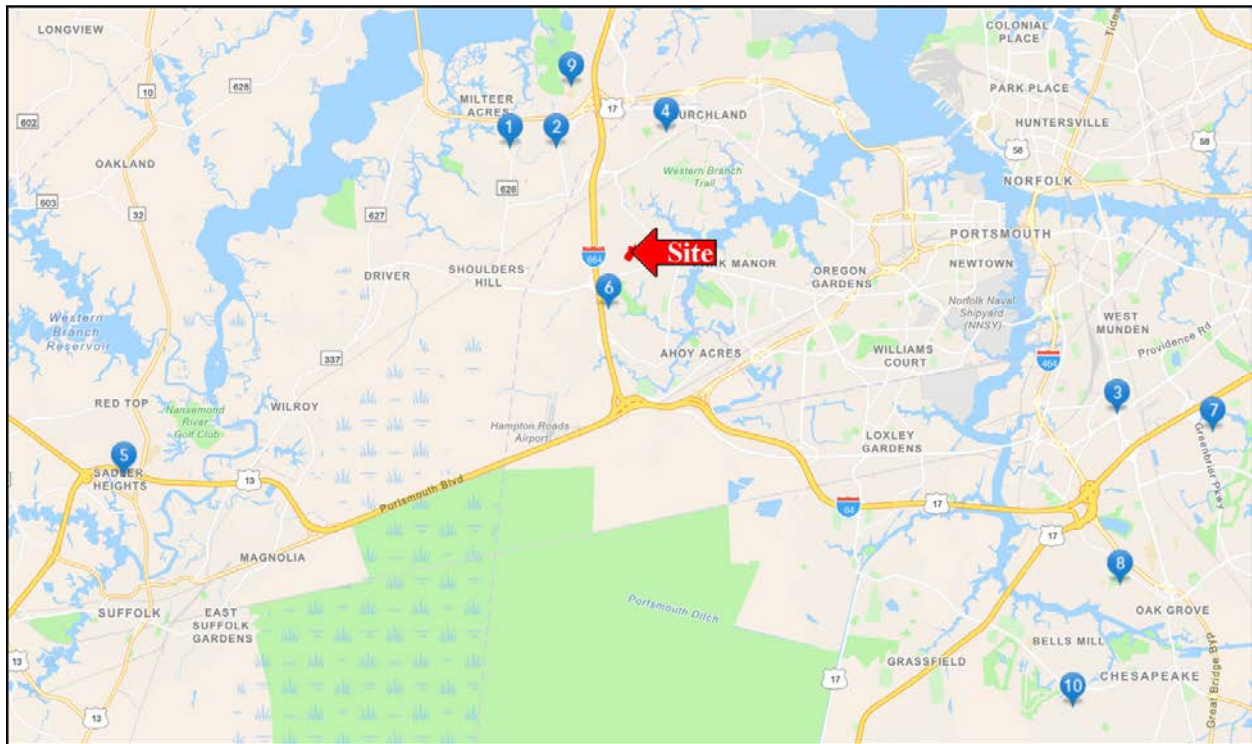
Table 10: <u>Characteristics of Competitive Market Rate Senior Apartments, The Arbors at Western Branch Market Area, May, 2020</u>				
	<u>Map E Key</u>	<u>Year Built</u>	<u>Total Units</u>	<u>Vacant Units</u>
<u>Market Rate Mixed-Income Apartments</u>				
Arbors at Shoulders Hill	1	Feb-19	27	0
Orchards at Belleville Harbour	2	2007	24	1
Chesapeake Crossing	3	1991/92/97	75	5
Commons at Churchland	4	1988	<u>20</u>	<u>0</u>
(Subtotal)			(146)	(6)
<u>Standard Market Rate</u>				
Commons at Centerbrooke	5	2006	132	3
Sunstone Apartments	6	2006	63	2
Reserve at Greenbrier	7	2006	<u>172</u>	<u>1</u>
(Subtotal)			(367)	(6)
<u>Full-Service Independent Living</u>				
Willow Creek	8	2016	125	1
Harmony at Harbour View	9	2015	90	3
Lighthouse Pointe	10	2005	<u>117</u>	<u>0</u>
(Subtotal)			(332)	(4)
Total			845	16
Vacancy Rate				1.9%
Source: Field and Telephone Survey by S. Patz and Associates, Inc.				

The market area has had steady growth in age-restricted housing since 2006. Some of the mixed-use properties are more mature, except for Arbors at Shoulders Hill, which is the newest and most successful property. Arbors has a wait list of 933. Unusually, all

of the standard market rent age-restricted properties were all built in 2006, prior to the recession of 2008 and after. These properties are at near full occupancy.

The full-service facilities are at typical sizes and are readily new properties, particularly Willow Creek and Harmony. These three properties have very few vacant units.

Map E shows the location of each of the “comps” listed in Table 10. Sunstone Apartments is located closest to the site, near the intersection of Portsmouth Boulevard and I-664. Three senior properties—Arbors at Shoulders Hill, Orchards at Belleville Harbour and Harmony at Harbour View—are located on the north side of Suffolk in the Harbour View community. Commons at Churchland is located nearby in northwestern Chesapeake. Commons at Centerbrooke is located near Downtown Suffolk. The remaining comps are located in southeastern Chesapeake. Based on the location analysis, The Arbors at Western Branch is a well located property for senior housing.



Map E - Locations of Senior Apartments

Shown next are photos of each of the comp. Most are two- and three-story elevator buildings. Commons at Chesapeake and Chesapeake Crossing have older designs. The other properties have similar designs and are well-maintained and attractive properties.



Arbors at Shoulders Hill



Orchards at Belleville Harbour



Chesapeake Crossing



Commons at Churchland



Commons at Centerbrooke



Sunstone Apartments



Reserve at Greenbrier



Willow Creek



Harmony at Harbour View



Lighthouse Pointe

Net Rent Analysis

Data in Table 11 list the rents at all of the market rent senior apartment communities under study. **Rents have been adjusted to exclude electricity, but include the cost of cold water, sewage and trash collection to be comparable to the proposed rents at The Arbors at Western Branch.** As shown, only a handful of the communities include in-unit washers and dryers.

Chesapeake Crossing is the one mixed-income community with one-bedroom market rents. These rents are very low at \$775, well below the rents at other one-bedroom

apartments and far below the proposed one-bedroom rents at The Arbors at Western Branch. The two-bedroom rents at the mixed-income communities average \$1,180, or over \$300 below the proposed two-bedroom rents at The Arbors. Most of these competitive apartments are older and not of the same quality. The one newer apartment, Arbors at Shoulders Hill, has two-bedroom rents that are slightly above the proposed two-bedroom units at the study site. These units leased very quickly and all are now occupied.

The three standard market rate apartments have rents similar to those proposed at The Arbors at Western Branch. The one-bedroom rents at these apartments average \$1,290, which is \$40 above the proposed one-bedroom rents at the subject proposal. The two-bedroom rents at these apartments average \$1,570, which is \$70± above the subject's proposed two-bedroom rents. Despite these slightly higher rents, these three apartments are now nearly 15 years old.

Also shown in Table 11 are the rents at the three full-service independent living facilities. These rents include between one and three daily meals as well as scheduled housekeeping. These apartments attract older residents, generally over the age of 80, and are not fully competitive with the proposal. One-bedroom rents at these apartments average \$3,144 while two-bedroom rents average \$4,054.

Clearly the full-service age-restricted properties will not be competitive with the study site, as these rents are more than double compared with the proposed rents at The Arbors. They show the ability of area seniors to support higher rents and the depth of the market for age-restricted housing.

Table 11: Rental Rates at Competitive Market Rate Senior Apartments, The Arbors at Western Branch Market Area, May, 2020

	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Washer/Dryer</u>	<u>Meals</u>	<u>Housekeeping</u>
<u>Market Rate Mixed-Income Apartments</u>					
Arbors at Shoulders Hill 2/	--	\$1,475-\$1,575	●	○	○
Orchards at Belleville Harbour 4/	--	\$1,115-\$1,155	○	○	○
Chesapeake Crossing 4/	\$775	\$965	●	○	○
Commons at Churchland 5/	--	\$1,045-\$1,115	○	○	○
(Average)	(\$775)	(\$1,176)			
<u>Standard Market Rate</u>					
Commons at Centerbrooke 6/	\$1,215	\$1,297-\$1,423	●	○	○
Sunstone Apartments 7/	\$1,255	\$1,570-\$1,597	○	○	○
Reserve at Greenbrier 2/7/	\$1,250-\$1,550	\$1,550-\$2,000	●	○	○
(Average)	(\$1,290)	(\$1,573)			
<u>Full-Service Independent Living</u>					
Willow Creek 2/	\$2,960-\$4,060	\$4,141-\$4,441	○	3/Day	●
Harmony at Harbour View	\$2,730-\$3,735	\$3,911-\$5,291	●	1/Day	●
Lighthouse Pointe 2/ 3/	\$2,540-\$2,840	\$2,971-\$3,566	○	3/Day	●
(Average)	(\$3,144)	(\$4,054)			
Proposed Market Rents (The Arbors)	\$1,250	\$1,450-\$1,550 8/	●	○	○

Notes: 1/ Rents adjusted to exclude electricity and only include cold water, sewage and trash collection. All two-bedroom units have 1.5 bathrooms, unless otherwise noted.

2/ Rent includes cable.

3/ Estimate

4/ Two-bedroom units have one bathroom.

5/ Larger two-bedroom units have dens.

6/ Two-bedroom units have two bathrooms.

7/ Smaller two-bedroom units have one bathroom.

8/ Smaller two-bedroom units have 1.5 bathrooms.

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

Unit Sizes

Table 12 below shows the unit sizes at the competitive senior apartment communities. The proposed one-bedroom units at The Arbors will range between 706 and 840 square feet and will be considerably larger than the one-bedroom units at Chesapeake Crossing, which are only 514 square feet. The proposed one-bedroom units will be approximately ten square feet larger than the standard market rate units, on average. Commons at Centerbrooke has small one-bedroom units at under 650 square feet. The one-bedroom units at Sunstone Apartments and Reserve at Greenbrier are closer in size to the proposed one-bedroom units at The Arbors.

The two-bedroom units at the mixed-income communities average 960 square feet, which is 160 square feet smaller than the average of The Arbors two-bedroom units that will range between 1,100 and 1,140 square feet. As with its one-bedroom units, Chesapeake Crossing has very small two-bedroom units. The two-bedroom units at the standard market rate complexes are 116 square feet smaller than the proposed two-bedroom units.

As with its one-bedroom units, Commons at Centerbrooke has relatively small two-bedroom units that range between 892 and 930 square feet. Sunstone Apartments has spacious two-bedroom units that are over 1,200 square feet. Reserve at Greenbrier has a wide range of two-bedroom units.

Table 12: <u>Unit Sizes at Competitive Market Rate Senior Apartments, The Arbors at Western Branch Market Area, May, 2020</u>		
	<u>One-Bedroom</u>	<u>Two-Bedroom</u>
<u>Market Rate Mixed-Income Apartments</u>		
Arbors at Shoulders Hill	--	1,030-1,134
Orchards at Belleville Harbour	--	996-1,020
Chesapeake Crossing	514	771
Commons at Churchland	--	940-1,050
<i>(Average)</i>	<i>(514)</i>	<i>(964)</i>
<u>Standard Market Rate</u>		
Commons at Centerbrooke	636	892-930
Sunstone Apartments	862	1,238-1,300
Reserve at Greenbrier	743-847	927-1,216
<i>(Average)</i>	<i>(764)</i>	<i>(1,084)</i>
<u>Full-Service Independent Living</u>		
Willow Creek	510-848	937-1,081
Harmony at Harbour View	641-892	1,059-1,331
Lighthouse Pointe	542-894	877-1,056
<i>(Average)</i>	<i>(721)</i>	<i>(1,057)</i>
Average	710	1,028
Proposed Unit Sizes	706-840	1,100-1,140
Source: Field and Telephone Survey by S. Patz and Associates, Inc.		

Net Rent Per Square Foot

Next shown is the rent per square foot calculation for the mixed-income and standard age-restricted apartments under study. Excluded are the calculations for the full-service independent living facilities as they are not comparable.

The proposed one-bedroom units will have an average rent per square foot of \$1.62, which is compared to a \$1.71 for the standard market rate apartments. Commons at Chesterbrook has a relatively high rent per square foot due to its small one-bedroom units. Chesapeake Crossing has a low rent per square foot calculation due to its very low rents.

The average rent per square foot calculation for the proposed two-bedroom units is \$1.34, compared to a market area average of \$1.32. The mixed-income apartments have a lower rent per square foot calculation of \$1.22 compared to a calculation of \$1.47 for the standard market rate units.

Table 13: <u>Rent per Square Foot at Competitive Market Rate Senior Apartments, The Arbors at Western Branch Market Area, May, 2020</u>		
	<u>One-Bedroom</u>	<u>Two-Bedroom</u>
<u>Market Rate Mixed-Income Apartments</u>		
Arbors at Shoulders Hill	--	\$1.41
Orchards at Belleville Harbour	--	\$1.13
Chesapeake Crossing	\$1.51	\$1.25
Commons at Churchland	--	\$1.09
<i>(Average)</i>	<i>(\$1.51)</i>	<i>(\$1.22)</i>
<u>Standard Market Rate</u>		
Commons at Centerbrooke	\$1.91	\$1.49
Sunstone Apartments	\$1.46	\$1.25
Reserve at Greenbrier	\$1.76	\$1.66
<i>(Average)</i>	<i>(\$1.71)</i>	<i>(\$1.47)</i>
Average	\$1.66	\$1.32
Proposed Unit Sizes	\$1.62	\$1.34
Source: Field and Telephone Survey by S. Patz and Associates, Inc.		

Apartment Unit Mix

Table 14 shows the unit mix at each of the competitive apartments, apart from the full-service independent living facilities. Approximately one-third of these units are one-bedroom units compared to nearly 70 percent that are two-bedroom units.

All but 35 of the mixed-income units are two-bedroom units. Chesapeake Crossing, Sunstone Apartments and Reserve at Greenbrier have a near even mix of one- and two-bedroom units. The remaining apartments have few or no one-bedroom units.

Table 14: Apartment Unit Mix Competitive Market Rate Senior Apartments, The Arbors at Western Branch Market Area, May, 2020

	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Total Units</u>
<u>Market Rate Mixed-Income Apartments</u>			
Arbors at Shoulders Hill	0	27	27
Orchards at Belleville Harbour	0	24	24
Chesapeake Crossing	35	40	75
Commons at Churchland	<u>0</u>	<u>20</u>	<u>20</u>
(Subtotal)	(35)	(111)	(146)
<u>Standard Market Rate</u>			
Commons at Centerbrooke	7	125	132
Sunstone Apartments	36	27	63
Reserve at Greenbrier	<u>84</u>	<u>88</u>	<u>172</u>
(Subtotal)	<u>(127)</u>	<u>(240)</u>	<u>(367)</u>
Total	162	351	513
Percent of Total	31.6%	68.4%	100.0%
Proposed Market Rate Unit Mix	28	101	129

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

The better gauge for The Arbors at Western Branch are the standard market rent units. These show 35 percent one-bedroom and 65 percent two-bedroom units. However, Arbors at Shoulders Hill is the best “comp” and has no market rate one-bedroom units. Both unit sizes are acceptable, based on occupancy data, but research shows that the more upscale the apartment property, the larger the demand is for larger units.

Community Amenities

Table 15 shows that all of the competitive apartments are amenitized. All have a clubhouse or clubroom and most have business center. Each of the apartments also have a fitness center. None have pools. The apartments that do not have in-unit washers and dryers have on-site laundry facilities.

**Table 15: Community Amenities at Competitive Senior Apartments,
The Arbors at Western Branch Market Area, May, 2020**

	<u>Clubhouse/Room</u>	<u>Business/ Media</u>	<u>Pool</u>	<u>Fitness</u>	<u>Laundry</u>
<u>Mixed Income Apartments</u>					
Arbors at Shoulders Hill	●	●	○	●	○
Orchards at Belleville Harbour	●	●	○	●	●
Chesapeake Crossing	●	●	○	●	○
Commons at Churchland	●	○	○	●	●
<u>Standard Market Rate</u>					
Commons at Centerbrooke					
Sunstone Apartments	●	●	○	●	○
The Reserve at Greenbrier	●	●	○	●	●
<u>Full-Service II</u>					
Willow Creek	●	●	○	●	●
Harmony at Harbour View	●	●	○	●	○
Lighthouse Pointe	●	●	○	●	●
<u>Proposed Amenities</u>	●	●	○	●	○

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

Characteristics of Affordable Senior Apartment Market

Table 16 presents a list of the ten competitive apartment senior properties under study within the market area with income restrictions. Excluded from this list are properties with very low, non-competitive rents, such as Section 8 properties. Four communities (Arbors at Shoulders Hill, Orchards at Belleville Harbour, Chesapeake Crossing and Commons at Churchland) have a mix of market rate and income-restricted units, as noted above. The majority of units in each of these communities have income restrictions. This is in contrast to the study proposal, where the majority of units will have no income restrictions. The analysis to follow only studies the affordable units within these apartments.

The income restrictions for each of the apartments are also presented in Table 16. Apart from the small Shea Terrace and a handful of units at Cottages at Great Bridge and Greenbrier Senior Apartments, all of these units are restricted to rents at 60% of AMI. This is in contrast to the proposed affordable rents at Arbors at Western Branch, which will be restricted to 50% of AMI.

As noted above, the newest apartment community to open is Arbors at Shoulders Hill. This mixed-income complex opened between February and April, 2019 with 27 market rate units and 111 affordable units restricted to 60% of AMI. This is the only age-restricted community to open with affordable rents since 2010. The complex has only one vacant unit and management reports an average monthly lease-up pace of 16.5 units per month at lease-up.

Three senior apartment complexes opened in the 2010's, each with over 100 affordable units, and totaling 346 units. Only three of these units are now vacant. Orchards at Belleville Harbor opened in 2007 in Suffolk with 112 units, all restricted to 60% of AMI. Victory Square opened in 2005 in Portsmouth with 112 units, also all restricted to 60% of AMI. Cottages at Great Bridge opened in phases in 2003 and 2005 with 122 units. Within this total are 48 units restricted to rents at 50% of AMI and 74 units restricted to rents at 60% of AMI. Management notes an extensive wait list of at least 200 people.

There are six older apartments under study. Shea Terrace is a 21-unit complex that is the adaptive-reuse of an old school and was fully renovated in 2001. Two complexes—Greenbrier Senior Apartments and Commons at Chesapeake—opened in 2000 with a combined 193 units. Both are at or near full occupancy. Chesapeake Crossing is an expansive community that opened in multiple phases during the 1990's and has a total of 522 affordable units. This property has major occupancy issues and currently has nearly 90 vacant units. Management notes several deaths and recent move-outs, but was unable to provide additional information on its occupancy issues.

The two oldest properties under study are Commons at Greenwood, which opened in 1995 with 52 affordable units, and Commons at Churchland, which opened in 1988 with 104 affordable units. Both are fully occupied and Commons at Churchland maintains a wait list of approximately ten people.

Overall, the market area has a 0.9 percent vacancy, when units at Commons at Chesapeake are excluded. Nearly 93 percent of vacancies are at Commons at Chesapeake. The remaining complexes are at or near full occupancy.

Chesapeake Crossing. Chesapeake Crossing has 88 vacant apartment units. There was a fire at the property two years ago and _____ units were destroyed. Of the current vacant units, 58 are ready for occupancy and 12 have leases signed. Management was not forthcoming on the issue of vacant units, but it appears that not all of the vacant units are the result of the past fire. Currently, 40± units are renovated and available for rent. 40± units are still being renovated.

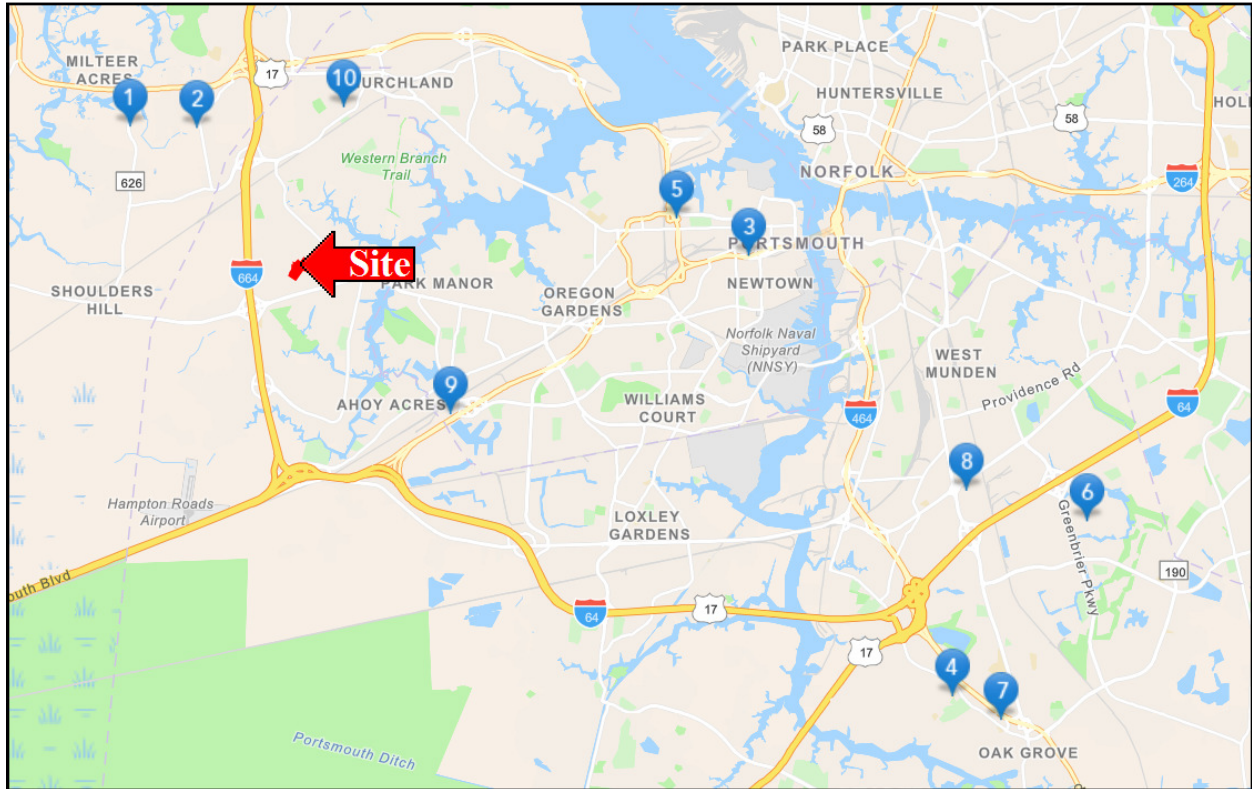
Table 16: <u>Characteristics of Competitive Affordable Senior Apartments, The Arbors at Western Branch Market Area, May, 2020</u> 1/					
	<u>Map F Key</u>	<u>Year Built</u>	<u>Restrictions</u>	<u>Total Units</u>	<u>Vacant Units</u>
Arbors at Shoulders Hill	1	Feb-19	60% of AMI	111	1
Orchards at Belleville Harbour	2	2007	60% of AMI	112	1
Victory Square	3	2005	60% of AMI	112	2
Cottages at Great Bridge I & II 3/	4	2003/05	50%/60% of AMI	122	0
Shea Terrace	5	1925/77/01	50% of AMI	21	0
Greenbrier Senior Apartments	6	2000	50%/60% of AMI	92	3
Commons at Chesapeake	7	2000	60% of AMI	101	0
Chesapeake Crossing	8	1991/92/1997	60% of AMI	522	100
Commons at Greenwood	9	1995	60% of AMI	52	0
Commons at Churchland 4/	10	1988/95	60% of AMI	<u>104</u>	<u>0</u>
Total				1,349	96
Vacancy Rate					0.9% 2/

Notes: 1/ Only data on affordable units shown.
 2/ Excludes Chesapeake Crossing.
 3/ 200± person wait list.
 4/ 10± person wait list.

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

Map F shows the locations of each of these senior apartments. Arbors at Shoulders Hill and Orchards at Belleville Harbor, the two newest comps, are located on the north side of Suffolk in the Harbour View area. Commons at Churchland is located nearby on the northwestern side of Chesapeake. Three properties are located in Portsmouth. Victory Square and Shea Terrace are located near Downtown Portsmouth. Commons at Greenwood is located at the intersection of Greenwood Drive and Airline Boulevard at

the southwestern edge of Portsmouth. The remaining comps are located in the eastern portion of Chesapeake.



Map F - Locations of Competitive Affordable Senior Apartments

Photos of the rent restricted senior competitive apartment properties that are under study are shown next. Commons at Churchland, Victory Square, Commons at Churchland and Commons at Greenwood have dated designs, particularly for senior communities. Shea Terrace is an adaptive-reuse of a former school building. The remaining communities have standard designs for age-restricted communities and are served by elevators.



Arbors at Shoulders Hill



Orchards at Belleville Harbour



Victory Square



Cottages at Great Bridge



Shea Terrace



Greenbrier Senior Apartments



Commons at Chesapeake



Chesapeake Crossing



Commons at Greenwood



Commons at Churchland

Rent Analysis

Data in Table 17 list the rents at each of the apartment properties under study. **All of the rents were adjusted to include the cost of cold water, sewage and trash collection to be consistent with the proposed rents at The Arbors.** As shown, apart from Arbors at Shoulders Hill, the other newer comps do not include in-unit washers and dryers. Some of the older comps do include this feature as part of the base rent.

The proposed one-bedroom rent at the study site of \$700 is \$85 below the market area one-bedroom average. The only comps with one-bedroom units restricted to 50% of AMI are 17 units at Shea Terrace, where these units rent for \$690. All of the remaining

one-bedroom units are restricted to rents of 60% of AMI and are above the proposed one-bedroom rents.

The two-bedroom rents are proposed to be \$830, which is \$83 below the market area average for two-bedroom units. The three complexes with two-bedroom 50% rents – Cottages at Great Bridge, Shea Terrace and Greenbrier Senior Apartments – have two-bedroom 50% rents that are similar to the proposed two-bedroom rate and range between \$820 and \$838. These units, however, are all at least 15 years old. The remaining two-bedroom rents are higher.

Table 17: <u>Rental Rates at Competitive Affordable Senior Apartments, The Arbors at Western Branch Market Area, May, 2020</u> 1/			
	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Washer/ Dryer</u>
Arbors at Shoulders Hill	\$834	\$1,011	●
Orchards at Belleville Harbour	\$780	\$890-\$930	○
Victory Square	\$840	\$1,004	○
Cottages at Great Bridge I & II 3/	\$825-\$830	\$835-\$996	○
Shea Terrace 2/	\$690	\$820	○
Greenbrier Senior Apartments 3/	--	\$838-\$975	○
Commons at Chesapeake	\$773	\$949	●
Chesapeake Crossing	\$750	\$799-\$875	●
Commons at Greenwood	--	\$922	●
Commons at Churchland	--	\$855	●
Average	\$785	\$913	
Proposed Affordable Rents	\$700	\$830	●
Notes: 1/ Rents adjusted to only include water, sewage and trash collection. 2/ Estimate 3/ Lower two-bedroom rent 50% rents. Higher two-bedroom rents 60% rents.			
Source: Field and Telephone Survey by S. Patz and Associates, Inc.			

Unit Sizes

Next shown are the unit sizes of the competitive apartment communities. At an average of 770 square, the proposed one-bedroom units are larger than the market area average. The 840 square foot units will be among the largest one-bedroom units in the market area and larger than all units at Chesapeake Crossing, Greenbrier Senior Apartments and Victory Square.

The two-bedroom units are proposed to measure 1,140 square feet, which is over 260 square feet larger than the market area average. These will be the largest affordable two-bedroom units in the market area. The only comps with two-bedroom units over 1,000 square feet is Arbors at Shoulders Hill, Orchards at Belleville Harbour and Cottages at Great Bridge.

Table 18: <u>Unit Sizes at Competitive Affordable Senior Apartments, The Arbors at Western Branch Market Area, May, 2020</u>		
	<u>One-Bedroom</u>	<u>Two-Bedroom</u>
Arbors at Shoulders Hill	650-782	1,030
Orchards at Belleville Harbour	767-914	996-1,020
Victory Square	675	880
Cottages at Great Bridge I & II	704-975	890-1,099
Shea Terrace	835	900
Greenbrier Senior Apartments	700	767-800
Commons at Chesapeake	--	805
Chesapeake Crossing	504-510	720-732
Commons at Greenwood	--	820
Commons at Churchland	--	819
Average	730	877
Proposed Affordable Sizes	706-840	1,140
Source: Field and Telephone Survey by S. Patz and Associates, Inc.		

Rent Per Square Foot

This rent per square foot calculation was not completed due to the differences in these properties in terms of age, AMI rent category and curb appeal.

Apartment Unit Mix

Table 19 details the unit mix for the affordable units at each of the comps. It shows that approximately 31 percent of units are one-bedroom, while approximately 62 percent of units are two-bedroom units. Commons at Churchland, Commons at Greenwood and Greenbrier Senior Apartments have only two-bedroom units. Only one unit at Commons at Chesapeake is a one-bedroom unit. Most units at Arbors at Shoulders Hill and Chesapeake Crossing at two-bedroom units. Orchards at Belleville Harbour has a near

even mix of one- and two-bedroom units. The majority of units are one-bedroom units at Victory Square and Shea Terrace.

Table 19: <u>Unit Mix at Competitive Affordable Senior Apartments, The Arbors at Western Branch Market Area, May, 2020</u>			
	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Total</u>
Arbors at Shoulders Hill	43	68	111
Orchards at Belleville Harbour	54	58	112
Victory Square	98	14	112
Cottages at Great Bridge I & II	20	102	122
Shea Terrace	17	4	21
Greenbrier Senior Apartments	0	92	92
Commons at Chesapeake	1	100	101
Chesapeake Crossing	183	339	522
Commons at Greenwood	0	52	52
Commons at Churchland	0	104	<u>104</u>
Total	<u>416</u>	<u>933</u>	<u>1,349</u>
Percent of Total	<u>30.8%</u>	<u>69.2%</u>	<u>100.0%</u>
Proposed Affordable Unit Mix	23	10	33
Source: Field and Telephone Survey by S. Patz and Associates, Inc.			

Community Amenities

Table 20 shows that all of the competitive apartments are amenitized. All have a clubhouse or clubroom and most have business centers/ media rooms and fitness centers. None have pools. The apartments that do not have in-unit washers and dryers generally have on-site laundry facilities.

**Table 20: Community Amenities at Competitive Affordable Senior Apartments,
The Arbors at Western Branch Market Area, May, 2020**

	<u>Clubhouse/Room</u>	<u>Business/ Media</u>	<u>Pool</u>	<u>Fitness</u>	<u>Laundry</u>
Arbors at Shoulders Hill	●	●	○	●	○
Orchards at Belleville Harbour	●	●	○	●	●
Victory Square	●	●	○	●	●
Cottages at Great Bridge I & II	●	●	○	○	●
Shea Terrace	●	○	○	○	●
Greenbrier Senior Apartments	●	●	○	●	●
Commons at Chesapeake	●	○	○	●	●
Chesapeake Crossing	●	●	○	●	○
Commons at Greenwood	●	○	○	○	○
Commons at Churchland	●	○	○	●	○
Proposed Amenities	●	●	○	●	○

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

Section III Conclusions

The analysis presented above shows a very stable economy for the greater Chesapeake/Suffolk marketplace. The area has realized sizable growth related to expansion at area military bases. Overall job growth has been considerable, particularly since 2014, with 9,500± new jobs accounted for by 2018, or 3,000+ new jobs between 2017 and 2018. Active developments in the market area should add 3,000 new permanent jobs, plus construction jobs and “spin-off” jobs from the impact of economic growth.

The market area has had sizable population and household growth and this should continue, in line with job growth. The market area’s active senior population of persons 62 to 79 years of age has also grown by nearly 8,000 since the 2010 census count and is now 12+ percent of total population. This segment of the “market” has increased from 10.3 percent of total population in 2000 to 12.2 percent as of 2019. Both percentages are above the national average. A net increase of approximately 8,000 households with the household head aged 62 to 79 is projected in the market area by 2023.

More important is the fact that nearly 60 percent of active seniors have incomes over \$43,000 and are income-eligible for the proposed market rate rents at The Arbors at Western Branch. Another 10± percent are income eligible for the rent-restricted apartment units at the study site.

The market area’s population growth, and the sizable growth of the active adult population has generated the demand for considerable development of age-restricted apartments. This is documented in the Demand Analysis to follow.

Analysis of Demand

First presented is the active pipeline proposals for new age-restricted apartments. This is followed by an evaluation of the subject proposal, as planned, with emphasis on rents and apartment unit characteristics. The VHDA Demand Table is presented next, and shows net demand.

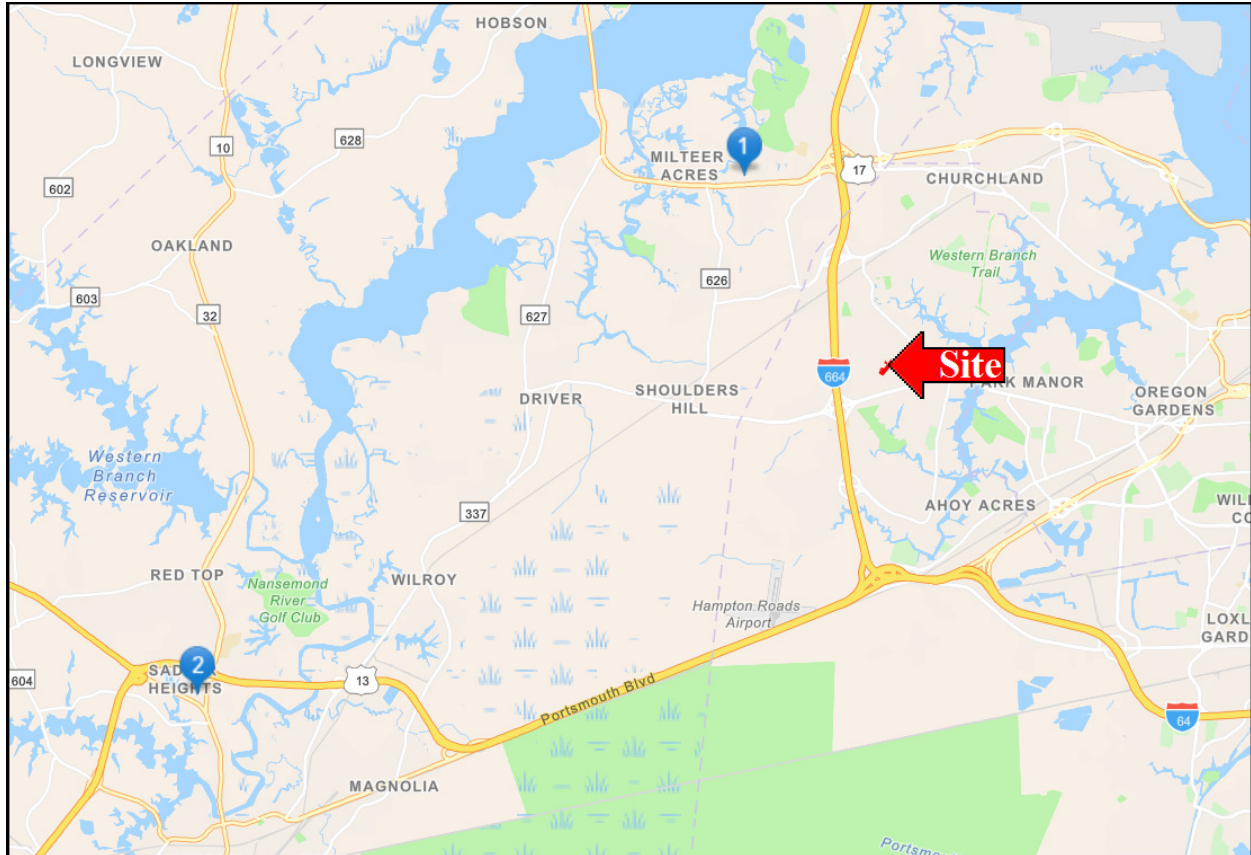
Apartment Pipeline

There are currently two age-restricted apartment properties under construction in the market area, but none in active planning. Both are detailed in Table 21 below. Royal Sail at Bridgeport will have 159 market rent, age-restricted units and is expected to open in 2021. Villas at Reid Landing will also open in 2021. It will contain 51 affordable units, of which five will be restricted to 40% of AMI, 21 will be restricted to 50% of AMI and 25 will be restricted to 60% of AMI.

Table 21: Senior Apartment Pipeline, Arbors at Western Branch Market Area, April, 2020							
	<u>Map G Key</u>	<u>40% of AMI</u>	<u>50% of AMI</u>	<u>60% of AMI</u>	<u>Market Rate</u>	<u>Total Units</u>	<u>Delivery</u>
Royal Sail at Bridgeport	1	0	0	0	159	159	2021
Villas at Reid Landing	2	5	21	25	0	51	2021
Total		5	21	25	159	210	
Source: S. Patz & Associates, Inc.							

Map G shows the locations of these two pipeline apartment properties. Both are shown to be located in the City of Suffolk. Royal Sail at Bridgeport is being built on the north side of the City along Bridge Road in the Harbour View community. Villas at Reid Landing is being built just north of Downtown Suffolk in central Suffolk City.

Also shown on Map G is the site location of The Arbors at Western Branch. The Royal Sail proposal is the closer of the two pipeline proposals to the study site.



Map G - Locations of Pipeline Apartments

The paragraphs below briefly detail the two apartments in the market area pipeline.

- **Royal Sail at Bridgeport.** Ground was broken in early-2020 on this 159-unit age-restricted apartment property, located in the 3800 Block of Bridge Road in North Suffolk. The apartments will be located within a walkable, mixed-use setting that will also include 291 market rate apartments (3800 Acqua) and 150,000± square feet of commercial space. The apartments will be located in two adjacent elevator-served buildings and contain a mix of one- and two-bedroom units. Rents, which will exclude utilities, will start at \$1,200 for one-bedroom units and \$1,360 for two-bedroom units. Amenities will include community space, a fitness center, café and on-site storage.
- **Villas at Reid Landing.** Construction is ongoing and anticipated to be completed in January, 2021 on this 51-unit age-restricted, LIHTC apartment community, located on William Reid Drive off of Godwin Boulevard near Downtown Suffolk. The apartments will contain a mix of ten 566 square foot one-bedroom and 41 two-bedroom units measuring 796 square feet. Within this total will be five units restricted to 40% of AMI, 21 units restricted to 50% of AMI and 25 units restricted

to 60% of AMI. Amenities will include a dog park, library, community room, business center and storage space.

Rents will be modest at this property, as the setting attracts modest rent properties.

Shown next are renderings and photos of the existing conditions of the two apartments under construction.



Royal Sail at Bridgeport



Villas at Reid Landing

Project Evaluation

The market rate rents at The Arbors at Western Branch are below market for both the one- and two-bedroom units. This new proposal, with rents shown in 2020 constant dollars, are below rents at existing 14 year-old properties. The Arbors at Western Branch

is: (1) better located than Commons at Centerbrooke; (2) more amenitized than Sunstone; and (3) not fully competitive with Reserve at Greenbriar.

The one-bedroom rents can be increased to at a minimum of \$1,200. Two-bedroom rents should be increased to \$1,550 and \$1,650.

The apartment unit sizes are fully competitive within the defined market.

The unit mix for the market rent apartment units are well positioned and consistent with the market. As a newer property, a higher percentage of two-bedroom apartment units is appropriate and based on market trends.

For the affordable rents, at 50% of AMI, the proposed rate is fully acceptable and is well below 60% rents in the market area that are fully accepted.

The unit sizes are at market. The unit mix, with a high percentage of one-bedroom units, is based on market trends for more moderate rent properties.

VHDA Demand Chart

Presented below is the VHDA Demand Chart. It shows the projected net growth of “target” households for the 2019 to 2023 period. These totals are expanded by 10 percent to account for the population under 62 years of age and over 80 years. We did not include rent-overburdened households, as the market is large enough without that sector, and rent-overburdened households can also be defined as households with Section 8 rental assistance. There will definitely be 10 to 20 percent of the residents at the affordable apartments with Section 8 vouchers.

The category of households in substandard housing is not a factor in the market area. We defined these households on the wait list for affordable housing units.

The total demand calculated for the proposed affordable units is 430. Fifty pipeline units are subtracted from total demand for a net demand of 380. We did not include the current vacancy at Chesapeake Crossing given the fact that there is a problem there and the available units may not be marketable.

Adding 50 units at Chesapeake Crossing to the demand analysis increases the capture rate from 8.7 percent to 10 percent.

The net demand for the 130± market rent apartment units is 1,460, based on similar analyses for this rent category, as with the affordable units. There are 160± pipeline units, for a net demand of 1,300. The 130± market rent units are expected to lease at an average monthly rate of 10, for a 13-month lease-up period from the start of active preleasing.

<u>Demand Table</u> (2019-2023) (rounded)			
Income Restrictions		<u>Up to 50%</u>	<u>Market Rate</u>
New Rental Households		170	1,330
PLUS			
Existing Households - Over-Burdened 1/		30 1/	130
PLUS			
Existing Households- Substandard Housing		230 2/	--
PLUS			
Elderly Households- Likely to Convert to Rental Housing		NA	NA
PLUS			
Existing Qualifying Tenants – to Remain After Renovation		NA	NA
Total Demand		430	1,460
MINUS			
Supply (includes directly comparable vacant units completed or in pipeline in PMA 3/		50 4/	160
<i>EQUALS</i>			
NET DEMAND		380	1,300
ABSORPTION PERIOD (in months)		0 5/	13

Notes: 1/ 10% increase for under 62 and over 80 age group.

2/ Wait list

3/ Excludes vacancy at Chesapeake Crossing until explanation is provided

4/ Includes 60% rental units

5/ Preleased

The VHDA capture rate chart is as follows, based on net demand:

	<u>Number</u>
Project Wide Capture Rate - LIHTC Units	8.7%
Project Wide Capture Rate - Market Units	9.9%
Project Wide Capture Rate - All Units	9.5%
Project Wide Absorption Period (in months)	13

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.



May 4, 2020

Market Analyst

Date