City Council Work Session

Tuesday, October 15, 2013
6:00 p.m.
Council Chambers – Rouss City Hall

AGENDA

1.0 Call to Order

2.0 Public Comments: (Each person will be allowed 3 minutes to address Council with a maximum of 10 minutes allowed for everyone)

3.0 Items for Discussion:

3.1 Presentation – Millwood Avenue Landscape Design – Shenandoah University (pages 3-6)

3.2 Presentation – Waste to Energy Project & Resolution for Bond – Jessie Moffett, Frederick-Winchester Service Authority (pages 7-15)

3.3 Presentation – Market Analysis – Jim Deskins, Economic Redevelopment Director (pages 16-77)

3.4 Old Town Special Events – Jennifer Bell, Downtown Manager (pages 78-79)

3.5 Motion to authorize the adoption of the Juvenile Detention Center agreement – Erin Maloney, Superintendent, Juvenile Detention Center (pages 80-90)

3.6 Discussion for Strategic Plan Retreat in December – Dale Iman, City Manager (pages 91-92)

4.0 Executive Session

4.1 MOTION TO CONVENE IN EXECUTIVE SESSION PURSUANT TO §2.2-3711(A)(7) OF THE CODE OF VIRGINIA FOR THE PURPOSE OF RECEIVING LEGAL ADVICE AND STATUS UPDATE FROM THE CITY ATTORNEY AND LEGAL CONSULTATION REGARDING THE SUBJECT OF SPECIFIC LEGAL MATTERS REQUIRING THE PROVISION OF LEGAL ADVICE BY THE CITY ATTORNEY AND MATTERS OF ACTUAL OR PROBABLE LITIGATION AND PURSUANT TO §2.2-3711(A)(29) FOR THE

PURPOSE OF DISCUSSION OF THE AWARD OF A PUBLIC CONTRACT INVOLVING THE EXPENDITURE OF PUBLIC FUNDS, INCLUDING INTERVIEWS OF BIDDERS OR OFFERORS, AND DISCUSSION OF THE TERMS OR SCOPE OF SUCH CONTRACT, WHERE DISCUSSION IN AN OPEN SESSION WOULD ADVERSELY AFFECT THE BARGAINING POSITION OR NEGOTIATING STRATEGY OF THE PUBLIC BODY AND AND PURSUANT TO §2.2-3711(A)(6) FOR THE PURPOSE OF DISCUSSION OR CONSIDERATION OF THE SUBJECT OF THE INVESTMENT OF PUBLIC FUNDS WHERE COMPETITION OR BARGAINING IS INVOLVED, WHERE, IF MADE PUBLIC INITIALLY, THE FINANCIAL INTEREST OF THE GOVERNMENTAL UNIT WOULD BE ADVERSELY AFFECTED.

5.0 Liaison Reports

6.0 Monthly Reports

7.0 Adjourn

CITY OF WINCHESTER, VIRGINIA

PROPOSED CITY COUNCIL AGENDA ITEM

CITY COUNCIL MEETING OF: 10/15/13 (work session), 11/12/13 (regular mtg) **CUT OFF DATE:** 10/10/13

RESOLUTION X **ORDINANCE** ___ **PUBLIC HEARING**

ITEM TITLE:
A RESOLUTION TO ACCEPT THE DETAILED TIME SCHEDULE AND DETAILED GATEWAY ENHANCEMENT PLAN PREPARED BY SHENANDOAH UNIVERSITY FOR THE MILLWOOD AVENUE PROJECT

STAFF RECOMMENDATION:
Approval if Council finds the Schedule and Plan acceptable.

PUBLIC NOTICE AND HEARING:
N/A

ADVISORY BOARD RECOMMENDATION:
None

FUNDING DATA: N/A

INSURANCE: N/A

The initiating Department Director will place below, in sequence of transmittal, the names of each department that must initial their review in order for this item to be placed on the City Council agenda.

DEPARTMENT	INITIALS FOR APPROVAL	INITIALS FOR DISAPPROVAL	DATE
1. Public Services	PE		10/10/13
2. City Attorney	[illegible]		10/10/2013
3. City Manager			
4. Clerk of Council			

Initiating Department Director's Signature: [signature] 10/10/13
(Planning)

CITY ATTORNEY'S OFFICE Received OCT 10 2013 WINCHESTER, VA

APPROVED AS TO FORM: [signature] 10/10/2013
CITY ATTORNEY

CITY COUNCIL ACTION MEMO

To: Mayor and Members of City Council

From: Tim Youmans, Planning Director

Date: October 10, 2013

Re: Millwood Avenue- SU Schedule and Gateway Plan

THE ISSUE:
Shenandoah University (SU) has prepared a detailed schedule of work and a detailed gateway enhancement plan for Millwood Avenue. The attached resolution, if approved, would memorialize City Council's acceptance as called for in the Development Agreement.

RELATIONSHIP TO STRATEGIC PLAN:
Goal 4: Create a More Livable City for All
High Priority Policy Agenda Action: City Gateway Beautification Project (landscaping & signage)

BACKGROUND:
The Development Agreement between SU and the City which was approved by City Council on Sept 11, 2012 and subsequented executed by the City Manager calls for SU to prepare a detailed Schedule for completing the Millwood Ave project. It also calls for preparation of a detailed gateway plan. Both items are required to be presented to City Council for approval within six (6) months of the CTB approval of the Limited Access modification which occurred on April 17, 2013. A video simulation of the gateway plan will be presented on Oct 15, 2013.

The City Manager, Planning Director, and Public Services Director met with SU officials and their consultants on Oct 1, 2013 to review the Gateway Plan, but not the project schedule. Some suggestions were offered with regard to lighting, signage, landscaping selections, and the inclusion of a bus shelter at the designated bus stop near Millwood Ave & University Dr.

The attached Schedule was received on October 10, 2013. Gateway Plan exhibits have not yet been received from SU and will be distributed to City Council upon receipt by City staff.

BUDGET IMPACT:
The City would likely administer the portion of the Millwood Ave construction project entailing work within the public rights of way using funding provided by SU. The Development Agreement specifically precludes any public money being used on the project.

OPTIONS:
1) Approve the Resolution as presented
2) Disapprove the Resolution citing specific concerns with the Schedule and/or Gateway Plan
3) Table approval citing specific concerns with the Schedule and/or Gateway Plan

RECOMMENDATIONS:
Staff recommends Option #1 if Council finds the Plan and Schedule acceptable or Option #3 if any concerns are raised.

A RESOLUTION TO ACCEPT THE DETAILED TIME SCHEDULE AND DETAILED GATEWAY ENHANCEMENT PLAN PREPARED BY SHENANDOAH UNIVERSITY FOR THE MILLWOOD AVENUE PROJECT
R-2013-XX

WHEREAS, a Memorandum of Understanding was executed between the City of Winchester and Shenandoah University (hereinafter 'University') including an agreement that the two entities would work on creating a new entrance to Winchester and the University from Route 50 as well as examining and improving the traffic flow around Jubal Early and Millwood Avenue; and

WHEREAS, City Council, at its September 11, 2012 regular meeting approved a resolution (**R-2012-53**) to authorize the City Manager to execute a Development Agreement in furtherance of the Millwood Avenue Project, said agreement titled: "DEVELOPMENT AGREEMENT BETWEEN THE CITY OF WINCHESTER, VIRGINIA, AND SHENANDOAH UNIVERSITY FOR THE MILLWOOD AVENUE PUBLIC IMPROVEMENT PROJECT" (hereinafter 'Agreement'); and

WHEREAS, the Agreement stipulated that within six (6) months of the date the Commonwealth Transportation Board approves the Modified Limited Accesses described in the Agreement, the University shall, at no cost to the City, prepare and present to Common Council for its approval, which shall not be unreasonably withheld, a **detailed time schedule** for the project outlining the specific dates of completion for the various stages of the project; and

WHEREAS, the Agreement also stipulated that within six (6) months of date the Commonwealth Transportation Board approves the Modified Limited Accesses described in the Agreement, the University shall, at no cost to the City, prepare and present to Common Council for its approval, a **detailed plan outlining the gateway**; and

WHEREAS, the Commonwealth Transportation Board, at its meeting on April 17, 2013, unanimously approved the Modified Limited Accesses described in the Agreement; and

WHEREAS, the University has prepared a detailed time schedule for the project outlining the specific dates of completion for the various stages of the project and has prepared a detailed plan outlining the gateway enhancements and presented both to Common Council for its approval,

NOW THEREFORE BE IT RESOLVED that City Council does hereby accept the detailed time schedule and the detailed gateway enhancement plan for the Millwood Avenue project, and encourages the University to proceed in a timely manner, without expense to the City, with the next steps of the project so that all duties and responsibilities of the City and the University are satisfactorily completed within three (3) years of the September 11, 2012 execution of the Development Agreement as stipulated in the Agreement.

<u>DRAFT</u> MILLWOOD CONSTRUCTION TIMELINE*

October 2013: Completion of landscaping and gateway conceptual plan presented to City Council in October work session.

November 2013: City Council approval of gateway conceptual plan.

January 2014: Completion of final construction plans to include final design revisions from Greenway, signal design plan from Sabra-Wang. Completion of adjoining property owner agreements; completion of right-of-way vacation and conveyance plats.

February 2014 - March 2014: Procurement for construction contractor for phase 1 improvements. Final landscape design plan from BCWH/Van Yahres Studio

April 2014: Completion of agreements for utility relocation.

May 2014: City issuance of notice to proceed for construction of phase 1 improvements. (Anticipated 150 day completion of construction)

November 2014: SU to commence construction of phase 2 improvements.

Spring 2015: Installation of final landscaping elements to complete phase 2 improvements.

*October 2012 Development Agreement between Shenandoah University and City of WInchester allows until October 2015 to have the Millwood Public Improvement Plan completed.

CITY OF WINCHESTER, VIRGINIA

PROPOSED CITY COUNCIL AGENDA ITEM

CITY COUNCIL/COMMITTEE MEETING OF: October 15, 2013 **CUT OFF DATE:** _____

RESOLUTION X **ORDINANCE** ___ **PUBLIC HEARING** ___

ITEM TITLE: Resolution Consenting to the Construction of a Waste-to-Energy Project by the Frederick Winchester Service Authority.

STAFF RECOMMENDATION: Approval of resolution.

PUBLIC NOTICE AND HEARING: NA

ADVISORY BOARD RECOMMENDATION: NA

FUNDING DATA: See attached.

INSURANCE: NA

The initiating Department Director will place below, in sequence of transmittal, the names of each department that must initial their review in order for this item to be placed on the City Council agenda.

DEPARTMENT	INITIALS FOR APPROVAL	INITIALS FOR DISAPPROVAL	DATE
1. Finance	B		10/8/13
2. City Attorney			10/8/2013
3. City Manager			10-9-13
4. Clerk of Council			

Initiating Department Director's Signature: _____ 10/7/13
Date

CITY ATTORNEY'S OFFICE Received OCT 8 2013 WINCHESTER, VA

APPROVED AS TO FORM: _____ 10/8/2013
CITY ATTORNEY

Revised: September 28, 2009

CITY COUNCIL ACTION MEMO

To: Honorable Mayor and Members of City Council

From: Perry Eisenach, Public Services Director

Date: October 15, 2013 (Council Work Session)

Re: Resolution Consenting to the Construction of a Waste-to-Energy Project by the Frederick Winchester Service Authority

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THE ISSUE: Provide consent to the Frederick Winchester Service Authority to move forward with their proposed Waste-to-Energy Project.

RELATIONSHIP TO STRATEGIC PLAN: **Goal 1**: Grow the Economy and **Goal 4:** Create a More Livable City for All.

BACKGROUND: The Frederick Winchester Service Authority has been working on developing a large capital improvements project (Waste-to-Energy Project) during the past year. This proposed project would address several existing capital improvement needs at the facility (i.e. old equipment replacement) and would also include the construction of anaerobic digesters that would allow for generators to be installed so that the facility could produce electricity. These anaerobic digesters would also allow for high strength food waste to be disposed of at the facility. These improvements would allow for the potential to significantly reduce certain operational costs at the facility – particularly, electrical and chemical costs and landfill disposal fees.

The FWSA Board has unanimously approved moving forward with this project. The Inter-municipal Agreement for the operation of the Opequon Water Reclamation Facility requires the consent of the City, Frederick County, and the Frederick County Sanitation Authority for the FWSA to move forward with this project that would include the issuance of Revenue Bonds.

Jesse Moffett from the FWSA will provide a presentation on this proposed project at the October 15 Council work session.

BUDGET IMPACT: This proposed project would require the issuance of over $51 million of Revenue Bonds by the FWSA. While this is a significant amount of additional debt, the 20-year financial projections that have been prepared by FWSA show that the City would save approximately $14.3 million in operational costs over this period when comparing moving forward with this project versus not moving forward with this project. It should be noted that the majority of these projected savings occur during the latter 10 years of the 20 year period. It should also be noted that there is some financial risk in moving forward with this project if the financial assumptions used over the 20-year period do not prove to be accurate.

RECOMMENDATIONS:

The Public Services Department recommends that City Council take the following actions:

1. Approve the resolution providing the City's consent to move forward with the Waste-to-Energy Project.
2. Request that the FWSA utilize reserves to pay for the additional costs incurred during the first year of the project.

OPTIONS FOR CITY COUNCIL:

Either approve or not approve the resolution. If the Council approves the resolution, the Council can also either request or not request that FWSA utilize reserves to pay for the additional project costs during the first year.

RESOLUTION OF THE COMMON COUNCIL OF THE CITY OF WINCHESTER, VIRGINIA, CONSENTING TO NEW PROJECTS TO BE UNDERTAKEN AND FINANCED BY THE FREDERICK-WINCHESTER SERVICE AUTHORITY PURSUANT TO THE OPEQUON WATER RECLAMATION FACILITY INTERMUNICIPAL AGREEMENT AND OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, the County of Frederick, Virginia (the "County"), the City of Winchester, Virginia (the "City"), the Frederick County Sanitation Authority (the "Sanitation Authority") and Frederick-Winchester Service Authority (the "Service Authority") have entered into the Opequon Water Reclamation Facility Intermunicipal Agreement dated as of April 16, 2008 (the "Intermunicipal Agreement"), for the purposes of providing for the construction of such wastewater treatment facilities as are agreed upon from time to time and the financing, operation and maintenance of all such facilities and for providing security for the bonds to be issued by the Service Authority in connection with such facilities;

WHEREAS, pursuant to such Agreement and its predecessor, the Service Authority has undertaken from time to time the construction, expansion and improvement of the Opequon Water Reclamation Facility (the "Facility") and has issued from time to time revenue bonds to finance such undertakings;

WHEREAS, the Service Authority has determined to undertake a series of projects at the Facility that will provide some or all of the improvements as further described in the executive summary attached hereto as Exhibit A (collectively, the "New Projects");

WHEREAS, the Service Authority bas further determined to finance the New Projects by the issuance of one or more additional series of revenue bonds (the "Bonds") pursuant to the Agreement of Trust dated as of October 1, 1985, as supplemented and amended from time to time (collectively, the "Trust Agreement"), secured in part by the payments to be made in accordance with the terms of the Intermunicipal Agreement;

WHEREAS, pursuant to Article III of the lntermunicipal Agreement, the Service Authority has requested the consent of the County, the City and the Sanitation Authority with respect to the undertaking of the New Projects and the issuance of the Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE COMMON COUNCIL OF THE CITY OF WINCHESTER, VIRGINIA:

1. The Common Council (the "Council") of the City approves and consents, for purposes of the provisions of Section 3.1 of the Intermunicipal Agreement, to the Service Authority's undertaking of the New Projects and the issuance of the Bonds in an aggregate principal amount not to exceed $53,000,000 for the purposes of financing the New Projects, funding debt service and operating reserve funds and paying related issuance costs.

2. The Council acknowledges that the Bonds will be payable from and secured by amounts received by the Service Authority from the payments assessed under the Intermunicipal Agreement.

3. The Council authorizes and consents to the inclusion of City information in the Official Statement (in its preliminary and final forms) to be prepared by the Service Authority for purposes of marketing the Bonds and hereby directs City staff to assist the Service Authority in the preparation of such City disclosure.

4. The City Manager is hereby authorized and directed to execute and deliver such documents and certificates as are necessary to enable the Service Authority to issue the Bonds and to finance the New Projects, including, but not limited to, a continuing disclosure agreement and closing certificates requested by the Service Authority and its bond counsel. Any other City official so designated by the City Manager is hereby similarly authorized and directed to execute and deliver such documents and certificates.

5. All other acts of the officers of the City, heretofore or hereafter taken, that are in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of the Bonds and the financing of the New Projects by the Service Authority are hereby approved, ratified and confirmed.

6. Nothing in this Resolution or in the Intermunicipal Agreement is or shall be deemed to be a lending of the credit of the County or the City to the Service Authority or to any holder of any of the Bonds or to any other person, and nothing herein contained is or shall be deemed to be a pledge of the faith and credit or the taxing power of the County or the City within the meaning of the Constitution of Virginia.

7. This Resolution shall take effect immediately.

The undersigned [Deputy] Clerk of the Common Council of the City of Winchester, Virginia, hereby certifies that the foregoing constitutes a true and correct extract from the minutes of a meeting of the Common Council held on _____, 2013, and of the whole thereof so far as applicable to the matters referred to in such extract. I hereby further certify that such meeting was a regularly scheduled meeting and that, during the consideration of the foregoing resolution, a quorum was present. Members present at the meeting were:

_____

Members absent from the meeting were: _____

Members voting in favor of the foregoing resolution were:

_____

Members voting against the foregoing resolution were:

_____

Members abstaining from voting on the foregoing resolution were:

_____

WITNESS MY HAND and the seal of the City of Winchester, Virginia, this ___ day of _____, 2013.

_____
Clerk, City of Winchester, Virginia

[SEAL]

Frederick-Winchester Service Authority
Opequon Water Reclamation Facility
Energy Savings Performance Contract
EXHIBIT A

	COST
Engineering	$1,400,000
Project Scoping and Development Process	$704,000

Aeration System – blowers, diffusers, etc.	$3,039,822
Dewatering System – belt presses, GBTs, sludge feed pumps, etc.	$2,141,050
Ostara – system, lime silo mods, etc.	$4,515,432
Digesters and waste receiving – tanks, covers, receiving station, holding tank mods	$10,876,554
Digester control building – building and major equipment therein	$3,102,455
Green Power – Cogeneration, Gas cleaning , backup power	$6,440,030
Site work – excavation, roads	$2,688,322
Building systems – lighting, HVAC, controls	$2,273,898
Project Contingency	$1,383,875

Engineering Construction Support	$661,426
General Conditions (includes project management)	$1,825,671

Bonding, Insurance, and Local Fees	$908,734
Commissioning, Startup, and Training	$486,345
M&V Testing and Reporting	$53,219
Contract and Engineering Support	$161,650

Equipment and Performance Warranty	$129,789
Project Fee	$2,081,345

Total Price	$44,873,617
Project Contingency	3%
Construction Costs	**$42,769,617**

Frederick-Winchester Service Authority's Green Energy Project
A Benefit to Citizens and Businesses of the Community

In continued support of its mission to abate pollution by wastewater treatment and comply with ever increasing environmental standards, the Frederick-Winchester Service Authority (FWSA) proposes a uniquely innovative project that reduces its long term operating costs to citizens and the community while providing a new resource to businesses and future economic development.

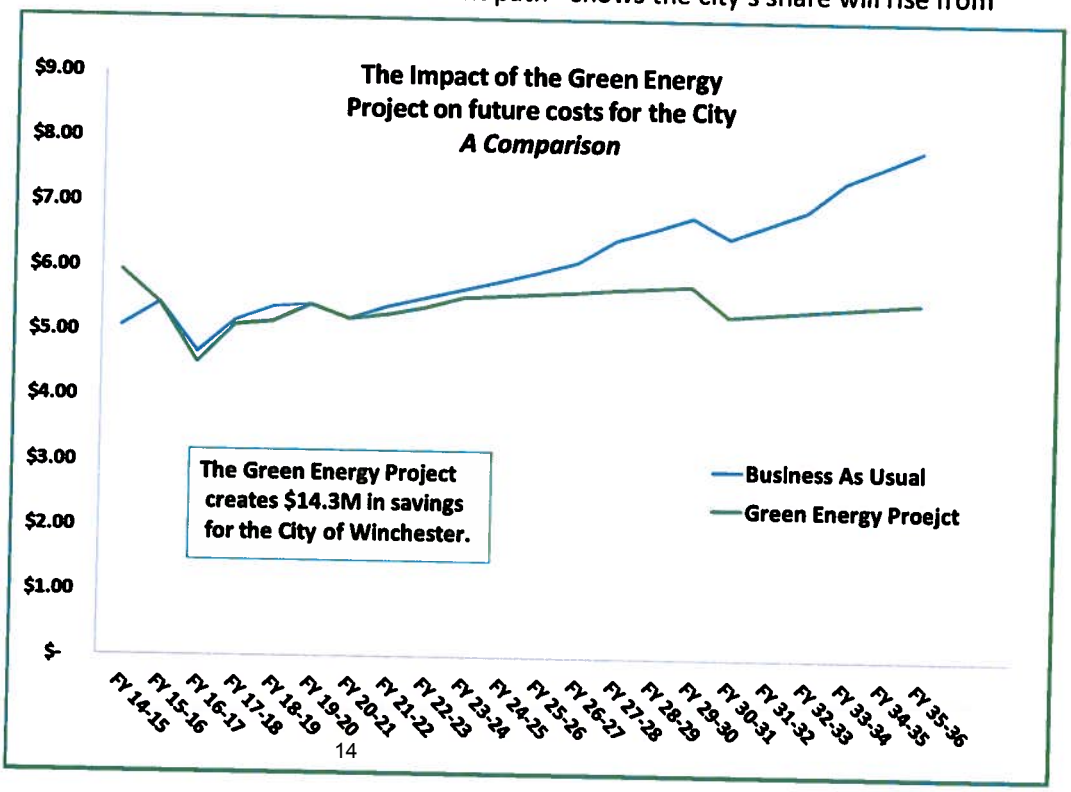
The Green Energy Project will capture the untapped energy hidden in municipal sewage and food processing waste to produce methane gas, a renewable fuel, through the process of anaerobic digestion. This methane will become the fuel to create up to 825 kilowatts of green electricity to power the Opequon Water Reclamation Facility. In addition, the project includes a variety of infrastructure improvements that reduce the plant's annual operating costs and its impact on the County landfill, extending the life of that important community resource. Finally, the facility will harvest phosphorus from the digested waste, a rare element that is an essential ingredient for fertilizer and crop production.

From its inception, FWSA set four clear objectives for the project:

1. **Reduce the need for future rate increases to citizens** – leveraging the project's cost savings to cover its debt service.
2. **Future savings of $20,000,000 for the Community** - when compared to currently planned operating and capital costs.
3. **A fully upgraded facility** - with existing capital and compliance needs included – eliminating the need for another large capital investment in the near future.
4. **New capabilities to support future community economic development** - increasing the likelihood of securing and increasing jobs and the tax base in Winchester and Frederick County

Reduce the need for future rate increases to citizens

The graph below shows City's future share of FWSA budget –comparing its current path of that which results from the Green Energy Project. The chart's blue line - FWSA's current path - shows the city's share will rise from $5M to nearly $8M over the next twenty years. In contrast, the green line - the Green Energy project - shows a stable cost between $5M and $6M for the next twenty years. The project helps eliminate the need for future rate increases and provides over $14M in future cost savings.



A Savings of $20,000,000 for the Community

The Green Energy project creates new debt service, savings in operating costs, and new revenues from the acceptance of high strength food waste. When compared to the current operating and capital improvement plan, the Green Energy Project creates a total savings of $22M over the project life. Of this $22M, the city's portion of the savings is $14.3M, as show in the table on the previous page. The remainder is the benefit to the Frederick County Sanitation Authority.

A fully upgraded facility

A benefit of the Green Energy Project is that it includes and resolves nearly all of the existing treatment infrastructure needs that must be done to keep the Opequon Plant meeting its treatment obligations for the next 20 years. The project includes a combination of needed wastewater treatment infrastructure upgrades, improvements for improved operational efficiency, and green energy production, as shown in the table.

The Green Energy Project ($42.8M)

Treatment Infrastructure Renewal ($29.3M)

- New anaerobic digesters and supporting infrastructure
- New sludge dewatering facility
- Improved wastewater disinfection system
- Treatment plant control system upgrade
- Emergency power system
- Improved wastewater aeration system

Operational Efficiency Improvements ($1.2M)

- Building energy management control system
- Lighting and mechanical system improvements

Green Energy and Resource Generation ($12.3M)

- New cogeneration facility producing up to 825 kilowatts of electricity
- Food waste receiving facility
- Phosphorus recovery system

New capabilities to support future community economic development

Currently, there is not a municipal wastewater treatment facility regularly accepting food processing waste within 100 miles. Market research shows that many food processors in the Shenandoah Valley are trucking their waste several hundreds of miles for disposal. This approach is expensive and does not support the sustainability initiatives of either the food companies or their customers. FWSA's project creates a new local, cost-competitive and reliable waste management solution for the food processing industry keeping waste disposal costs low for local industry, keeping existing industry in place and attracting new industry seeking friendly communities that support and facilitate sustainable organic waste disposal practices. It also creates a valuable new source of revenue for FWSA – one that would not be possible without these new facilities.

CITY OF WINCHESTER, VIRGINIA

PROPOSED CITY COUNCIL AGENDA ITEM

CITY COUNCIL/COMMITTEE MEETING OF: 10/10/13 **CUT OFF DATE:** 10/15/13

RESOLUTION **ORDINANCE** **PUBLIC HEARING** Presentation XX

ITEM TITLE: Presentation of Findings from the Market Analysis

STAFF RECOMMENDATION: N/A

PUBLIC NOTICE AND HEARING: N/A

ADVISORY BOARD RECOMMENDATION:

FUNDING DATA: N/A

INSURANCE: N/A

The initiating Department Director will place below, in sequence of transmittal, the names of each department that must initial their review in order for this item to be placed on the City Council agenda.

DEPARTMENT	INITIALS FOR APPROVAL	INITIALS FOR DISAPPROVAL	DATE
1. Planning			10/10/13
2. Utilities			10/10/13
3. Finance			10/10/13
4.			
5.			
6. City Attorney			10/10/2013
7. City Manager			10-10-13

Initiating Department Director's Signature: _____ 10/10/13
Date

CITY ATTORNEY'S OFFICE Received OCT 10 2013 WINCHESTER, VA

APPROVED AS TO FORM: _____ 10/10/2013
CITY ATTORNEY

Revised September 14, 2009

CITY COUNCIL ACTION MEMO

To: Honorable Mayor and Members of City Council

From: Jim Deskins, Economic Redevelopment Director

Date: October 10, 2013

Re: Market Analysis Update

THE ISSUE: In 2011 the EDA had commissioned an Economic Development Master plan which included a Market Study. We have updated this Market Analysis as it relates to three of the Economic Catalytic Sites, Ward Plaza, Henkel- Harris, and Meadow Branch Ave.

RELATIONSHIP TO STRATEGIC PLAN: Grow the Economy

BACKGROUND: The updated market analysis will be utilized in marketing the three various sites mentioned above.

BUDGET IMPACT: Funding has been approved and appropriated.

OPTIONS: None

RECOMMENDATIONS: None

Market Analysis
Three Scattered Sites
Winchester, Virginia

Prepared for:

Mr. James Deskins
Office of Economic Development

August, 2013

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

▪ S. PATZ & ASSOCIATES, INC ▪

▪ REAL ESTATE CONSULTANTS ▪

September 23, 2013

Mr. James Deskins
Director
Office of Economic Development
15 No. Cameron Street
Winchester, Virginia 22601

Dear Mr. Deskins:

This will submit my market study of the future development options of three identified sites in the City of Winchester. Each site is in an area of the City designated for future roadway extensions which would improve the development potential of the three sites.

- **Ward Plaza**, with 20± acres, is in the path of the proposed extension of Taft Avenue west to Valley Avenue at Middle Road. If the road extension is completed, two development parcels will be created, one of 7± acres and another of 12± acres. The site is being studied for redevelopment for a grocery store and apartment unit development. The current property is a partially vacant, mature and poorly maintained shopping center. It is no longer fully competitive for that use without considerable new investment. The following market study shows market support for a modest sized grocery store plus some ancillary retail space, and at least 140 new, market rate apartment units. The forecast period for development is over the 2014 to 2018 time frame.

- The **Henkel-Harris** industrial site is 20 acres in size with 300,000 square feet of mature industrial space. The original furniture manufacturer closed in 2012, but the property was purchased and reopened for the same use. This site may have some available storage space for lease and/or the new property owner may be willing to sell the property. However, given the site's location away from highway frontage and pending the continued viable manufacturing operation that exists, the current use is likely the highest and best use of the property and no additional development, other than the company owner's needed expansion(s), is likely warranted at this time, as long as the site's manufacturing operation remains in place.

- The 10+ acre north commercial portion of the Meadow Branch Avenue extension was studied for two commercial uses – medical office space and an assisted living facility (ALF). The site can support one or two small medical office buildings and a standard size 80± bed ALF. Both uses should be feasible within the forecast period for this study of 2018.

The detailed market data that supports these findings and conclusions are presented in the attached report. Please call if additional data or clarification are needed. We appreciate the continued opportunity to assist you and officials of the City of Winchester and for the full support of your staff.

Sincerely,

Stuart M. Patz
President

SMP/mes

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Introduction

This study analyzes market support for new development on three separate properties located within the City of Winchester, Virginia (see Map A). The purpose of the study is to evaluate development opportunities at these locations, as each is in an area of the City where new roadway construction is planned, which will positively affect the future development prospects of each property. A conceptual road alignment is also shown on Map A, for study purposes, but there are no set plans for new road construction as of the date of this report.

At this time, other than a possible privately sponsored PPEA proposal for a replacement elementary school and the Meadow Branch property, there are no development plans for any of the sites and proposed roadway construction, as described below, is not yet in active planning. Thus, the study to follow uses a five-year projection period to identify development opportunities. The conclusions will be somewhat general, as they are intended to be used for planning for development opportunities at these sites by City staff and officials.

Over a five-year forecast period, a number of changes could occur in the marketplace. However, most new development receives City approvals, so data in the following analysis will provide a guide for future planning at each site, even as changes in the market occur over the 2013 to 2018 period.

Each site is privately owned. City officials have had discussions with the property owner of Ward Plaza, but the owner's asking price for purchase is reported to be above market, thus City staff has not been able to make progress on future plans for this property. The City's plan for this property is for a new supermarket/large grocery store along with possibly new apartment development. If a large enough anchor store is feasible, the development plan could also include additional retail and commercial space. The Ward Plaza property has 19.4 acres with a total of 177,000 square feet of

existing building space. A large portion of the center is unoccupied, notably the former Montgomery Wards store.

I was able to discuss issues related to the second site, the Henkel-Harris industrial property, with the property owner. This is a 20± acre industrial property with an existing furniture manufacturing building and an attached larger building that is designed for front room office and back area storage/warehouse space. The on-site buildings are in the range of 300,000 square feet and all or part of the property could be studied for new development. The owner intends to maintain, and possibly, expand his furniture manufacturing business. The warehouse building could be available for lease. That said, the property owner is interested in hearing about any pending plans for the area from City officials. This is a site within a large industrial setting on the south end of the City and any new development on the property would likely to be industrial. However, most of the vacant part of the Henkel-Harris site is residentially zoned and surrounded by residences on the east, west and north but the future development area is industrial.

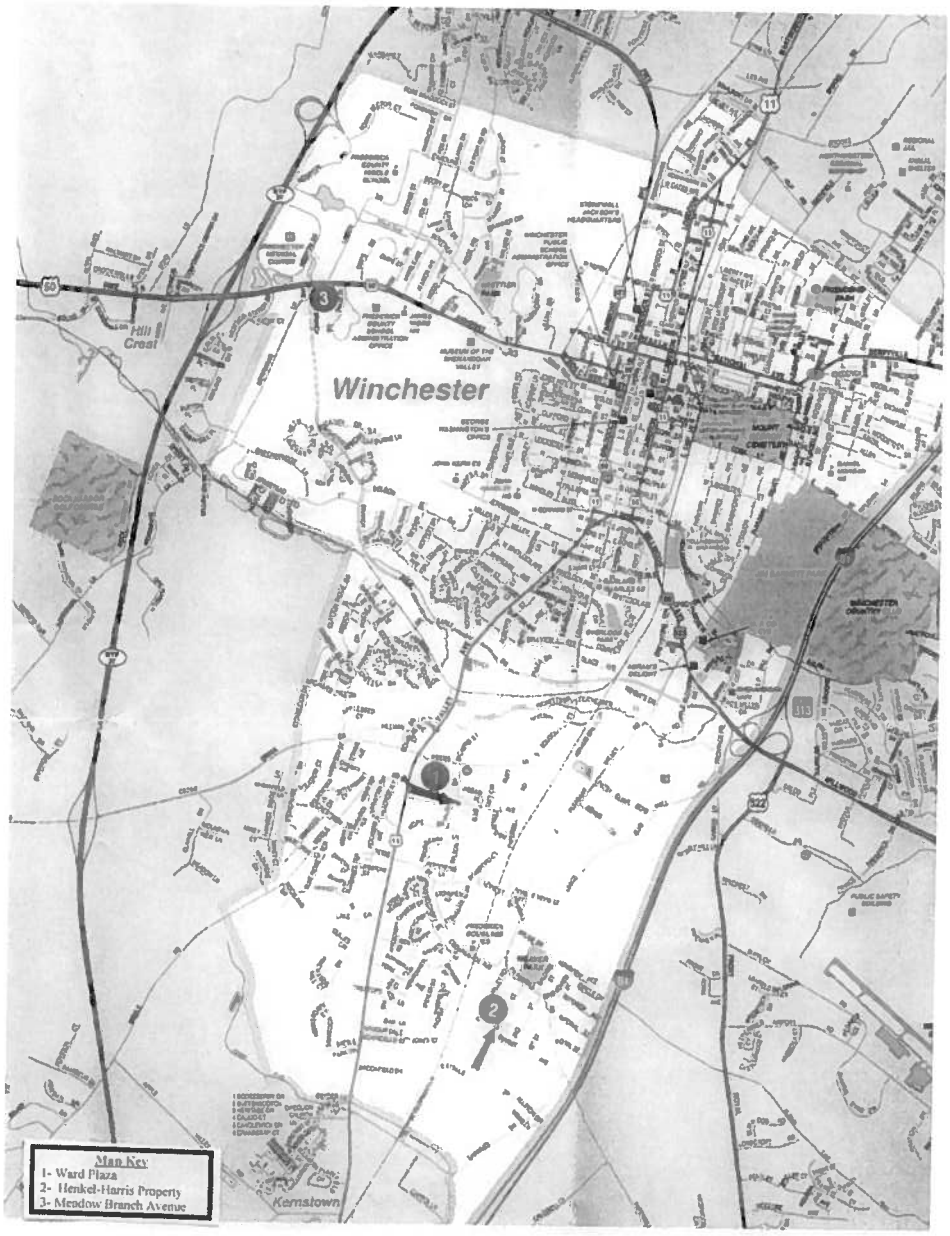
The third property is referred to as Meadow Branch. Map A shows a proposed extension of Meadow Branch Avenue from the current terminus at Buckner Drive north to U.S. Route 50, at a location directly across from the large Winchester Medical Center. The amount of land defined in this area for possible new development is not currently defined, but the study site would be at least 10 acres.

There are actually three future development sites along the Meadow Branch extension corridor. Near Buckner Drive, the 32-acre Moffett property is planned for new upscale single family housing development, of the type that currently exists at this location. North of the single family site is another property that is tentatively planned for new apartment unit development and/or a replacement elementary school. The subject of this study is the northern third of the corridor, the parcel of approximately 15 acres that fronts near Route 50. This site is to be studied for commercial use, particularly

medical-related office space, and possibly senior assisted housing, due to the close proximity of this location to the hospital.

In the paragraphs that follow, each of the subject sites are studied independently, as each is studied for a separate land use. The Ward Plaza site is studied for both retail and apartment unit development, so the results of the apartment analysis can also be used to evaluate the middle site along the Meadow Branch Avenue corridor that is also planned for apartment unit development.

Map A shows the location of each site within the City and the location of the new planned roadways. The Meadow Branch proposed extension is shown on the map. An arrow shows a generalized location for a new road near Ward Plaza which is the extension of Taft Avenue west to Valley Avenue and near the Henkel-Harris property. The road extension is Battaile Drive north. The three sites are scattered throughout the City in vastly different settings.



Map A – Location of Subject Sites with Proposed Roadway Improvements

Prior to the specific site analysis is an overview analysis of the market area economy. The market area for real estate development in Winchester includes both the City and Frederick County. The following Economic Overview includes a brief demographic analysis and an analysis of job and employment growth. The economic overview will show the level of growth that is occurring in the market area in support of

new retail sales expenditure and housing unit demand, in particular. These factors are based on population and household growth. Industrial development and office space development are primarily supported by employment growth.

Market Area Economic Overview

Demographic Analysis

The Census total population count for 2010 for the two jurisdictions of the market area is a combined 104,510. The 2010 market area census is nearly 22,000 above the 2000 count, which is an average net population growth of 2,000 per year. The majority of the market area population, and most of the growth over the past 30± years, has been in the County, as less land for new residential development exists in the City.

The population forecast of 118,800 by 2018 is based on a lower growth rate compared with the 2000 decade. The growth during the 2010 to 2013 period has been slower due to the past recession and the effects of expected continued modest growth in the new home sales market. This trend is reflected in the American Community Survey (ACS) by the Census which shows a 2012 population of 107,200. However, jobs and employment are now increasing and the FBI, in particular, is expected to bring in 1,200 employees to the market area by 2016. While that is not a "hard and fast" date, many of the new employees are likely to move to the market area by 2018.

Additionally, the comparison between at-place jobs and employment is modest in terms of out-commuting. The higher gas prices are a deterrent for market area workers to commute to Northern Virginia. All of these factors were taken into account for our forecast population of 118,800 by 2018.

Table 1: Trends and Projections of Population and Households by Tenure and Income, Winchester, VA Market Area, 1990-2018 (Constant 2013 Dollars)

	1990	2000	2010	2018
Market Area Population	67,670	82,790	104,510	118,800
Winchester City	21,950	23,590	26,200	--
Frederick County	45,720	59,210	78,310	--
Group Quarters Population	1,220	1,570	1,940	2,100
Household Population	66,450	81,220	102,570	116,700
Persons Per Household	2.60	2.53	2.60	2.53
Households	25,550	32,100	39,470	46,130
Percent Renters	32.9%	30.5%	30.2%	30.7%
Renter Households	8,500	9,780	11,940	14,160
Renters Within Income Category 1/	4,220	4,530	5,140	6,070
Percent Within Income Category 1/	49.6%	46.4%	43.1%	42.9%

Note: 1/ Renter households with incomes exceeding $40,000.

Source: 1990, 2000 and 2010 U.S. Department of Commerce, Bureau of the Census; and S. Patz and Associates, Inc.

Half of the market area's Group Quarters population consists of students in on-campus dorms at Shenandoah University. The other part of the Group Quarters population are persons in hospital, assisted living facilities and institutions. The growth shown in Table 1 is based on the new dorm rooms expected to be built by the university by 2018. The subtraction of Group Quarters population from total population is Household Population, which are the basis for projection new housing unit demand.

Housing Unit Trends. In 2010, the market area had 39,470 households based on the census count. This total is 7,400± more than in 2010. A key point in the growth of households is that the average household size increased considerably during the 2000 decade from 2.53 to 2.60. This is the result of persons doubling up during the recession due to job losses and/or salary deductions. It is also the result of persons not forming their own household due to the overall economy. The increase in the average household size meant that growth in the number of households was below the level normally created by population growth.

For 2018, we expect a reversal of the increase in the average household size to 2.53, the same rate as in 2000. At this rate, households are expected to increase to 46,130 by 2018, a net growth of nearly 6,700 households.

Renter Households. In 2010, the census count showed that 30.2 percent of all households were renters. That percentage would include Shenandoah University students who live off campus. The percentage of renters in the market area declined over the past 20+ years. It has continuously been below the state and national averages. However, based on the data to be presented below on new apartment unit additions to the market area, since 2010 and for the post-2013 period, a slight increase in the percentage of renters is expected. This is also partly due to a continued slow recovery in the for-sale housing market. The market area is projected to have 30.6 percent renter households by 2018, or 14,110 renters.

Higher-Income Renter Households. We used $40,000 as the minimum household income for renters who can afford the rents at new apartment developments. At 30% of income allocated to net rent, a household with an income of $40,000 can afford a net rent of approximately $1,000. That is currently the market for new apartment units.

The 2010 Census did not provide income data. The ACS data are not fully usable related to household income calculation, as they are not consistent with biannual census counts. Thus, the 2010 estimate for renters with incomes of $40,000, when incomes are reported in 2013 dollars, is based on trend data from the 1990 and 2000 census. These are estimates by SPA.

Our estimates show that the market area has 5,100+ renters in the income category under study in 2010 and that total is expected to expand to 6,070 renters by 2018. The percentage of higher income renters is likely to continue to decline, due to the expected increase in the for-sale home market, but the absolute totals are expanding.

Overall, there has been steady demographic growth in the market area and that trend should continue. The City's population and households are also increasing. There has been a sizable growth in renters during the 2000 decade, with approximately 30 percent of net household growth renter households. These data show a continued need for new rental housing. There are numerous active proposals at this time, but the projections show a long-term need.

Economic Overview

The economic overview of the Winchester market area economy is presented as it relates to new job growth. Three economic factors are presented: (1) at-place job trends; (2) Labor Force and Employment growth; and (3) a description of developments in the market area that are expected to generate net new job growth. These economic factors are studied as job growth is the key to generating new population and household growth, and thus, new housing unit demand, but also as support for industrial and office space demand.

At-Place Job Trends. Preliminary data as of year-end 2012 show that the market area has 50,565 at-place jobs, or jobs located within the market area. The current level of at-place jobs is 3,750+ more than in 2002 and is near the peak year total of 2008. The market area had net job growth up to 2008 and "peaked" at 58,860+ jobs in 2008. The recession generated net job losses over the 2009 and 2010 period, albeit more modest than in most marketplaces. The turnaround started in 2011 and has continued into 2012, based on preliminary counts.

The recession had only a modest negative impact on at-place jobs, as the job declines during 2009 and 2010 were only 2,400, or 4.7 percent. Jobs expanded by 1,400 in 2011 and another 800± in 2012. However, the market area's housing market realized a major decline in value and activity.

Table 2: Trends in Average At-Place Employment, Winchester, VA Market Area 1/, 2002- 2012

Industry	2002	2008	2009	2010	2011	2012 1/	Net Change
Agriculture, Forestry, Fishing	ND	ND	ND	ND	ND	ND	--
Mining	ND	ND	ND	ND	ND	ND	--
Utilities	ND	ND	ND	ND	ND	ND	--
Construction	ND	ND	ND	ND	ND	ND	--
Manufacturing	10,153	7,780	6,815	6,888	6,960	6,679	-3,474
Wholesale Trade	1,970	ND	ND	1,368	ND	ND	--
Retail Trade	6,829	7,798	7,332	7,345	7,512	7,693	864
Transport. & Warehousing	ND	ND	1,640	1,650	1,807	1,852	--
Information	544	437	494	537	ND	490	-54
Finance/Insurance	865	1,249	1,261	1,292	1,375	1,463	598
Real Estate	591	615	567	530	479	498	-93
Professional/Tech. Services	1,290	1,603	1,573	1,488	1,446	1,479	189
Management of Companies	621	471	458	448	461	459	-162
Admin./Waste Services	2,575	2,334	1,885	2,187	2,335	2,418	-157
Educational Services	822	1,307	1,296	1,323	1,373	1,344	522
Health Care	5,697	7,449	7,548	7,595	7,917	8,190	2,493
Arts/Enter./Recreation	511	577	497	465	468	516	5
Accommodations/Food	3,252	4,277	4,257	4,168	4,371	4,550	1,298
Other Services	1,170	1,394	1,270	1,295	ND	1,213	43
Local Government	4,056	5,142	4,954	4,852	4,934	4,976	920
State Government	551	668	696	735	779	848	297
Federal Government	430	1,030	1,304	1,555	1,668	1,702	1,272
Total	**46,812**	**50,862**	**48,115**	**48,427**	**49,872**	**50,565**	**3,753**

Notes: ND = Data do not meet BLS or State agency disclosure standards.
1/ Market area includes Winchester City and Frederick County.
2/ Preliminary.

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

For the market area, job growth occurred in the industrial categories of Health Care, Accommodations/Food, Government (all three levels) and Retail Trade. There was a sizable job loss in Manufacturing, but that trend started prior to the recession in 2008. The Federal Government added nearly 1,300 jobs in the Winchester area, both City and County, during the past five yeas, with much of that growth in the relocation of FEMA to the area.

Labor Force and Employment. Data in Table 3 show trends in Labor Force and Employment in the market area since 2003. Data are current to year-end 2012, but the 2012 numbers are now preliminary. For 2012, the market area has 55,180+ persons

employed. This is compared with 50,000+ at-place jobs. Employment refers to the number of market area residents who are employed, while at-place jobs refer to the number of jobs that exist in the market area. The fact that employment is larger than the total number of at-place jobs means that some level of net out-commuting from the market area exists.

Also, employment grew faster than at-place jobs, which means that market area residents were able to find jobs outside of the market area when job growth was stagnant locally.

Data in Table 3 show steady employment growth generally except for 2009. There was employment growth in 2010 and beyond. The current total of 55,180 is the peak employment for the market area and nearly 7,000 more than in 2003.

Unemployment. The market area has a relatively low unemployment rate of 5.6 percent in 2012. This is two percent lower than the national average and also below the state average. The market area unemployment rate is 2.3 percent below the peak in 2009.

Labor Force in the market area grew considerably more than employment and is the reason that unemployment and the unemployment rate are not lower. However, these trend data and those of at-place jobs are very positive related to the market area economy and related housing unit demand.

Table 3: Trends in Employment and Unemployment, Winchester, VA Market Area 2003-2012				
	Labor Force	Employment	Unemployment	Percent Unemployed
2003	50,003	48,187	1,816	3.6%
2004	51,382	49,820	1,562	3.0%
2005	52,359	50,861	1,498	2.9%
2006	54,848	53,367	1,481	2.7%
2007	55,179	53,498	1,681	3.0%
2008	55,515	53,109	2,406	4.3%
2009	56,283	51,856	4,427	7.9%
2010	57,303	53,183	4,120	7.2%
2011	58,596	54,860	3,736	6.4%
2012	58,459	55,182	3,277	5.6%
Net Change	**8,456**	**6,995**	**1,461**	**2.0%**

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

Winchester-Frederick County Economic Development Activity. Winchester's largest employer is the Valley Health, which owns and operates the Winchester Medical Center and five smaller primary care hospitals along with other related services, such as urgent care clinics, home health services, a childcare facility, and transport services. The hospital recently completed a three-year construction project that produced over 368,000 square feet of new and 80,000 square feet of renovated space.

Another major economic "mover" in the City is Shenandoah University. Shenandoah University has recently undergone significant expansions, which include Halpin-Harrison Hall, the new home of the Harry F. Byrd, Jr. School of Business, the Brandt Student Center, the History and Tourism Center, and the forthcoming construction of new administrative offices on the site now housing the Virginia National Guard. A new 71,000 square foot Health and Life Services Building is under construction at a cost of $25 million. More construction is expected to take place in the coming years around the east campus near Shentel Stadium. Today, the University enrolls approximately 4,200 students and employs over 400 people.

Winchester also serves as a major retail center for the region. Apple Blossom Mall, an enclosed regional shopping center, contains Sears, Belk, and J.C. Penney as its

anchors, along with an additional 85 specialty stores. A recently completed $10 million renovation includes a 12-screen theater. Commercial plazas such as Apple Blossom Corners, Winchester Crossing, and Winchester Station house Martin's, Staples, Kohl's, Office Max, Books-A-Million, Michael's, Old Navy, and HH Gregg. Also, serving the area are two Wal-Mart Supercenters, Lowe's, Home Depot, Big K-Mart, Target, T.J. Maxx, and Pier 1 Imports. The Old Town Mall, a pedestrian mall which just underwent a $7M upgrade in the City's downtown, offers a wide range of specialty shops and restaurants. There are also several anchorless strip centers and one life style center that house Ann Taylor, Jos A Banks Clothier, and other high-end retail stores.

The federal government presence is also growing in Winchester. The Federal Emergency Management Agency, better known as FEMA, opened an operation headquarters in a two-building office complex of 120,520± square feet at 430 Market Street in 2008. The facility houses more than 600 FEMA staff and is the agency's Disaster Operations Center. Also in the area is a 99,350± square foot facility occupied by the US Army Corps of Engineers. The building, located at 255 Fort Collier Road, houses office, printing, warehouse and secured facilities. It is the headquarters of the agency's Transatlantic Division.

The FBI is currently planning on building a 256,430± square foot facility in Frederick County, called the Records Management Facility. The facility will consolidate FBI's paper records. The facility will also provide storage for National Archives and Records Administration's (NARA) compliant records in an environmentally conditioned, fire-protected space. The proposed facility includes a record management building with office support, visitor screening center, secured service center, guard booth, and surface parking lot. This facility is anticipated to open in 2016 and could employ as many as 1,200 people. This proposal has been in planning for several years, so the 2016 data may not be "hard and fast". The FBI currently opiates its Records Management Division in a 16-year-old, 106,296 square foot facility at 170 Marcel Drive.

Industrial development is abundant around in Winchester and Frederick County ,driven largely by the area's close proximity to Dulles Airport, Virginia Inland Port, and the excellent transportation network that includes I-81, I-66, US Route 50, US Route 522, U.S. Route 7 and VA Route 37. This has led Winchester-Frederick County to traditionally focus on two freight-intensive industries: food processing and distribution. Other notable and prominent industrial sectors include metal fabrication, plastics and printing.

Specific economic developments in Winchester and Frederick County are detailed in the paragraphs below. Much of this new growth is the result of the improving economy. It reflects the continued expansion of the growth industries in the Winchester marketplace.

- **Evolve Stone**, a manufacturer of ploy-based resins, announced in March, 2013 that it would launch operations in Winchester where it would employ 46 people.

- **Kraft Foods Group** announced in December, 2012 that it would increase Capri Sun beverages production and deploy new packaging technology at its Frederick County plant outside Winchester. The company currently employs around 460 at its Frederick County operation, and the latest expansion is expected to add an additional 25 jobs.

- **Green Bay Packaging Inc.**, a company that manufactures corrugated shipping containers, announced in December, 2012 that it would add 10 employees to its Frederick County workforce.

- **Gateway Office Condos**. There is currently one office building under construction within the City of Winchester, being developed by La Rose Development. The site is located across from the Winchester Medical Center. When completed in late-2013, the building will contain 44,500 square feet and include two floors above grade plus a partial basement level that has walk out access at grade along the west elevation of the building. To date, 85% of the space is pre-sold as condominium units. This includes 8 condos, of which only one is for non-medical use. The remaining 15% of space could be divided into 1 to 3 additional condos, depending upon demand.

- **Invenio Marketing Solutions**, a business-to-business sales firm, opened a new 12,000 square foot office building in Frederick County in October, 2012. The company moved its local office from a 7,000 square foot warehouse in the Fort Collier Industrial Park, just north of Winchester, to a warehouse at 131 Frogale Court, south of Winchester, between US 11 and VA 37. Sixty-one employees

moved into the new space and 10 additional employees were hired soon after the move. The company added an additional 40 employees by the end of 2012.

- **McKesson Corp.**, a health care services and information technology company, announced in September, 2012 that it would open a distribution center in 2013 that will employ 205 people. The company will distribute medical and surgical supplies to physician offices, surgery centers, long-term care facilities and home care businesses. The 450,000 square foot distribution center, now under construction, should begin operations in middle to late 2013.

- **M&H Plastics**, a supplier and manufacturer of plastic packaging for the personal care and health care markets, announced in August, 2012 that it would create 20 new jobs and expand its facility by 50,000 square feet to 110,000 square feet.

- **Navy Federal Credit Union** announced in August, 2012 that it would build another facility on its Winchester campus and add 400 jobs. The credit union currently has about 500 workers at its site on Security Drive in Winchester. Most of the new jobs will be customer-support positions with salaries above $40,000. Construction began on the project in September, 2012 and the facility is scheduled to open in late-2013.

- **Fabritek/Winchester Tool**, a metal fabrication manufacturer, announced in July, 2012 that it would expand by adding 29 new positions.

- **Melnor Inc.**, a Frederick County distributor of lawn and garden watering products, opened its new 130,000 square foot headquarters and distribution center at 109 Tyson Drive in the Stonewall Industrial Park in September, 2012.

- **Carmeuse Lime & Stone**, a manufacturer of lime and limestone products for a variety of industries, announced in June, 2012 that it would expand its manufacturing operations in Frederick County. The project, which will include the installation of a new modern kiln to meet growing production demands, will create 25 new jobs.

- **Thermo Fisher Scientific Inc.**, a biotechnology services company, announced in February, 2012 that it would expand its Frederick County repository for cancer research specimens by more than 22,000 square feet. The expansion added 30 new jobs to the existing 31. The 33,600 square foot Frederick County site stores samples for the majority of the National Cancer Institute's clinical trials.

- **Rubbermaid Commercial Products Inc.**, which makes commercial cleaning, materials management, washroom and food service products, expanded its operations in Winchester in 2011 and established a distribution center in Frederick County. The company invested in high-technology, energy-efficient injection molding machines to upgrade the Winchester facility's production capability and retrofitted an existing 454,000 square foot Frederick County

facility into a state-of-the-art logistics center in. The result, the company announced, was the creation of 71 new jobs.

- **NW Works**, which provides and unpaid vocational training and job opportunities for physically and mentally disabled adults, moved into a new, 58,660 square foot location in January, 2012 at 3085 Shawnee Drive.

- **HP Hood** operates a 375,080± square foot milk plant at 160 Hood Way where it employs over 420 people. The company announced in May, 2013 that it would expand the facility to increase ultra-high temperature production capacity, creating 75 new jobs.

- **Corron Community Development Center**. Ground was broken in November, 2012 on Lord Fairfax Community College's 31,800 square foot student center in Middletown. The facility will be built on 20 acres owned by the LFCC Educational Foundation north of the school's Science and Health Professions Building. It is set to open by spring 2014. The new building is meant to accommodate the large increases to the student body. Currently, there are 7,400 students enrolled at the college. The building will include a fitness center, student lounge, student life offices, aerobic and yoga studios, locker rooms, food services and cafe and a larger bookstore. It will also include two classrooms. Phase II of the project could include basketball courts and a gymnasium.

- **Taylor Hotel**. Construction began in May, 2013 on the renovation of the former Taylor Hotel located at 119-129 N. Loudoun Street (on the mall). This project is anticipated to be completed in Fall, 2013. Plans for the full renovation include:

    - First floor. The first floor of the original building will be renovated into 2,500 square feet of open-concept commercial space. Two letters of intent concerning leasing this commercial space from a regional restaurant have been submitted to the Economic Development Authority.

    - English basement. The lower portion of the Taylor Hotel building will be transformed into a 2,500 square foot pub and commercial kitchen for the first floor restaurant.

    - Upper levels. Above the restaurant on the main floor will be five two-bedroom luxury apartments totaling 1,200 square feet each. Some will have access to the front porch and some will have access to the back porch.

    - Outdoor space. The large area between the main building on the Loudoun Street Mall and the fly tower on Indian Alley) will become an outdoor amphitheatre, pocket park, and farmer's market pavilion with nine stalls. This area will accommodate 400± people during events.

Combined, these expansions and new company openings will add 1,000± new jobs by early-2014. Some of these jobs are now in place. This total does not include the FBI's proposed 1,200-person expansion. This new employment growth is consistent with recent trends. The new federal government-related growth is consistent with the data presented in Table 2.

Thus, in terms of demographic growth and employment growth, the current trends are positive within the market area. This level of growth will support new development activity of the type under study. The following analysis will evaluate whether the study sites are competitive for the projected demand for new apartment units, industrial development and commercial development.

Ward Plaza

Ward Plaza, as shown on the following aerial, covers the entire southeast corner of Valley Avenue (U.S. Route 11) and Weems Lane. The nearly 20-acre property extends south to Taft Avenue and nearly reaches Valor Drive on the east. It is a traditional mature shopping center, built in 1965, with an "L" shape design and an abundance of surface parking spaces fronting along Valley Avenue. Access to the property is via 3 locations on Weems Lane on the north and Valley Avenue, at 3 locations, on the west. There are three outparcels that are included in the approximately 177,000 square feet of building space. These include Anthony's Restaurant, Money Max and United Bank.

The former Montgomery Ward store is vacant. There are also at least four vacant in-line stores without any for-lease signs evident. Robert's Furniture store is now the anchor, along with Family Dollar, Valley Discount (apparel) and Meineke Auto Care. The remaining stores are "mom and pop" service and small retail outlets. It is rumored that the Robert's Furniture store may be going out of business.

The City's plan is to extend Taft Avenue east to Valley Drive to align with Middle Road. This will create two development sites on the current 20± acre property, a

7± acre north parcel and 12± acre south parcel. Overall, the shopping center is well located but poorly maintained and managed. The property is not at its highest and best use.

Aerial View of Ward Plaza

Ward Plaza is a mature and outdated property. At present, the center is approximately 35 percent vacant and the original anchor store, Montgomery Ward, has been vacant since 2001 along with several other in-line stores. This location is no longer as competitive a setting for new retail space as in the past because new shopping centers have been built elsewhere in the market area, along Route 7 to the immediate east of the City, along Pleasant Valley Road near Apple Blossom Mall, along Route 50 west of the City and south of the City in Frederick County, among other locations.

Following are photos of the shopping center. These show the vacant former Montgomery Ward store, an almost empty parking lot during mid-day, some deferred

maintenance in the parking lot, but mostly an outdated facility that is no longer fully competitive for market area retail sales. Area professionals report that the center is poorly managed. The shopping center is currently without a viable anchor.

Ward Plaza

View of Former Montgomery Ward Store

View South into Ward Plaza

View East into Ward Plaza

The redevelopment concept for Ward Plaza is to attract a grocery store for this location. To the extent that the grocery store becomes a sufficient anchor for additional retail/office space, that would be part of the development plan. Given the fact that the Ward Plaza location is not the strongest commercial setting in the region, and no longer the area of choice for many quality retailers, the site is also studied for new apartment unit development.

Thus, the development concept calls for retail on one side of the to-be-separated property, with apartment units to be built on the second part. These two land uses are studied separately in the following subsections.

Grocery Store Space Analysis

Based on input from area retail brokers, and our research, the Winchester market area has 13 grocery stores, including five Food Lions, four Martin's, three Super Walmarts with grocery sections, and one Aldi. These 13 properties are shown on Map B. Seven of these stores are located in Frederick County. The closest grocery store to Ward Plaza is a Food Lion at South Park Shopping Center at the corner of Tevis Street and Valley Avenue. This location is three blocks south of Ward Plaza. There are also two grocery stores near Apple Blossom Mall, along Pleasant Valley Road.

There is nearly 600,000 square feet of grocery store space in the market area, including grocery space within the larger Walmart stores. The size estimates for these stores are shown in the following chart. These sizes are based on industry averages and were confirmed by area retail brokers. These data exclude Costco and Target.

Costco and Target each likely generates $5.0 million in food sales, which would add $10.0 to the totals shown in the following chart.

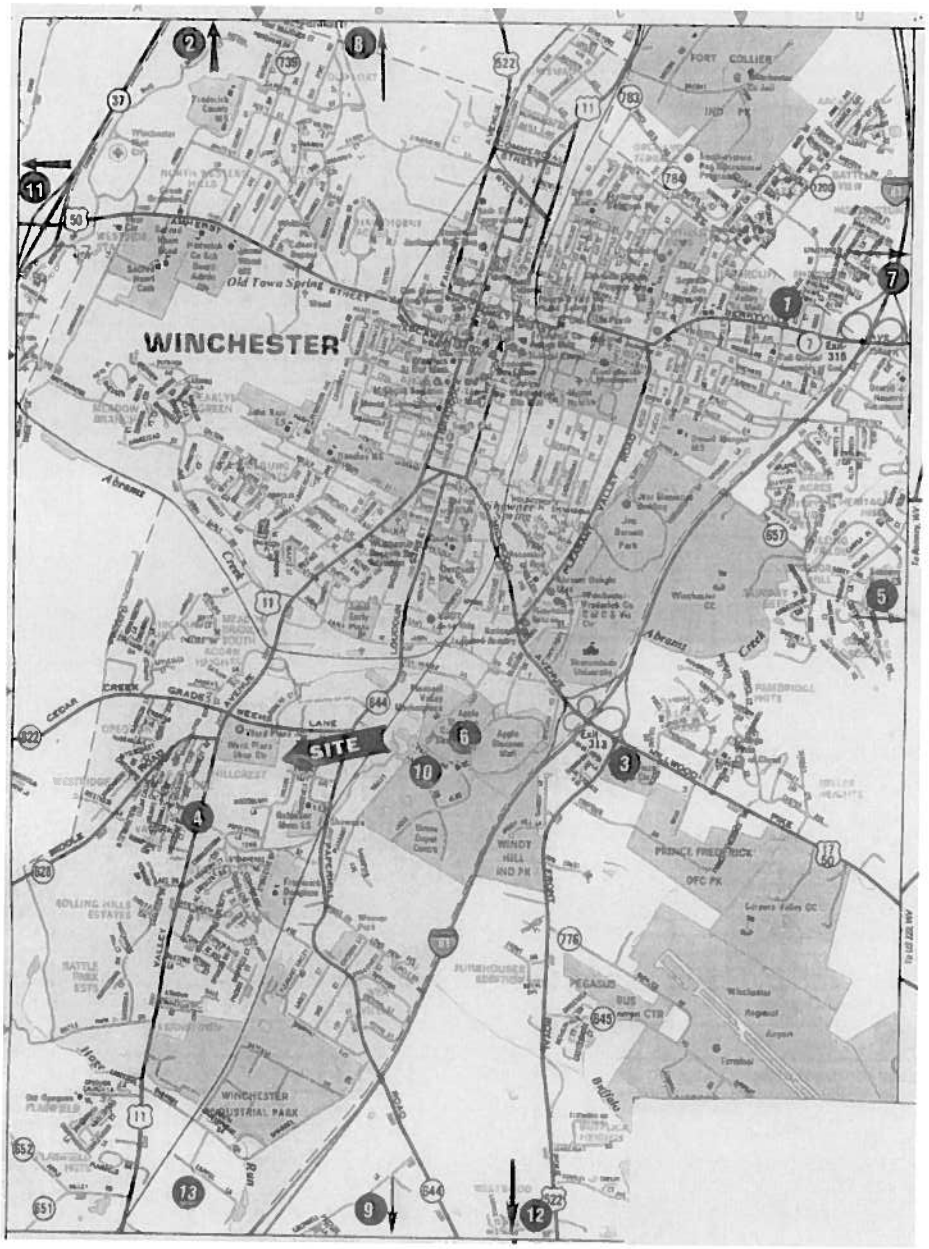
Market Area Grocery Stores			
Store	Map B Key	Location	Estimated Size (in sq. ft.)
Food Lion	1	707 Fort Collier Road, Winchester	30,000-35,000
Food Lion	2	249 Sunnyside Plaza Cir., Winchester	30,000-35,000
Food Lion	3	190 Delco Plaza, Winchester	30,000-35,000
Food Lion	4	2600 Valley Ave., Winchester	30,000-35,000
Food Lion	5	159 Grocery Ave., Winchester	30,000-35,000
Martins	6	1950 S. Pleasant Valley Rd. Winchester	65,000
Martins	7	400 Gateway Dr., Winchester	85,000
Martins	8	200 Rivendell Ct. Winchester	65,000
Martins	9	240 Elizabeth Dr. Stephens City	65,000
Walmart	10	2350 S. Pleasant Valley Rd. Winchester	42,000
Walmart	11	501 Walmart Dr., Winchester	42,000
Walmart	12	201 Maranto Manor Dr. Winchester	42,000
Aldi	13	221 Kernstown Commons Blvd., Winchester	18,000
Total			586,500 1/
Note: 1/ Excludes Costco and Target			

The market area also has an abundance of smaller food markets, but the analysis of grocery store feasibility is based on larger stores. These stores "capture" about 11 percent of household consumer expenditures. Also, for the Winchester marketplace, at least 20 percent of grocery store sales are in-flow from residents who live outside of the defined market area. This is due in part to the lack of grocery stores in nearby Berryville and Clarke County, which has one Food Lion.

Map B shows the location of these 13 grocery stores. Walmart has a new location on U.S. Route 522 south at the intersection of Route 522 and Tasker Road. Walmart's store along U.S. 50 West is also relatively new. The newest Martin's store is at the Gateway Shopping Center on Route 7, just east of the city limits.

Aldi has a small store along Route 11 South in the Kernstown area of Frederick County.

Overall, supermarkets are located throughout the region except for the built-up central area of Winchester. Ward Plaza is a convenient location for that part of the market area.



Map B – Location of Area Supermarkets

Grocery Store Sales and Market Area Expenditure Potential. Based on input from real estate agents who work with supermarket chains, the estimate of annual sales of these 13 market area supermarkets in 2012/13 is $280 million, or $290 million when sales at Costco and Target are added. Realtors report numbers on a weekly basis, so the

total sales at all market area supermarkets is approximately $5.58 million per week, including sales at Costco and Target.

Approximately 20 percent of market area retail sales at grocery stores are inflow sales from residents who live outside of the market area, so the annual sales from market area residents equals $232 million.

Annual Supermarket Sales (2013 dollars)	
	(000's)
Total Market Area Sales	$290,000
Less Inflow Sales	$58,000
Resident Supermarket Sales	$232,000

In 2013, the market area has an estimated population of 110,000 in 42,000 households. For 2013, the HUD estimate of average household income for the market area is $65,700.

The total household income for the market area is $2.76 billion, with 11 percent of that total, or $304± million spent on grocery store expenditures. This analysis is summarized below, with a calculation of the available expenditure potential for additional retail sales at supermarkets.

Comparison of Market Area Supermarket Expenditure Potential and Sales (2013 dollars)	
	Number
Market Area Population	106,000
Market Area Households	42,000
Market Area Average HH Income	$65,700
Total Market Area Average HH Income (000's)	$276,000,000
Total Income Allocated to Supermarket Sales (11%) (000's)	$303,600
Supermarket Sales by Market Area HH's (000's)	$232,000
Available Sales Potential (000's)	$71,000

The above calculation shows that the market area is generally in balance in terms of supermarket annual expenditure potential from supermarket sales of resident households. The fact that the market area has a $71 million available expenditure potential is likely due to estimating. The comparison analysis is best used to report that the market area is not overstored. However, some of the area grocery stores are not generating sales at their company store averages.

Key to this analysis is that the market area is not overstored and is expected to realize an increase of $35 million in new grocery store expenditure potential by 2018, or $7.1 million per year on average based on population and household projections and trends of market area household incomes, using 2013 constant dollars. That increase is sufficient to support another moderate-size grocery store.

Conclusion

With the expected net growth of supermarket expenditures of $35± million by 2018, which will be increased to nearly $39 million with inflow sales, and with current available sales, there is clearly market support for a new supermarket. The key is to successfully market the Ward Plaza location. The realtors that we interviewed do not have a positive view of the Ward Plaza setting, but that is partly due to the blighted shopping center. The removal of the shopping center and the addition of new apartment units at the site will clearly upgrade the area. However, it is also due to the close location of Food Lion at Valley Avenue and Tevis Street. The market area has only four supermarket chains and three chains have multiply stores in the region.

The Ward Plaza location is not along a regional highway as Route 11 is an inner city street, and is away from the more developed sections of the market area. Thus, it is a possible location for a more moderate size grocery store. Of the existing grocery companies in the market area, an Aldi market (17,000+ square feet), is the most logical option. There is sufficient space at the site for this store size. At present, we have not been told that Aldi is looking to expand.

Trader Joe's is another option if they can be brought to the market area. By 2018, that may be possible. Food Lion is to close at South Park Shopping Center and have five local stores. Thus, the key is marketing the Ward Plaza site, as market support will exist for a new store. If another grocery store opens in the market area, that could be a large negative issue to overcome.

Aldi has three advantages. It does not require a large site; it has only one area store and Ward Plaza is not a competitive location for its current store; and the market for moderate-priced groceries will likely expand.

Within the forecast period of our analysis, market support will exist for a new grocery store in the market area. For the Ward Plaza site, a modest size store would be most likely in terms of location and available sales potential. Demand for new space is limited to one new store, as long as existing stores remain in place.

The following aerial shows a larger setting for Ward Plaza and the sizable amount of residential development in the area. Besides a possible new apartment complex on the Ward Plaza site, a 138-unit proposal is planned for the Cedar Creek Place site (No. 10) and another 140 units are planned at the Jubal Square site (No. 20). These new additions to the market will be positive factors for a new grocery store. With a new grocery store, depending upon the store size, the Ward Plaza site should be able to support up to 50,000 square feet of retail space.

Neighborhood Setting of Ward Plaza

The biggest "hurdle" for site development is the limited number of available grocery stores within the market area. It is not market support, but rather identifying a potential tenant.

Apartment Market Analysis

Following is a summary market analysis for new apartment unit development on the Ward Plaza property. The site is approximately 20 acres. If Taft Avenue is extended through the site, the two parcels will need to support up to 50,000± square feet of retail space on about seven acres and at least 140 apartment units on 12+ acres. That should be feasible.

For this analysis, we studied the market for 140 new units. We assumed a more urban design of four-story elevator buildings with only one- and two-bedroom units. The forecast date for unit delivery is estimated by 2018. Current market area net rents (2013 dollars) for new units are $950 to $1,000 for a one-bedroom and $1,100+ for a two-bedroom with two full baths. We also assumed a mix of surface parking and covered parking, depending upon the amount of land available for the apartment buildings. On-site amenities will be indoor features, such as a fitness center, business center, clubroom, etc.

Within these parameters, market support is analyzed for renter households with incomes of $40,000 and above. A $950 net rent will require an income of $38,000 and above, based on 2013 dollars. Thus, to be somewhat conservative, we used $40,000 as the minimum household income to start.

The demographic analysis is shown in Table 1 on page 6. The key demographic factor under study for new apartment unit development is the magnitude and growth of renters with incomes of $40,000 and above, when incomes are reported in constant 2013 dollars. Our analysis shows that the market area had approximately 5,100 renter households with incomes of $40,000+ in 2010, at the time of the Census count. By 2018, this total is expected to increase to about 6,100, or a growth of 900+ renters for the 2010 to 2018 period, or 100+ households per year on average.

Shenandoah University In addition to middle- and upper-income renters, Winchester has a second source of apartment unit demand, the upper class students and graduate students at Shenandoah University. We estimate, based on data provided by university officials, that 1,300 students live in off-campus housing. Many live in area townhomes for rent, including locations in Stephens City. Others rent apartment units, primarily at Peppertree Apartments, in particular. University students typically do not pay rents at the top of the market, so this source of rental housing unit demand was not included in our market analysis for the Ward Plaza site.

Competitive Apartment Market. The following table shows a list of existing rental housing units that would be competitive, or somewhat competitive, with new units at Ward Plaza, once built. Except for twelve (out of 48 total) apartments at Cedar hill that were just leased in August, 2013, the market area has only three apartment complexes that were built since 2003 and none since 2005. Summerfield and Stuart Hill are the two better apartment properties. In studying the Winchester area apartment market, only 45 percent of the identified better rental units are in defined apartment complexes. There are condos for rent, a sizable number of towns for rent by professional real estate companies, and currently 80 rentals in adaptive reuse buildings in Old Town.

This list does not include rentals by individual owners - we found very few available units on Craig's List - and does not include single-family rentals. Some of the units are rented by university students, but that is a small total of the occupancy shown in Table 5.

There are four key points shown by the data in Table 5 in regard to the magnitude and quality of the Winchester apartment market:

1. For a marketplace with 5,400+ renters in 2013 with incomes of $40,000+, the total competitive apartment unit count is modest, at 1,500+, particularly given the fact that many of the apartment units listed in the table are below the rents proposed for new apartment unit development;

2. The vacancy rate is near zero for the identified higher rent properties;

3. Most of the new apartment units being placed on the market at this time are one-bedroom units in upper floors of renovated Old Town buildings; (except for the units coming on line at Cedar Hill as noted below); and

4. Nearly 60 percent of the apartment units that are listed in Table 5 were built prior to 2000.

These data "support" a large pent-up demand for new apartment properties.

Data in Table 5 are for completed properties. The 48-unit Cedar Hill Apartments just opened with nearly 24 units completed to date. These units are analyzed as pipeline units.

Some of the units leased and managed by areas property management companies are scattered in different townhouse subdivisions.

Table 5 **Characteristics of Competitive Apartment Complexes and Other Higher End Rentals, Winchester Apartment Market Area, August, 2013**

	Date Built	Total Units	Vacant Units
Apartment Complexes			
Summerfield	2005	64	
Treetops	1995	52	
Stuart Hill	2003	180	
Tasker Village	2005	64	
Pemberton	1998	120	
Peppertree	1987/89	194	
(Subtotal)		(672)	(0)
Other Rentals 1/			
Lakeside Condo	Mid-2000's	50	
Tevis St. Apartments	1997	20	
Fox Court	2002/03	25	
Windstone TH's	2003	75	
Limestone TH's	Mid-2000's	20	
Old Town Rentals 2/	2006/13	45	
Saunders Construction 3/	NA	120	
Oakcrest Realtors	NA	130	
Hables Real Estate	NA	210	
(Subtotal)		(695)	(10)
Total		1,367	10

Notes: 1/ Totals include rentals that are managed by these companies. There are also owner rental properties and units on the market for rent (see Table 5).

2/ Old Town rents including 25 E. Boscawen St; 302-306 No. Cameron St.,29-33 E. Boscawen St., 1-16 100 Loudoun St., 117 So. Indian Alley; 23 So. Cameron St., 19 So. Cameron St., and 114 West Monmouth St. and Weaver Building Apartments (8) at S. Lord and W. Boscawen St. Total excludes 142 North Loudoun Street which is a college residence hall.

3. Units owned and managed by Saunders Construction.

Source: Field and telephone survey by S. Patz & Associates, Inc.

Pipeline Proposals. In addition to the Ward Plaza property which is a tentative proposal at this time, there are four active proposals for new apartment unit development in the market area:

1. Jubal Square is a 140-unit apartment proposal that has been approved by City officials for rezoning. If built, Jubal Square is expected to attract Shenandoah University students for at least 40 of the 140 units. This proposal, if approved by City officials, will likely be ready for occupancy by sometime in 2016. It includes 28 three-bedroom units and 20 two-bedroom units with dens. The remainder are one- and two-bedroom units. About 36 garages are also available for additional cost.

2. Old town Properties. City officials have applications for 80 additional apartment units in adaptive reuse buildings in Old Town. These will open for lease-up over the next year or so.

3. Cedar Creek Place is a 132-unit mixed-use proposal for a site along Cedar Creek Grade at the western side of the City. It is in a preliminary study phase at this time with a requirement for rezoning. The rezoning application has been submitted to the City planning commission in early-September. It is likely that Cedar Creek Place can open prior to Jubal Square. The project includes one- and two-bedroom units in 3-story buildings with no elevators and two 4-story buildings with elevators. No garages are proposed.

4. Cedar Hill is a new construction 48-unit apartment building opening in 12-unit phases. The first units are now open and at least seven units are occupied. The second building is under construction and will likely be ready for occupancy prior to the end of 2013. Site work has started for the last two buildings. This will be a non-amenitized property and likely an attractive property for university students given its location. The units are two- and three-bedroom.

These pipeline proposal data are summarized in the chart to follow with an adjustment for apartment units expected to have some units occupied by Shenandoah University students. These data show, if Jubal Square is built and Cedar Creek Place is approved and built, then the market area apartment market will be increased by about 340 units.

Also, within the County, there is active planning on the large (150-acre) Heritage Commons (formerly Russell 150) site. This large property will be built in phases. It also requires a rezoning. Development planning is in the early phases so exact timing is not yet set for a project start date. However, it is likely that apartment unit development on this site will occur in 150± unit phases starting in 2015.

Just to the south of the Heritage Commons site, the Madison Village proposal is also going through the County rezoning process. It includes a mix of 640 apartments and townhouses. The proposal was tabled at the County Planning Commission in August, 2013 and will likely be resubmitted in November. It is reported that the townhome units will be developed first.

Number of Planned Apartment Units (2013-2018)	
Jubal Square	100 1/
Cedar Hill	30 1/
Old Town Properties	80
Cedar Creek Place	132
Total	342
Note: 1/ Adjusted for college student occupancy.	

Conclusions. Based on past trends in apartment unit development and higher rent unit occupancy, the market area is projected to support approximately 930 new apartment units over the 2010 to 2018 forecast period. Some of this demand (80 units) is accounted for by the new units already opened in Old Town. New units are also expected to be added in Old Town in 2013 and 2014 and likely after.

Old Town apartment units will likely be added over the next 5± years and may double the current total (80) that has been approved. Jubal Square and Cedar Creek Place are likely to be built and opened prior to the start of apartment unit development on the Ward Plaza site. There are other sites under study in Frederick County and the greater Stephens City area, but some of these are preliminary at this time. The Russell 150 property is somewhat speculative at this time, but this could be a viable

development site, as the County is considering moving it's County administrative office building to this location.

Overall, with the pent-up demand that exists for new apartment units due to renter household growth, the large number of rentals in units built for owner occupancy (also a reflection of the pent-up demand), and a continued slow for-sale housing market locally, the demand for quality rental housing should continue at the same pace, or higher compared with the market for apartments during the 2000 decade. The Ward Plaza site will likely require a PUD rezoning. All utilities are on site. The roadway system will be with the extension of Taft Avenue east through the property. Site development costs at this location should be more modest compared with more suburban locations. Current data are positive in support of apartment unit development at Ward Plaza of the size of 140± units.

Henkel-Harris Property

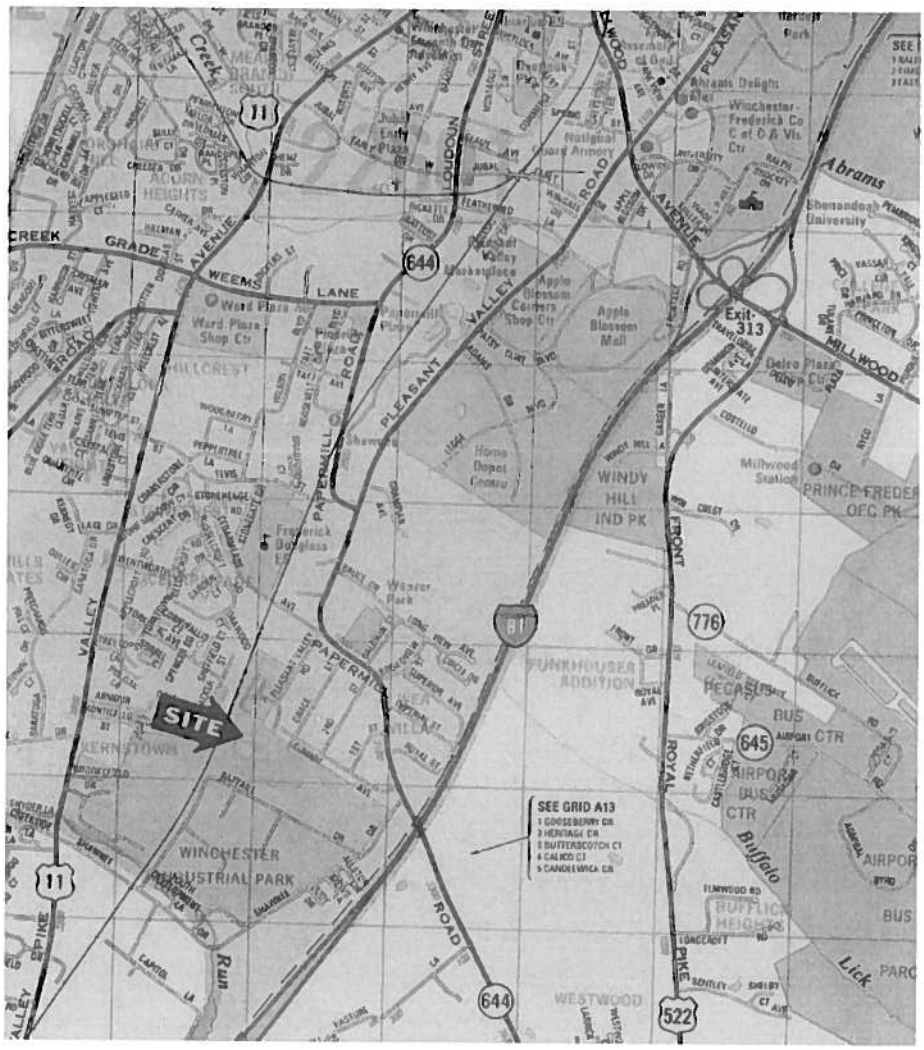
The Henkel-Harris property comprises approximately 20 acres of land at 2983 So Pleasant Valley Road next to a large industrial area on the southeast side of the City of Winchester, in the defined Winchester Industrial Park. The property was a former furniture manufacturing facility that closed in late-2012 after 43 years of operation. The plant manufactured "high end", quality furniture. At closing, 109 production workers and 13 administrative jobs were lost.

In Spring, 2013, the owner of a local fruit processing company purchased the real estate and furniture manufacturing business and reopened the plant in April, 2013. The furniture manufacturing building is now fully operational. The larger building, the warehouse, is vacant and could be leased out for storage. As noted above, the property is approximately 20 acres in size and the existing building is 300,000 square feet, with only part of that total in use.

Map C shows the exact location of the industrial property. It is at the south end of South Pleasant Valley Road and the property extends south to Battaile Drive. This portion of South Pleasant Valley Road is somewhat removed from the north-south arterial that runs through the City and becomes Papermill Road at E. Cedarmeade Avenue. The subject part of South Pleasant Valley Road is a separate street off of the main S. Pleasant Valley Road/Papermill Road spine. While S. Pleasant Valley Road north of E. Cedarmeade Avenue is a four-lane arterial, the subject part of South Pleasant Valley Road is a two-lane, unstriped street that is residential up to the driveway into the Henkel-Harris property.

The Henkel-Harris property is somewhat unique. It is served by South Pleasant Valley Road, as the primary access road. The homes along this street are modest, mature homes. The property abuts the railroad tracks on the west. The site extends south to Battaile Drive, and the back parking lot for the manufacturing and warehouse building is accessed from Battaile Drive. To the east at the south end is additional industrial development. To the east of the vacant (north) portion of the site is residential development. The new roadway proposal at the south end would be an extension of Battaile Drive over the CSX railroad tracks connecting with Monticello Street.

The site is not part of the adjacent industrial park which is generally south of Battaile Drive. Much of the remaining area is zoned M-R, Medium Density Residential. All of the access for truck traffic from the site is from the back parking lot to Battaile Drive.



Map C - Henkel-Harris Site Location

The following photos show the Henkel-Harris property. The top left photo is a south view into the property from the site entrance off of South Pleasant Valley Road. The property has extensive grass area in front of the building at the property entrance. The building in the photo has office space in front and warehouse in the rear. The manufacturing portion of the property is on the north side of the building, behind the trees.

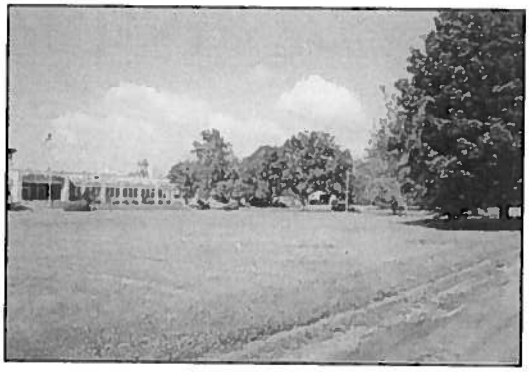
The top right view is the west portion of the property with the railroad tracks just beyond the tree line.

The left bottom photo is a view north into the property from Battaile Drive. On the left is the manufacturing section. The remainder of the back of the building is warehouse and storage space with an abundance of loading docks. The entrance gate is off of Battaile Drive. There are driveways on both sides of the building that allows access from the South Pleasant Valley Road entrance to the back parking lot.

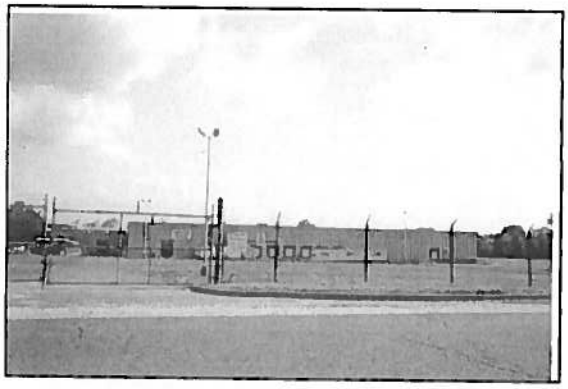
The photo on the bottom right is a view north of the entrance to the property from South Pleasant Valley Road. It shows an attractive landscaped entrance with an abundance of open space. There are also grass fields on the east side of the property down at the south end fronting on Battaile Drive.

Overall, this is a unique site. It is in part of a large, mature industrial area, but is somewhat isolated. It does not have highway visibility or frontage. The main entrance to the property and warehouse is via Battaile Drive which intersects Shawnee Drive at both ends. Shawnee Drive runs along the south side of the City, and the Winchester Industrial Park, and extends north to Papermill Road. Shawnee Drive intersects with U.S. 11 on the west. The closest interchange with I-81 is south along U.S. 11 at its intersection with SR 37 south of Kernstown.

Front Portion of Property



North View at Manufacturing Building Area



Back Parking Lot off of Battaile Drive

So. Pleasant Valley Rd. at the Site Entrance (view north)

Following is an analysis of the market area's industrial land and building space markets. Our analysis starts with an analysis of the Winchester Industrial Park, which includes industrial parcels within the City and in the County south of Shawnee Road. The primary development in this area is within the City of Winchester. That analysis is followed by an overview analysis of the entire market area industrial market.

Also of note is that there is one parcel (two adjacent sites) of five acres for sale at 391 Battaile Drive, with frontage on Shawnee Road, located near the intersection with Judy Court. This M-1 zoned site, with all utilities to the property, is priced at $575,000, or $115,000 per acre, negotiable.

South Winchester Industrial Area. Though not technically a single industrial park, there is notable industrial development along the southern border of the City of Winchester. This is essentially the only area within the boundaries of the City of Winchester that includes quality industrial park development. Other industrial parks are in the County. This area includes some of the larger companies in the market area, such as the Rubbermaid Commercial Products, Trex Company, Midwesco Filter Resolutions, HP Hood, and Fabritek.

Development in the City portion of this industrial cluster includes 12 buildings accounting for 1,016,420± square feet of space. There are also seven structures accounting for about 790,000 square feet within Frederick County, on the south side of Shawnee Drive. Collectively, this area includes over 1.8 million square feet of industrial space, as listed in Table 6.

Table 6 Characteristics of Existing Industrial Development, South Winchester Industrial Area, August, 2013

	Building Size (Sq Ft)	Parcel Size (Acres)	Years Built	Tenant
Winchester City				
3124 Valley Ave	259,560	42.88	1966/1990/2011	Rubbermaid Commercial Products
181 Battaile Dr	300,515	20.73	1962 1/	Trex Company, Inc
380 Battaile Dr	78,696	10.54	1975	Total Structural Solutions
385 Battaile Dr	67,098	10.30	1967 1/	Midwesco Filter Resources, Inc
400 Battaile Dr	98,930	4.95	1976 1/	Midwesco Filter Resources, Inc
403 Battaile Dr	18,880	4.97	1967	Storage Solutions of Winchester, LLC
416 Battaile Dr	4,734	4.92	1966	Fabritek Co Inc
2927 Shawnee Dr	81,872	5.81	1967	Royal Crown Bottling Co
2957 Shawnee Dr	47,340	4.92	1966	Motion Industries Inc
3018 Shawnee Dr	16,924	3.15	2008	ABH Services, Inc./ Butler Window & Door
3101 Shawnee Dr	40,074	13.07	1984	American Woodmark
3082 Shawnee Dr	1,800	14.44	1987 1/	All Points Warehouse Storage
(Subtotal)	*(1,016,423)*	*(140.68)*		
Frederick County				
160 Hood Way	375,081	74.09	2000 1/	HP Hood
175 Commonwealth Ct	10,000	1.00	2000	Vacant
245 Capitol Ln	172,052	56.02	1968/07	Trex Company, Inc
3578 Valley Pike	76,802	5.14	1955	Schenck Foods Co.
3664 Valley Pike	126,580	9.27	2000	Carquest Auto Parts
3463 Valley Pike	26,865	11.49	1971	Shenandoah Valley Electric Cooperative
(Subtotal)	*(787,380)*	*(157.01)*		
Total	**1,803,803**	**297.69**		

Note: 1/ Multiple expansions
Source: Winchester and Frederick County Real Estate Assessment Office

Most of the industrial properties located in the City were built prior to 1990. A lot of the companies date back to the 1960's for project opening. Rubbermaid opened in 1966 with the north warehouse built in 1990. ABH Services/Butler Window opened in 2008. We did not include the Ashworth Brothers property in this analysis as it is outside of the South Winchester industrial development area. This is a 90,400 square foot user building that opened in 1967 and was expanded in 1990. There is some expansion land at this 10± acre site.

For the properties located south of Shawnee Drive in the County, three properties opened in 2000. Trex Company has a large plant in this area that was built for Capitol Records in 1968 but expanded in 2007.

Overall, this is a mature industrial area, but one with national companies. There is one small vacant parcel in the County. The five-acre site for sale is in the City, but not within the industrial park. All of the area buildings are "user" companies, as there are no multi-tenant businesses at this location.

Details of some of the larger tenants are summarized in the paragraphs below:

- **Rubbermaid Commercial Products** operates its home office at 3124 Valley Avenue, a 259,560± square foot facility. The manufacturer of commercial use plastic products employs over 1,100± people in Winchester.

- **Carquest Auto Parts** operates a 126,580± square foot distribution center at 3664 Valley Pike.

- **Schenck Foods Co.** is a Winchester-based food distributor operating out of a 76,800± square foot facility located at 3578 Valley Pike. The company employs about 150± people.

- **HP Hood** operates a 375,080± square foot milk plant at 160 Hood Way where it employs over 420 people. The company announced in May, 2013 that it would expand the facility to increase ultra-high temperature production capacity, creating 75 new jobs.

- **Trex Company** is a Winchester-based manufacturer of polymer lumber products. The company operates a 300,520± square foot manufacturing facility at 181 Battaile Drive and second 172,500± square foot manufacturing facility at 245 Capitol Lane. The company employs 400± people in Winchester.

- **Total Structural Solutions** is a manufacturer of roof and floor trusses as well as wall panels. The Winchester-based company operates a 78,700± square foot facility at 380 Battaile Drive where it employs about 15 people.

- **Midwesco Filter Resources**, a manufacturer of fabric filters for dust collectors, operates out of two buildings on Battaile Drive covering 166,030± square feet of space. The company employs about 220± people in Winchester.

- **Royal Crown Bottling Co.**, a Winchester-based soft drink manufacturer, operates an 81,770± square foot bottling plant at 2927 Shawnee Drive where 150± people are employed. About 70± people work at the facility

- **American Woodmark** is a Winchester-based manufacturer of kitchen cabinets. Its corporate headquarters occupy a 40,070± square facility at 3101 Shawnee Drive. The company employs 450 people in Winchester.

Table 7 below shows the industrial development pace in the south Winchester area. The first industrial structure constructed in this area is the 76,800± square foot Schenck Foods Co. headquarters which opened in 1955. The busiest development period in this area occurred in the 1960s when nine structures covering approximately 1.0 million square feet opened. Much of this development is occupied by the Trex Company, a lumber manufacturer. Five structures totaling 246,370± square feet opened in the 1970s and 1980s. No new industrial buildings opened in the 1990's, but there were several expansions during that period. Three large structures totaling 511,660±

square feet were constructed in the 2000s decade prior to the recession; 98% of this space is occupied by the HP Hood Milk Plant. The Carquest Auto Parts Distribution Center building with 16,920± square feet opened in 2008 during the recession. The building is occupied by ABH Services and Butler Window & Door. No industrial development has occurred in this area since 2008, but there were two expansions - Rubbermaid and HP Hood.

Table 7 Industrial Development Pace, South Winchester Industrial Area, 1960-2013

Years	Structures	Building Size (Sq Ft)	Acres
1960s	11	1,048,925	166.68
1970s	3	204,491	26.98
1980s	2	41,874	27.51
2000s (Pre-Recession) 1/	2	511,661	84.36
2000s (Recession) 2/	2	16,924	3.15
2000s (Post-Recession) 3/	0	0	0
Total	**19**	**1,823,875**	**308.68**

Notes: 1/ 2000-2006
2/ 2007-2009
3/ 2010+

The only vacant industrial building in this area is a 10,000 square foot production/flex facility located at 175 Commonwealth Court. The building is for sale for $775,000 ($77.50/SF) and available for lease at $7.50/SF/YR. This leaves the South Winchester are with a vacancy rate of 0.5%. As noted above, there are also two, 2.5-acre lots for sale at $312,500 each zoned M-1 (Light Industrial) at 391 Battaile Drive.

Market Area Industrial Space Market. The market area has 10 industrial parks with over 200 industrial buildings and a total of nearly 12.4 million square feet of space. The vacancy rate is a low 7.1 percent, but a significant amount of the area vacancies is at the 245,000± National Wildlife Federation Distribution Center at the Stonewall Industrial Park. Without this large space and one or two other large vacant buildings, the market area vacancy would be less that four percent. The 150,000+ square feet former Barber

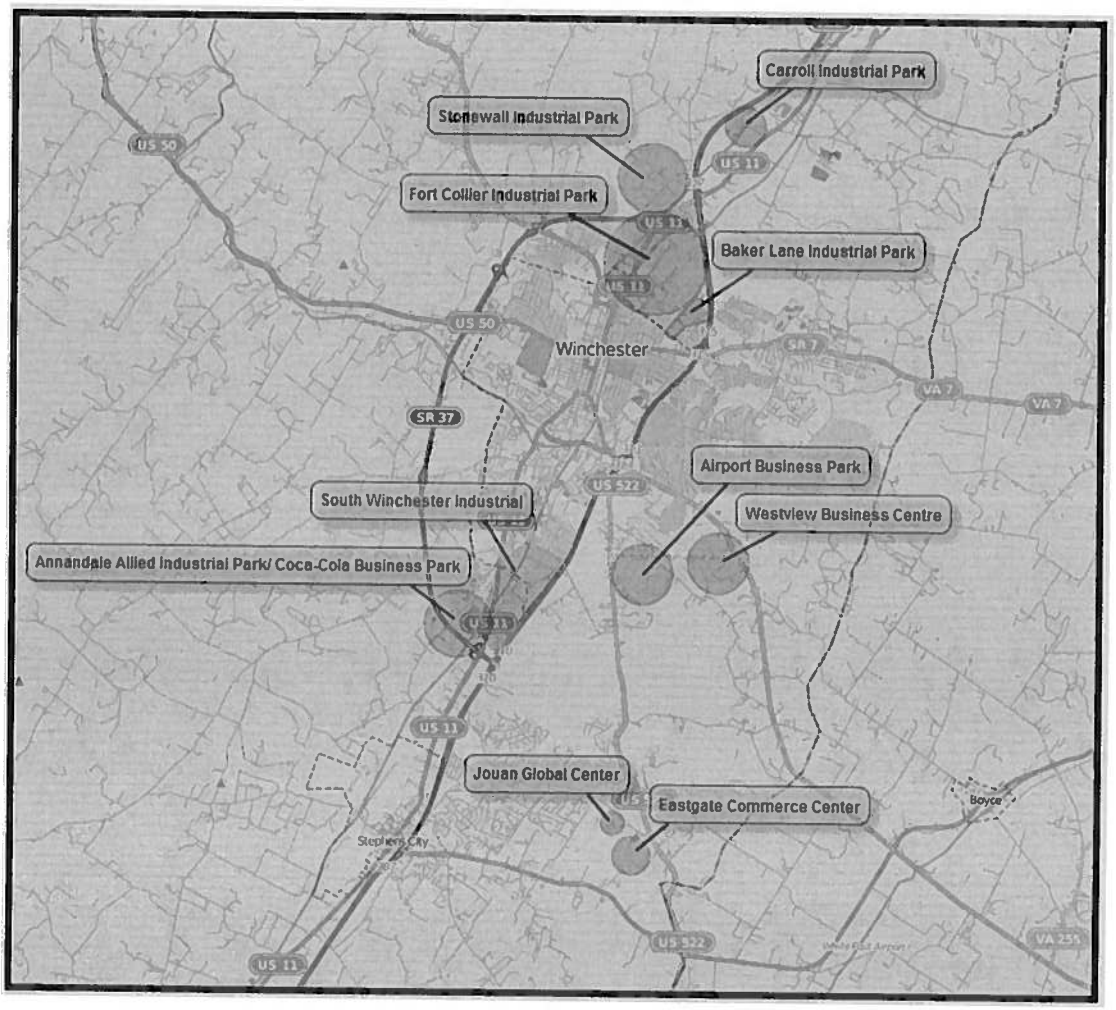
and Ross Warehouse is another large vacant building. This property is in the Fort Collier Industrial Park.

Table 8 Summary of Industrial Space at Industrial Parks in Winchester-Frederick County Market Area, August, 2013

Industrial Park	Structures	Building Space (Sq Ft)	Vacant Space (Sq Ft)	Years Built
Airport Business Park	9	724,757	30,327	1987-2009
Annandale Allied/Coca-Cola Parks	13	1,292,126	0	1974-2009
Baker Lane Industrial Park	18	310,487	40,800	1986-2006
Carroll Industrial Park	4	79,751	0	1967-1977
Eastgate Industrial Park	2	776,308	0	2003
Fort Collier Industrial Park	50	3,751,841	305,848	1947-2008
Jouan Global Center	2	176,296	0	1997-1998
South Winchester	19	1,823,875	10,000	1955-2008
Stonewall Industrial Park	61	2,625,306	469,065	1961-2012
Westview Business Centre	27	802,313	20,474	1975-2008
Other (Irongate Inc.)	1	28,276	0	2013
Total	**206**	**12,391,336**	**876,514**	

Source: Winchester and Frederick County Real Estate Assessment Office

Following is a map that shows the locations of market area industrial parks. Most are on the north side of the City.



Map D - Winchester-Frederick County Industrial Parks

Table 9 shows the development pace of industrial space in the market area since the 1960's. The development pace has clearly slowed since the early-2000's, due partly to the recession. However, over the past five years, the market realized the net growth of 22 buildings with a total of 1.4+ million square feet of space on nearly 170 acres. The market area has approximately 316 acres of undeveloped industrial park land available for sale and/or development at this time.

Table 9 Industrial Building and Land Development Pace, Winchester-Frederick County Industrial Parks, 1960-2013

Years	Structures	Building Size (Sq Ft)	Parcel Size (Acres)
1960s	17	1,440,102	266.01
1970s	25	1,376,190	221.62
1980s	45	1,890,888	238.33
1990s	63	3,891,224	562.08
2000s (Pre-Recession) 1/	31	2,357,384	311.52
2000s (Recession) 2/	18	1,200,532	148.64
2000s (Post-Recession) 3/	4	206,740	19.82
Total	**205**	**12,363,060**	**1,768.02**

Source: Winchester and Frederick County Real Estate Assessment Office

Conclusions

The Henkel-Harris property was purchased in mid-2013 for a rough estimate of $1.0 million. The site is nearly 20 acres in size with the back parking area the most easily developable area, due in part to its frontage on Battaile Drive. The vacant parcel being offered for sale on Battaile Drive is priced at $115,000 per acre. A vacant building in the area is listed for $77+ per square foot. At this time, the for-sale market for existing industrial buildings ranges from $47 to $105 per square foot. The per acre land costs in the market area for finished industrial park land is $113,000 to $127,000 per acre. The Henkel-Harris site is "guestimated" at a sales price of $50,000 per acre, including the building and equipment.

The property owner reports that they intend to expand the furniture manufacturing business and possibly lease out warehouse space if they have excess space. Thus, this is likely to be a viable business currently and in the future. With an active manufacturing business on site, there is likely very little land available for other uses, other than storage.

The industrial building and land market in the County is strong and continues to expand. There is an abundance of building space available for lease and 300+ acres for sale. Most of the vacant industrial acreage is in the active Stonewall and Fort Collier

parks. By 2018, the market area will clearly require more industrial land and building space. The Henkel-Harris property, with only 20 acres, is likely not a viable target for redevelopment or new development if the current owner is successful with the current furniture manufacturing operation.

Meadow Branch

The commercial portion of the larger Meadow Branch property under study is approximately 10.5 acres in size. It is located near the intersection of Meadow Branch Avenue and U.S. Route 50 (Amherst Street). The following photos show the north portion of the site. Areas to the south are not accessible, as there is no roadway access to this area at this time. The following aerial shows all of the available parcels along the proposed Meadow Branch Avenue extension. For this study, the two northern commercial properties shown with a star, represents the Subject. This could be expanded by the 9.3 acre site proposed for a new elementary school, if not built.

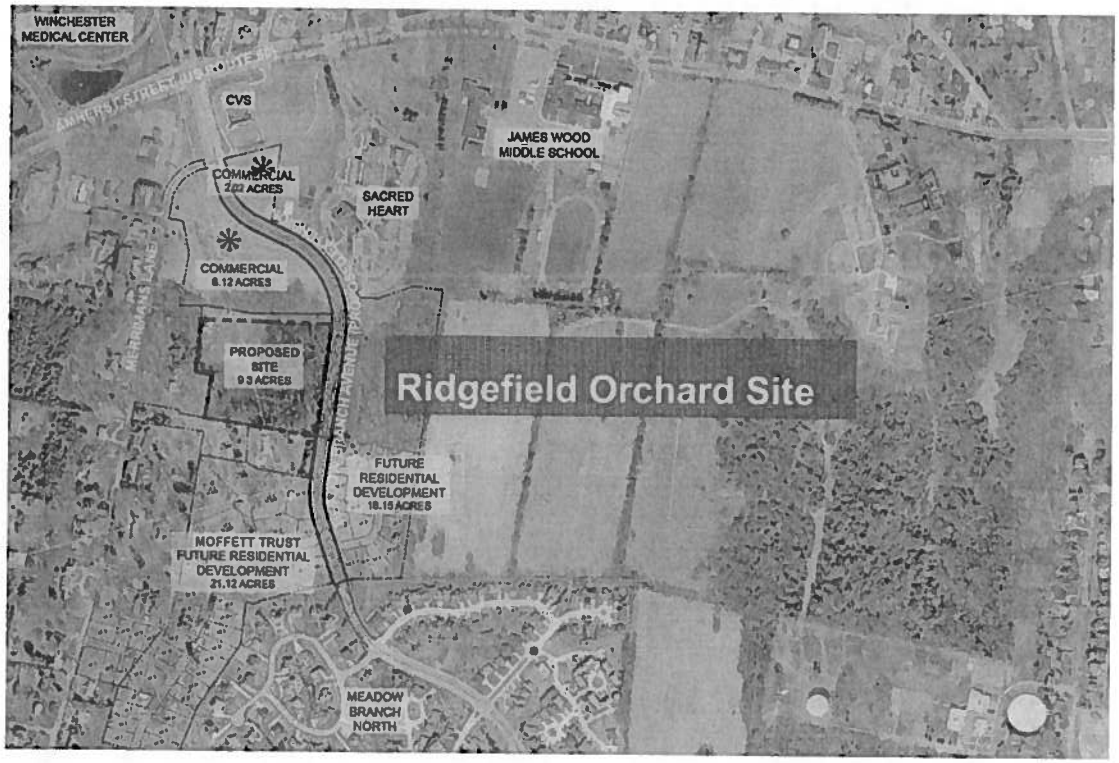
To date, Meadow Branch Avenue is not extended northward past Buckner Drive, but the proposed right-of-way (R-O-W) for the extension is shown on Map A and on the following aerial. A small portion of Meadow Branch Avenue has been built at U.S. Route 50 which extends south one block to Merrimans Lane. Merrimans Lane runs south from this location to Breckenridge Lane and through an upscale single family community.

The following four pictures show the north segment of Meadow Branch Avenue which intersects with Merrimans Lane. The subject property is the area along the R-O-W that will be extended south. The other photos show adjacent land uses in the area.

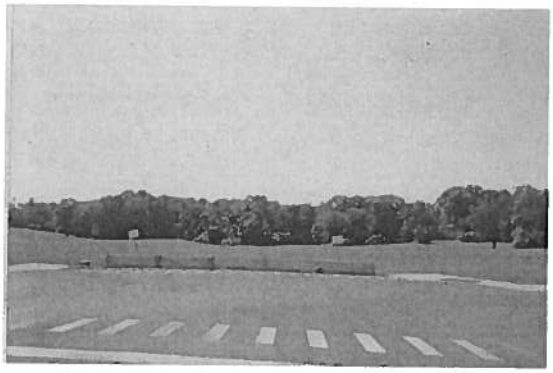
There is a large church on both sides of Meadow Branch Avenue. First Christian Church is on the west side. Sacred Heart of Jesus, a Roman Catholic church and K-8 academy, is located to the east with access from Route 50. At the western edge of the City, on the north side of the Amherst Street intersection of U.S. 50 and I-81, is the large

Winchester Medical Center. An abundance of medical office space exists along this section of Route 50.

Meadow Branch Avenue Commercial Site



Meadow Branch



View South Along Meadow Branch R-O-W. Part of Site is Behind Barriers

View of Meadow Branch Avenue and Merrimans Lane Intersection. Vacant Land is Part of Subject.

View North Along Meadow Branch Avenue to Route 50 Intersection. CVS on Right.

View of Sacred Heart Church on East Side of Meadow Branch Avenue Future Extension

The aerial to follow shows the site setting. The small arrow near U.S. Route 50 is the one block completed section of Meadow Branch Avenue. The larger arrow is the development site. The aerial shows the following:

1. The development site does not front directly along Route 50. That is a slight disadvantage for office space, but limited land in this area exists for new medical office space, so the property should be competitive for that use.

2. At the SE corner of Meadow Branch Avenue and Route 50 is a new drive-thru CVS.

3. This aerial does not show the two churches or the extension of Merrimans Lane past the CVS property.

4. Proximity to the hospital is direct with Meadow Branch Avenue connecting to the eastern medical center entrance north of Route 50.

5. On the west side of I-81 along Route 50 is the new Spring Arbor of Winchester, Assisted Living Facility (ALF) - Number 10. Just north of the ALF is the Walmart Center (Number 20).

6. Further west beyond the aerial is the new Village at Orchard Ridge, a continuing care retirement community (CCRC).

Given the site location, with most of the property south of Route 50, we studied two land uses for the site. The first is office space, particularly medical office space. The

following photo shows the newest office building in the area, the 44,500 square foot Gateway Office Condominium. The condo office building started lease-up in early-2013 and the building is now 85 percent sold out.

The second land use is a new ALF. The Spring Arbor facility is at or near full occupancy and opened with over 50 percent of its "beds" preleased. The Village at Orchard Ridge has 245 beds/units and is at a high occupancy after about one year, as will be more fully described below.

Approximately 3 to 6 acres can be set aside for new medical office buildings and an ALF will need 6± acres of land. Sufficient land exists for one or two small medical office buildings on 2± acres per building and for one ALF on 6+ acres.

Meadow Branch Avenue Site Setting

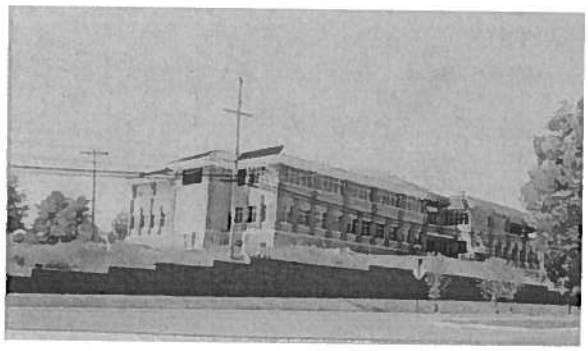
Office Space

Table 10 provides a list of all completed office buildings in the market area by type of space. The new Gateway Office Condo is not included in this list, as it is not yet completed, but would add another 44,500 square feet of space to the total amount of medical office space. Downtown non-government office properties are not included in the space totals in Table 10.

The market area has just under 1.0 million square feet of total office space, not counting the government space or the downtown space. Of this total, approximately one-third of the space, or 324,000± square feet is medical occupied space. The occupancy rate for the medical space is 100 percent.

Except for the 90,000 square foot Medical Office Building I, all of the medical office space was built after 1992. There has been 143,050 square feet of medical office space built since 2001, including Gateway Center. This is after the 99,500 square foot Medical Office II was built in 1999. Since 1999, the medical office space market has expanded by 17,000 square feet of medical office space per year on average.

The new Gateway Office Condominium is shown below. It is 44,500 square feet in size with an 85% occupancy rate after six months of preleasing. The site is built on 3.5 acres. All but one tenant is medical. Several of the medical tenants are local and relocated from older space.



Gateway Office Condominium

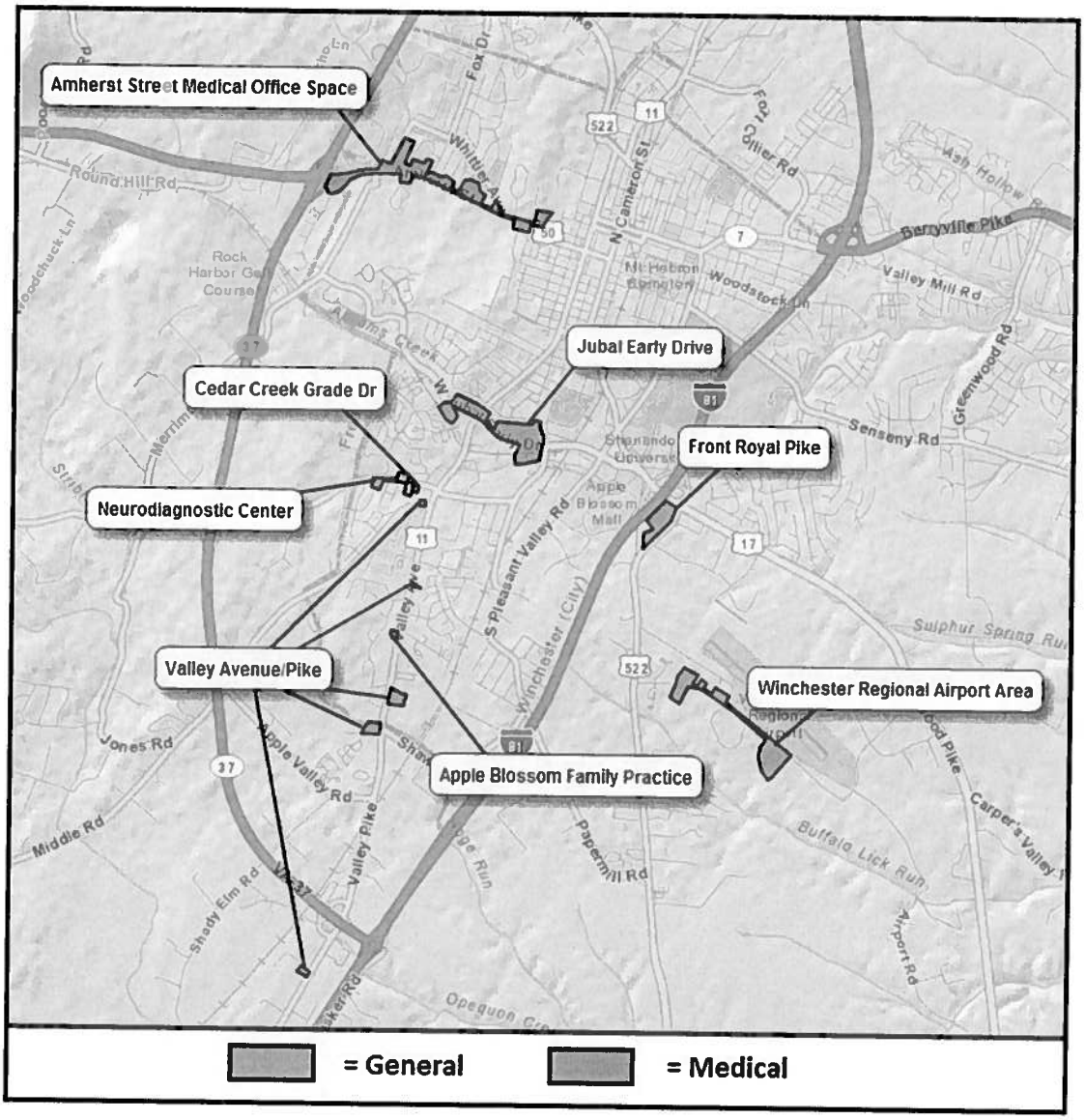
Table 10: Characteristics of Better Office Space, by Type 1/, Winchester-Frederick County, VA, August, 2013

	Address	Year Built	Total Space	Vacant Space
Medical 1/				
Medical Office Bldg I	1870 Amherst St	1988	90,000	0
Shenandoah Valley Orthodontics	1010 Amherst St	1992	4,800	0
1871 Amherst St	1871 Amherst St	1997	3,710	0
Amherst Family Practice	1867 Amherst St	1997	11,040	0
Westside Station LLC	345-347 Westside Station Dr	1997-1999	6,900	0
Brain and Spine Center	1818 Amherst St	1998	12,710	0
Medical Office Bldg. II 2/	190 Campus Blvd	1999	99,540	0
Dermatology Associates	1514 Amherst St	2001	7,420	0
Linden Drive Office Park	142-148 Linden Dr	2004	17,900	0
Westside Professional Center	172-212 Linden Dr	2005	30,000	0
Apple Blossom Family Practice	2913 Valley Ave	2007	15,000	0
Neurodiagnostic Center	905 Cedar Creek Grade	2008	15,000	0
Valley Family Practice and Internal Medicine	812 Amherst Ave	2012	9,730	0
(Subtotal)			*(323,750)*	*(0)*
General 1/				
Dominion Square	158 Front Royal Pike	1980/2011-R	30,000	15,430
Creekside Village Office & Business Park	Creekside Ln	1988	43,100	3,290
Ricketts Business Center	12-38 Ricketts Dr	1991-1995	33,790	0
Melco Office Complex I	609 Cedar Creek Grade	1993	14,330	1,180
200 Aviation Drive	200 Aviation Dr	1994/2007-R	14,790	14,790
Meadowbranch Office Condominiums	420-500 Jubal Early Dr	1997-2005	76,610	15,210
Pegasus Business Center I	500 Pegasus Ct	1997	12,600	0
Melco Office Complex II	629 Cedar Creek Grade	1998	34,000	7,000
Office Suites @ French's Station	2654 Valley Ave	1998	18,770	2,400
43 Jubal Early Dr	43 Jubal Early Dr	1998	3,790	0
47 Jubal Early Dr	47 Jubal Early Dr	1998	4,800	0
Pegasus Business Center II	600 Pegasus Ct	1999	24,000	4,450
Valley Farm Credit Bldg	125 Prosperity Dr	2000	20,490	4,300
Abrams Crossing	611-631 Jubal Early Dr	2002	32,220	3,270
Aikens Court	2251 Valley Ave	2002	14,820	5,280
Jubal Early Plaza	1800-1845 Plaza Dr	2002-2006	61,930	1,680
Jubal Early Professional Center	1805 Jubal Early Dr	2003	10,000	0
Opequon Center	3042 Valley Ave	2006	50,200	1,940
230 Costello Drive	230 Costello Dr	2007	14,640	7,450
The Landing At Park Heights	650 Cedar Creek Grade	2007	34,580	10,800
817 Cedar Creek Grade Dr	817 Cedar Creek Grade	2008	15,000	2,690
Airport Commons	Aviator Pl	2008	7,800	0
Robert A Hess Building	271 Airport Rd	2008	8,500	0
501-519 Jubal Early Dr	501 Jubal Early Dr	2012	39,510	0
(Subtotal)			*(620,270)*	*(101,160)*
Government				
USACE Building	201 Prince Frederick Dr	1994	106,300	0
County Office Building	107 N. Kent St	1996	65,320	0
FEMA Building	430 Market St	2008	120,520	0
(Subtotal)			*(292,140)*	*(0)*
Total			**1,236,160**	**101,160**

Notes: 1/ Excludes downtown privately-owned properties.
2/ Converted to office condominiums in 2007 but ownership of most units has remained with the medical center.

Source: S. Patz & Associates field and telephone survey and Winchester City & Frederick County Commissioner of the Revenue

Map E below shows the locations of clusters of the various medical and general office space within the immediate Winchester area. The majority of the medical office space is located along Amherst Avenue. There are a few medical office buildings on Cedar Creek Grade and two on Linden Drive, next to the Hospital. One building is located on Valley Avenue. However, the majority of the medical office space in and near the city is in close proximity to the hospital.



Map E- Market Area Office Space Locations

Vacancy exists in general purpose space, but much of the vacant space is in older office buildings. Of the nearly 310,000 square feet of general purpose space built since 2000, only 36,000 square feet is vacant, a vacancy rate of 0.12 percent. The market area realized a net growth of about an average of 20,000 square feet of general purpose office space yearly since 2000, in addition to the net growth of medical office space.

Conclusions

There is one office/retail building in planning along Cedar Creek Grade with 9,800 square feet. Some of this space is already committed and some may be retail. This property will not be a "comp" for the Meadow Branch Avenue site, as it is small and will be fully occupied at project opening. The Russell 150 site in the County is planned for a significant amount of office space. This is the potential location of the new, relocated County office building. The new office space at this location will not be competitive with the Meadow Branch site, as it will attract primarily County government-related users and other general purpose office space of the type along Airport Road.

It is likely that over the next 5+ years the greater Winchester market will continue to support additional medical office space and the Amherst Street setting is the prime location for new medical office space. The market area population continues to expand and the success of Gateway Office Condominium, based on input from the developer, shows that a considerable number of medical office tenants are in insufficient or undesirable space, both mature and, in some cases, not well located to the hospital. This, along with net growth, will supply sufficient demand for new medical office space.

The market area should continue to generate demand for up to 20,000 square feet of new medical office space annually for the post-2014 period, based on conservative assumptions. This level of growth will support 60,000+ square feet of new medical office space over the forecast period to 2018, with additional demand after that time.

In time, at a minimum, two 25,000+ square foot medical related buildings could be built along Meadow Branch Avenue and near the intersection with Merrimans Lane. Each building would require 3.5 to 4.0 acres of land. Development would likely be done in phases with one building prior to 2018 and one building after that date. It is also likely that individual medical practices may want to develop owner-occupied buildings on the site which would require an acre or so of land.

This projection is based on current trends. If Winchester Medical Center expands at a greater level than in recent years, the growth in medical related office space should also expand.

Winchester Medical Center (WMC)

WMC completed a major three-year expansion project in 2012 that produced more than 368,000 square feet of new space and 80,000 square feet of renovated space. This resulted in the creation of approximately 75 new jobs. Project highlights include:

- **East Parking Garage**. This five-level, 569-space structure was completed in November, 2009 and is located behind Hurst Hospitality House on the east side of the campus. The project included an enclosed skywalk between the parking garage and North Tower.

- **Heart & Vascular Center**. This project, complete in April, 2011, included adding 30 holding beds to total 65 (52 complete, 13 shelled) and one new cardiac catheterization lab for a total of six labs covering 54,400 square feet (25,600 square feet of new and 28,800 square feet of renovated space).

- **Clinical Laboratory**. This 32,600 square foot addition was completed in May, 2011. The project consisted of adding a second story above the existing Imaging Center to more than double the size of the lab.

- **Emergency Department**. This department was enlarged from 50 to 60 exam rooms with two new resuscitation rooms and new seven-bed rapid assessment area. This included adding 31,180 square feet of new space and renovating 4,380 square feet of space. Construction on this was completed in November, 2011.

- **Critical Care Unit**. This facility was enlarged from 30 to 48 rooms in four 12-bed pods. This project included the addition of 64,800 square feet of space. 15,930 square feet of a former unit was also renovated. The Critical Care Unit opened in December, 2011.

- **Women & Children's Services**. This project included building flexible education space including a 1,600 square foot conference room, classrooms, and a Dedicated Women's & Children's entrance and lobby with a gift shop. This project included the construction of 68,400 square feet of new space in the North Tower and 22,300 square feet of renovated space. Construction on this portion of the project was completed in July, 2012.

WMC also has early plans to develop a new 47,000± square foot Cancer Center. Currently, some of those departments are in separate buildings within the medical campus. The center would include space for future radiological technology and additional surgical sub-specialties. The Cancer Center could open in late-2014 or early-2015 at the earliest and will be located behind the north tower and next to the outpatient diagnostic center.

In terms of its economic impact, Winchester Medical Center employs 2,214 full-time and 695 part-time employees. Valley Health, the parent company employs an additional 1,122 employees in Winchester outside of the hospital.

Thus, by the time that the Meadow Branch Avenue site is available for development, the market area should be able to support more medical office space. We identified demand for two multi-tenant buildings. If medical partners build their own space, that will be smaller buildings and then more than two buildings would be viable.

Assisted Living Facility Market

Data in Table 11 show that the market area has nearly 2,000 senior-headed households, with the household head 80+ years of age, and with incomes of $25,000 and above. This is the target market for the assisted living market in the greater Winchester area. These data show that by 2018, a net growth of 400 to 500 new older households is expected within the household age and income range under study.

These data and trends show that the percentage of older seniors in the market area is increasing, both for all senior and senior-headed households, but also for the higher income senior (80 years) headed households. These data support the need for additional ALF beds, as will be shown below.

Table 11: Demographic Trends and Projections of Senior Population, Winchester-Frederick County, VA, 1990-2018 (Constant 2013 Dollars)

	1990	2000	2010	2018
Market Area Population	67,670	82,790	104,510	121,030
Winchester City	21,950	23,590	26,200	27,610
Frederick County	45,720	59,210	78,310	93,420
Group Quarters Population	1,220	1,570	1,940	2,120 2/
Household Population	66,450	81,220	102,570	118,910
Persons Per Household	2.60	2.53	2.60	2.53
Total Households	25,550	32,100	39,470	47,000
80+				
Population	1,550	2,260	3,500	4,280
Percent of Total Population	2.3%	2.7%	3.3%	3.5%
Households	980	1,490	2,380	3,340
Percent of Total Households	3.8%	4.6%	6.0%	7.1%
Within Income Category 1/	460	960	1,660	2,440
Percent of Total Households	1.8%	3.0%	4.2%	5.2%
Percent 80+	46.9%	64.4%	69.7%	73.1%

Notes: 1/ Annual incomes exceeding $25,000.
2/ Includes planned additions to on-campus beds at Shenandoah University.

Source: 1990, 2000 and 2010 Census, U.S. Census Bureau, U.S. Department of Commerce; Weldon Cooper Center for Public Service S. Patz & Associates, Inc.

The Winchester area has six facilities with AL beds. Two of these, Westminster-Canterbury and Village of Orchard Ridge are CCRC's with an abundance of independent living (IL) apartment units and a modest number of AL beds. In total, there are 367 ALF beds in the market area, with a 93+ percent occupancy rate.

The Village at Orchard Ridge is the newest age-restricted facility in the market area. The project is built on 132 acres and has to date:

- 64 cottage homes for rent
- 135 apartment units in high rise buildings
- 19 AL beds
- 28 skilled nursing beds

245 Total

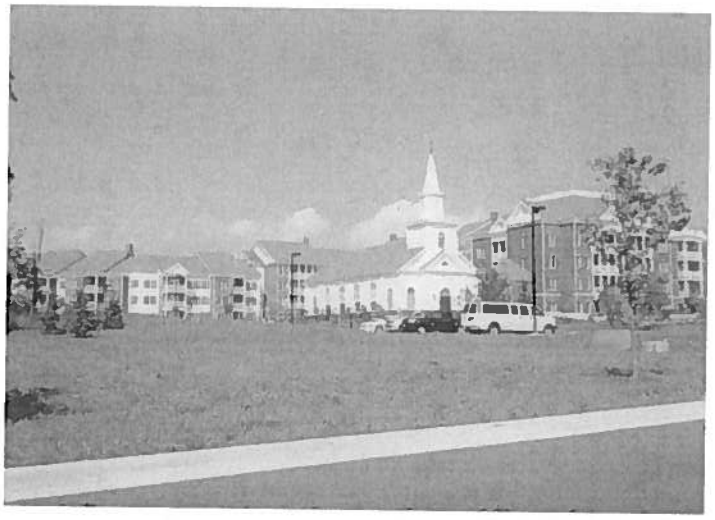
The project has a maximum number of 898 apartment units/beds planned. To date, 245 are built. The next phase will be additional units in the elevator apartment

buildings. The community will likely add additional AL beds, as needed, but these are likely to be filled by residents of the apartment units.

Photos of the cottages and high rise apartment buildings follow:

The Village at Orchard Ridge

Cottage Homes



Apartment Buildings

Table 12: Characteristics of Assisted Living Facilities by Type of Care, Winchester-Frederick County, August, 2013

	Map Key	Year Opened	Total Beds
Amerisist of Stephens City	1	2002	39
Hilltop House Assisted Living	2	1985/90/08 2/	90
Shenandoah Valley Westminster-Canterbury	3	1987/2004	60
Spring Arbor of Winchester	4	2001	80
Village at Orchard Ridge	5	05/2013	19
Willows at Meadow Branch	6	1998/10 3/	79
Total 1/			**367**

Notes: 1/ Three other assisted living facilities in the market area -- Apple Manor, Bon Air Stephens City, and Royal Haven are mature and "affordable" ALF's.
2/ Expansion with 35 beds opened in April, 2008.
3/ Renovation was completed in 2010.

Source: S. Patz & Associates field and telephone survey.

Our demand analysis shows market support for 90 to 150 new ALF beds by 2018. Some of this demand will be served at Orchard Ridge. Net demand would be available for the Meadow Branch Avenue site with a likely facility with a total of 80± beds.

If additional land is available, the likely market for this would be for for-sale, age-restricted homes. The IL units for rent at Orchard Ridge will likely fully support much of the IL rental market, even though Orchard Ridge is a Lutheran Church affiliated development during lease-up, but that may change in the future.

CITY OF WINCHESTER, VIRGINIA

CITY COUNCIL AGENDA ITEM

CITY COUNCIL/COMMITTEE MEETING OF: October 15, 2013 **CUT OFF DATE:** 10/07/2013

RESOLUTION ___ **ORDINANCE** ___ **PUBLIC HEARING** ___

ITEM TITLE: Old Town Special Events Update

STAFF RECOMMENDATION: Receive and File

PUBLIC NOTICE AND HEARING: N/A

ADVISORY BOARD RECOMMENDATION: N/A

FUNDING DATA: N/A

INSURANCE:N/A

The initiating Department Director will place below, in sequence of transmittal, the names of each department that must initial their review in order for this item to be placed on the City Council agenda.

DEPARTMENT	INITIALS FOR APPROVAL	INITIALS FOR DISAPPROVAL	DATE
1.			
2.			
3.			
4.			
5. City Attorney			10/10/2013
6. City Manager	DI		10-10-13
7. Clerk of Council			

Initiating Department Director's Signature: _____ 10/07/2013
Date

CITY ATTORNEY'S OFFICE
Received
OCT 10 2013
12:31 pm
WINCHESTER, VA

APPROVED AS TO FORM:
10/10/2013
CITY ATTORNEY

Revised: September 28, 2009

CITY COUNCIL ACTION MEMO

To: Honorable Mayor and Members of City Council

From: Jennifer Bell, Downtown Manager

Date: October 15, 2013

Re: Old Town Special Events

ISSUE:
Update on Old Town Special Events conducted through the Special Events Coordinator Contract.

RELATIONSHIP TO STRATEGIC PLAN:
This presentation relates to the Continued Revitalization of Historic Old Town and Creating a More Liveable City for All.

BACKGROUND:
Earlier this year, the City Council requested a presentation on the Salute to Our Troops Event. Since this was one of a series of events which impact the downtown as a whole, the presentation is about the various new events conducted under the special event contract. These include: three Friday Night Live events, Salute to Our Troops, Rockin Independence Eve, and a two day Downtown Tailgate event.

BUDGET IMPACT:
This presentation is a report on what impact these events have made to the downtown and will include information on the increase in meals tax revenue during specific months and parking revenue during the events.

RECOMMENDATIONS:
This report is provided for information only. It is appropriate for the City Council to comment and/or ask questions about items listed in this report, and provide additional direction to staff.

CITY OF WINCHESTER, VIRGINIA

PROPOSED CITY COUNCIL AGENDA ITEM

CITY COUNCIL/COMMITTEE MEETING OF: October 15, 2013 **CUT OFF DATE:** _

RESOLUTION ___ **ORDINANCE** ___ **PUBLIC HEARING** ___
MOTION ___X___

ITEM TITLE:
Motion to Authorize the City Manager to Execute the NRJDC MOU Regarding the Provision of HR and Other Ancillary Services to the Northwestern Regional Juvenile Detention Center

STAFF RECOMMENDATION:
Approve as recommended

PUBLIC NOTICE AND HEARING: N/A

ADVISORY BOARD RECOMMENDATION:
N/A

FUNDING DATA:
N/A

INSURANCE:
As required

The initiating Department Director will place below, in sequence of transmittal, the names of each department that must initial their review in order for this item to be placed on the City Council agenda.

DEPARTMENT	INITIALS FOR APPROVAL	INITIALS FOR DISAPPROVAL	DATE
1. Finance	B		10/2/13
2. Human Resources	[illegible]		10/2/13
3.			
4.			
5. City Attorney	[illegible]		10/2/2013
6. City Manager	[illegible]		10-10-13
7. Clerk of Council			

Initiating Department Director's Signature. [illegible] 10/2/13
Erin Maloney, JDC Superintendent Date

RECEIVED
OCT - 1 2013
CITY ATTORNEY

APPROVED AS TO FORM:
[illegible] 10/2/2013
CITY ATTORNEY

Re September [illegible] 9

CITY COUNCIL ACTION MEMO

Honorable Mayor and Members of City Council

Erin Maloney, Juvenile Detention Center Superintendent

October 15, 2013

MOU to amend the 2004 Juvenile Detention Center agreement

THE ISSUE: In year 2004, the NRJDC Service Agreement was amended with the consent of all participating jurisdictions to place the operational control over the NRJDC facility under the NRJDC Commission. No action was taken to memorialize the continuity of the provision of HR related services to the NRJDC including the applicability and enforcement of the CEMS with regard to NRJDC personnel. The NRJDC Commission has expressed a desire for Winchester to continue to provide these services to the NRJDC and wishes to memorialize it through the attached Memorandum of Understanding which has been approved by the NRJDC Commission.

RELATIONSHIP TO STRATEGIC PLAN: With this change, we can work with our community to create a more livable City for all.

BACKGROUND: The NRJDC Service Agreement sets forth the general agreement between the participating jurisdictions with regard to the funding and operation of the Northwestern Regional Juvenile Detention Center. These "member jurisdictions" include Clarke County, Frederick County, the City of Winchester, Shenandoah County, Page County, and Warren County. The original Service Agreement set forth the operational control of the facility and vested this authority in the City of Winchester. Over the years, this was interpreted to include the provision of Human Resource related services. NRJDC employees were hired, trained, and subjected to the same disciplinary processes as City of Winchester employees.

The Service Agreement was amended and readopted several times over the years. Each amendment to the Service Agreement requires approval of each of the participating member jurisdictions. The most recent amendment in year 2004, eliminated the responsibility for operational control over the facility from the City of Winchester and vested the operational control over the facility in the Northwestern Regional Juvenile Detention Center Commission.

In order to continue to receive the benefits of the Human Resources and other specified ancillary services that have been provided by the City of Winchester since the opening of the NRJDC facility, the attached documents are required to formally (1) grant the authority to the City of Winchester to provide these services; and (2) memorialize the understanding between the City of Winchester and the NRJDC with regard to the provision of these services.

BUDGET IMPACT: No budget impact to the City is anticipated. The City has already been providing the services identified in the MOU for decades. Nothing contained in this document shall have any effect upon the duties and responsibilities of the respective entities with regard to other obligations to provide and receive other services including but not limited to the City of Winchester's obligations as fiscal agent for the facility. This MOU is not a fiscal funds obligation, or disbursement document.

OPTIONS: The City will provide services and assistance to the NRJDC in the uniform administration and enforcement of the personnel policies, including amendments, additions, delegations, and administrative policies, upon all NRJDC employees in the same manner that the City administers and enforces such policies with regard to City employees.

This MOU also outlines what services the City will provide to the JDC, without cost:

- Assist in and conduct searches for employees to fill open job positions; conduct job interviews; make recommendations for hiring; and provide related employee hiring assistance.
- Provide advice and assistance to the Center in the application, interpretation, and enforcement of the personnel policies.
- Conduct grievance procedures proceedings pursuant to the personnel policies.

- The provisions of Comprehensive Employment Management System (CEMS), and subsequent revisions thereto, as well as any policies and procedures formally adopted by the Commission shall be administered and enforced on NRJDC employees in the same manner that it is administered and enforced on City employees.

The Juvenile Detention Commission approved the resolution and MOU at it's September 24, 2013 meeting. Please See exhibit "A" for the adopted resolution.

RECOMMENDATIONS: Staff recommends that Common Council authorize the Manager to execute the MOU as proposed on behalf of the City. The NRJDC Commission maintains that the 2004 amendment to the Service Agreement (adopted by the participating jurisdictions) gives operational control to the facility which allows the NRJDC Commission to approve the MOU on behalf of the participating member localities.

RTM/ks
08/26/13

MEMORANDUM OF UNDERSTANDING FOR PERSONNEL SERVICES

THIS MEMORANDUM OF UNDERSTANDING, dated the _____ day of _____, 2013, is by and between the NORTHWESTERN REGIONAL JUVENILE DETENTION CENTER COMMISSION ("Commission") and the CITY OF WINCHESTER, VIRGINIA ("City").

Insert dated Copy from Bob

RECITALS

WHEREAS, by virtue of the provisions of the Amended and Restated ment dated December 11, 2004 ("Agreement") establishing the Northwestern Regional Juvenile Detention Center ("NRJDC"), the Commission is vested with the power and authority to make regulations and policies governing the operation of the NRJDC; and

WHEREAS, the Commission, by resolution, has adopted the personnel policies of the City as the personnel policies applicable to all employees of the NRJDC; and

WHEREAS, the Commission has authorized and requested that the City provide services and assistance to the NRJDC in the uniform administration and enforcement of the personnel policies upon all NRJDC

employees in the same manner that the City administers and enforces such policies with regard to City employees, ; and

WHEREAS, the Commission and the City desire to herein set forth their understanding as to the providing of such services and assistance by the City.

TERMS

The understanding of the Commission and the City with respect to the City providing services and assistance to the NRJDC in the administration and enforcement of the City personnel policies is as follows:

1. The City will provide services and assistance to the NRJDC in the uniform administration and enforcement of the personnel policies, including amendments, additions, delegations, and administrative policies, upon all NRJDC employees in the same manner that the City administers and enforces such policies with regard to City employees. All decisions regarding the administration and application of such policies shall be determined solely by the City. Such services shall be provided without cost to the NRJDC, which services and assistance shall, without limitation, include the following:

(a) Assist in and conduct searches for employees to fill open job positions; conduct job interviews; make recommendations for hiring; and provide related employee hiring assistance.

(b) Provide advice and assistance to the NRJDC in the application, interpretation, and enforcement of the personnel policies.

(c) Conduct grievance proceedings pursuant to the requirements of the Code of Virginia and applicable personnel policies.

2. The provisions of the City Comprehensive Employment Management System ("CEMS"), and subsequent revisions thereto, as well as any policies and procedures formally adopted by the Commission shall be administered and enforced on NRJDC employees in the same manner that it is administered and enforced on City employees. The Commission shall require all directors, staff, and employees of the NRJDC to comply with CEMS and to attend any required human resources training, including but not limited to, trainings and informational sessions regarding benefits and other personnel matters for the duration that the NRJDC relies on the City of Winchester to provide these services to the directors, staff, and employees of the NRJDC.

3. The NRJDC shall promptly provide current copies of all NRJDC policies and procedures upon their formal adoption by the NRJDC to the Winchester Director of Human Resources and City Attorney who shall review and approve or recommend modification of all policies as they may affect administration and enforcement of personnel policies by the City.

4. Except as expressly stated, nothing contained in this document shall

be construed in any way to create an employment relationship between the City of Winchester, its employees, agents, and assigns and the NRJDC. The City of Winchester shall be considered an independent service provider to the NRJDC with regard to the performance of this Agreement. At all times herein mentioned the City of Winchester and NRJDC shall remain separate and distinct legal entities.

5. Nothing contained in this document shall have any effect upon the duties and responsibilities of the respective entities with regard to other obligations to provide and receive other services including but not limited to the City of Winchester's obligations as fiscal agent for the facility. To the extent that this document conflicts with the terms of any other lawfully adopted agreement between the parties or other legal authority, the terms of the lawfully adopted agreement or other legal authority shall supersede.

6. This MOU is not a fiscal funds obligation, or disbursement document. Any monetary obligations, requests, or disbursements shall be made according to Governing Law and previously signed and executed Agreements related to the NRJDC, and between the City of Winchester, other Member Jurisdictions, and the Commission.

7. This MOU does not impart any additional or future obligations on either City of Winchester or the NRJDC with respect to the role of the City of Winchester as a fiscal agent for the NRJDC.

DURATION/MODIFICATION/TERMINATION

8. This MOU is to take effect upon signature of the City of Winchester and the NRJDC and remain in effect until terminated pursuant to paragraph 10, below.

9. Modifications to this MOU shall be made by mutual consent of the City of Winchester and the Commission, through issuance of a written modification, signed and dated by both parties, prior to any changes.

10. Either the City of Winchester or the Commission may terminate its participation in this MOU by providing written notice to the other at least thirty (30) days in advance of the desired termination date.

11. To the extent permissible under the laws of the Commonwealth of Virginia, the NRJDC shall indemnify and hold the City of Winchester harmless for any claim arising from an act or omission committed pursuant to this Agreement. The City shall not be liable for acts or omissions of the Commission, the NRJDC, or its employees, agents, or contractors in the administration and/or enforcement of the personnel policies.

12. If any provision contained in this Agreement shall be deemed to be inconsistent with the laws of the Commonwealth of Virginia or other lawful authority, said provision shall be deemed severed and stricken from this Agreement and the remaining provisions shall continue in full force and effect.

13. This Agreement shall be construed exclusively under the laws of the Commonwealth of Virginia.

14. Any dispute arising from the performance or non-performance of this Agreement shall be litigated solely in the Circuit Court for the City of Winchester, Virginia or in the U.S. District Court for the Western District of Virginia in Harrisonburg, Virginia.

NORTHWESTERN REGIONAL JUVENILE
DETENTION CENTER COMMISSION

Date: _____ By: _____
Erin Maloney, Superintendent NRJDC

CITY OF WINCHESTER, VIRGINIA

Date: _____ By: _____
_____, _____

Exhibit "A"

RESOLUTION

WHEREAS, the Northwestern Regional Juvenile Detention Center ("NRJDC") is a Regional Juvenile Detention Facility formed and operating under the laws of the Commonwealth of Virginia; and

WHEREAS, the NRJDC is run under the operational control of the NRJDC Commission (the "Commission") which is an independent public body corporate in accordance with Virginia Code §§16.1-315 *et. seq.*; and

WHEREAS, the City of Winchester, Virginia ("City") is a participating member jurisdiction with a member appointed to the Commission; and

WHEREAS, by virtue of the provisions of the Amended and Restated Agreement dated December 11, 2004 ("Agreement") establishing the NRJDC, the Commission is vested with the power and authority to make regulations and policies governing the operation of the Center; and

WHEREAS, the Commission finds it advisable to establish personnel policies to apply to all employees of the NRJDC; and

WHEREAS, the Commission desires to adopt the personnel policies of the City to apply to all employees of the NRJDC; and

WHEREAS, the Commission desires to have the City provide services and assistance to the Center in the administration and enforcement of the personnel policies;

NOW, THEREFORE, be it RESOLVED as follows:

1. The Commission hereby adopts the personnel policies of the City, including, without limitation, the City Comprehensive Employment Management System ("CEMS"), as the personnel policies applicable to all employees of the NRJDC.

2. The Commission hereby authorizes and requests that the City of Winchester provide services and assistance to the NRJDC in the uniform administration and enforcement of the personnel policies, including amendments, additions, delegations, and administrative policies, upon all NRJDC employees in the same manner that the City administers and enforces such policies with regard to City employees, as determined solely by the City.

3. Such services and assistance by the City shall be provided in accordance with the attached Memorandum of Understanding between the Commission and the City, which Memorandum of Understanding is hereby approved by the Commission, and which the Superintendent is hereby directed to execute on behalf of the Commission.

CITY OF WINCHESTER, VIRGINIA

CITY COUNCIL AGENDA ITEM

CITY COUNCIL/COMMITTEE MEETING OF: October 15, 2013 **CUT OFF DATE:** 10/07/2013

RESOLUTION ___ **ORDINANCE** ___ **PUBLIC HEARING** ___

ITEM TITLE: 2013 Strategic Plan Annual Retreat Overview

STAFF RECOMMENDATION: Receive and File

PUBLIC NOTICE AND HEARING: N/A

ADVISORY BOARD RECOMMENDATION: N/A

FUNDING DATA: N/A

INSURANCE:N/A

The initiating Department Director will place below, in sequence of transmittal, the names of each department that must initial their review in order for this item to be placed on the City Council agenda.

DEPARTMENT	INITIALS FOR APPROVAL	INITIALS FOR DISAPPROVAL	DATE
1.			
2.			
3.			
4.			
5. City Attorney	AW		10/10/2013
6. City Manager			
7. Clerk of Council			

Initiating Department Director's Signature: _____ 10/07/2013
Date

CITY ATTORNEY'S OFFICE Received OCT 10 2013 WINCHESTER, VA

APPROVED AS TO FORM: 10/10/2013
CITY ATTORNEY

Revised: September 28, 2009

CITY COUNCIL ACTION MEMO

To: Honorable Mayor and Members of City Council

From: Dale Iman, City Manager

Date: October 15, 2013

Re: City Council Strategic Planning Retreat

ISSUE:
To continue the strides made with the City's strategic plan, an annual follow-up has been planned for the week December 9-13, 2013. The planned activities for the week are being shared with City Council and staff for planning purposes.

RELATIONSHIP TO STRATEGIC PLAN:
The annual retreat is the time and place where the City Council clarifies vision, mission, and goals for our community. The retreat is also used to identify key activities the City Council and staff will work on over the upcoming 12-18 months.

BACKGROUND:
Earlier this year, the City Council engaged Lyle Sumek to facilitate a community strategic plan. The plan that was created has four main elements; Vision Statement 2028, Goals 2018, Mission Statement, and Policy/Management Agendas 2013-2014. The full strategic plan, along with quarterly updates of this plan, is online at www.winchesterva.gov/government/strategic-plan.

To continue the momentum generated by using this strategic planning process, staff proposes the following schedule in preparation for the week of December 9-13:

1. November 11 – City Council interviews with Lyle Sumek, via telephone, (staff will coordinate)
2. December 9 – Follow-up interviews with City Council/staff and project updates
3. December 10 – Staff Strategic Plan Sessions, 8:00 AM -1:00 PM
4. December 11 – Staff Strategic Plan Sessions, continued, 8:00 AM – 1:00 PM
5. December 12 – City Council Strategic Plan Session, 12:00 PM – 7:30 PM
6. December 13 - City Council Strategic Plan Session, continued, 8:00 AM – 12:30 PM

BUDGET IMPACT:
The cost of for the retreat was approved in the FY 2014 budget.

OPTIONS:
N/A

RECOMMENDATIONS:
This overview is provided for information only. It is appropriate for the City Council to comment and/or ask questions, and provide additional direction to staff.