

Market Analysis
7000 Carnation Apartments
Richmond, Virginia

Prepared for:

Kelly Roberts
Lynx Ventures

February, 2022

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February 28, 2022

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Kelly:

Attached to this letter is the full-narrative market study for the proposed 218-unit, new construction LIHTC proposal, 7000 Carnation Apartment. The proposal is planned to be started in 2022 using tax exempt bonds and 4% Low-Income Housing Tax Credit financing. 7000 Carnation Apartment will have income and rent restrictions, but no age restrictions.

The report to follow is prepared within the Virginia Housing market study requirements and includes all required market and economic data. The site visit and field research for 7000 Carnation Apartment was undertaken on February 18, 2022.

Market research shows a sizable pent-up demand for the study proposal and that the proposed rental rates and “product” will be very competitive within the defined market area. Once built, 7000 Carnation Apartments will be one of the more attractive market area affordable apartment properties.

The detailed market and economic data that supports these findings and conclusions are described in the attached report. Please call if any additional data or clarification are needed.

Sincerely,

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Table of Contents

Section I Introduction	4
7000 Carnation Apartments	6
Site Description.....	6
Site Setting.....	9
Market Area Definition	16
7000 Carnation Apartments Development Program.....	18
Rent Comparison.....	19
Site Plan and Building Design.....	20
Apartment Unit Floor Plans.....	24
Market Area Economic Overview	26
At-Place Jobs	26
Employment and Labor Force	31
COVID-19 and Employment	33
Economic Development Activity	34
Economic Overview Summary.....	39
Section II Affordable Apartment Market Analysis	41
Market Area Demographic Analysis	41
Population Trends and Projections.....	41
Group Quarters Population.....	43
Households	43
Renter Households.....	43
Target Renter Households	44
Households by Size.....	45
Competitive Apartment Market.....	46
Characteristics of Affordable Apartments.....	46
Income Restrictions	53
Net Rent Analysis.....	54
Rent per Square Foot.....	56
Apartment Unit Sizes.....	56
Apartment Unit Mix	58
Community Amenities	59
Section III Market Study Conclusions.....	61
Demand Analysis.....	61
Competitive Affordable Pipeline Proposals.....	61
Demand Table.....	66
Capture Rate	67

Section I Introduction

To follow is the detailed, full-narrative market study for the proposed 218-unit 7000 Carnation Apartments. This will be a fully affordable, new construction general occupancy apartment community with construction expected to begin in September, 2022 on an attractive site at the corner of Carnation Street and Hioaks Road at the southwestern edge of the City of Richmond and several hundred feet east of the Chesterfield County line. The proposal is likely to be available for occupancy by early-2024. The site visit and market study field research were undertaken on February 23, 2022.

7000 Carnation Apartments is designed for moderate-income families and proposed to be financed with tax exempt bonds and 4% Low-Income Housing Tax Credit (LIHTC) financing through Virginia Housing. To follow the market study guidelines of Virginia Housing, this report is presented in three sections

The first section of the report is the Introduction, which provides a detailed analysis of the study site and its setting along Carnation Street in the City of Richmond. Included in the site description is an analysis of adjacent land uses, particularly commercial and public facilities that are needed to serve new residents of the apartment proposal.

The site development plan is also presented, which describes the number and types of apartment units being planned at 7000 Carnation Apartments. This analysis studies the types of amenities and building features to be built. A key to the description of the development is the identification of the target market for the apartment community, with particular emphasis of how the proposal meets the HUD income guidelines for LIHTC apartment properties in Loudoun County.

Section I has a second subsection, an economic overview of the market area economy. The key factors studied in this subsection are at-place jobs and employment growth, as these two economic factors are the best determination of the market area's economic stability. Additionally, at-place jobs and employment growth are the basis for determining population and household growth, including the type of housing under study. The economic overview includes trends on

at-place jobs and employment, but also presents data on new development proposals that are expected to generate net job growth. Also studied are the local employment impacts of the COVID-19 pandemic.

The second section is the supply/ demand analysis for new affordable rental housing. First presented is a demographic analysis of the market area defined for 7000 Carnation Apartments. The demographic analysis “solves” for the number of market area renter households earning 50% of AMI (\$28,920 to \$45,000), 60% of AMI (\$35,680 to \$54,000) and 70% of AMI (\$42,440 to \$63,000). These income categories are based on the proposed rents, as will be described below. The demographic analysis is studied to a forecast date of 2024, as 7000 Carnation Apartments is likely to open in that year.

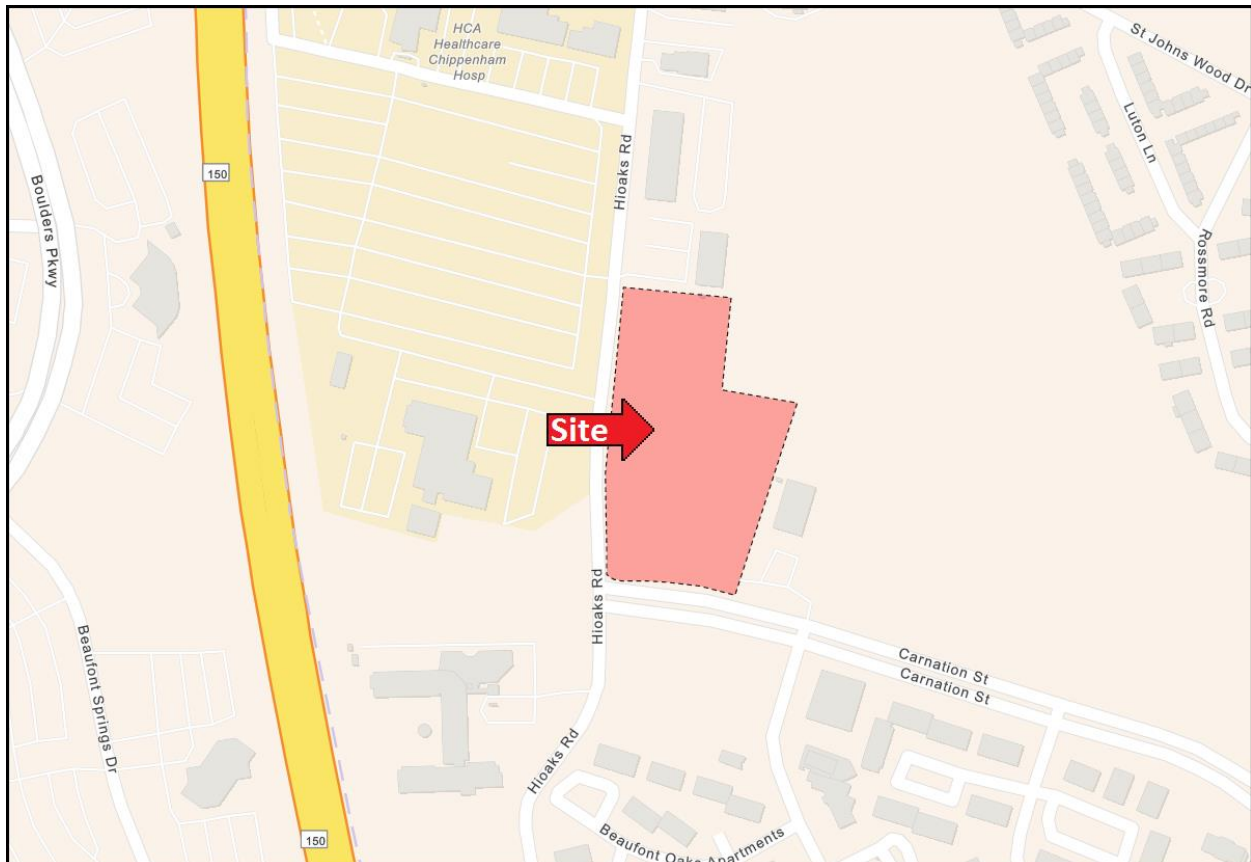
The second part of Section II is the analysis of the LIHTC general occupancy apartment properties in the defined market area. We identified 22 apartment properties that would be most competitive with 7000 Carnation Apartments, based on rent and income restrictions. These apartment properties are studied for rents, occupancy, unit sizes, characteristics, apartment amenities and features. These project characteristics are compared with the 7000 Carnation Apartments proposal to determine the subject’s competitive position.

The third and final section is the Conclusions, which is the net demand analysis for new affordable apartment units for families in the defined market area. Also, within this section is the determination of the achievable rents for the proposed apartment units, expressed in constant 2022 dollars, and the lease-up period for the 218 proposed apartment units.

7000 Carnation Apartments

Site Description

The 7000 Carnation Apartments site is comprised of a single irregularly-shaped parcel at 7000 Carnation Street in the southwestern edge of the City of Richmond and just east of the City's boundary with Chesterfield County. The site is bounded on the south by Carnation Street and west by Hioaks Road. It is adjacent to the 466-bed Chippenham Hospital and approximately eight miles southwest of Downtown Richmond. Midlothian Turnpike is located less than one mile south of the site where it has a full interchange with Cheppenham Parkway. Map A below shows the location of the study site.



Map A - Site Location

The 5.393-acre study site has public utilities available, including telephone, cable TV, public water, public sewer and electricity. The site is zoned R-3 - Residential (Single Family) and therefore would need to be rezoned for apartment unit development to proceed as planned.

Next shown, on Page 8, is a northern aerial of the study site. The site is shown to be fully wooded and vacant. It has a generally flat topography.

The aerial shows the site to be located in a mixed-use setting near several large employers. To the west of the site is the 466-bed Chippenham Hospital (Note 1). The hospital is an acute care, Level I Trauma Center, includes an emergency room and offers an array of medical services. The hospital most recently completed construction in mid-2020 on a renovation and expansion project. The renovation added 18 additional beds, a new walk-in canopy and ambulance canopy entrances, a new pediatric ER entrance and renovated space to create 14 pediatric beds and an expansion of the critical care area.

Several smaller medical facilities are adjacent to the hospital that include two medical office buildings at 500 Hioaks Road (Note 2) and 681 Hioaks Road (Note 3) as well as DaVita Hioaks Dialysis (Note 4). To the south of this medical cluster is an assisted living facility called Barrington at Hioaks (Note 5).

The second nearby employment cluster is Boulders Business Park (Note 6), which is west of Chippenham Parkway and generally flanks Boulders Parkway. The office park was built in the 1980's, the office park includes more than 1.3 million square feet of office and residential space. Several new market rate apartments have recently opened and are planned within the park. All have higher, non-competitive rents.

Apart from a church called Iglesia Bethel Mission (Note 7), which is immediately east of the study site, the remaining nearby development consists of mature apartment communities. All are market rate communities that were built in the 1970's and 1980's. In total, these four communities total 1,561 units, of which 43 units are now vacant. These are detailed in Table 1 below.

Table 1: Characteristics of Adjacent Apartment Communities

<u>Name</u>	<u>Map Key</u>	<u>Year Built</u>	<u>Total Units</u>	<u>Vacant Units</u>
The Point at Beaufont Apartments 1/	8	1982	312	5
Reserve South Apartments	9	1988	200	1
St. John's Wood Apartments	10	1977/14	777	22
Ashley Park	11	1988	<u>272</u>	<u>15</u>
Total			1,561	43
Vacancy Rate				2.8%

Notes: 1/ Formerly Sterling Beaufont Apartments.

Source: S. Patz & Associates, Inc.

The success of the above communities confirms the area's viability for housing unit development.



Northern Aerial

Shown next are photos of the study site. The site is shown to be fully vacant and wooded. Hioaks Road is served by pedestrian sidewalks.



View of Site from Carnation Street



View of Site from Hioaks Road

Site Setting

Map B (on Page 12) shows the site setting of the proposed 7000 Carnation Apartments to be located just north off of U.S. Route 60 and near its full interchange with Chippenham Parkway. This is a high-growth, primarily commercial arterial serving western Chesterfield County and southern Richmond. It is the location of several new and proposed high-end apartment communities and retail centers. This roadway provides direct access to the western portions of the City of Richmond, particularly the rapidly expanding Manchester neighborhood, as well as to Downtown Richmond, a cluster source of local and apartment unit development.

Chippenham Parkway runs for approximately 15 miles from I-95 to and SR 895 in Bensley north to Parham Road and River Road near Tuckahoe in Henrico County. It provides direct access to many of the region's largest and expanding suburban employment centers.

Two shopping centers, both of which are anchored by full-service grocery stores, are located near the study site and along this roadway at its intersection with Chippenham Parkway. These are briefly detailed in the paragraphs below.

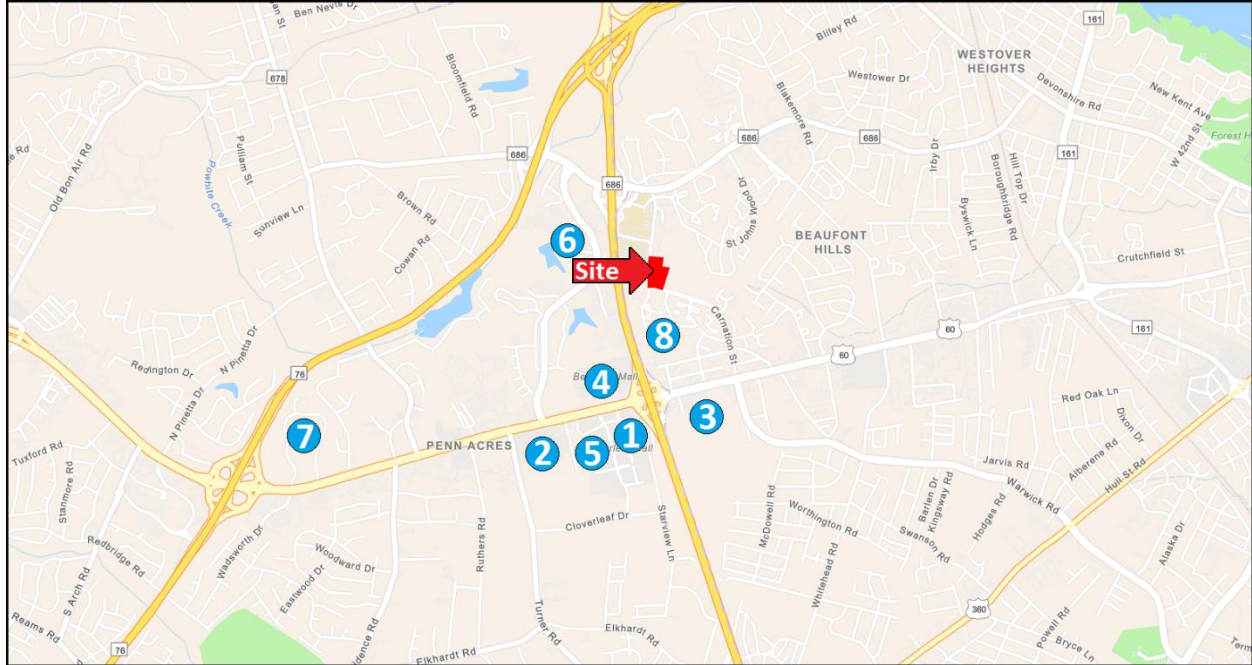
- **Stonebridge Shopping Center** (Note 1). This is a 152,540± square foot multi-tenant shopping center located at 7000 Tim Price Way. Building 2012, the shopping center is anchored by a 123,770± square foot Kroger. Other larger tenants include Firestone and Sleepy's.
- **Chippenham Square Shopping Center** (Note 2) is located at 7415-7485 Midlothian Turnpike. The 184,320± square foot shopping center is anchored by an 85,020± square foot Foremost Sales and 28,000± square foot Grand Mart.

Also located near the intersection Chippenham Parkway U.S. Route 60 are several recently developed and future development sites. These are detailed in the paragraphs below.

- **Rosie's Gaming Emporium** (Note 3). Construction was completed in 2019 on this off-track horse-betting parlor on the site of the former Kmart property at 6807 Midlothian Turnpike. This complex contains a 140,000± square foot betting parlor with 700 "historical horse racing" game machines, a 100-seat restaurant, a bar and gift shop.
- **Spring Rock Green Center** (Note 4). This underutilized shopping that was built in 1976 at the northwest corner of Midlothian Turnpike and Chippenham Parkway is planned to be fully redeveloped into a multi-phased, mixed-use development. As envisioned, the project would include more than 1,000 residential units, more than 290,000± square feet of office, retail and restaurant space, a sports-and-entertainment venue and a 190-room hotel along with green spaces. The center currently consists of about 300,000± square feet of office, retail and restaurant space. The center's current tenants include outdoors retailer 5.11 Tactical and Dollar Tree. The project is still in its early stages and development is not expected to begin for at least a year. The initial phase is likely to be residential.
- **Shamin Hotels** (Note 5) announced plans in 2021 to build a 250-room Embassy Suites hotel and 25,000± square foot conference center at 100 Stonebridge Plaza Avenue. Construction is expected to begin in mid-2022 and take about two years to complete. The hotel will have about 150 employees. In addition are longer term plans for 10,000± square feet of retail space, a brewery and more than 300 apartments.

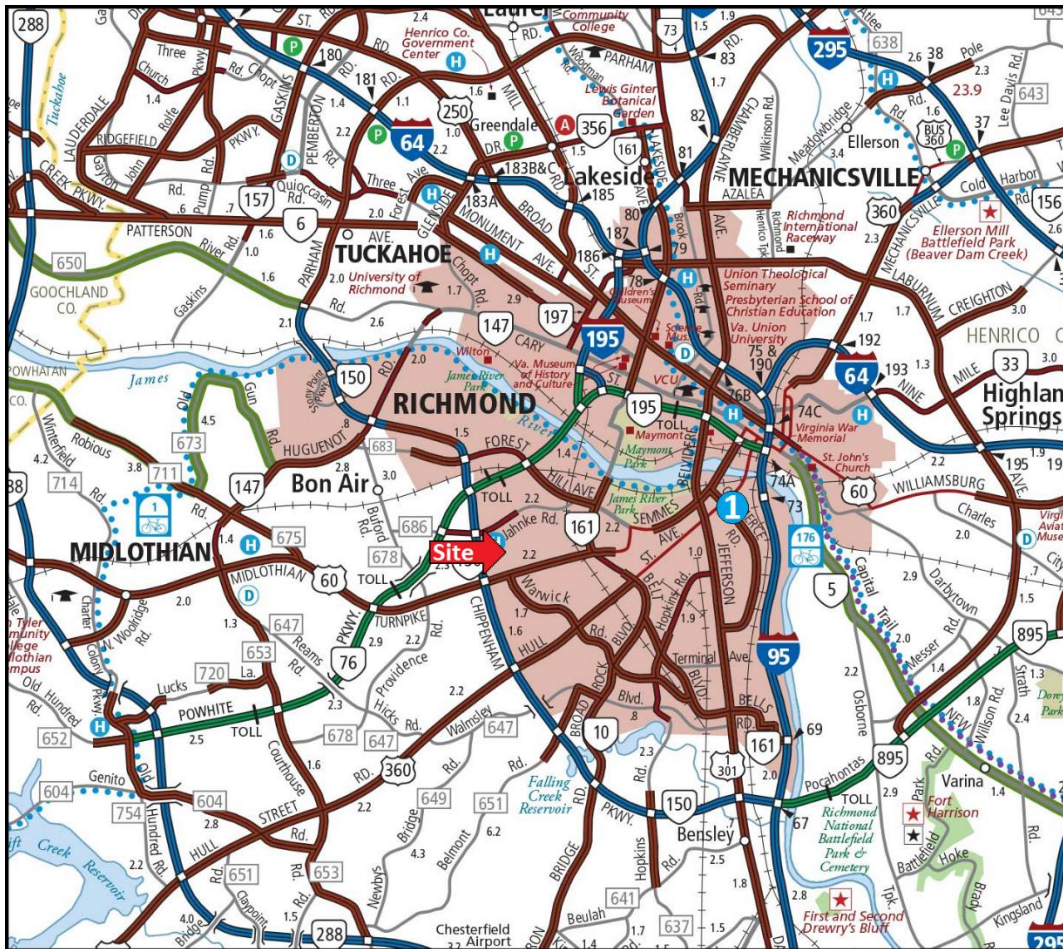
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- **Boulders Lakeview Apartments** (Note 6). Construction is ongoing on the 212-unit second phase of Boulders Apartments at 1001 Boulder Springs Drive. It will contain a mix of one- and two-bedroom units in six three- and four-story buildings. Amenities will include a 2,500± square foot clubhouse and swimming pool. The first 248-unit phase opened in July, 2020 and had an average lease up pace of 19 units per month.
 - **Gateway Apartment Homes** (Note 7). This is a proposed 245-unit apartment complex at 801 Gateway Centre Parkway, in the partially developed Gateway Centre office park. The complex will consist of seven three-story elevator buildings around a central clubhouse and pool. The new apartments would have similar floor plans to Element at Stonebridge, but with lower rents. One-bedroom units will range in size between 648 and 786 square feet. Two-bedroom units will range in size between 1,100 and 1,283 square feet. The sponsor is work on the site plan approval and expects site work to begin by the summer of 2022.
 - **Urbana at Hioaks** (Note 8) is a proposed 216-unit affordable apartment complex to be built at 6850 Atmore Drive. The complex will contain a four-story midrise building with elevators alongside five three-story garden-style apartment buildings. All units will be restricted to 60% of AMI with a mix of 40 one-bedroom, 130 two-bedroom and 46 three-bedroom units. The complex will offer a business center, community room, central laundry facility, on-site management, exercise facility, playground, swimming pool, picnic area, recreation area, and common area Wi-Fi. Site work began in early-2022.

Overall, the site is centrally located near a high growth area where major new investments are being made and job growth is occurring. While a significant number of apartment units are in the pipeline, all but the Urbana at Hioaks proposal are for “luxury” market rate communities that will target a different market than the 7000 Carnation Apartments proposal.



Map B - Site Setting

Next shown, in Map C, is the site setting within the City of Richmond. The site is shown to be just east of Chippenham Parkway, which marks the City of Richmond-Chesterfield County border and provides access to many of the region’s suburban employment hubs. The site is situated in a desirable location, as it is close to the developing sections of Chesterfield County along Midlothian Turnpike and the evolving Manchester neighborhood of Richmond (Note 1). The greater Manchester area has been the location of considerable recent development, largely residential. Over 2,000 apartment units have opened in this area over the past decade, with over 1,000 apartments in planning and under construction.



Map C - Regional Setting

The above analysis described the quality setting of 7000 Carnation Apartments site. The site is located in an area with significant employment growth and within close proximity to an abundance of grocery stores, retailers and restaurants.

Following are brief descriptions of the public and commercial facilities that will serve the future resident population at 7000 Carnation Apartments.

Community Facilities. The nearest post office is located at 1021 Hioaks Road, approximately 0.5 miles north of the site. Richmond Fire Station #23 is located at 495 Labrook Concourse, approximately 1.3 miles southeast of the study site. The closest public library is Westover Hills Branch. It located 2.8 miles northeast of the study site at 1408 Westover Hills Boulevard.

Medical Care. As previously noted, Chippenham Hospital is located adjacent to the study site. Two other medical facilities are also located nearby and are detailed in the paragraphs below.

- **Johnston-Willis Hospital** is located at 1401 Johnston Willis Drive. This is a 282-bed hospital offering a wide range of medical services. Construction was completed in the spring of 2018 on a two-story, 50,000± square foot Neuroscience Center of Excellence in front of the existing hospital. The center includes outpatient neurological services, including neuroscience physician practices, a sleep lab, and outpatient physical therapy, speech therapy and occupational therapy clinics for patients rehabilitating from neurological conditions, such as stroke and movement disorders. Medical practices that relocated to the new building include Neurosurgical Associates, Neurological Associates and Johnston-Willis Hospital’s Physical Medicine & Rehabilitation Clinic and Pain Clinic. The hospital most completed construction on a new 40,000± square foot Brain and Spine Center in July, 2018. More recently, the facility opened a 20-bed, 12,000± square foot neonatal intensive care unit in February, 2021. The new facility provides individual private rooms that allow parents to remain with their babies for the duration of their care.
- **Hunter Holmes McGuire VA Medical Center** is a 400± bed hospital that offers a wide range of medical care. This facility is a national referral center for heart, lung and liver transplants. The hospital is located at 1201 Broad Rock Boulevard and employs over 3,000 people. Construction was completed in September, 2018 on a 647-space parking deck at the medical center, near the Emergency Department and Primary Care entrances.

Education. 7000 Carnation Apartments will be served by Richmond Public Schools, which enrolls over 23,000 students in 26 elementary schools, including one charter school, eight middle schools, five comprehensive high schools and three specialty schools. School-aged children residing in the community will be served by the following public schools:

<u>Schools to Serve 7000 Carnation Apartments</u>		
<u>School</u>	<u>Address</u>	<u>Distance</u>
Southampton Elementary School	3333 Cheverly Road	3.2 miles N
Lucille M. Brown Middle School	6300 Jahnke Road	1.4 miles NE
Huguenot High School	7945 Forest Hill Avenue	3.5 miles NW
Source: Richmond Public Schools		

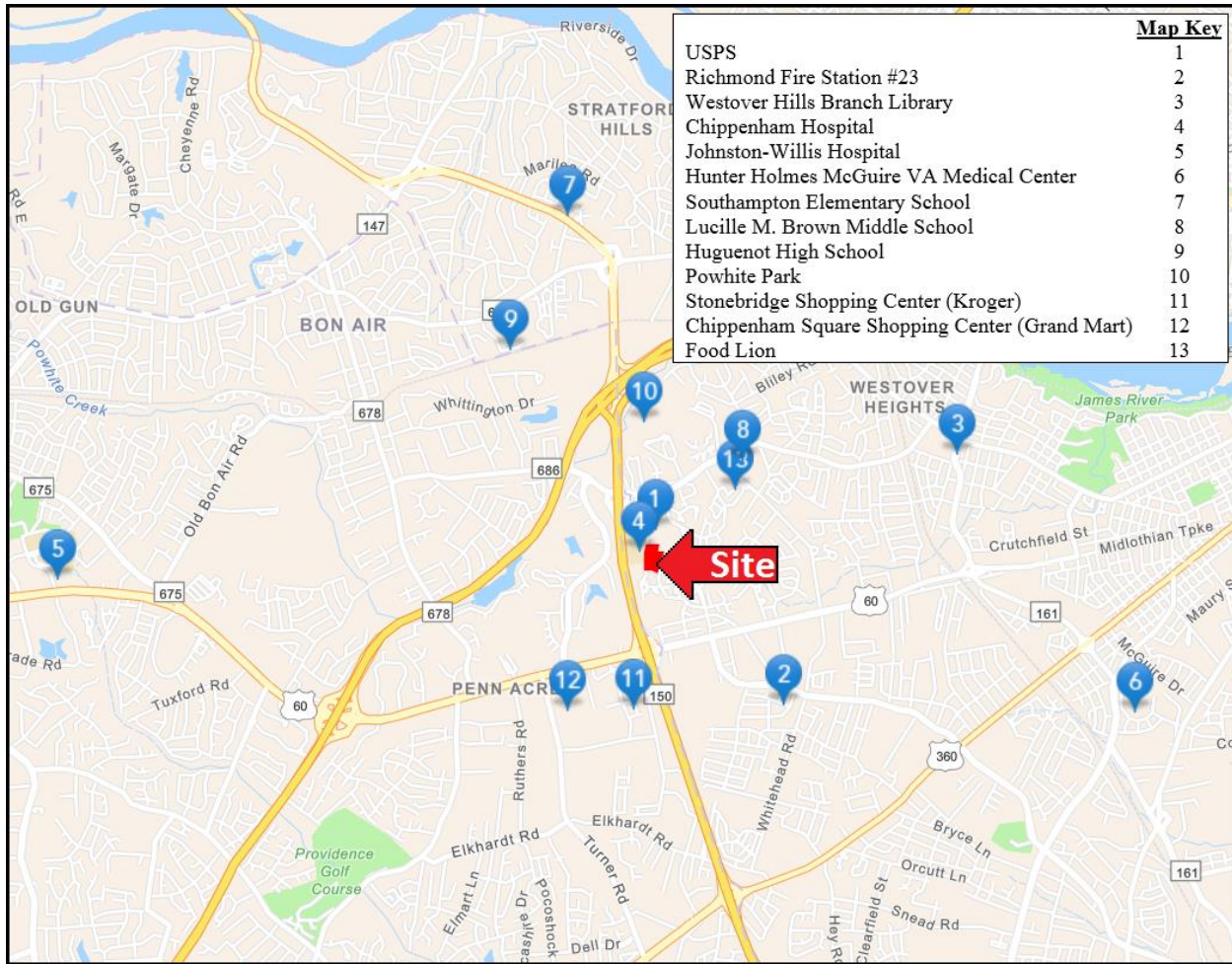
Religious Institutions. Several churches are located within close proximity to the study site. These are listed in the chart below.

<u>Location of Nearby Churches</u>	
<u>Name</u>	<u>Address</u>
Iglesia Bethel Mission	7483 Midlothian Turnpike
Crestwood Presbyterian Church	6627 Jahnke Rd
Church Of Pentecost Richmond	120 Wyck St
Living Word Church	6720 Everglades Dr
Liberation Church	5501 Midlothian Turnpike
Church of Christ	816 Whitehead Rd
Source: S. Patz & Associates, Inc.	

Parks and Recreation. The closest public park to the study site is Powwhite Park, located at 7200 Jahnke Road. The 100-acre park has walking trails and green space.

Shopping. As previously noted, two grocery-anchored shopping centers are located near the site. These include the Kroger-anchored Stonebridge Shopping Center and Grand Mart-Anchored Chippenham Square Shopping Center. Also located near the site is a Food Lion at 6409 Jahnke Road.

Map D shows the location of the community facilities that will serve 7000 Carnation Apartments. Most important is that the setting has a full array of basic services for area residents.



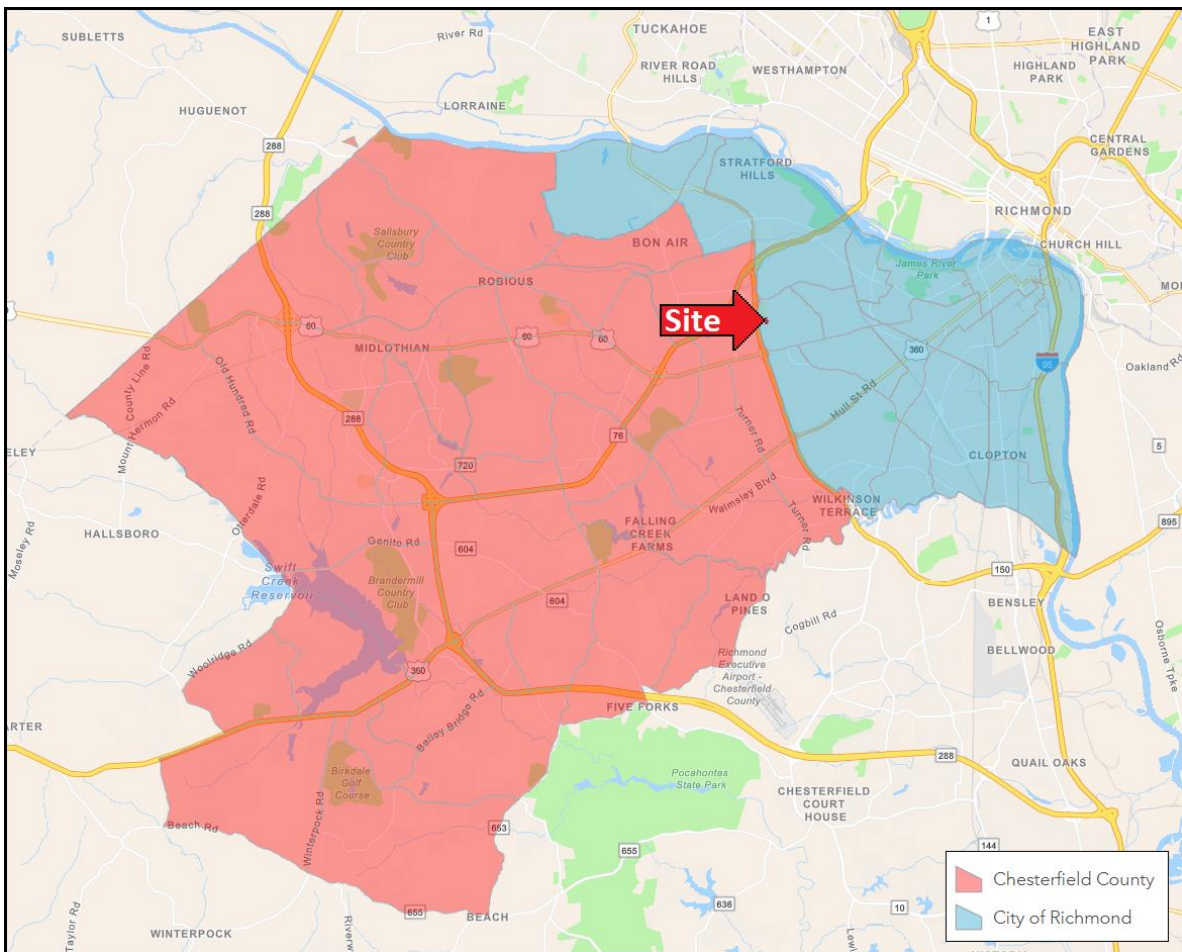
Map D - Location of Area Community and Public Facilities

Market Area Definition

The market area defined for 7000 Carnation Apartments is shown in Map E. The market area was confirmed by on-site management at several nearby affordable properties. The irregular shape is due to the boundaries of the census tracts that comprise the market area.

The site is located on the far southwestern side of the City of Richmond, just east of the Chesterfield County line. Area apartment managers confirm that this location would primarily attract residents from the south side of Richmond as well as the greater Midlothian area of western Chesterfield County. Geographic areas within Richmond that are north of the James River, as well as eastern Chesterfield County, were defined as separate market areas.

Specifically, the market area includes the portions of the City of Richmond that are south of the James River, which includes the expanding Manchester neighborhood that has been the location of considerable new apartment unit development over the past decade. The western boundary in Chesterfield County is generally is the Chesterfield County-Powhatan County line. The southern boundary is generally Swift Creek and Beach Road. The eastern boundary is generally Qualla Road and Falling Creek. This portion of Chesterfield County includes the Midlothian area along U.S. Route 60 and north, to include the Salisbury and Winterfield areas, the Robious Road corridor, north of U.S. 60, and the greater Brandermill area.



Map E - 7000 Carnation Market Area

The apartment properties in the southeastern part of Chesterfield County are generally located along Route 10, east of Centralia Road and east of Chester. These facilities are oriented to the I-95 and I-295 corridors and residents of these communities have different commuting

patterns, compared with those who live along U.S. Route 60, Hull Street Road (Route 360) and other major roadways in western Chesterfield County. Census tracts further south and west were also excluded, as these areas are rural with no competitive apartments.

The defined market area is large. It encompasses a significant number of built-up areas with considerable apartment unit development. Geographically, it is a separate submarket within the greater Richmond Region and is primarily defined by the area's primary highways and City/County boundaries.

7000 Carnation Apartments Development Program

Table 2 provides a detailed description of the 218-unit 7000 Carnation Apartments proposal, with data on apartment unit sizes, unit mix and proposed rents. All units will be restricted to 50% (74 units), 60% (70 units) and 70% (74 units) of the Area Median Income (AMI). All one-bedroom units will have a full bathroom while the two- and three-bedroom floor plans will offer two full bathrooms.

The table shows a mix of 175 one-bedroom (579 square feet), 32 two-bedroom (841 square feet) and 11 three-bedroom (1,157 square feet) units. For the one-bedroom units, 67 apartment units will be restricted to 50% of AMI, 61 apartment units will be restricted to 60% of AMI and 47 apartment units will be restricted to 70% of AMI. For the two-bedroom units, five apartment units will be restricted to 50% of AMI, seven apartment units will be restricted to 60% of AMI and 20 apartment units will be restricted to 70% of AMI. Of the 11 three-bedroom apartment units, two will be restricted to 50% of AMI, two will be restricted to 60% of AMI and seven will be restricted to 70% of AMI.

Also shown in Table 2 are the proposed net rents, which will exclude all utilities. Units will include full-size stackable washers and dryers. One-bedroom rents will range between \$723 and \$1,061. Two-bedroom rents will range between \$862 and \$1,267. Three-bedroom rents will range between \$980 and \$1,448.

Table 2: Proposed Apartment Unit Characteristics, 7000 Carnation Apartments 1/

	<u>Units</u>	<u>Size (Sq. Ft.)</u>	<u>Net Rent</u>	<u>Utility Allowance</u>	<u>Gross Rent</u>
<u>1BR/ 1BA</u>					
50% of AMI	67	579	\$723	\$120	\$843
60% of AMI	61	579	\$892	\$120	\$1,012
70% of AMI	<u>47</u>	579	\$1,061	\$120	\$1,181
(Subtotal)	(175)				
<u>2BR/ 2BA</u>					
50% of AMI	5	841	\$862	\$150	\$1,012
60% of AMI	7	841	\$1,065	\$150	\$1,215
70% of AMI	<u>20</u>	841	\$1,267	\$150	\$1,417
(Subtotal)	(32)				
<u>3BR/ 2BA</u>					
50% of AMI	2	1,157	\$980	\$190	\$1,170
60% of AMI	2	1,157	\$1,214	\$190	\$1,404
70% of AMI	<u>7</u>	1,157	\$1,448	\$190	\$1,638
(Subtotal)	(11)				
Total	218				

Notes: 1/ Rents to exclude utilities. All units equipped with stackable washers and dryers.
Source: Lynx Ventures

Rent Comparison

Table 3 shows gross rents for the apartment units with a utility allowance (UA) added to net rents. The UA was calculated by the sponsor based on the unit sizes and energy efficient HVAC system and appliances. The apartment building will be energy efficient within the Virginia Housing guidelines. The gross rents shown are compared with the HUD maximum allowable gross rents for the Richmond, VA MSA. The comparison shows that the proposed gross rents, based on the calculated UA, are at the maximum allowable rates.

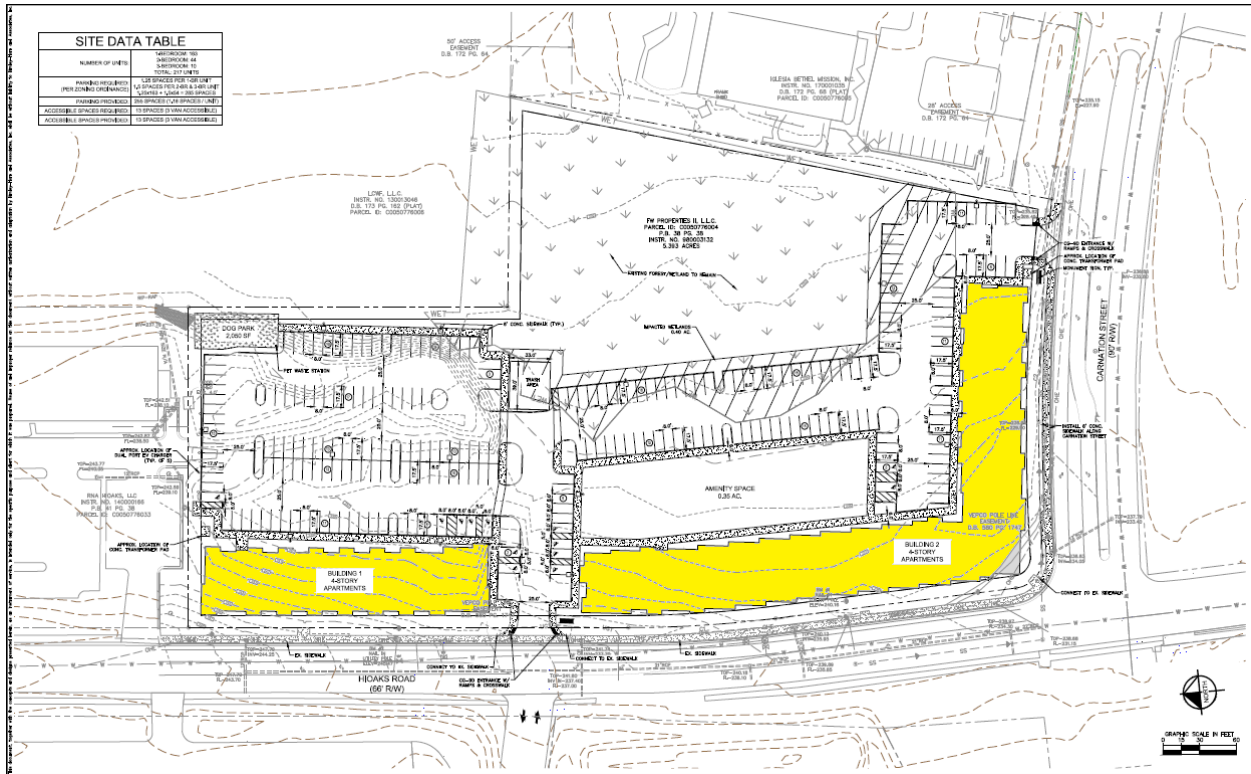
Table 3: <u>Rent Comparison Chart, 7000 Carnation Apartments and HUD Maximum Allowable Rates</u>				
	<u>7000 Carnation Apartments</u>			<u>HUD Maximum Allowable</u>
	<u>Net Rent</u>	<u>Utility Allowance</u>	<u>Gross Rent</u>	
<u>1BR/ 1BA</u>				
50% of AMI	\$723	\$120	\$843	\$843
60% of AMI	\$892	\$120	\$1,012	\$1,012
70% of AMI	\$1,061	\$120	\$1,181	\$1,181
<u>2BR/ 2BA</u>				
50% of AMI	\$862	\$150	\$1,012	\$1,012
60% of AMI	\$1,065	\$150	\$1,215	\$1,215
70% of AMI	\$1,267	\$150	\$1,417	\$1,417
<u>3BR/ 2BA</u>				
50% of AMI	\$980	\$190	\$1,170	\$1,170
60% of AMI	\$1,214	\$190	\$1,404	\$1,404
70% of AMI	\$1,448	\$190	\$1,638	\$1,638
Source: HUD and Lynx Ventures				

Site Plan and Building Design

Shown next is the site plan for the proposed 7000 Carnation Apartments. The site plan shows two access points, one from Hioaks Road in the west and one from Carnation Street in the south. The apartment community will consist of two elevator-served apartment buildings, both to front Carnation Street and Hioaks Street.

The north building will contain 59 one-bedroom, nine two-bedroom and four three-bedroom apartment units. The south building will contain 116 one-bedroom, 23 two-bedroom and seven three-bedroom units.

To the rear of the two buildings will be 255 surface parking spaces, including 13 HC spaces. This is a parking ratio of 1.17 spaces per apartment unit. There will be no charges for parking. Exterior amenities shown in the site plan include a 2,050± square foot dog park, as well as an outdoor swimming pool surrounded by an attractive landscaped area.



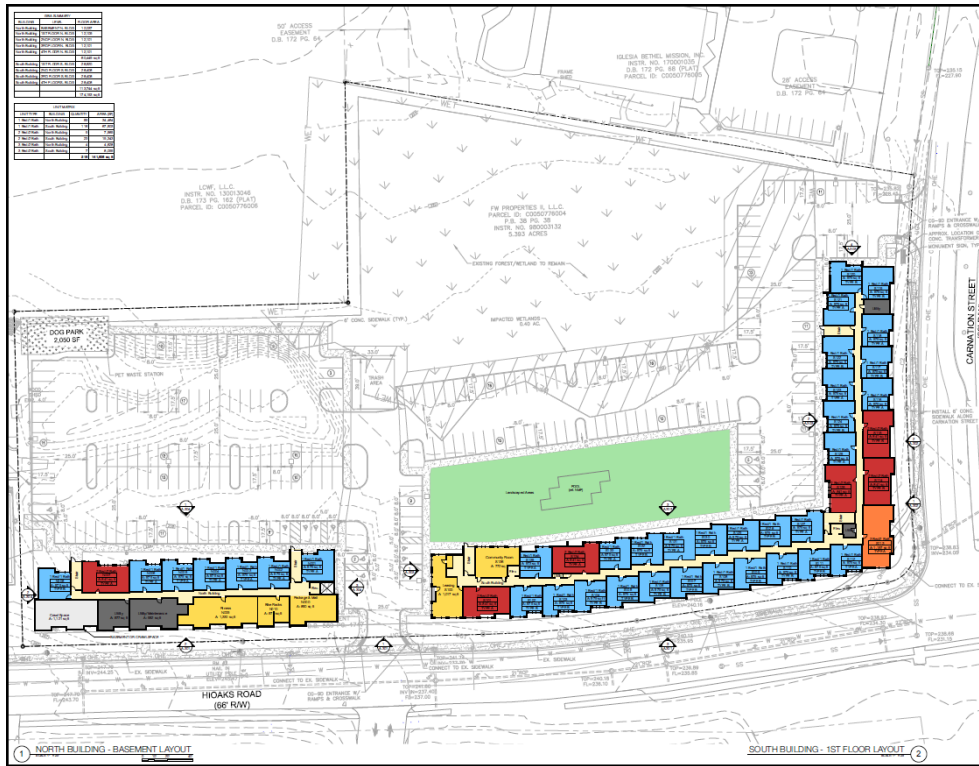
7000 Carnation Apartments Site Plan

Shown next is a rendering of one of the apartment buildings at 7000 Carnation Apartments. Both buildings will be four-story, elevator-served buildings with a contemporary design. Building exteriors will be constructed of thermally modified wood and fiber cement on the upper levels as well as modular brick on the ground level. The apartment buildings will have large windows which will provide an abundance of natural light.



7000 Carnation Building Rendering

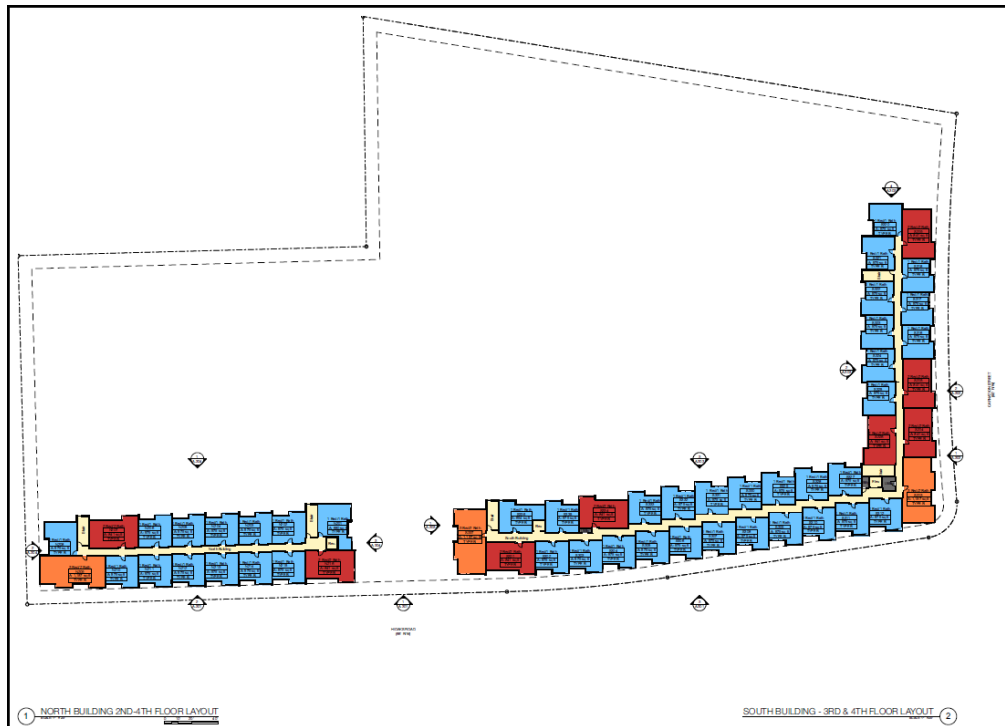
Following are floor plans of each level in the two apartment buildings. Given the site topography, the north building will have a basement level. Apart from apartment units, this basement area will include an 850± square foot package and mail room, 580± square foot bike storage room and 1,300± square foot fitness center. This level will also contain utility and maintenance space. Apart from apartment units, the ground level of the south building will contain a 1,020± square foot leasing office and 770± square foot community room. All of the upper levels are fully residential.



North Building Basement Level and South Building Ground Level



North Building Ground Level and South Building Second Level



North Building Levels 2-4 and South Building Levels 3-4

Apartment Unit Floor Plans

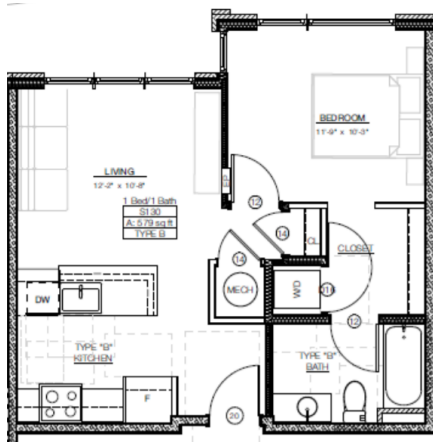
Shown next are typical apartment floor plans for the one-, two- and three-bedroom apartment units. Unit amenities and features will include:

- 30" stainless steel slide-in range (Frigidaire)
- Stainless steel refrigerator (Frigidaire)
- 24" built-in stainless-steel microwave (Frigidaire)
- 24" stainless steel dishwasher (Frigidaire)
- 30" stainless steel ventless hood (Broan)
- Maple wood cabinetry (Wolf Classic)
- Stained concrete flooring
- Porcelain floor tiling in bathrooms
- Luxury vinyl tile plank flooring
- Shades/ blinds
- Cable ready
- White washer/ dryer (Electrolux)

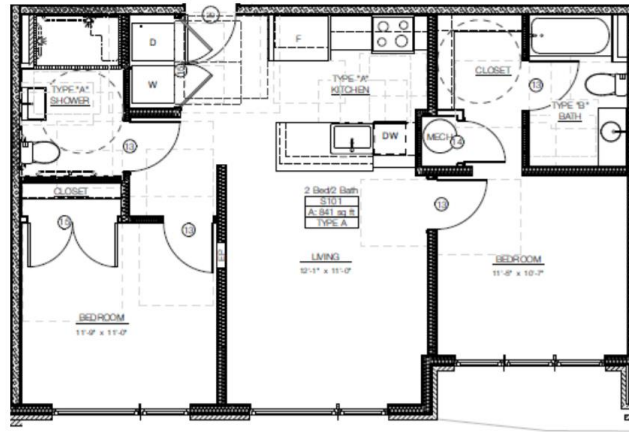
The floor plans show that the one-bedroom apartment units will have a full bathroom, while the two- and three-bedroom units will have two full bathrooms. The floor plans will all have open, contemporary designs with a combined living/ dining area.

The one-bedroom apartment units will have a pass-through closet accessing the bathroom. The two-bedroom floor plans have a bedroom flanking each side of the living area. The master bedroom will have a pass-through closet accessing a full bathroom. The three-

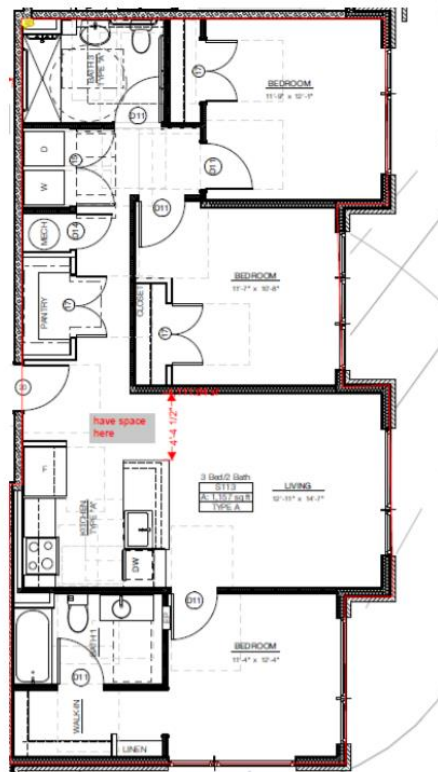
bedroom floor plan also shows the living area to be between the bedrooms. The master bedroom will have a pass-through closet accessing a full bathroom. The smaller two-bedrooms will have closet space.



One-Bedroom



Two-Bedroom



Three-Bedroom

Development Costs

The proposed building costs are \$36.5± million, or \$167,430± per apartment unit.

Market Area Economic Overview

This part of the market analysis presents an economic overview of the defined market area, with base data for City of Richmond and Chesterfield County. Three economic factors are presented and analyzed: (1) at-place job growth, (2) employment and labor force trends, and (3) an evaluation of active development plans that are expected to generate new job and employment growth. These are the primary factors that show the level of economic stability in the market area and the ability for new investments, particularly for new housing.

The three economic factors under study are analyzed in the paragraphs to follow. Key to this analysis is that job growth supports growth in population and households, and therefore, housing unit demand, particularly of the type under study. Thus, the establishment of the market area's economic stability is a key issue related to the demographic growth of the market area.

Specific employment and job data are presented for the market area. Overview data include all of Chesterfield County and the City of Richmond.

At-Place Jobs

At-place jobs refer to the number of jobs located within the market area. Data in Table 4 show a total of 295,900± jobs as of year-end 2019 and prior to the COVID-19 pandemic. This is up 1,770± over the previous year and exceeding the pre-recession peak in 2008 by 16,640±. As of year-end 2019, the market area has fully recovered all jobs lost as a result of the Great Recession. Employment data, the number of persons employed, presented below, will show net growth. Post-2019 at-place jo

As shown in Table 4, the largest employment sector in the market area is the Health Care sector, accounting for 39,940± jobs at year-end 2019, or 13.5 percent of total market area-wide

employment. Three of the five largest employers in the City of Richmond are in the Health Care industry. These include the VCU Health System, with over 9,300 employees, HCA Virginia Health System, with over 7,600 employees and Bon Secours Richmond Health System, with over 7,200 employees. These three employers added a combined 850± new jobs over the past year.

Major Health Care employers in Chesterfield County include the C.J.W. Medical Center, with 1,200± employees, and the Bon Secours St. Francis Medical Center, also with 1,200± employees. This is an employment sector that will continue to grow for several years given the ongoing and planned construction of several large medical facilities in the City of Richmond to be discussed in greater detail below. With 7,310± jobs added since 2008, this is the fastest growing employment sector in the market area.

Despite the loss of jobs in 2019, employment in the Transportation and Warehousing sector grew significantly since 2008, adding 4,530± new jobs over the past twelve years. Most of these new jobs were added in Chesterfield County. Within this total are over 1,100 jobs that were added in 2018. Most of the new jobs in this sector were added in the eastern portion of Chesterfield County, where several large industrial parks are located. Many of these new hires were associated with several expansion rounds by Amazon, beginning in 2012, for job growth for its one million square foot fulfillment center in the Meadowville Technology Park. This is a significant source of employment growth. Data in the chart below show the rapid pace of employment growth at Amazon between 2012 and 2017, the year for which the most recent data is available. This total excludes seasonal employment, which typically numbers over 4,000.

<u>Employment Growth at Chesterfield County Amazon Fulfillment Center, 2012-2017</u>		
	<u>Employees</u>	<u>Percent Change</u>
2012	1,000	--
2013	1,100	10.0%
2014	1,600	45.5%
2015	3,000	87.5%
2016	3,000	0.0%
2017	3,500	16.7%
Change	2,500	
Source: Chesterfield County Comprehensive Annual Financial Reports		

Another sector with significant growth is the Accommodations/Food sector. Approximately 5,600 jobs were added in this sector since 2008, including nearly 200 jobs that were created in 2019. This is a sector that has grown every year since 2009. Much of this growth is associated with the many hotels and restaurants that have opened across the market area over the past decade. Two new hotels opened recently, the 144-room Hampton Inn & Suites and the 100-room Homewood Suites. Both delivered in Downtown Richmond in 2016. In 2017, the 205-room Graduate Richmond Hotel opened on West Franklin Street, also in Downtown Richmond. Several other hotels are in planning and under construction.

Employment in the State Government is also an important segment of the local labor market, particularly in the City of Richmond. Over 30,000 people work for the State of Virginia, as of year-end 2019. This represents over ten percent of total employment in the market area. The largest State Government employer is Virginia Commonwealth University (VCU). Employment in the State Government has grown by nearly 1,400 since 2008.

Other sectors with job growth over the past decade include Admin./ Waste Services (4,200± new jobs), Arts/ Entertainment/ Recreation (1,270± new jobs), Finance/ Insurance (920± new jobs), Educational Services (820± new jobs), Professional/Technical Services (510± new jobs), Federal Government (460± new jobs), Real Estate (90± new jobs) and Utilities (80± new jobs).

The market area has become less dependent on traditional manufacturing industries since the past recession, with the sector comprising only 4.6 percent of the market area's total jobs as of year-end 2019, compared with 6.4 percent in 2008 and a higher percentage prior to 2007. As shown in Table 4, this sector has lost more jobs than any other private sector over the past decade. There are 4,170± fewer Manufacturing jobs in 2019 compared to 2008.

Major manufacturing losses over the past decade include Evergreen Packaging Group (120± jobs cut in 2008), Reynolds Packaging Group (490± jobs cut in 2008 and 160± jobs cut in 2009), PM Beef Holdings (80± jobs cut in 2008), Caraustar Industries (50± jobs cut in 2008), Duro Bag Manufacturing Co. (170± jobs cut in 2011) and Carpenter Company (60± jobs lost in June,

2015). Most recently Land-O-Sun Dairies closed its fluid milk processing facility in October, 2017, which resulted in the loss of 70± jobs.

Other sectors with employment losses include: Information (2,310± jobs lost), Management of Companies (1,650± jobs lost), Retail Trade (1,360± jobs lost), Local Government (760± jobs lost), Other Services (180± jobs lost) and Wholesale Trade (170± jobs lost).

Table 4: Trends in Average At-Place Employment, City of Richmond/ Chesterfield County, Virginia, 2008-2019

Industry	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Agriculture	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Mining	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Utilities	774	761	780	793	966	984	988	998	1,006	998	895	854
Construction	ND	13,518	12,430	12,517	12,797	12,948	13,267	14,533	15,362	15,655	16,056	15,983
Manufacturing	17,834	15,518	15,483	14,417	14,203	14,188	14,009	ND	13,902	14,092	13,757	13,662
Wholesale Trade	9,745	8,986	8,621	8,700	8,657	9,098	8,989	9,013	9,063	8,984	9,371	9,577
Retail Trade	27,022	25,604	25,167	25,079	25,759	28,117	29,185	27,224	26,187	25,956	25,949	25,661
Transport./ Wareh.	7,757	7,365	7,394	7,622	7,733	7,957	8,498	12,216	13,054	12,991	14,114	12,286
Information	5,027	4,651	ND	ND	3,138	ND	3,047	3,032	2,946	2,965	2,926	2,719
Finance/Insurance	12,205	11,981	11,886	11,868	12,453	12,266	12,285	12,239	12,157	12,266	12,415	13,120
Real Estate	3,464	3,244	3,180	2,901	2,962	2,694	2,781	3,171	3,247	3,375	3,332	3,554
Prof./Tech.	17,541	16,657	16,433	17,933	17,676	17,671	17,386	17,748	18,019	18,444	18,401	18,046
Mgmt of Co.s	12,061	11,286	10,647	11,096	10,764	10,312	10,227	10,318	10,194	9,969	10,120	10,411
Admin./Waste	15,960	13,519	13,735	15,222	15,886	14,940	15,177	17,845	19,656	19,117	18,757	20,149
Education	4,181	4,350	4,498	4,439	4,641	4,733	4,771	4,812	4,866	4,899	4,832	4,998
Health Care	32,630	32,749	33,397	32,957	33,814	35,622	36,432	36,628	37,530	38,450	39,343	39,937
Arts/Enter./Rec.	4,154	4,180	4,299	4,439	4,341	4,573	4,595	4,927	5,109	5,071	5,203	5,420
Accom./Food	19,433	18,632	18,478	19,344	20,162	21,159	21,627	22,357	23,559	24,428	24,822	25,019
Other Services	10,404	10,098	ND	9,304	9,505	9,344	ND	9,515	9,696	10,176	10,582	10,223
Local Gov.	24,549	24,541	24,185	23,767	23,848	23,579	23,339	23,280	23,090	23,154	23,443	23,790
State Gov.	28,707	28,696	28,933	29,057	28,596	28,465	28,810	28,553	28,926	29,501	29,653	30,075
Federal Gov.	<u>8,955</u>	<u>9,045</u>	<u>8,062</u>	<u>7,864</u>	<u>8,002</u>	<u>8,106</u>	<u>8,029</u>	<u>8,375</u>	<u>8,953</u>	<u>9,010</u>	<u>9,180</u>	<u>9,410</u>
Total	279,258	265,577	261,405	263,373	266,055	269,996	272,876	280,777	287,194	290,318	294,132	295,902

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

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

Table 5 shows the net change in at-place job totals since 2008 in the City of Richmond and Chesterfield County. It shows that while Richmond lost 270± jobs during this period, these losses were fully offset by nearly 17,000± new jobs in Chesterfield County.

As with many urban areas, growth in the housing market is larger than the job growth market, as many renter households desire to live in an evolving downtown location and commute to the suburbs. That is the case in Richmond. To restate, Central Richmond has attracted a larger number of persons who reverse commute and live in the City and work in neighboring counties.

As previously noted, growth was most pronounced in the Transportation & Warehousing and Health Care and sectors. Employment growth was recorded in a wide range of sectors while few sectors have faced net employment loss since 2008.

Table 5: <u>Change in Total At-Place Employment,</u> <u>City of Richmond/ Chesterfield County, VA, 2008-2019</u>			
	<u>City of Richmond</u>	<u>Chesterfield County</u>	<u>Total</u>
Utilities	60	20	80
Construction	--	233	--
Manufacturing	-3,444	-728	-4,172
Wholesale Trade	-824	656	-168
Retail Trade	-1,400	39	-1,361
Transport. & Warehousing	329	4,200	4,529
Information	-1,487	-821	-2,308
Finance/Insurance	1,308	-393	915
Real Estate	143	-53	90
Professional/Tech. Services	-333	838	505
Management of Companies	-1,725	75	-1,650
Admin./Waste Services	114	4,075	4,189
Educational Services	790	27	817
Health Care	2,172	5,135	7,307
Arts/Enter./Recreation	621	645	1,266
Accommodations/Food	3,692	1,894	5,586
Other Services	-489	308	-181
Local Government	-744	-15	-759
State Government	1,423	-55	1,368
Federal Government	<u>129</u>	<u>326</u>	<u>455</u>
Total	-269	16,913	16,644

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

Next shown, in Table 6, are the employment changes that occurred in 2020, which is an outlier year given the unusual impact of the COVID-19 pandemic. The data show a significant loss of jobs, with a reduction in employment of 16,650±, or by 5.6 percent. These losses occurred across essentially all employment sectors, with the heaviest job losses impacting the Accommodations/ Food sector (6,310± jobs lost), Transportation and Warehousing sector (2,660± jobs lost) and Health Care sector (1,720± jobs lost). Although these are heavy losses, many of these layoffs are expected to be temporary and will likely be recovered once 2021 employment data is published.

Table 6: Trends in Average At-Place Employment, City of Richmond/ Chesterfield County, VA, 2019-2020			
Industry	2019	2020	Net Change
Construction	15,983	15,595	-388
Manufacturing	13,662	13,374	-288
Wholesale Trade	9,577	9,169	-408
Retail Trade	25,661	24,827	-834
Transportation. & Warehousing	12,286	9,631	-2,655
Information	2,719	2,431	-288
Finance/Insurance	13,120	12,990	-130
Real Estate	3,554	3,508	-46
Professional/Technical Services	18,046	17,589	-457
Management of Companies	10,411	10,308	-103
Admin. /Waste Services	20,149	18,524	-1,625
Educational Services	4,998	4,641	-357
Health Care	39,937	38,217	-1,720
Arts/Entertainment/Recreation	5,420	4,133	-1,287
Accommodations/Food	25,019	18,705	-6,314
Other Services	10,223	8,698	-1,525
Local Government	23,790	22,958	-832
State Government	30,075	28,611	-1,464
Federal Government	9,410	9,598	188
Total	295,902	279,256	-16,646
Source: United States Department of Labor			

Employment and Labor Force

Employment differs from at-place jobs as it refers to the number of market area residents who are employed, no matter where the job is located. At-place jobs refer to where the job is located, i.e., within Chesterfield County and the City of Richmond. Data are current to year-end 2019 for Employment and Labor Force.

The market area realized a net increase in employment of 43,180± jobs over the twelve-year period between 2008 and 2019. Mirroring at-place job trends, employment grew early in the decade, up until 2008, when employment reached a pre-recession peak of 258,220± jobs.

Employment fell sharply in 2009 when 9,890± jobs were lost, pushing the unemployment rate from 4.8 percent to 7.9 percent in a single year. A slow recovery began soon after in 2010. Growth in employment occurred every year since, with total employment exceeding pre-recession levels in 2012. The labor force has also grown every year since 2010, suggesting growing confidence in the labor market. This has pushed the overall unemployment rate higher than it

otherwise would be. 2016 saw significant employment growth, with total employment growing by 5,240±. This growth trend continued into 2017 when employment grew by 6,730±. Employment grew by 5,170± in 2018. 2019 was also a growth year, as employment expanded by 5,850v in that year.

Data in Table 7 show that in 2019 the unemployment rate was a low 2.8 percent, down from 4.6 percent in 2015 and the lowest rate in over a decade. The low unemployment rate means that new job growth will require new residents for the market area.

2020 data show a loss of jobs, which was fully attributable to the COVID-19 pandemic. Employment fell by nearly 5,900, pushing the unemployment rate up from a very low 2.8 percent to 7.0 percent. This is the highest unemployment rate since 2011. As with at-place jobs, many of these losses are expected to be temporary.

Table 7: Trends in Employment and Unemployment, Richmond City/ Chesterfield County, VA, 2008-2020				
	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Percent Unemployed</u>
2008	271,242	258,221	13,021	4.8%
2009	269,672	248,328	21,344	7.9%
2010	275,532	252,530	23,002	8.3%
2011	278,765	258,110	20,655	7.4%
2012	281,865	263,513	18,352	6.5%
2013	285,179	268,204	16,975	6.0%
2014	290,783	275,040	15,743	5.4%
2015	291,816	278,414	13,402	4.6%
2016	295,770	283,654	12,116	4.1%
2017	301,986	290,388	11,598	3.8%
2018	305,075	295,553	9,522	3.1%
2019	310,186	301,401	8,785	2.8%
2020	306,049	284,486	21,563	7.0%
Net Change	34,807	26,265	8,542	2.2%

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

In summary, there has been substantial growth in the market area in terms of at-place jobs and employment. In both economic factors, at-place jobs and employment current totals are well above past pre-recession totals. This level of growth has generated considerable demand for new housing, as will be shown below.

COVID-19 and Employment

Table 8 shows monthly employment data until November, 2021 in the market area to illustrate the local employment impact of the COVID-19 pandemic. This is the date for which the most recent data are available.

Trend data show that since January, 2020, employment has fallen by over 22,000, with the number of unemployed growing by just over 300. The disparity between these two figures is because the labor force contracted by over 22,000 people, meaning that many of those who have lost their jobs have retired, quit searching for employment altogether or relocated from the area.

The data show significant employment improvements since the start of the pandemic, with 8,230± jobs recovered since April, 2020. Of note is that these job losses have not impacted occupancy rates at the competitive apartments under study.

**Table 8: Trends in Employment and Unemployment,
City of Richmond and Chesterfield County, Virginia, 2020-2021**

	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Percent Unemployed</u>
January, 2020	311,675	302,762	8,913	2.9%
February, 2020	312,292	304,195	8,097	2.6%
March, 2020	311,127	302,148	8,979	2.9%
April, 2020	310,045	272,117	37,928	12.2%
May, 2020	301,573	272,601	28,972	9.6%
June, 2020	308,299	277,097	31,202	10.1%
July, 2020	310,759	281,528	29,231	9.4%
August, 2020	311,679	286,208	25,471	8.2%
September, 2020	302,562	279,772	22,790	7.5%
October, 2020	298,917	279,179	19,738	6.6%
November, 2020	297,504	279,061	18,443	6.2%
December, 2020	296,147	277,161	18,986	6.4%
January, 2021	293,666	275,097	18,569	6.3%
February, 2021	294,227	276,507	17,720	6.0%
March, 2021	294,988	278,176	16,812	5.7%
April, 2021	290,538	277,404	13,134	4.5%
May, 2021	291,599	278,088	13,511	4.6%
June, 2021	295,170	280,338	14,832	5.0%
July, 2021	299,220	285,854	13,366	4.5%
August, 2021	294,383	281,821	12,562	4.3%
September, 2021	288,835	277,918	10,917	3.8%
October, 2021	290,854	280,457	10,397	3.6%
November, 2021 1/	289,587	280,348	9,239	3.2%
Net Change	-22,088	-22,414	326	0.3%

Notes: 1/ Preliminary data. Subject to change.

Source: U.S. Department of Labor, Bureau of Labor Statistics

Economic Development Activity

The past increase in jobs and employment, as noted above, is due to new area developments, some of which are sizable. The paragraphs to follow show the current active developments within the market area and the likelihood that employment and job growth will continue in the market area during 2022 and beyond.

New developments that are planned or under construction on the west side of Chesterfield County and within the market area are detailed in the paragraphs below. These new additions will add 2,000± new jobs to the market area under study.

- **St. Francis Medical Center Ph II.** This existing medical facility in Midlothian is proposed to be expanded to add 55 acute-care beds and nearly 110,000± square feet of new space to the hospital’s main facility. At the conclusion of construction, which is slated for early

2024, the hospital will have the capacity for 185 acute-care beds. The project would also include 10 new observation beds and renovate about 70,000± square feet of existing space. The hospital is expected to add another 100 employees

- **Virginia Physicians for Women** completed construction in October, 2021 on a 60,000± square foot medical office near Chesterfield Towne Center in Midlothian. The facility resulted in the creation of 100 new jobs.
- **Gather**, the Richmond-based operator of coworking spaces, recently opened a new office called Gather Midlothian at 14321 Winterbreeze Drive in Winterfield Crossing. The new Gather building will be 25,000± square feet, occupying three floors of a 30,000± square foot office building. Gather said it will be able to accommodate up to 400 people using office space in the building. The site will include 110 offices of varying sizes for anywhere from one to 15 people, along with shared, open area workspaces, event space and conference rooms. The site also will include a wellness room and a soundproof podcast room.
- **Chase Bank** opened a new branch in late-2021 adjacent at the intersection of Huguenot Road and Koger Center Boulevard that is part of a former HHGregg store and next to Chesterfield Towne Center.
- **Blackbriar Regulatory Services**, a surgical mask manufacture, announced in June, 2020 that it would expand its Chesterfield facility and hire 195 new employees. Hiring is reportedly ongoing.
- **ERNI Electronics** completed construction in December, 2019 on a production and distribution facility for high-performance electrical connectors. The facility is expected to employ 105 people within five years.
- **Embassy Suites**. This is a proposed 250-room hotel to be built in the Stonebridge mixed-use development. Construction on the hotel, to include 25,000± square feet of conference space, is expected to begin in mid-2022. The hotel will have about 150 employees.
- **Residence Inn by Marriott**. Construction was completed in June, 2020 on this 111-suite hotel located at 1350 Johnston Willis Drive in Midlothian.
- **Surplus Freight** leased 24,770± square feet at 9790 Midlothian Turnpike in early-2021.
- **Chippenham Hospital**. Construction was completed in mid-2020 on the renovation and expansion of this hospital. The renovation added 18 additional beds, a new walk-in canopy and ambulance canopy entrances, a new pediatric ER entrance and renovated space to create 14 pediatric beds and an expansion of the critical care area.

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- **Hancock Station**. This is a proposed commercial development to be built at 14400 Hull Street Road. The proposal calls for five commercial buildings totaling 50,780± square feet of commercial space. This development is not yet approved.
 - **Oasis Park**. This is a proposed 175-unit assisted living facility planned for a site along Cosby Road, Millwood School Lane and Village Square Parkway.
 - **Super Radiator Coils** announced in March, 2021 that it would expand its Chesterfield County facility. The company will increase the size of its 121,000± square foot manufacturing and engineering facility at 451 Southlake Boulevard by 56,000± square feet. Super Radiator Coils builds specialty cooling coils that are used by data centers, food processors, the military and other industries. The company expects to add up to 50 new jobs as part of the expansion. The facility currently has about 210 workers.
 - **Watercrest Richmond**. Construction is ongoing and will be completed in the fall of 2022 on this 98-unit assisted living and memory care facility at 5500 Woolridge Road. The facility will offer 76 assisted living and 22 memory care apartments.
 - **Thales Academy at CenterPointe**. Plans were submitted in mid-2021 to construct a private school at 14101 Center Pointe Parkway. The school will provide education for students in Pre-K through 12th grade. The project may be constructed in two phases with Pre-K through 8th grade constructed first and 9th through 12th grade constructed second. The estimated enrollment at build-out is 1,200 students with 50 employees.
 - **Galen College of Nursing** is planning to open a nursing school at 7300 Beaufont Springs Drive in the Boulders office park. The school will take over a 35,000± square-foot space in the building. It will feature patient simulation labs and classrooms. The school is expected to hold its first semester of classes in the spring of 2022.
 - **Johnston-Willis Hospital** opened a 20-bed, 12,000± square foot neonatal intensive care unit in February, 2021. The new facility provides individual private rooms that allow parents to remain with their babies for the duration of their care.
 - **Pet Paradise**. Plans were submitted in late-2021 for this 15,220± square foot commercial kennel (dog daycare and boarding facility) to be built at 15901 Cosby Road. The facility will have 185 dog suites and would contain indoor and outdoor space for dogs.
 - **Amplify Senior Living**. Plans were submitted in late-2021 for the construction of senior living facility at 12015 Midlothian Turnpike. The facility will offer a continuum of care including independent living, assisted living, and memory care. The site will be comprised of two separate buildings. One will be a three-story 150-unit independent living community fronting Midlothian Turnpike. The second building towards the rear of the site is the three-story assisted living facility, also with 150 units. Construction is expected to begin in 2022.

- **RCG Behavioral Health Network**. Construction began in late- 2021 on this single-story, 5,000± square foot office building to house RCG Behavioral Health Network, a mental health services agency.
- **Kindercare Learning Center** is constructing a new single-story, 11,990± square foot childcare facility at 1991 Old Farm Road.
- **BJ's Wholesale Club** announced in September, 2021 that plans on building a new location on a 28-acre site on the south side of Hull between Bridgewood Road and Lonas Parkway. The store will likely be 113,000± square feet.
- **Paymerang**, which makes software for payment processing, completed its expansion into the fourth level of 7401 Beaufont Springs Drive in the Boulders office park in January, 2022. The move gives the company an extra 13,000± square feet, bringing its total footprint in the building to about 33,500± square feet. The company hired about 100 people last year and plans to hire another 150 to 170 employees in 2022.

In addition to the above are a considerable number of new jobs planned for the City of Richmond that support regional housing growth. These new announcements are likely to generate at least 4,000 new jobs. These are briefly detailed in the paragraphs below.

- **CoStar Group Inc.**, a commercial real estate data and analytics provider, announced in December, 2021 that it would build a 26-story building in Downtown Richmond where it will create 1,984 new jobs. CoStar's riverfront campus will feature 750,000 square feet of new office and retail space and a six-story multipurpose building with conference facilities, fitness and wellness, an auditorium and mixed-use retail and restaurant spaces. Plazas and retail areas will front Tredegar Street, facing Brown's Island. CoStar already has a significant Richmond presence, with more than 1,000 employees at the former WestRock building at 501 S. 5th St., but the expansion will give CoStar 1 million square feet of downtown Richmond space.
- **Shamin Hotels** purchased the 172,110± square foot Richmond Times-Dispatch building at 300 East Grace Street in downtown Richmond in January, 2020 where it plans to relocate its headquarters. Shamin's 70 corporate headquarters employees will work on the building's 40,000± square foot third floor and the Times-Dispatch will operate on the fourth floor, which Shamin is currently renovating. Shamin plans to lease out the first and second to other tenants.
- **500 N. 10th Street**. This site in Downtown Richmond is proposed by Capital City Partners to be redeveloped with a 20-story, 545,000± square foot office building. 300,000± square feet would house administrative and office space for VCU Health designed to support the Adult Outpatient Pavilion building under construction next door, as well as the health system's nearby Children's Hospital Pavilion. The project also would include new

locations for The Doorways and Ronald McDonald House Charities, nonprofit organizations that provide space and hospitality for families of patients, and space for VCU Child Care. Construction began in 2021.

- **700 Canal Place**. This is a proposal by Dominion Energy for a 17-story, 900,000± square foot office building that could open by the end of 2023.
- **The Salvation Army** announced in early-2020 that it would move from its current 17,000± square foot regional headquarters at 48,000± square feet at 2 W Grace Street to 1900 Chamberlayne Avenue. The increase will enable the Salvation Army to almost double its bedding for emergency housing, from 55 beds to 96. The move took place in the summer 2021.
- **Bon Secours and VCU Health** began construction in May, 2019 on a 55,000± square foot outpatient pediatric facility at the former Westhampton School property along Libbie Mill Avenue.
- **Kinsale Capital Group** is currently building a 150,000± square foot, five-story building at the intersection of Maywill and Thalboro streets. The building will replace Kinsale's current home in the Holland Tower at 2221 Edward Holland Drive near Willow Lawn, where the firm employs about 177 full-time employees across 43,000± square feet. Kehoe said his company would occupy about 75,000± square feet in the new building – leaving the remaining balance of the building for lease to other office users.
- **VCU Health** completed construction in December, 2021 on a 17-story adult outpatient facility, on the site of the since-demolished Virginia Treatment Center for Children at 1001 E. Leigh Street. The 615,000± square foot complex allows the health system to consolidate VCU Massey Cancer Center's outpatient services, along with outpatient clinics at the Ambulatory Care Center at 417 N. 11th Street, Nelson Clinic at 401 N. 11th Street and North Hospital at 1300 E. Marshall Street. Employees from those buildings will soon be joined in the new pavilion by an additional 100 to 120 new employees. Hiring for those additional positions is underway.
- **VCU Arts and Innovation Academic Building/Data Center**. VCU plans to break ground in 2022 on a new 196,000± square foot Arts and Innovation Academic Building to be built across the street from the Institute of Contemporary Art, as well as a new data center on a nearby parking lot at 707 W. Broad St. The arts building will be home to VCU's performing arts programs and have exhibition, lab and incubator space. The six-story, 30,000± square foot data center would house the VCU Technology Operations Center and would rise on a parking lot at 707 W. Broad Street. Delivery is expected in 2023.
- **Aditx Therapeutics** announced in early-2021 that it would develop an immune monitoring center in the Bio+Tech 8 building at 737 N. 5th Street in Downtown Richmond. The facility, which is slated to begin operations in the second half of this year, will initially fill 25,000± square feet in the building with plans to expand. The so-called "AditxtScore Center" is expected to create more than 300 jobs over time.

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- **Grenova**, a Richmond-based biotech firm, announced in April, 2021 that it would move from Southside's Clopton Siteworks to the former Sampson Coatings facility at 1900 Ellen Road. The move will also involve adding 250 jobs by 2024, more than quadrupling its existing staff count.
 - **Babylon Micro-Farms**, which develops and produces remotely controlled, indoor hydroponic systems for vegetables and herbs, announced in February, 2021 that it would expand in Richmond by adding 24 new employees.
 - **Vytal Companies**, an education and training content development and producer, announced in February, 2021 that it would relocate its corporate headquarters from Austin, Texas, to the City of Richmond. The company will renovate the facility at 1802 Semmes Avenue to include studio space for filming content and office space for development and post-production functions. The firm will employ 155 people.
 - **Deepwater Industrial Park**. Ground was broken in July, 2021 on a 560,000± square foot warehouse at Deepwater Industrial Park at 3021 Commerce Road adjacent to Interstate 95. This is being built on spec.
 - **CarLotz**, the nation's largest consignment-to-retail used vehicle business, announced in June, 2021 that it would expand its headquarters in the city of Richmond, creating 192 jobs. To accommodate recent growth, the company will relocate from the city's Manchester neighborhood to Scott's Addition.
 - **Sutliff Tobacco Company**, a distributor of tobacco products, announced in June, 2021 that it would expand its Richmond operations and hire 30 new employees.

Economic Overview Summary

Data presented above show that employment in the market area grew substantially since the past recession and in recent years. As of year-end 2019, the market area's unemployment rate has been reduced to 2.8 percent, from a high of 8.3 percent in 2010. This is the lowest unemployment rate in over a decade. The unemployment rate has risen slightly to 3.2 of November, 2021 and in the wake of the pandemic. This remains a very low unemployment rate and is partly attributed to a contraction of the local labor force. This will necessitate new residents to the market area and support future apartment unit demand.

Employment data for 2020 show a loss of jobs, but this is fully attributable to the pandemic. BLS data show a partial recovery, as over 8,000 jobs have been recovered since April, 2020. Despite the job losses during the pandemic, the market area's competitive apartments have maintained high occupancy rates.

The region continues to generate new employment growth. This job growth is taking place both inside the market area, within Chesterfield County and southern Richmond, as well as other nearby employment centers such as the Downtown Richmond and eastern Chesterfield County.

The documented level of ongoing and planned job growth will likely result in continued employment growth over the next few years. This level of job growth has created an increased demand for new housing, including for affordable housing. Besides the growth that has occurred to date, the above paragraphs identify 6,000± additional jobs (excluding small company growth, construction growth, spinoff growth and any future job announcements) over the next four to five years. Many of these job openings will occur at the same time as the opening of 7000 Carnation Apartments.

Section II Affordable Apartment Market Analysis

Following is the supply/demand analysis for the proposed 218-unit 7000 Carnation Apartments. Section II has two subsections. The first is the demographic analysis that “solves” for the number and growth of renter households with incomes, reported in constant 2022 dollar values, of the three demographic cohorts planned within 7000 Carnation Apartments. The demographic analysis “solves” for the number of market area renter households earning 50% of AMI (\$28,920 to \$45,000), 60% of AMI (\$35,680 to \$54,000) and 70% of AMI (\$42,440 to \$63,000). The upper income limits are based on the HUD maximum allowable incomes. The forecast date for the demographic analysis is 2024, as 7000 Carnation Apartments is likely to be ready for occupancy by in that year.

The second part of Section II is the analysis of the defined competitive affordable apartment market for families within the defined market area. We identified 22 apartment properties to study. All are LIHTC properties that were built between the 1940’s and 2020, with the older properties having all been renovated.

These apartment properties are studied for occupancy, rent, unit and property features and characteristics, and curb appeal. They are compared with 7000 Carnation Apartments to determine its competitive market position.

Market Area Demographic Analysis

Population Trends and Projections

The market area, which generally includes the portions of Richmond south of the James River and western Chesterfield County, had a population of 259,360± at the time of the 2010 Census. Between 1990 and 2000, the market area’s population increased by approximately 62,410±, a period in which the population in the Richmond portion of the market area grew by 28,890±.

The market area population increased by 35,480± people from 2000 to 2010, or an average annual increase of 3,550± people. Population growth took place in both Chesterfield County and

Richmond during this period. Due to the recession during of last part of the 2000 decade, the market area’s population growth during the 2000’s was slower than the growth rate of the 1990’s.

By 2020, the market area’s population is estimated to have reached 293,370±, based on recently released 2020 census data. Based on recent trends and job-generating economic development activity, the market area population is projected to continue growing and reach 306,970± by 2024.

It is possible that the 2024 market area population projection is conservative, based on current employment and job trends. However, it is difficult to determine which part of the region will attract new residents from the expected job growth, so we are using a somewhat conservative population forecast for our analysis. However, it is certain that jobs, employment and demographic growth will occur, and thus net population and household growth will occur. Data in Table 9 show that net growth is expected in both jurisdictions in the market area, with a net population increase of 13,600± for the 2020 to 2024 period.

Table 9: Trends and Projections of Population and Households 7000 Carnation Apartments Market Area, 1990-2024					
	1990	2000	2010	2020	2024
Market Area Population	161,470	223,880	259,360	293,370	306,970
Chesterfield County Portion 1/	109,580	143,110	175,570	202,390	--
Richmond City Portion 2/	51,880	80,770	83,790	90,980	--
Group Quarters Population	1,250	1,940	1,880	2,000	2,100
Household Population	160,220	221,940	257,480	291,370	304,870
Persons Per Household	2.63	2.56	2.56	2.54	2.53
Total Households	60,930	86,610	100,730	114,710	120,500
Renter Households	18,650	26,710	32,390	39,870	43,140
Percent Renter Households	30.6%	30.8%	32.2%	34.8%	35.8%
Notes: 1/ Includes the following 2010 U.S. Census tracts from Chesterfield County: 1001.06, 1001.07, 1002.05, 1002.06, 1002.08, 1002.09, 1002.10, 1008.12, 1008.18, 1009.02, 1009.07, 1009.10, 1009.12, 1009.15, 1009.19, 1009.20, 1009.21, 1009.22, 1009.23, 1009.24, 1009.26, 1009.27, 1009.28, 1009.29, 1009.30, 1009.31, 8009.32, 1009.33, 1009.34, 1009.35, 1009.36, 1010.07, 1010.08, 1010.09, 1010.10, 1010.11, 1010.12, 1010.13					
2/ Includes the following 2010 U.S. Census tracts from Richmond City: 602, 604, 605, 606, 607, 608, 609, 610, 701, 703, 704, 706.01, 706.06, 707, 708.01, 708.02, 709, 710.01, 710.02, 711					
Source: 1990-2020 Census, U.S. Census Bureau, S. Patz & Associates, Inc.					

Group Quarters Population

An estimated 2,000± people comprise the market area's Group Quarters population in 2020. Of these residents, most live in correctional institutions, nursing homes and assisted living facilities. The market area has a very small Group Quarters population, which is stable currently. Negligible growth is projected by 2024. Persons in Group Quarters were subtracted from the total population to determine the Household Population. Household Population is the basis for the analysis of housing unit demand.

Households

As of 2020 the market area is estimated to have approximately 114,710± households, an increase of 13,980± households from the 2010 Census and 28,100± households compared with the Census figure of 64,530± in 2000. The net increase of households over the past two decades is the result of the level of new housing unit construction, particularly single-family homes and townhomes in Chesterfield County and apartments in Richmond's Manchester neighborhood. The continuation of past trends is likely to expand the number of market area households to 120,500± by 2024.

One point to note is that the market area average household size has declined since 1990, and likely prior. Average household size was 2.63 in 1990 and fell slightly to 2.56 by 2000. Average household size in the market remained essentially unchanged between 2000 and 2010. By 2024, average household size in the market area is projected to reduce slightly to 2.53 persons per households. This decline is attributable to the larger number of new and proposed apartments in the market area that few bedrooms and smaller household sizes.

Renter Households

In 2010, market area renter households equaled nearly 32.2 percent of total households, which is a census count. The percent of renters has increased over the past two decades, with a significant increase since 2000. This "uptick" in renters during is the direct result of considerable housing unit development, of which the majority was rental housing. By 2024, an estimated 35.8

percent of households in the market area will be renters. This will represent 43,140± households, an increase of 3,270± over the 2020 total.

Target Renter Households

7000 Carnation Apartments will have rents restricted to renter households earning 50%, 60% and 70% of the Area Median Income (AMI). The paragraphs below detail each of these demographic cohorts:

- **50% of AMI.** Qualified renter households for this income category must earn annual incomes ranging between \$28,920 and \$45,000 when reported in constant 2022 dollars. The demographic analysis shows that as of 2020, the market area had 8,780± renter households within this income range. The 2020 total exceeds the 2010 total by 2,020± households. By 2024, the market area is projected to add 810± households within this income category to reach a total of 9,590± households.
- **60% of AMI.** Qualified renter households for this income category must earn annual incomes ranging between \$35,680 and \$54,000, when reported in constant 2022 dollars. As of 2020, the market area totaled 9,700± renter households in this income range, an increase of 2,110± over the 2010 total. By 2024, the market area is projected to total 10,640± renter households within this income category. This represents an increase of 940± households.
- **70% of AMI.** Qualified renter households for this income category must earn annual incomes ranging between \$42,440 and \$63,000, when reported in constant 2022 dollars. As of 2020, the market area totaled 9,400± renter households in this income range. This represents an increase of 2,200± over the 2010 total. The market area is projected to add 950± households within this income category by 2024 to reach a total of 10,350± households.

**Table 10: Trends and Projections of Target Market,
7000 Carnation Apartments Market Area, 1990-2024**
(Constant 2022 Dollars)

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2024</u>
Renter Households	18,650	26,710	32,390	39,870	43,140
Percent Renter Households					
<u>50% of AMI</u> (\$28,920-\$45,000)					
Total Households	2,800	4,760	6,760	8,780	9,590
Percent of Renter Households	11.3%	17.8%	20.9%	22.0%	22.2%
<u>60% of AMI</u> (\$35,680-\$54,000)					
Total Households	3,450	5,510	7,590	9,700	10,640
Percent of Renter Households	18.5%	20.6%	23.4%	24.3%	24.7%
<u>70% of AMI</u> (\$42,440-\$63,000)					
Total Households	4,100	5,570	7,200	9,400	10,350
Percent of Renter Households	22.0%	20.9%	22.2%	23.6%	24.0%

Source: U.S. Department of Commerce; S. Patz and Associates, Inc.

Households by Size

As of 2010, just over 28 percent of all households are single-person households. An additional 32.8 percent are two-person. These percentages, and others, did not change significantly over the 2000 decade.

**Table 11: Trends in Household Size,
Richmond City/Chesterfield County, Virginia, 2000-2010**

	<u>2000</u>		<u>2010</u>	
	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>
Total Households	178,321	100.0%	202,831	100.0%
1-person household	49,124	27.6%	56,920	28.1%
2-person household	57,951	32.5%	66,425	32.8%
3-person household	31,360	17.6%	34,521	17.0%
4-person household	24,632	13.8%	26,551	13.1%
5-person household	10,292	5.8%	11,523	5.7%
6-person household	3,377	1.9%	4,342	2.1%
7-or-more-person household	1,585	0.9%	2,549	1.3%

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

Competitive Apartment Market

This subsection analyzes the 22 affordable apartment properties identified in the market area that would be competitive with 7000 Carnation Apartments, once built. Data shown on each competitive apartment community includes the date built, current occupancy, apartment unit characteristics, unit mix and project amenities. These data are compared with the 7000 Carnation Apartments proposal to establish the competitive position and market support for the proposed 218 apartment units, which are the basis for establishing competitive rents and market support.

Characteristics of Affordable Apartments

Listed in Table 12 are the 22 apartment communities in the market area that were identified as competitive properties. These LIHTC communities contain 3,025 apartment units in total, of which 2,752 units have income restrictions in place. Within this total are 2,114 affordable apartment units in the City of Richmond and 638 affordable apartment units in the Chesterfield County.

Excluding apartment units that are offline for renovations, the current vacancy rate for the affordable apartment units is very low, at only 1.0 percent. The notes in Table 12 show that approximately 450± of these apartment units are occupied by voucher holders. That represents approximately 15 percent of the total number of apartment units.

Seven apartment communities opened since 2015, in addition to a 104-unit expansion phase at New Manchester Flats. All but one of these newer properties opened in the City of Richmond. Combined, these apartment communities added 958 affordable apartment units. These newer properties have a combined vacancy rate of 1.0 percent. Of note is that the delivery of these apartment communities had no adverse impact on the occupancy rates of the existing affordable apartment communities. The absorption pace for these apartment properties, between 2015 and 2020, was an annual average of approximately 190 apartment units. In total, 1,084 affordable apartment units in ten properties were placed on the market since 2010. All but ten of these apartment units are now occupied.

Most recent to open is the 96-unit Alexander at 1090 with three four-story garden-style apartment buildings. The community also includes a clubhouse with a fitness center, laundry facilities, on-site leasing office, dog park, playground and bicycle storage. This complex opened near the study site in November, 2020 with 77 LIHTC apartment units and 19 apartment units with project-based vouchers. The LIHTC units are restricted to households earning 40%, 50% and 60% of AMI. This is attractive apartment community achieved stabilized occupancy within three months of opening. Management reports an average lease-up pace of 45 apartment units per month.

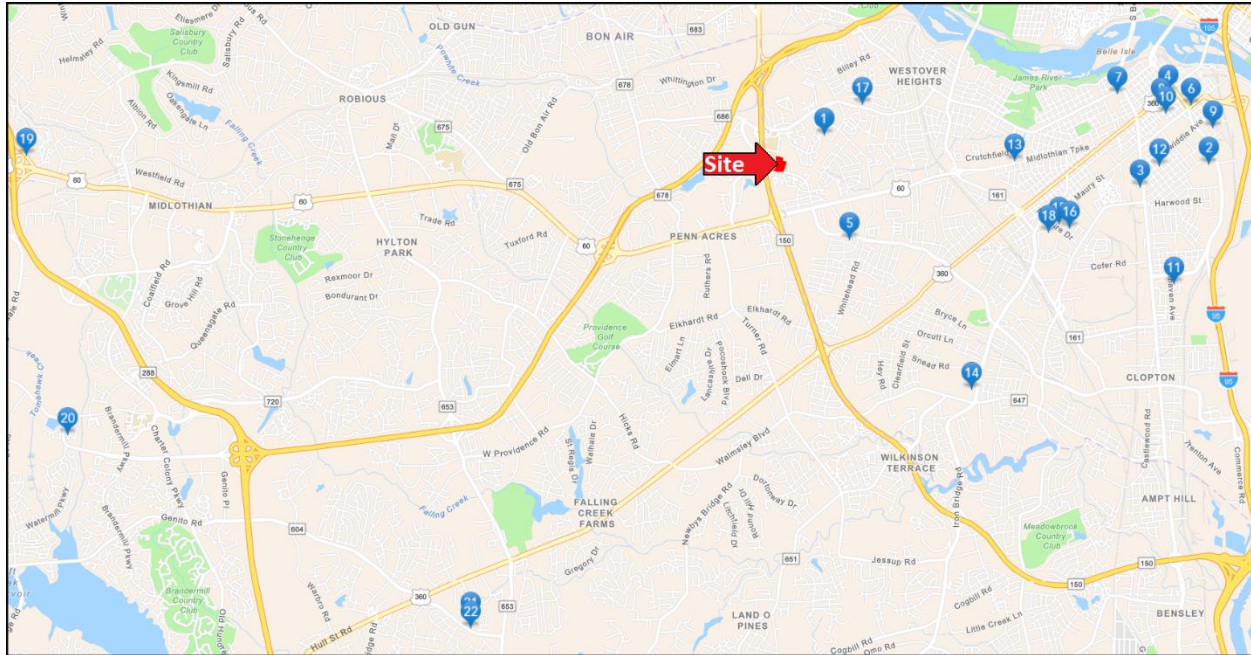
In addition to the newer apartment complexes are 12 older apartment properties that opened prior to 2010 with 1,668 affordable apartment units. Essentially all of these have properties have undergone renovations, and none are facing any vacancy issues. Two apartment communities are now being renovated. Excluding units that are offline for renovations, these older apartment properties have a combined vacancy rate of only 1.0 percent.

Overall, the market area has a very low vacancy rate of 1.0 percent, when units offline for renovations are excluded. Several of these properties maintain waitlists of approximately 600 households. The fact that most of the older apartment complexes have been renovated to remain competitive denotes the level of demand for this type of housing. Additionally, the older properties are at or near full occupancy. No properties are facing any vacancy issues and the pandemic has not impacting market area occupancy rates.

Table 12: Characteristics of Competitive LIHTC Apartments, 7000 Carnation Apartments Market Area, February, 2022

	<u>Map F Key</u>	<u>Building Type</u>	<u>Year Built</u>	<u>Total Units</u>	<u>Affordable Units</u>	<u>Vacant Affordable Units</u>
<u>City of Richmond Properties</u>						
Alexander at 1090 2/	1	New Construction	Nov-20	96	96	3
The Mirage Manchester	2	Adaptive-Reuse	Sep-20	140	140	3
Port City Apartments	3	Adaptive-Reuse	Feb-19	135	135	0
Hatcher Tobacco Flats	4	New Construction	2015	152	151	0
Townhomes at Warwick I & II	5	New Construction	2015/21 3/	70	70	0
Miller Lofts at Plant Zero	6	Adaptive-Reuse	2015	192	192	4
Belle Summit	7	New Construction	2013	50	50	0
City View Place	8	New Construction	2012	32	32	0
New Manchester Flats	9	A-R (172)/ NC (104)	2010/11/2020 4/	276	148	0
Old Manchester Plaza	10	Adaptive-Reuse	2009	46	46	3
Graystone Place	11	New Construction	1987/04	135	135	3
Chicago Manor	12	New Construction	1978/98	74	74	1
Linden at Forest Hill	13	New Construction	1973/95	101	101	2
Tuscany Townhomes	14	New Construction	1971/14	132	132	0
Village South/ Swansboro 5/	15	New Construction	1947/62/21	173	173	55 6/
Southgate	16	New Construction	1965/05	111	111	36 6
Morningside Apartments	17	New Construction	1964/99	392	248	0
McGuire Park	18	New Construction	1942/04	<u>80</u>	<u>80</u>	<u>0</u>
(Subtotal)				(2,387)	(2,114)	(110)
<u>Chesterfield County Properties</u>						
Brook Creek Crossings	19	New Construction	Apr-14	70	70	0
Creekpointe	20	New Construction	2003	214	214	0
Genito Glen	21	New Construction	1998	102	102	0
Mallard Cove I & II	22	New Construction	1992	<u>252</u>	<u>252</u>	<u>5</u>
(Subtotal)				(638)	(638)	(5)
Total				3,025 1/	2,752	115
Vacancy Rate						1.0% 7/
Notes: 1/ Includes approximately 450± Section 8 voucher holders. 2/ 77 LIHTC units; 19 PBV units. 3/ Phase I (40 units) opened in 2015. Phase II (30 units) opened in Spring of 2021. 4/ 104-unit phase opened in November, 2020. 5/ 111 units at Village South Townhomes. 62 units at Swansboro. 6/ Several units offline for renovations. 7/ Excludes units offline for renovations.						
Source: Field and Telephone Survey by S. Patz and Associates, Inc.						

Map F shows the locations of each of these LIHTC properties. As shown, most are located in the south side of Richmond, in and around the Manchester neighborhood. Four apartments are located in the Midlothian area of western Chesterfield County.



Map F - Locations of Competitive LIHTC Apartments

To follow are photos of each of the LIHTC apartment under study. The Mirage Manchester, Port City Apartments, Miller Lofts at Plant Zero, New Manchester Flats and Old Manchester Plaza are adaptive-reuse developments. Hatcher Tobacco Flats, Belle Summit and the newest phase of New Manchester Flats are elevator-served, new construction buildings. The remaining apartment properties either have garden or townhome designs.



Alexander at 1090



The Mirage Manchester



Port City Apartments



Hatcher Tobacco Flats



Townhomes at Warwick Place



Miller Lofts at Plant Zero



Belle Summit



City View Place



(New Construction)



(Adaptive Reuse)

New Manchester Flats



Old Manchester Plaza



Graystone Place



Chicago Manor



Linden at Forest Hill



Tuscany Townhomes



Village South



Southgate



McGuire Park



Brook Creek Crossings



Creekpointe



Genito Glen



Mallard Cove

Income Restrictions

Table 13 shows the income restrictions at each of the competitive apartments under study. Only New Manchester Flats has a significant number of market rate units. Approximately 71 percent of the apartment units (2,138 apartment units) are restricted to 60% of AMI, while 16.1 percent (483 apartment units) are restricted to 50% of AMI. Only 78 apartment units are restricted to 40% of AMI. The only property with 70% units is Port City Apartments. 19 apartment units in this community are restricted to 70% of AMI.

7000 Carnation Apartments will have a near even mix of apartment units restricted to 50%, 60% and 70% of AMI.

**Table 13: Breakdown of Income Restrictions at Competitive LIHTC Apartments,
7000 Carnation Apartments Market Area, February, 2022 1/**

	<u>40% of AMI</u>	<u>50% of AMI</u>	<u>60% of AMI</u>	<u>70% of AMI</u>	<u>80% of AMI</u>	<u>Market Rate</u>	<u>Total LIHTC Units</u>
<u>City of Richmond Properties</u>							
Alexander at 1090	2	46	29	0	0	0	77
The Mirage Manchester	0	0	140	0	0	0	140
Port City Apartments 2/	14	24	63	19	14	0	135
Hatcher Tobacco Flats	15	136	0	0	0	1	152
Townhomes at Warwick Place	7	32	31	0	0	0	70
Miller Lofts at Plant Zero	0	0	192	0	0	0	192
Belle Summit	5	45	0	0	0	0	50
City View Place	5	27	0	0	0	0	32
New Manchester Flats	22	0	126	0	0	128	276
Old Manchester Plaza	0	6	40	0	0	0	46
Graystone Place	0	0	135	0	0	0	135
Chicago Manor	0	0	74	0	0	0	74
Linden at Forest Hill	0	0	101	0	0	0	101
Tuscany Townhomes	0	27	105	0	0	0	132
Village South/ Swansboro	0	0	173	0	0	0	173
Southgate	0	0	111	0	0	0	111
Morningside Apartments	0	0	248	0	0	144	392
McGuire Park	0	40	40	0	0	0	80
(Subtotal)	(70)	(383)	(1,608)	(19)	(14)	(273)	(2,368)
<u>Chesterfield County Properties</u>							
Brook Creek Crossings	8	62	0	0	0	0	70
Creekpointe	0	0	214	0	0	0	214
Genito Glen	0	38	64	0	0	0	102
Mallard Cove I & II	0	0	252	0	0	0	252
(Subtotal)	(8)	(100)	(530)	(0)	(0)	(0)	(638)
Total	78	483	2,138	19	14	273	3,006
Percent of Total	2.6%	16.1%	71.1%	0.6%	0.5%	9.1%	100.0%
7000 Carnation Apartments	0	74	70	74	0	0	218

Notes: 1/ Excludes Project Based Voucher units.

2/ Includes one 30% unit.

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

Net Rent Analysis

The net rent analysis is presented next in Table 14. Rents were adjusted to exclude the costs of utilities to be consistent with the rental structure at 7000 Carnation Apartments. The data also show that six of the apartment properties under study provide in-unit washers and dryers at no additional cost. That is a \$40± premium. The data show a wide mix of rents due to various income restrictions. Shown in Table 14 are rents for the 50%, 60% and 70% apartment units only.

The one-bedroom 50% apartment units average \$796 in the market area, which is \$73 above the proposed 50% one-bedroom rents at 7000 Carnation Apartments. None of the existing

apartment properties generate higher 50% one-bedroom rents. The one-bedroom 60% apartment units average \$810, which is approximately \$80 above the proposed 60% one-bedroom apartment units at 700 Carnation Apartments. Of note is that several of the older properties have very low 60% rents for their one-bedroom units. The newer apartment properties generate higher rents for their 60% one-bedroom apartment units compared to the proposal. The one complex with 70% one-bedroom apartment units is Port City Apartments, where these units generate rents higher than the proposed 70% one-bedroom apartment units at 7000 Carnation Apartments.

The 50% two-bedroom apartment units rent for an average of \$901, or \$39 above the proposed 50% two-bedroom rents at 7000 Carnation Apartments. The 60% two-bedroom apartment units average \$934, which is \$131 below the proposed 60% two-bedroom rents at 7000 Carnation Apartments. As with the one-bedroom apartment units, many of the older properties generate low 60% rents. The two apartment properties with 70% two-bedroom apartment units lease these units for between \$1,262 and \$1,348. This is compared to a proposed 70% two-bedroom rent of \$1,267 at 7000 Carnation Apartments.

The three-bedroom apartment units share a similar pattern. The 50% three-bedroom apartment units average \$1,011, which is \$31 above the proposed 50% three-bedroom rent of \$1,214 at 7000 Carnation Apartments. The 60% three-bedroom apartment units average \$1,113, which is approximately \$100 below the proposed 60% three-bedroom apartment units at 7000 Carnation Apartments. Port City Apartments rents 70% three-bedroom apartment units for \$1,558, which is \$110 above the proposed 70% three-bedroom apartment units at 7000 Carnation Apartments.

The key point in Table 14 is that the proposed rents at 7000 Carnation Apartments are at market.

Table 14: Rental Rates at LIHTC Apartment Communities, 7000 Carnation Apartments Market Area, February, 2022 1/

	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>
<u>City of Richmond</u>			
Alexander at 1090 2/	--	\$1,095 (50%/60%)	\$1,263 (50%/60%)
The Mirage Manchester 2/	\$889 (60%)	\$1,057 (60%)	--
Port City Apartments	\$790 (50%)-\$959 (60%)-\$1,128 (70%)	\$943 (50%)-\$1,146 (60%)-\$1,348 (70%)	\$1,324 (60%)-\$1,558 (70%)
Hatcher Tobacco Flats 2/	\$737 (50%)	\$876 (50%)	\$1,001 (50%)
Townhomes at Warwick	--	--	\$795 (50%)-\$979 (60%)
Miller Lofts at Plant Zero 2/	\$882 (60%)	\$1,037 (60%)	\$1,162 (60%)
Belle Summit	\$773 (50%)	\$908 (50%)	\$1,037 (50%)
City View Place	--	\$975 (50%)	\$975 (50%)
New Manchester Flats 2/	\$724 (50%)-\$892 (60%)	\$1,056-\$1,061 (60%)-\$1,250-\$1,262 (70%)	--
Old Manchester Plaza 3/	\$747 (60%)	\$881 (60%)	--
Graystone Place	\$697 (60%)	\$756-\$856 (60%)	--
Chicago Manor	--	\$681 (50%)	--
Linden at Forest Hill	\$837 (60%)	\$956 (60%)	--
Tuscany Townhomes 2/	--	\$831-\$931 (50%/60%)	--
Village South/ Swansboro	--	\$745-876 (60%)	--
Southgate	\$685 (60%)	\$785 (60%)	\$960 (60%)
Morningside Apartments	--	\$851-\$981 (60%)	\$1,145 (60%)
McGuire Park	\$705 (60%)	\$745 (60%)	--
<u>Chesterfield County</u>			
Brook Creek Crossings	--	\$746-\$823 (60%)	\$913 (60%)
Creekpointe	--	\$1,066 (60%)	\$1,233 (60%)
Genito Glen	--	\$864 (50%)-\$1,067 (60%)	\$993 (50%)-\$1,227 (60%)
Mallard Cove	--	\$886 (60%)	\$955-\$985 (60%)
50% of AMI Average	\$796	\$901	\$1,011
60% of AMI Average	\$810	\$934	\$1,113
70% of AMI Average	\$1,128	\$1,302	\$1,558
Proposed 50% Rents 2/	\$723	\$862	\$980
Proposed 60% Rents 2/	\$892	\$1,065	\$1,214
Proposed 70% Rents 2/	\$1,061	\$1,267	\$1,448
Notes: 1/ Rents adjusted to exclude utilities. Only 50%, 60% and 70% rents shown.			
2/ Includes in-unit washer/ dryer.			
3/ Estimate			
Source: Field and Telephone Survey by S. Patz and Associates, Inc.			

Rent per Square Foot

Given the various income restrictions and building types, a rent per square foot calculation was not made as it is not relevant to the apartment analysis.

Apartment Unit Sizes

Data in Table 15 shows the apartment unit sizes for each of the properties under study. The data show that the one-bedroom apartment units average 653 square feet, two-bedroom apartment units average 912 square feet and three-bedroom apartment units average 1,160 square feet. On average, the apartment units at the Chesterfield County properties are larger than the Richmond properties by:

-
- One-Bedroom: 116 square feet
 - Two-bedroom: 84 square feet
 - Three-Bedroom: 33 square feet

The one-bedroom apartment units at 7000 Carnation Apartments are proposed to measure 579 square feet, which is approximately 70 square feet smaller than the market area average. Most of the apartment properties under study have similarity-sized one-bedroom units that have leased well.

The two-bedroom apartment units at 7000 Carnation Apartments are proposed to measure 841 square feet, which is approximately 70 square feet smaller than the market area average. Nevertheless, six of the apartment properties under study lease smaller two-bedroom units without issue.

The three-bedroom apartment units are proposed to measure 1,157 square feet at 7000 Carnation Apartments. This is three square feet smaller than the market area average. The proposed three-bedroom units would be fully marketable and competitive.

**Table 15: Apartment Unit Sizes at LIHTC Apartments,
7000 Carnation Apartments Market Area, February, 2022**

	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>
<u>City of Richmond Properties</u>			
Alexander at 1090	--	879-901	1,031
The Mirage Manchester	488-757	868	--
Port City Apartments 1/	677	910	1,201
Hatcher Tobacco Flats	586-776	946-1,161	1,028-1,174
Townhomes at Warwick I & II	--	--	1,312-1,390
Miller Lofts at Plant Zero	607-734	908-1,164	--
Belle Summit	556	830-897	1,066-1,106
City View Place	--	927	1,207
New Manchester Flats	582-818	790-1,064	1,200
Old Manchester Plaza	586-684	710-972	--
Graystone Place	602	722	--
Chicago Manor	--	750	--
Linden at Forest Hill	535-600	771	--
Tuscany Townhomes	--	1,250	--
Village South/ Swansboro	675	760-795	1,100
Southgate	675	850	1,121
Morningside Apartments	--	874-1,023	1,110
McGuire Park	669	852	--
(Average)	(644)	(896)	(1,151)
<u>Chesterfield County Properties</u>			
Brook Creek Crossings	760	1,053	1,143
Creekpointe	--	1,000	1,274
Genito Glen	--	949	1,138
Mallard Cove I & II	--	882-1,008	1,118-1,244
(Average)	(760)	(980)	(1,184)
Average	653	912	1,160
7000 Carnation Apartments	579	841	1,157

Notes: 1/ Average unit sizes shown.

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

Apartment Unit Mix

Next shown, in Table 16, are the apartment unit mixes at the competitive apartment communities under study. The majority of the LIHTC apartment units in are two-bedroom units (54.8 percent). The percentage of one-bedroom units is slightly larger than the percentage of three-bedroom units, 26.3 percent versus 17.0 percent. One complex—Mallard Cove—offers four-bedroom units. The Chesterfield County apartment properties have primarily two- and three-bedroom apartment units, as they were designed primarily for families.

Table 16: Apartment Unit Mix at Competitive LIHTC Apartments, 7000 Carnation Apartments Market Area, February, 2022

	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>	<u>Total</u>
<u>City of Richmond Properties</u>				
Alexander at 1090	0	32	64	96
The Mirage Manchester	131	9	0	140
Port City Apartments	67	67	1	135
Hatcher Tobacco Flats	32	92	28	152
Townhomes at Warwick Place	0	0	70	70
Miller Lofts at Plant Zero	124	68	0	192
Belle Summit	10	30	10	50
City View Place	0	14	18	32
New Manchester Flats	169	103	4	276
Old Manchester Plaza	29	17	0	46
Graystone Place	20	115	0	135
Chicago Manor	0	74	0	74
Linden at Forest Hill	57	44	0	101
Tuscany Townhomes	0	132	0	132
Village South/ Swansboro	16	141	16	173
Southgate	16	79	16	111
Morningside Apartments	0	320	72	392
McGuire Park	48	32	0	80
(Subtotal)	(719)	(1,369)	(299)	(2,387)
<u>Chesterfield County Properties</u>				
Brook Creek Crossings	6	40	24	70
Creekpointe	0	120	94	214
Genito Glen	0	78	24	102
Mallard Cove I & II 1/	0	94	96	252
(Subtotal)	(6)	(332)	(238)	(638)
Total	725	1,701	537	3,025
Percent of Total	24.0%	56.2%	17.8%	100.0%
7000 Carnation Apartments	175	32	11	218
Notes: 1/ Includes 62 four-bedroom units				
Source: Field and Telephone Survey by S. Patz and Associates, Inc.				

Community Amenities

Table 17 lists the community amenities at the competitive LIHTC apartments. Nearly all of the communities that do not provide washers and dryers have on-site laundry facilities. Several communities are amenitized with a clubhouse, fitness center and outdoor swimming pool. Many of the newer communities have business centers as well and several also have playgrounds. Five of the apartment communities, all in the City of Richmond, have elevators. Most of the elevator-served buildings are adaptive-reuse properties.

**Table 17: Community Amenities Mix at Competitive LIHTC Apartments,
7000 Carnation Apartments Market Area, February, 2022**

	<u>Elevator</u>	<u>Clubhouse</u>	<u>Business</u>	<u>Pool</u>	<u>Fitness</u>	<u>Playground</u>	<u>Laundry</u>
<u>City of Richmond Properties</u>							
Alexander at 1090	○	●	●	●	●	●	○
The Mirage Manchester	○	●	●	●	●	●	○
Port City Apartments	●	●	●	●	●	○	○
Hatcher Tobacco Flats	●	●	○	○	●	○	●
Townhomes at Warwick Place	○	○	○	○	○	○	○
Miller Lofts at Plant Zero	○	●	●	●	●	○	○
Belle Summit	●	●	●	○	○	○	●
City View Place	○	●	●	○	●	●	●
New Manchester Flats	●	●	○	●	●	●	○
Old Manchester Plaza	●	○	○	○	○	○	●
Graystone Place	○	○	○	○	○	●	●
Chicago Manor	○	○	○	○	○	○	●
Linden at Forest Hill	○	○	○	○	○	○	●
Tuscany Townhomes	○	○	○	●	○	●	○
Village South/ Swansboro	○	○	○	○	○	○	●
Southgate	○	○	○	○	○	○	●
Morningside Apartments	○	○	○	●	○	●	●
McGuire Park	○	○	○	○	○	○	●
<u>Chesterfield County Properties</u>							
Brook Creek Crossings	○	●	●	●	●	●	○
Creekpointe	○	●	●	●	●	●	●
Genito Glen	○	●	●	●	●	●	●
Mallard Cove	○	○	○	●	○	●	○
7000 Carnation Apartments	●	●	○	●	●	○	○

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

Section III Market Study Conclusions

The analysis presented above shows a very strong affordable apartment market for families in the market area. With the level of population and household growth, a pent-up demand clearly exists. The current competitive affordable apartment market for families has a low vacancy rate of 1.0 percent and a waitlist of at least 600 households.

While seven new apartment properties and a new phase of an existing apartment property have delivered since 2015, this has not satisfied demand. Five apartment complexes with 580± apartment units have delivered over the past decade. These newer properties are all at or near full occupancy and several maintain waitlists. Nevertheless, there are several affordable apartment communities in active planning, which will be detailed further below.

The following Analysis of Demand will show the evolving supply/demand analysis for family rental housing for the projection period of 2024.

Demand Analysis

Competitive Affordable Pipeline Proposals

Table 18 lists the affordable apartment properties that are under construction and in active planning in the market area. Two apartment communities are now under construction with a total of 348 affordable apartment units. In addition are five other affordable apartment proposals with 508 apartment units that are expected to begin construction between early-2022 and early-2023.

In total, these proposals will add 12 apartment units restricted to 30% of AMI, 26 apartment units restricted to 40% of AMI, 129 apartment units restricted to 50% of AMI, 633 apartment units restricted to 60% of AMI, 38 apartment units restricted to 70% of AMI and 18 apartment units restricted to 80% of AMI.

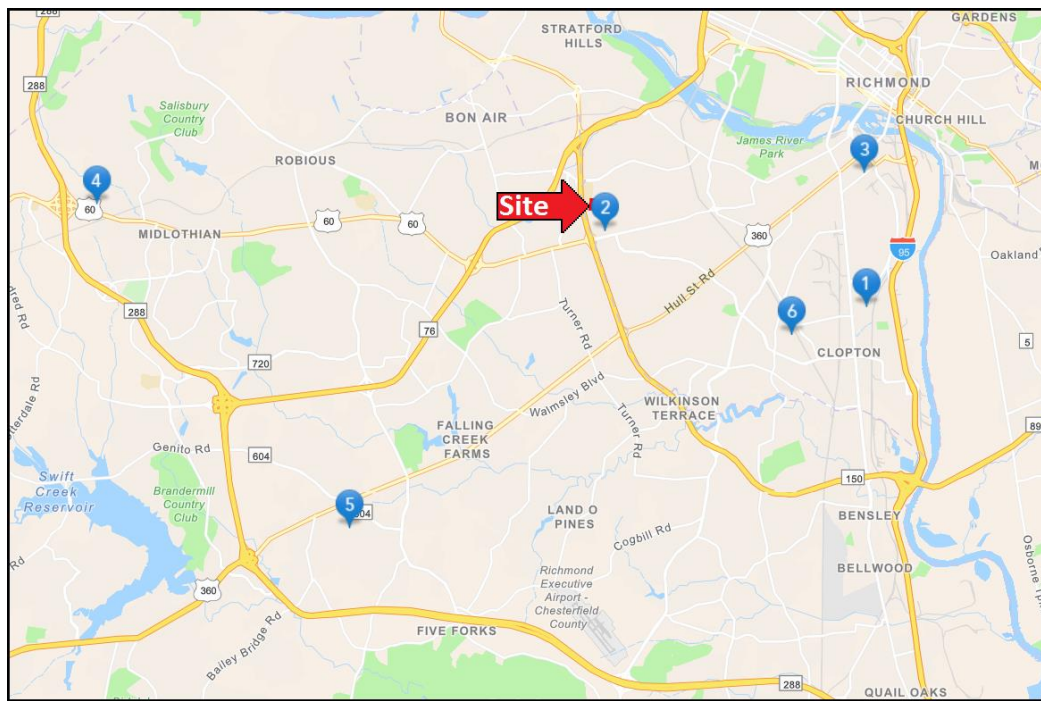
Table 18: Affordable Apartment Pipeline, 7000 Carnation Apartments Market Area, February, 2022

	<u>Map G</u> <u>Key</u>	<u>40% of</u> <u>AMI</u>	<u>50% of</u> <u>AMI</u>	<u>60% of</u> <u>AMI</u>	<u>70% of</u> <u>AMI</u>	<u>Total</u> <u>Units</u>	<u>Status</u>
<u>Under Construction</u>							
Heights at Brady Square I & II	1	7	26	99	0	132	Late-2023 Opening
Urbana at Hioaks	2	0	0	216	0	216	Late-2023 Opening
(Subtotal)		(7)	(26)	(315)	(0)	(348)	
<u>Planned</u>							
Heights at Brady Square III & IV	1	7	26	99	0	132	April, 2022 Start
The View at Belle Isle	3	0	0	128	0	128	Mid-2022 Start
288 Lofts 1/	4	0	44	48	38	160	Mid-2022 Start
Horner Apartments	5	8	17	24	0	49	Early-2023 Start
Townhomes at Liberty Place	6	4	16	19	0	39	Early-2023 Start
(Subtotal)		(19)	(103)	(318)	(38)	(508)	
Total		26	129	633	38	856	

Notes: 1/ 12 units restricted to 30% of AMI. 18 units restricted to 80% of AMI.

Source: S. Patz & Associates, Inc.

Map G shows the locations of each of the above pipeline apartments. Four apartment proposals are located in the City of Richmond, including Urbana at Hioaks near the study site. Two apartment proposals are located in the greater Midlothian area of western Chesterfield County.



Map G - Locations of Affordable Pipeline Apartments

The paragraphs below briefly detail each of these affordable apartment proposals.

-
- **Heights at Brady Square I & II** was awarded 9% tax credits during the 2019 and 2020 allocation rounds. The project is proposed for 132 affordable units at 2200 Brady Street. It will contain 12 one-bedroom, 12 two-bedroom and 12 three-bedroom garden-style units as well as 14 one-bedroom, 68 two-bedroom and 14 three-bedroom townhome-style units. Within this total will be seven 40% units, 26 50% units and 99 60% units. The 40% units will have project-based vouchers. Community amenities will include a clubhouse, fitness center, playground, laundry facility and picnic area. Construction began in January, 2022.
 - **Heights at Brady Square III & IV** are planned for 132 additional units (66 units in Ph III and 66 units in Ph IV) among 22 two-story buildings to include one-, two- and three-bedroom apartment units. Within this total will be seven units restricted to 30% of AMI, 26 units restricted to 50% of AMI and 99 units restricted to 60% of AMI. Construction is planned to begin in April, 2022.
 - **Urbana at Hioaks** is a proposed 216-unit affordable apartment complex to be built at 6850 Atmore Drive. The complex will contain a four-story midrise building with elevator services alongside five three-story garden-style apartment buildings. All units will be restricted to 60% of AMI with a mix of 40 one-bedroom, 130 two-bedroom and 46 three-bedroom units. The complex will offer a business center, community room, central laundry facility, on-site management, exercise facility, playground, swimming pool, picnic area, recreation area, and common area Wi-Fi. Site work began in January, 2022.
 - **The View at Belle Isle**. This is a proposal for 128 affordable apartment units in an elevator-building at 812 Hull Street. All units will be restricted to 60% of AMI. This will be an amenitized community with a fitness center, bicycle storage, covered parking, and a bus stop on site. Construction is expected to begin in the summer of 2022 and take approximately one year to complete.
 - **288 Lofts**. This vacant site at the intersection of Wylderose Avenue and Creekwillow Drive in Midlothian and is proposed for a 160-unit affordable apartment complex. The concept is for 112 units to be financed through nine percent Low Income Housing Tax Credits and 48 units through four percent Low Income Housing Tax Credits. All units will be income restricted with 12 units restricted to 30% of AMI, 44 units restricted to 50% of AMI, 48 units restricted to 60% of AMI, 38 units restricted to 70% of AMI and 18 units restricted to 80% of AMI. The complex will be comprised of four four-story elevator buildings as well as a clubhouse with a fitness center, business center, community room and leasing office. Also planned is an outdoor pool, playground and grilling stations. The complex received financing in the 2021 9% competitive LIHTC round and construction is likely to begin in June, 2022 with the first units to be completed by June, 2023 and full construction to be completed by October, 2023.
 - **Horner Apartments**. This is a proposal for an affordable elevator-served apartment community near the southern intersection of Hull Street Road and Genito Road in western Chesterfield County. Plans call for a total of 49 apartment units, including six one-

bedroom 31 two-bedroom and 12 three-bedroom units. Within this total will be eight units restricted to 40% of AMI, 17 units restricted to 50% of AMI and 24 units restricted to 60% of AMI. Amenities will include community space and fitness center. Construction could begin by January, 2023.

- **Townhomes at Liberty Place** involves the new construction of 39 townhomes for rent at 2525, 2613 and 2701 East Belt Boulevard in Richmond. Within this total will be seven one-bedroom and 32 three-bedroom units. Four units will be restricted to 40% of AMI. 16 units will be restricted to 50% of AMI. 19 units will be restricted to 60% of AMI. Amenities will include a community room, computer center and laundry room. Construction is expected to begin on January, 2023.

Next shown are photos of the existing conditions of each of the pipeline apartment proposals, as well as renderings/ elevations, when made available. The photos show that construction recently began at Heights at Brady Square I & II as well as Urbana at Hioaks. Several of these apartment proposals have contemporary designs with elevators.



(Rendering)



(Existing Conditions)



Urbana at Hioaks



(Elevation)



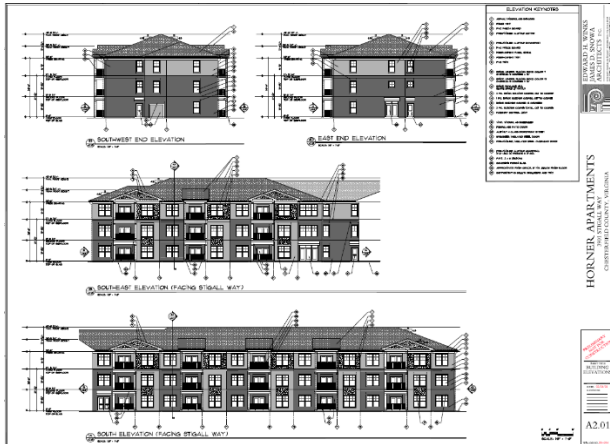
(Rendering)

The View at Belle Isle

(Existing Conditions)



(Existing Conditions)



(Elevations)

Horner Apartments



(Existing Conditions)



Townhomes at Liberty Place

Demand Table

The Virginia Housing Demand Table is presented next. It shows a projected net growth of 810± targeted family households for the 2020 to 2024 period for the 50% apartment units. The growth amount is 940± households for the 60% apartment units and 950± households for the 70% apartment units.

Added to this total is a 15 percent factor to account for expected tenants with vouchers for an increased demand of 120± renter households for the 50% apartment units, 140± renter households for the 60% apartment units and 140± renter households for the 70% apartment units.

We excluded households in substandard housing in our demand analysis, as that is not a major issue for residents of the market area. 7000 Carnation Apartments will not be a senior property. Thus, the total demand is comprised of net target household growth, plus a likely number of households with rent restriction vouchers.

For supply, we noted that that two affordable apartment complexes are under construction and five others are in planning. These proposals will add 129 apartment units restricted to 50% of AMI, 633 apartment units restricted to 60% of AMI and 38 apartment units restricted to 60% of AMI. The other available apartment units are part of normal market area vacancy. Therefore, these are excluded from the demand analysis.

This generates a net potential net demand of 800± apartment units for the 50% income category, 450± apartment units for the 60% income category and 1,050± apartment units for the 70% income category. Each of the three income categories is should have a lease-up pace of 15 apartment units per month, on average and including pre-leases.

Demand Table (2020-2024)

	<u>Up to 50% of AMI</u>	<u>Up to 60% of AMI</u>	<u>Up to 70% of AMI</u>	<u>Total</u>
New Rental Households	810	940	950	2,700
PLUS				
Existing Households - Over-Burdened (Rounded)	120	140	140	400
PLUS				
Existing Households-Substandard Housing	0	0	0	0
PLUS				
Elderly Households-Likely to Convert to Rental Housing	0	0	0	0
PLUS				
Existing Qualifying Tenants – to Remain After Renovation	0	0	0	0
Total Demand	930	1,080	1,090	3,100
MINUS				
Supply (includes directly comparable vacant units completed or in pipeline in PMA)	129	633	38	800
Equals				
Net Demand	801	447	1,052	2,300
Proposed Units	74	70	74	218
Capture Rate	9.2%	15.7%	7.0%	9.5%
Absorption Period (in months)	5	5	5	5

Capture Rate

The capture rate of total demand is 9.5 percent, or 9.2 percent for the 50% apartment units, 15.7 percent for the 60% apartment units and 7.0 percent for the 70% apartment units. These are conservative calculations, as they do not account for extensive market area waitlists and the level of voucher holders could exceed 15 percent. The lease-up period is shown as five months for each income category.

The Virginia Housing capture rate chart is as follows:

Project Wide Capture Rate – LIHTC Units	<u>9.5%</u>
50% of AMI (74 units)	<u>9.2%</u>
60% of AMI (70 units)	<u>15.7%</u>
70% of AMI (74 units)	<u>7.0%</u>
Project Wide Capture Rate – Market Rate Units	<u>N/A</u>
Project Wide Capture Rate – All Units	<u>9.5%</u>
Project Wide Absorption Period (Months)	<u>5 Month 1/</u>

Notes: 1/ Includes units to be pre-leased.

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.
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 Virginia Housing or in any way acting for, at the request of, or on behalf of Virginia Housing.
6. Compensation for my services is not contingent upon this development receiving a LIHTC reservation or allocation.

Ariel Goldring

Market Analyst

February, 2022

Date