



Economic Development Analysis & Master Plan

EXECUTIVE SUMMARY

(Extended)

Final Report - March 28, 2011

Purpose and Overview of the Analysis and Plan

This Master Plan analyzes economic development market opportunities for the City, and offers a plan for action to seize those opportunities, including specific conceptual designs for six key “catalyst” sites that offer particular opportunities for economic development and revitalization.

This Plan clarifies the City’s vision of its economic future, and supports that vision with a program of strategic actions for both short-term and long-term horizons. It parallels the City’s update of its overall Comprehensive Plan, which provides the broader, long-term, land use policy framework for the City.

The current economic conditions present serious challenges to the City, but also important opportunities for enhancing local economic vitality, overall quality of life, and for capitalizing on the basic forces that will drive the 21st century economy - while also preserving the essential community character of Winchester. *In fact, contemporary economic trends indicate that Winchester’s assets are advantageous.*

This Master Plan provides a sound analytical basis for the implementation of projects through public and private initiatives and collaborations, as well new ideas and opportunities for economic development implementation.

Challenges and Opportunities for Winchester

The City faces challenges, yet it has assets and opportunities that indicate the potential to overcome those challenges if the opportunities are seized.

The City has lower incomes and education levels relative to surrounding jurisdictions and faces regional competition from Frederick County and neighboring jurisdictions for employment growth and retail sales. It has higher rates of crime in some categories than surrounding jurisdictions. It has a relatively high proportion of group home facilities, and it has a substantial amount of relatively low-value/under-maintained housing stock.

However, Winchester has some good assets that offer opportunities for the future. *Regional Location and Accessibility.* The City’s location on the fringe of the northern Virginia region is an asset as well as a constraint. It is within easy commuting to the east with multiple routes; it is outside a 70-mile zone surrounding the nation’s capitol which fits well with the trend toward dispersal of federal government facilities; it is on Interstate 81, with two major interchanges directly into the City and two additional interchanges just to the north and south of the City; and it has a historical and continuing role as a major economic, cultural,

financial, legal, real estate, political/ government and social center of the northern Shenandoah Valley.

Shifts in Demographics and Market Demands. The two biggest emerging markets are aging baby boomers and the millennial generation. Both of these groups tend to prefer smaller houses and walkable, convenient lifestyles, and a sense of place.

Health and Higher Education Center. The Winchester Medical Center, and Shenandoah University, are key components of the region's future economic base.

Energy Costs. Increasing costs of transportation as a percentage of household expenses will underpin centralization of jobs and services.

Infrastructure Improvements While the City has various infrastructure deficiencies, it has also made significant recent improvements including converting several one-way streets to two-way and increasing the parking supply downtown.

Historic Character. The historic downtown core, with a traditional grid street network, substantial historic architectural fabric, and a long history of active preservation and restoration initiatives.

Existing Industry and Retail. Several major, diverse industrial employers. Substantial retail sector that serves the City and surrounding market service area.

Summary of Findings of Market Analysis

The market analysis looked at existing as well as emerging and potential markets for land use and development, originally in 2008-09, and updated during 2010.

Residential. Current trends suggest that new housing development can occur and that new apartment unit development, senior housing, and for-sale townhouses are feasible. The most viable development sites are Ward Plaza, Meadow Branch, and the downtown Mall. Rental housing is currently the strongest land use within the market area. Based on the current pent-up demand and demographic trends, the market area is estimated to support 200 to 250 new, upper-rent units every five years, and a market currently exists for 150 to 200 units.

Commercial. Retail space, office space and hotel room development are primarily longer-term potentials. The need is for planning for upgrading key sites into planned environments for new retail and office space, possibly new hotel development, in conjunction with "town center" type housing.

The market area population continues to increase, albeit at a very slow pace. Building permit activity as well as employment and jobs declined in 2008 and 2009, although growth in at-place jobs prior to the recession was also modest.

These trends suggest that although short-term development opportunities are limited, there is a real need and opportunity to make the City more competitive for new development in the medium to long-term, by capitalizing on the City's inherent assets.

The positive feature of the office market analysis is that the 8± percent vacancy rate for the greater Winchester office space market is a modest total given the sizable amount of recent development. Secondly, the market area attracted two large federal government users and that trend could continue. The office space market should continue to expand, but probably not at the same level as during the past five years prior to the downturn. The key is to attract more technology sector and federal government tenants and this in turn could generate the demand for government contractors.

The current market area annual hotel room occupancy is now under 60 percent. The desired rate is approximately 65 percent, or slightly lower with mature hotels. To reach 65 percent occupancy for the market area under current inventory, including 2009 properties, would require an increase in 47,500+ occupied room nights, which is equivalent to another 85-room hotel. The data suggest that based on past trends in hotel room demand, the current market (2009) is only marginally oversupplied, given the significant amount of new rooms recently placed on the market, and that after 2010/11, additional hotel rooms would be supportable. The share that can be captured in the City would be dependent on the quality of the site. It is plausible that a new market area hotel could be built every other year (depending upon size) and that with quality sites, half of this demand could be located in the City.

Existing Businesses – Retention, Expansion. The primary target for most economic development efforts begins with retaining existing businesses, and fostering expansion and spin-offs of existing employment sectors. However, due to a constantly changing economic environment no locality should rely solely on its existing sectors.

Health-Related. One of Winchester's largest economic entities is the medical center. Expansion of the medical center, as well as support services, offers excellent long term potential. Expansion of this sector would have synergistic benefits for housing, retail and personal service establishments, among others.

University-Related. Like the health industry, higher education is expected to be an important growth industry in the 21st century. Further, the university and the medical center can be mutually reinforcing, to the extent that the university's curriculum can be further shaped to produce graduates that are qualified to fill the kinds of jobs that are part of the medical center's activities as well as the adjunct services that support the medical center.

Technology Entrepreneurs. Winchester offers many of the key resources desired by emerging and start-up technology businesses – economical work and living space, convenient access to regional transportation linkages, proximity to the large northern Virginia technology community, and a vibrant, historic, walkable downtown.

Federal Agency Facilities and Spin-offs/Support. Several major federal facilities have located to the Frederick County/Winchester market area, due to the desire to disperse various federal functions, as well as to achieve cost efficiency. These facilities account for not only the direct federal jobs, but also produce some "spin-off" employment to support the basic federal functions. Due to its location, Winchester offers a significant potential for additional expansion of federal facilities, and the related support services.

Entertainment-related. In part due to the potential for the younger adult demographic, the potential for food, beverage and entertainment businesses also holds good long-term potential for Winchester. The City remains the only significant urban place in the region, which gives it "gravitational" force to add to this segment of the economy.

Retirees and "empty-nest" households. The aging "baby boom" population, particularly retirees and "empty-nest" households, tends to have higher than average incomes. Many of those in this segment – especially the "empty-nesters" – are independent or part-time workers, as well, and would thus directly enhance the local employment base and labor force. Research indicates that this "age-wave" will focus on many of the amenities – such as walkability, easy access to services and cultural resources and transportation choices – that Winchester either already has or can strengthen to capitalize on this impending change.

Young, "creative class" households. The other demographic segment with particular potential for Winchester's future are the young professionals – those with higher education levels who want to live and work in a vibrant downtown, yet also wish to have a relatively convenient and less congested life style, with better access to active recreational amenities like the rivers, national parks, trails, etc.

This population segment tends to be very mobile, with flexibility for a wide range of locational decisions that meet their lifestyle preferences. Here too, the City can again capitalize on the embodied assets in the character of its existing built fabric to attract this class more easily than many surrounding suburban or rural areas.

Strategic Vision

In the near to medium term (1 to 5 years), the City should focus on creating and strengthening the assets that it will need for economic success in the future, while also promoting its existing assets.

In the longer term (5+ years), the City will be able to implement strategies and tactical actions to capitalize on new and improved assets for better economic health and vitality.

Specific actions recommended to achieve both the near-term and long-term strategic visions are included in the analyses and plans for each catalyst site. The vision is further detailed below in a series of overall recommendations for enhancements to the current conditions in the City.

Housing Stock Enhancement. Improve and expand the overall housing stock, to provide for and attract both older and younger age household populations, thereby raising the average household income in the City.

Future Industry Sectors. Increase the synergy between the medical center and the university, including both economic and physical linkages; Establish and grow technology businesses, especially small, start-up companies that can benefit from Winchester's unique setting and environment; Gradually add retail space that capitalizes on the new, higher income residents and employees, as their numbers increase; Establish and grow businesses that support federal facilities that expand or relocate into the Winchester/Frederick County market area.

Labor Force Enhancement. Create programs that improve educational attainment at all levels, in order to provide a more skilled and better educated labor force in the area; Create new housing types and improve the existing housing stock in the City so that it can attract the younger and older demographic groups with higher education levels and income expectations

Quality of Life and Built Character. Develop mixed-use neighborhood centers and corridors that combine housing (for young and old households), retail, and office/employment uses, integrated within a compact, walkable area that will create the kind of urban amenity environment sought by the "creative class" and "empty nest" demographic sectors (the six catalyst sites offer special opportunities for this type of development)

Conceptual Plans for Catalyst Sites

Six “Catalyst Sites” that offer particular opportunities for development and redevelopment were selected for detailed analysis and design. For the first five sites, the team prepared an analysis of opportunities and constraints, alternative development scenarios, and a final conceptual site development plan, shown in this report. Pro forma feasibility analyses were also prepared for key sites. The catalyst sites are:

- Ward’s Plaza
- Meadow Branch corridor extended
- Berryville Avenue
- Pleasant Valley Road extended
- National Fruit Products Company
- Downtown (historic core area)

Catalyst Site Locations



Ward's Plaza - Conceptual Redevelopment Site Plan



Ward's Plaza – This is a mature retail center with considerable vacant space and no recent investment. The center is no longer fully competitive for the retail space market due largely to the large number of new, more upscale centers that have been built elsewhere in the region. Future use is likely to be residential, with *potential for a mixed-use development including some new commercial space. Redevelopment of the site will likely need to be done in phases.*

The conceptual site plan shows a mixed-use development with 14 distinct building envelopes, designed as an interconnected, pedestrian-friendly area. The site would be expected to develop in phases, with the first phase consisting of buildings 1, 2, 6, 7 and 8, as indicated in the drawing above. Phase I would include 51,670 square feet gross for retail/office on the first floor level, and 83,890 square feet gross for residential. At an average of 900± square feet gross per unit, 100± apartment units would be in the five-buildings of Phase I.

The pro forma analysis “tests” project feasibility and indicates that redevelopment for Phase I would be positive, particularly if Building 3 is included. Inclusion of commercial space is key to project feasibility. Future development on the remaining land is likely to be

mainly residential. The financial test was positive, assuming the land price and ability to develop the site in phases. New Market Tax Credit financing was assumed.

Meadow Branch - Conceptual Site Plan



Oblique view of the site looking to the west

Meadow Branch – This site is a roadway corridor located on the west side of the City near the Winchester Medical Center. Currently, Meadow Branch Avenue runs north from Handley Avenue to approximately Buckner Drive. The roadway is proposed to be extended north to U.S. Route 50, near Merriman’s Lane but is not yet extended north from Buckner Drive, and the land along the future roadway corridor is vacant. *The concept plan for the Meadow Branch Corridor is a phased mix of new medical office space, age-restricted housing and new subdivisions.*

The concept plan shown above for the Meadow Branch corridor calls for a mix of medical office space, some commercial space, age-restricted housing and family housing, primarily townhouses. This plan clearly is a long-range development opportunity, as Meadow Branch Avenue is not yet extended and will be required for project development. That could likely be at public expense. Development of this plan will likely attract a wide range of developers; phasing would be a likely necessity.

The team studied one vacant parcel along the corridor, a 33.4-acre vacant parcel with an assessed land value of \$3,340,000, or \$100,000 per acre. If developed for townhouses at a density of eight units per acre, the land cost would be \$12,500 per townhouse unit. With no major off-site development costs, that price readily would allow for townhouse development. At four units per acre it would also allow for single-family home development. Site development for attached, single story homes would also be feasible.

Age-restricted housing, such as an independent living facility, would generate the same land values as standard apartment units, or \$8,000± per unit. The Meadow Branch land values would be fully supportive of this type of development. An assisted living facility

(ALF) could generate higher land costs, so that land use also is feasible. This is true for commercial uses that generate much higher land values compared with residential.

Berryville Avenue - Conceptual Redevelopment Site Plan

This is a mature retail strip corridor along Route 7 from the I-81 interchange west to Pleasant Valley Road. This area contains a wide variety of commercial uses, including discount retail uses, ethnic stores, and a wide range of free-standing commercial buildings, including fast food restaurants. Redevelopment of the defined corridor area is very complex due to the large number of sites that need to be assembled. For this effort, the Apple Valley Square strip retail center was selected for detailed study, as this mature retail site represents a sizable development parcel. It has some of the same issues as Ward's Plaza, reflected in increased vacancies and deferred maintenance. *A new catalyst project will help "jump start" new investment along this corridor.*

The concept plan for the corridor calls for the redevelopment of mixed-uses on the underused sites, including residential, office and retail, and the addition and/or extension of key roadways to enhance connectivity and a clear system of blocks. The plan also calls for a new parallel road corridor to the south of Berryville Avenue which would allow for higher value infill redevelopment in that area.



Oblique Aerial View of Berryville Avenue Conceptual Plan (looking north)

Pleasant Valley - Conceptual Site Plan

This is a 25.92-acre area located along the east side of Pleasant Valley Road, from Cedarmeade Avenue/Paper Mill Road south to Summit Avenue. A large portion of the site is vacant. North of the site is the Apple Blossom Mall and Corners Shopping Center, plus a wide range of other retail stores. The Windy Hill Industrial Park is also on the north side, but east of I-81. The Winchester industrial park is on the south. A railroad right-of-way runs parallel to the west side of Pleasant Valley Road. The closest interchange to I-81 is at Millwood Avenue/U.S. Route 50 on the north side of Apple Blossom Mall. *The site is identified as a potential office/business center. If developed, this location will likely be a land development with finished lots sold for office or industrial development.*

A conceptual plan for development of the Pleasant Valley site as a business park was prepared. If developed for that use, the site will likely be developed as a land sales project, with each user purchasing a finished lot. The entire site shown is nearly 26 acres. It has vacant land on the north half and some development on the south.

Assemblage is required for the entire 26± acres, but the market does not support enough office and industrial space demand for the entire site at this time. Thus, development phasing will be required. For the vacant land at this location, once the market improves, development will be feasible.



Oblique view of Pleasant Valley plan looking north

Market support for business park development may be three or more years in the future. The Pleasant Valley property is well located, but not viable for retail uses given the large cluster of retail space at and near the mall. At the assessed value of the vacant land at this location, residential development could occur. Thus, there are likely to be various development options for this location.

National Fruit Products - Conceptual Site Plan

This is former industrial land located on the northwest side of the City on the west side of U.S. 522 Business and along Strothers Lane. The buildings are three- and four-story brick industrial buildings formerly used for processing for the apple industry. This is the largest potentially available site in the City. General market support was not identified for this large property, as other industrial sites are more readily available. However, *this site has potential for future development, possibly as a secure site for a government agency or government contractor.*

The National Fruit Products Company site is 67.6 acres. It is assessed at \$3.05 million for land and \$11.54 million for improvements. The land value is at a moderate \$45,100 per acre for M-1 zoned land. The improvement value is high due to the large number of buildings on site. The reuse of some of the existing buildings on the site has not been studied.

Redevelopment of this site for a wide range of uses will be feasible, if the improvement costs are reduced or removed.

Given the current industrial space market, the National Fruit Products Company land is not viable for traditional industrial development and this condition will likely not change for several years. These are buildings that could be reoccupied; however that would require further study. At the land value only, the site could be developed for residential use, but it is zoned M-1 and near a railroad track. Preparing the property for high security government/contractor use would be viable, especially if some of the existing buildings could be reused.



Oblique view of the concept plan looking to the north

If the City identifies a prospective user that needs the security and proximity features offered by this site, the City may want to prepare a more detailed master plan for redevelopment, showing the buildings that are reusable and with a large development parcel identified. The master plan would need to show how best to “handle” security if a government agency/contractor can be secured. Marketing of this site for this type of use is essential.

Downtown Area

This site is significantly different from the other catalyst sites, due to its size, complexity, and multiple ownership. Recommendations for development initiatives in this area are consistent with those that have emerged through the Comprehensive Plan update process. The historic Downtown Pedestrian Mall is a focal point, particularly the proposed improvements and redevelopment of several adjacent properties, including the Taylor Hotel site. Improvements to enhance the appearance and functionality of the mall should include thinning the tree canopy to “open up” the walkway and brighten the space.

The historic downtown area is the core of the City and the focal point around which the other areas and sites revolve. It contains the most prominent civic buildings of the City and the County, as well as most of the significant historic architectural fabric. *With its traditional human-scale streetscapes and mix of uses, it has excellent potential for additional*

residential development to serve the “empty-nester” and “young professional” housing markets, and to provide a link between the Medical Center on the west and the University on the east.

Marketing Plan

A Marketing Plan was prepared as part of the master plan effort. The purposes included to outline the City’s strengths, weaknesses, opportunities and threats; identify key markets and audiences; and develop specific strategies to support and enhance the City’s economic development efforts. The marketing program will aim to create a new image for the City that helps target, attract and retain businesses and people. In order to meet the objectives, an adaptable theme will be developed for communication pieces, which includes a new Winchester Economic Redevelopment logo, tagline, collateral (a multi-purpose pocket folder with inserts) and microsite for the City.



Marketing Objectives:

- Create a brand identity for City of Winchester Economic Redevelopment
- Establish a marketing system that reflects and supports the *Citywide Vision* and goals – near-term and long-term
- Increase awareness of the City of Winchester’s key benefits and assets
- Promote the idea that the City is an outstanding place to do business, live & visit.
- Highlight the new City of Winchester Master Plan with a particular emphasis on the six new catalyst sites

Branding Strategy. After a thorough review of the available information and competitive landscape, the four top marketable benefits of Winchester are:

- Value (or Affordability)
- Accessibility (or Connectivity)
- Economic Stability
- Sense of Belonging (Community)

Winchester can benefit most by “owning” the market for value and accessibility, something that other competitive cities within the region, or larger cities simply cannot do. If Winchester is branded as a smart choice that provides residents and businesses with a high quality of life and low cost of living/business, it can fill a unique niche.

The Marketing System. In support of the branding approach, the development of a core set of *integrated system of marketing tools* that spans *digital, print and other media* will establish a cohesive look and feel for Winchester.

The goal is a collection of tools, unified by the Winchester branding message and visual identity that provide the flexibility to be combined in a variety of ways to suit a specific application and target audience.

Approach and Tactics. All marketing materials and tools should focus on generating awareness and increasing communication between the City and its customers – both existing and prospect businesses, residents and visitors. In addition the core set of marketing tools (logo, microsite and presentation folder), Winchester can further its efforts by combining other traditional and digital strategies. A summary of suggested media and tactics for implementation includes.

Print Advertising. A branded *advertising campaign* can be developed that promotes the overall strengths of Winchester while *targeting specific audiences or niche industries*. A general ad should run initially to launch the campaign, followed by a rotation of three to five targeted ads, each crafted to fit the primary business markets – Healthcare, Education, Technology and Government – as well as the region and publication in which it runs.

Collateral and Marketing Materials

- Media Kit or New Business Package
- Outreach cards or pamphlets for distribution at trade shows & business events
- Flyers for distribution at historic and cultural events

Other Branded Items. Various items or tchotchkes can be branded with the new Winchester. These promotional freebies can be dispensed at events, trade shows and conventions or sent out as part of a marketing kit. These items can help broaden the reach of the Winchester identity by making the brand portable and convenient.

Search Engine Marketing. Promoting the microsite by increasing its visibility in search engine result pages (SERPs) will be a goal of search engine optimization and the use of paid placement, contextual advertising and paid inclusion.

Social Media Marketing. One of the biggest opportunities for the City to engage with its audiences is through social media and social networks. These tools can increase awareness, develop loyalty and create additional ways to communicate between the City, businesses, residents and the general public. Social media is also a cost-effective means of marketing. Tactics for social media engagement include

- **Facebook** - a social network that allows members to connect and share just about anything.
- **Twitter** - a platform that allows participants to share thoughts in 140 characters or less.
- **LinkedIn** - a business oriented social network.
- **PRWeb** - an online press release distribution system.
- **Meetup** - an online social networking portal that facilitates offline group meetings.

- **Tweetup** - an event where people who meet on Twitter come together in person.
- **Refresh Winchester** - a small online/offline community of designers and developers working to refresh the creative, technical, and professional culture of new media.
- **Live-Winchester.com** - a local online network that provides business and consumer discussion categories, forums, public and private groups/communities and an events calendar; features the ability to comment and provide feedback.

Citywide Implementation Strategy

Three basic groups of Citywide strategies emerge from the analysis:

- 1) Develop **Physical Assets** to Improve the Image of the City and Quality of Life
- 2) Develop **Partnerships and Collaboration**
- 3) Pursue Economic Development **Promotion and Incentives**.

For each strategy, a series of tactical actions has been identified. The major strategies are shown below.

1. Physical Assets

Strategy 1.1: Upgrade overall quality of life for residents and employees.

Strategy 1.2: Re-brand the City – re-create the “image” of Winchester as a place that support its overall vision. *(in accord with the Marketing Plan)*

Strategy 1.3: Attract and foster the demographic and economic sectors that match the City’s vision and its current and future assets.

Strategy 1.4: Foster the infrastructure improvements and land assemblage and marketing needed to redevelop the catalyst sites.

Strategy 1.5: Promote the catalyst sites for appropriate development and redevelopment for high value housing, mixed-use neighborhoods, and uses that support the City’s key assets including the university and medical center.

2. Partnerships and Collaboration

Strategy 2.1: Develop partnerships and alliances with local institutions and businesses to leverage both public and private resources.

Strategy 2.2: Foster broad and committed local support - city government, county, businesses, regional and state entities.

Strategy 2.3: Provide support for start up businesses and entrepreneurship programs for target industry sectors such as high tech and med/tech.

3. Promotion and Incentives *(in accord with the Marketing Plan)*