

CITY OF WINCHESTER, VIRGINIA

PROPOSED CITY COUNCIL AGENDA ITEM

CITY COUNCIL MEETING OF: 1/27/15 (work session) CUT OFF DATE: 01/22/15
2/10/15 (1st reading)
2/24/15 (2nd reading/Public Hearing)

RESOLUTION ___ ORDINANCE X PUBLIC HEARING X

ITEM TITLE:

RZ-14-663 AN ORDINANCE TO CONDITIONALLY REZONE 10.59 ACRES AT 200 MERRIMANS LANE (Map Number 149-01- - 7-A), FROM CONDITIONAL RESIDENTIAL BUSINESS (RB-1) DISTRICT WITH CORRIDOR ENHANCEMENT (CE) DISTRICT OVERLAY (0.80 ACRES) AND CONDITIONAL MEDIUM DENSITY RESIDENTIAL (MR) DISTRICT (9.79 ACRES) TO MEDIUM DENSITY RESIDENTIAL (MR) DISTRICT WITH PLANNED UNIT DEVELOPMENT (PUD) DISTRICT OVERLAY.

STAFF RECOMMENDATION:

Approval.

PUBLIC NOTICE AND HEARING:

Public hearing for 2/24/2015 Council meeting.

ADVISORY BOARD RECOMMENDATION:

Planning Commission unanimously recommended approval.

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.

Table with 4 columns: DEPARTMENT, INITIALS FOR APPROVAL, INITIALS FOR DISAPPROVAL, DATE. Rows include Zoning & Inspections, City Attorney, City Manager, and Clerk of Council.

Initiating Department Director's Signature: (Planning Dept)

Handwritten signature of the initiating department director.

Handwritten date: 1/21/15



Handwritten signature and date: 1/21/2015 CITY ATTORNEY

CITY COUNCIL ACTION MEMO

To: Honorable Mayor and Members of City Council

From: Tim Youmans, Planning Director

Date: January 21, 2015

Re: **RZ-14-663** AN ORDINANCE TO CONDITIONALLY REZONE 10.59 ACRES AT 200 MERRIMANS LANE (*Map Number 149-01- - 7-A*), FROM CONDITIONAL RESIDENTIAL BUSINESS (RB-1) DISTRICT WITH CORRIDOR ENHANCEMENT (CE) DISTRICT OVERLAY (0.80 ACRES) AND CONDITIONAL MEDIUM DENSITY RESIDENTIAL (MR) DISTRICT (9.79 ACRES) TO MEDIUM DENSITY RESIDENTIAL (MR) DISTRICT WITH PLANNED UNIT DEVELOPMENT (PUD) DISTRICT OVERLAY

THE ISSUE:

Conditional rezoning with proffers from medium density residential district zoning and some RB-1 (CE) zoning to medium density residential district zoning with Planned Unit Development overlay which would allow for a 170-unit apartment development with clubhouse and pool on the property. The proposal is in the form of a PUD, but is not an age-restricted development as recommended in the Comprehensive Plan.

RELATIONSHIP TO STRATEGIC PLAN:

Goal 2: More Livable City for All

BACKGROUND:

See attached staff report, proffer statement, Development Plan, and Market/Fiscal Impact analysis.

BUDGET IMPACT:

Possible impacts on schools if projected number of school-aged children from the 170-unit development exceeds 27 students. The applicant is projecting only 13 students.

OPTIONS:

1. Approve as recommended by Planning Commission
2. Table request
3. Deny request

RECOMMENDATIONS:

Recommend Option 1

City Council Work Session
January 20, 2015

RZ-14-663 AN ORDINANCE TO CONDITIONALLY REZONE 10.59 ACRES AT 200 MERRIMANS LANE (*Map Number 149-01- - 7-A*), FROM CONDITIONAL RESIDENTIAL BUSINESS (RB-1) DISTRICT WITH CORRIDOR ENHANCEMENT (CE) DISTRICT OVERLAY (0.80 ACRES) AND CONDITIONAL MEDIUM DENSITY RESIDENTIAL (MR) DISTRICT (9.79 ACRES) TO MEDIUM DENSITY RESIDENTIAL (MR) DISTRICT WITH PLANNED UNIT DEVELOPMENT (PUD) DISTRICT OVERLAY.

REQUEST DESCRIPTION

The request would conditionally rezone land from RB-1(CE) and MR to MR with a PUD overlay which would allow up to 26 townhouse-styled rental units and 144 apartment units for a total of 170 dwellings units as outlined in the letter (see attached) from the applicant dated October 21, 2014. The request includes proffers (see attached proffer statement dated October 21, 2014 including a December 11, 2014 revision) relating to the development of the PUD.



AREA DESCRIPTION

The subject portion of the Ridgewood Orchard land is vacant, except for a small portion of an unused driveway extending from Merrimans Lane to the Sacred Heart Church site which borders the subject site to the north. The Sacred Heart property is zoned LR and contains a church and private school in addition to a residential unit. Land adjacent to the site to the east is zoned LR and comprises the undeveloped westerly portion of the Glass-Glen Burnie Foundation land. Land to the west includes the proposed Meadow Branch Avenue and the proposed John Kerr Elementary school site which was recently rezoned Education, Institution & Public (EIP).

Land to the south is part of the Moffett Estate and is primarily undeveloped. The easternmost portion of the Moffett land was conditionally rezoned from LR to MR in 2008 to support medium density residential use along the east side of Meadow Branch Avenue extended. Land to the northwest, including the land to the west of the 'tail' of RB-1 land included in this rezoning, is conditionally zoned B-2. It is vacant and is intended for a limited array of commercial uses including retail and restaurant.

STAFF COMMENTS

The applicant has provided a number of updated exhibits and documents which supersede those submitted with the original application in October of 2014. This includes an updated Statement of Justification titled 'Meadow Branch Luxury Apartments, Winchester, Va'; a revised Proffer Statement dated December 11, 2014 titled 'Proffer Statement, A Proposed Rezoning, for a Portion of Tax Map

Parcel ID: 149-1-7'; a copy of a Memo dated October 6, 2014 from Mr. Ed Smith, Director of Operations, Winchester Public Schools to the Winchester School Board members; a Market and Fiscal Impact Analysis, Meadow Branch Apartments, Winchester, Virginia dated November 2014; and a revised PUD Development Plan titled 'Ridgewood Orchard, Land Bay 'C' Apartments, Development Plan dated December 11, 2014. These materials are attached for reference.

The Comprehensive Plan identifies the area as a Redevelopment Site and notes that the neighboring regional medical center makes the site attractive for housing for high-income seniors and healthcare professionals. It calls for a variety of housing types for the central portions of the site. The Plan, which was just updated in 2014, states: *"Zoning for development in this central area should be medium density unless age-restricted housing is proposed, in which case, high density zoning may be appropriate."* The 2014 update was specifically undertaken with the intention of guiding development along the unbuilt portion of Meadow Branch Avenue through the Moffett and Ridgewood Orchard land with the assumption that the replacement John Kerr Elementary School would be constructed in this location.

Earlier versions of the draft update to the Comprehensive Plan in 2014 for the subject 10.59-acre portion of the Ridgewood property situated along the east side of Meadow Branch did not explicitly include the statement about zoning for medium density development. The language was added at the request of City Council to intentionally clarify that high density development may be appropriate only if two conditions are included which are:

- Planned Unit Development (PUD) overlay zoning; and,
- Age-restrictive housing

The submitted rezoning request does fulfill the first prerequisite (PUD zoning), but is not limited to age-restricted housing. The request is, thus, contrary to the Comprehensive Plan in this regard. In the attached Statement of Justification titled 'Meadow Branch Luxury Apartments, Winchester, Va', the applicant makes a strong case for why adherence to the age-restriction recommendation of the Comprehensive Plan update should not be required and instead allow for market rate apartments that would appeal to two of the three targeted populations identified in the Comp Plan and the Economic Master Plan. The applicant emphasizes the importance of the location to the regional medical center and the strong attraction for young professionals, all of whom would not meet age-restriction qualifications, and empty-nesters, some of whom may not meet the criteria for age-restriction.

The Statement of Justification outlines the unlikelihood that families with school-aged children would want to rent a more expensive luxury apartment as compared to renting or purchasing a less expensive single-family house elsewhere in the City. Estimates of school-aged population are included in the report with good examples of comparable market rate developments. These estimates indicate low rates of student population.

POTENTIAL IMPACTS & PROFFERS

Since this is a conditional rezoning request, the applicant has voluntarily submitted proffers to mitigate potential impacts arising from the rezoning of the property from RB-1(CE) & MR to MR (PUD). The October 21, 2014 Proffer Statement, including revisions dated December 11, 2014, is structured to address five areas under the heading of "Proffers Relating To The Use In The Proposed Planned Unit Development District (Land Bay C): These are: Street Access and Improvements; Site Development; Recreation, Landscaping and Design; Meadow Branch Avenue Extension; and Phasing.

Street Access & Improvements

The applicant proffers that Meadow Branch Avenue entrances will be as depicted on the Generalized Development Plan (GDP). The latest version of the GDP depicts two entrances onto Meadow Branch Ave, one situated at the fully signalized intersection opposite of the employee and parent drop-off/pick-up entrance to the proposed John Kerr Elementary School (JKES) and one aligning with the median crossing opposite of the bus and delivery access to JKES. This latter access point to the proposed apartment area was not depicted on the approved subdivision plans nor the approved Meadow Branch Avenue engineering plans that the City commissioned. It is, however, addressed in the recently approved Memorandum of Agreement (MOA) between the City and Ridgewood Orchard. A southbound left-turn lane is now shown on the Development Plan at this location and the conversion of this approved 3-way intersection to a 4-way intersection may affect safe afternoon dismissal of school buses from JKES. No signalization is anticipated at this intersection and none is warranted given the close proximity to the fully signalized intersection just to the north. Staff has advised that a Traffic Impact Analysis (TIA) will likely be required as part of the rezoning if this intersection remains part of the proposal. The TIA was submitted on December 12, 2014 and was reviewed by the Public Services Director and agreed with the findings.

Planning staff generally advocates for more than one entrance for a large residential development. However, the provision of inter-parcel access to the Moffett property to the south and to the Sacred Heart property to the north makes it likely that the development would be served by at least two connections to the public street system. The Meadow Branch Ave project currently calls for the City to construct a right-in/right-out access to the Moffett property fairly close to where the inter-parcel connection is called for.

Site Development

Site Development proffers help to mitigate potential impacts arising from the inclusion of townhouse styled rental units in the project and by limiting the number of bedrooms which might otherwise create increased school-aged population placing demands on the City's overcrowded schools. The applicant proposes to construct 144 traditional apartments of which, no more than 24 would have three bedrooms. None of the 26 townhouse units would have more than two bedrooms. All of the rental units would be Market Rate units (i.e. no subsidized housing units), as stated in the third paragraph on page three of the December 11, 2014 revised proffer statement. Further, the applicant proffers that none of the townhouse units would be available for sale as owner-occupied units for a period of 40 years.

The Site Development proffers also address the minimum size for the community building (5,000 sq. ft of finished space) and the minimum size of the swimming pool (1,800 sq. ft.). Qualitative standards for exterior finishes of the apartment buildings and clubhouse are also specified in general conformity with the elevations included in the GDP. This includes consistency of design, color, and materials on the garage and maintenance structures as well. Lastly, the Site Development proffer notes that no "vertical" construction would occur on the 0.54-acre narrow strip (the "tail") of land between Meadow Branch Avenue and the Sacred Heart property, thus assuring that this will serve as open space.

Recreation, Landscaping & Design

Under the Recreation, Landscaping and Design proffer, the applicant proffers screening and buffers as depicted on the GDP in addition to what is otherwise required by the Zoning Ordinance. A second part of the landscape proffer calls for providing street trees along Meadow Branch Ave consistent with the species called for along the John Kerr School site across the street.

A third part of the Recreation, Landscaping and Design proffer calls out the inclusion of 10-foot wide paved hiker/biker trails through the site as depicted on the GDP. The plan currently shows two trails connecting the Green Circle Trail out along Meadow Branch Avenue to the eastern boundary of the site (allowing for connection to future trails on the Glass-Glen Burnie property) along both the far north and south boundaries of the site. The applicant is working with MSV to build trail and cattle fencing in return for a grading easement on the MSV property. To mitigate the potential impact of having the northerly trail situated so close in behind the 12 townhouse units proposed close to the Sacred Heart property boundary, a screen consisting of 5-foot tall evergreens planted 4 feet apart has been included in the proffers and depicted as an element of the PUD Development Plan. Phasing of the trail along the south property line is tied to occupancy of the third apartment building.

Meadow Branch Avenue extension

The fourth major proffer heading pertains to the construction of Meadow Branch Avenue extension. It is important to note that this roadway construction is linked to the proposed JKES school project and was tied in with a separate Memorandum of Understanding and Project Administration Agreement which was executed on December 12, 2014." The extension of Meadow Branch Ave does not only "benefit the PUD (as stated in the Proffer Statement), it is critical to providing public street access to this proposed portion of the Ridgewood Orchard site being proposed for more intensive development.

Phasing

The last proffer pertains to Phasing. It indicates that all construction will be done as a single phase of development, but indicates that occupancies will be phased. It indicates that the inter-parcel connecting private roadways depicted on the GDP will be constructed with a final coat of paving before the first apartment occupancies are to occur. The applicant proffers that they will have the final surfacing done in the other areas where the occupancies are requested as those occupancies are requested. It is understood that the clubhouse and pool will be completed and operational before the first occupancy permit is requested and that the timing of the trails and other amenities would be as noted in the 'Recreation, Landscaping, and Design' proffer above.

MARKET AND FISCAL IMPACT ANALYSIS

On December 2, 2014, the applicant submitted a Market and Fiscal Impact Analysis for the Meadow Branch Apartment project dated November 2014. The study examines the anticipated revenues and costs associated with the 170-unit project and concludes that there would be a net fiscal benefit for the \$30 million Meadow Branch Apartment development. Projected revenue and expense calculations are included in Table 4 on page 22 of the attached report. On-site impacts are expected to produce a surplus of \$95,200 (incorrectly noted as \$97,410 in the original report) annually due to the few public school pupils which are expected in the apartments, based on pupil rates at Stuart Hill and other projects identified by the Winchester public school district. Apartment resident expenditures in the City are projected to generate \$22 million in new business receipts and these new business receipts are projected to produce a fiscal surplus of \$51,000 annually for the City. Total fiscal benefit is projected at \$148,000 annually in constant year 2014 dollars.

The analysis identifies projected revenues totaling \$417,930. This includes \$285,000 of real estate tax, \$110,670 of personal property tax, and \$15,500 of consumer utility tax, and \$6,380 of motor vehicle licensing revenue. The report includes \$380 of recordation tax which would not be realized assuming that all units remain rental and therefore should not be included, thus reducing the figure to \$417,550.

With regard to costs, the study concludes that there would be 162 of the 170 apartments occupied at any time and that would translate to 249 residents. Based upon the City's current budget, the per capita cost equals \$956 annually. The total per capita annual expense would therefore equal \$238,240. The study also assumes that there would be approximately 13 school-aged children generated by the 162 occupied units based upon a generation rate of 0.079 students per occupied unit. At a cost of \$6470 per pupil, that translates to an annual school impact of \$84,110 (incorrectly noted as \$82,280 on Page 33 of the fiscal impact analysis). Together, the \$238,240 of per capita expenses and \$84,110 of school expenses adds up to \$322,350 of annual cost for the 170-unit apartment project.

Based upon a projected positive annual fiscal impact (net revenue) of \$95,200, that would mean that up to 27 students could be generated before the project would cause a negative impact on the City. The analysis submitted to the City incorrectly noted this threshold at 35 students. It is worth noting that the existing Medium Density (MR) residential zoning would permit single-family detached homes on lots as small as 8,000 square feet. After netting out land for public streets, the 10.59-acre site could probably yield 40-45 homes. Given the proximity to the new John Kerr School, these homes would likely contain 3-5 bedrooms and generate considerably more than the 13 school-aged children projected to result from the rezoning allowing the 170 apartment units.

THE GENERALIZED DEVELOPMENT PLAN

The GDP consists of 3 pages which were most recently updated on December 11, 2014. The first page depicts the subject 10.59-acre portion of the Ridgewood Orchard parcel as it exists at the time of the rezoning application. This exhibit depicts the proposed Meadow Branch Avenue right of way and the proposed ultimate configuration of the JKES site as well as the recently rezoned 11.64-acre commercial areas of the larger Ridgewood site. It is important to note that the Major Subdivision approved by City Council back on October 14, 2014 was only recorded on December 12, 2014. Likewise a Minor Subdivision required to assemble the adjacent DBL Holdings property into the JKES and Ridgewood Orchard sites was recorded on that same date.

Density

The second page of the GDP is the actual conceptual Development Plan depicting the layout of the improvements on the site and the areas that are set aside for active and passive open space. The applicant is proposing 170 units on 10.59 acres of land including the 0.54 of RB-1 land that may get conveyed off to the Catholic Diocese to assemble in with the adjoining Sacred Heart property. The resulting density is 16.1 units per acre where the MR(PUD) zoning would permit up to 18 units per acre.

Apartment Building Layout

The 170 unit project includes 144 traditional apartment units consisting of two 3-story apartment buildings each containing 24 apartments out closer to an open space along Meadow Branch Ave and two 4-story buildings each containing 48 apartments back closer to the rear of the site adjoining the Glass-Glen Burnie property. The 4-story buildings would each have basement parking and elevators. Ample surface parking is provided along private drives to the east and west sides and north end of the front two buildings and along the east side and south end of the rear two buildings. A limited number of garages are available to tenants of the front two buildings in two freestanding structures to the rear of these buildings.

Townhouse Layout

The remaining 26 rental units are in the form of two-bedroom townhouse units situated within six structures located along the north end of the site closer to Sacred Heart Church. Twelve of these units are proposed to have parking pads situated to the front of the units (similar in fashion to the older Orchard Hill townhouses without garages). The other 14 units would have basement level garages that would be accessed from private alleys along the rear of the units. The result of this layout is that no garages would be oriented to Meadow Branch Avenue. The inclusion of the rear alley access to the majority of these units also minimizes the presence of back-out conditions for tenants onto the private access roadway serving the 96 apartments to the rear of the site. Staff has some concerns about the ability to easily access the rear entry garages from the alleys, which in many cases immediately adjoin the rear wall of the townhouse structures. These concerns can probably be addressed at the time of site plans assuming the rezoning is approved.

Amenities and Open Space

The latest development plan depicts a clubhouse located very close to the main entrance to the apartment complex. It is proposed as a 2-story structure that would have lower level access out the rear to a fenced in recreation area that includes an outdoor swimming pool, concrete deck, and small grassed area. A separate volleyball court is proposed near the south central portion of the site with sidewalks and trails connecting the apartments to the clubhouse and recreational amenities. The site summary indicates that the site contains 5.35 acres of recreational open space where 4.77 acres are required at a minimum. Of that open space, 0.95 acres is allocated to developed (active) recreational use. This reflects compliance with the requirement for 20% of the overall open space being in the form of active recreational space.

Circulation & Access

The GDP depicts the proffered inter-parcel connections to the Sacred Heart property and to the Moffett Estate property. These are desirable features. The Plan also depicts a second full access (e.g. left-turns permitted) out to Meadow Branch Avenue across from the bus/delivery access to the JKES site. Staff has indicated that this is problematic and would recommend that a Traffic Impact Analysis be provided to examine intersection impacts at this unsignalized intersection. Staff feels that the fully signalized intersection aligning with the main entrance to JKES should be the only access point directly to Meadow Branch Avenue.

Floor Plans & Building Elevations

The third page of the GDP contains detailed floor plans and a single 'front' elevation for the various residential buildings proposed on the site with the exception of the two freestanding garage structures and a maintenance building proposed very close to the 10-wide trail running along the boundary with the Moffett Estate. No side elevations are provided for any of the buildings, but some rear elevations of the apartment buildings and townhouses were submitted just before the December 16, 2014 Commission meeting. The elevations and floor plans appear to be generally consistent with the layout depicted on the GDP. There are multiple floor plans for both the traditional apartment building units as well as the townhouse-styled units.

Since this is a sloped site, it was desirable to have a few cross-sectional views of the development showing how the site slopes away from Meadow Branch Avenue and how the 4-5 story elevations of the two rear buildings would relate to the adjoining Glen Burnie property. One sectional view was provided which clearly shows how the 4-5 story buildings at the rear (east) part of the site will appear no taller than the 3-story apartment buildings up closer to the front (west) part of the site as viewed from Meadow Branch Avenue.

RECOMMENDATION

Staff still feels that the fully signalized access point at the northern (main) entrance to the JKES site is adequate to handle the apartment development traffic and that the proffered inter-parcel accesses to the Sacred Heart property to the north and the Moffett Estate property to the south will adequately provide for any needed alternative emergency response. However, the TIA that was submitted on December 12, 2014 indicates that there would not result in an unfavorable Level of Service (LOS) for traffic on the public roadway even though it would operate at a poor LOS on the private apartment development roadway.

Regarding public input on the rezoning request, the City received comments from only two households. Via email, Mr. & Mrs. Dan Troup questioned the school-aged children projection and encouraged the Commission to follow the Comprehensive Plan. Via two emails from Mr. & Mrs. John Beyrau and by Mrs. Beyrau's attendance at the December 16th Commission public hearing, they expressed concerns about safety and traffic impacts associated with Meadow Branch Avenue being extended.

At its January 20, 2015 meeting, the Commission forwarded **RZ-14-663** to City Council unanimously recommending approval as depicted on an exhibit entitled "Rezoning Exhibit RZ-14-663, Prepared by Winchester Planning Department, December 1, 2014" because the request is consistent with the Comprehensive Plan which calls for Neighborhood Stabilization in the site. The approval is subject to the Generalized Development Plan revised as of December 11, 2014 and the proffers in the proffer statement titled "Proffer Statement a Proposed Rezoning" dated October 21, 2014 and revised on December 11, 2014.

The attached ordinance provides for a favorable action to rezone the property. If Council is not supportive of the rezoning request then a motion to deny could read:

MOVE, that City Council disapprove **RZ-14-663** because the application for the proposed rezoning, as submitted:

1. is inconsistent with the age-restriction recommendation included in the updated Comprehensive Plan
2. lacks measures to sufficiently mitigate potential negative impacts such as increased numbers of school-aged children

AN ORDINANCE TO CONDITIONALLY REZONE 10.59 ACRES AT 200 MERRIMANS LANE (Map Number 149-01- - 7-A), FROM CONDITIONAL RESIDENTIAL BUSINESS (RB-1) DISTRICT WITH CORRIDOR ENHANCEMENT (CE) DISTRICT OVERLAY (0.80 ACRES) AND CONDITIONAL MEDIUM DENSITY RESIDENTIAL (MR) DISTRICT (9.79 ACRES) TO MEDIUM DENSITY RESIDENTIAL (MR) DISTRICT WITH PLANNED UNIT DEVELOPMENT (PUD) DISTRICT OVERLAY.

RZ-14-663

WHEREAS, the Common Council has received an application from Pennoni Associates, Inc. on behalf of Ridgewood Orchard LTD Partnership to rezone property at 200 Merrimans Lane from Conditional Residential Business (RB-1) district with Corridor Enhancement (CE) district overlay (0.80 acres) and Conditional Medium Density Residential (MR) district (9.79 acres) to Medium Density Residential (MR) district with Planned Unit Development (PUD) district overlay; and,

WHEREAS, the Planning Commission forwarded the request to Council on January 20, 2015 recommending approval of the rezoning as depicted on an exhibit entitled "*Rezoning Exhibit RZ-14-663, Prepared by Winchester Planning Department, December 2, 2014*" because the proposed Medium Density Residential (MR) district with Planned Unit Development (PUD) district overlay supports the redevelopment site as designated in the Comprehensive Plan. The recommendation is subject to adherence with the Generalized Development Plan revised as of December 11, 2014 and the submitted proffers dated October 21, 2014 revised as of December 11, 2014; and,

WHEREAS, a synopsis of this Ordinance has been duly advertised and a Public Hearing has been conducted by the Common Council of the City of Winchester, Virginia, all as required by the Code of Virginia, 1950, as amended, and the said Council has determined that the rezoning associated with this property herein provides for residential space in support of the redevelopment site character designation in the Comprehensive Plan.

NOW, THEREFORE, BE IT ORDAINED by the Common Council of the City of Winchester, Virginia that the following land is hereby rezoned from the existing zoning designation of Conditional Residential Business (RB-1) district with Corridor Enhancement (CE) district overlay (0.80 acres) and Conditional Medium Density Residential (MR) district (9.79 acres) to Medium Density Residential (MR) district with Planned Unit Development (PUD) district overlay:

10.59 acres of land at 200 Merrimans Lane as depicted on an exhibit entitled "*Rezoning Exhibit RZ-14-663 Prepared by Winchester Planning Department, December 2, 2014*".

BE IT FURTHER ORDAINED by the Common Council of the City of Winchester, Virginia that the rezoning is subject to adherence with the with the Generalized Development Plan revised as of December 11, 2014 and submitted proffers dated October 21, 2014 revised as of December 11, 2014.

**Ridgewood Orchard – Land Bay C Apartments
Rezoning and PUD Application**

**Statement of Justification
October 21, 2014**

The subject application proposes to rezone 0.80 acres of existing RB-1 (Residential Business) District to the MR (Medium Density Residential) District and combine that area with 9.79 acres of existing MR zoning to provide for a 10.59 Acre Planned Unit Development (PUD). The application would provide for up to 26 townhouse style rental units and 144 apartment units for a total of 170 proposed dwelling units for the site.

Location and Background

The site is a 10.59 acre portion of tax map parcel 149-01-7-A (the "Property") and is located east and adjacent to the planned extension of Meadow Branch Avenue across from the location of the future John Kerr Elementary School. The applicant has prepared a Development Plan as required by the Zoning Ordinance requirements for the PUD district. Sheet 1 of 2 on the Development Plan identifies the proposed project in relationship with the surrounding properties. As shown, the Property is approximately 1,000 feet south of the intersection of Meadow Branch Avenue and Amherst Street. The location of the site in such close proximity to Winchester Medical Center is ideal for luxury style apartment dwellings.

The Property as well as adjoining areas were originally subject to the Smith Estate rezoning application approved by City Council in 2005. The 2005 rezoning provided for MR and RB-1 uses on the subject Property. In July of 2014, City Council approved a revision to the Comprehensive Plan to facilitate the construction of the new John Kerr Elementary School and the extension of Meadow Branch Avenue. In September of 2014, City Council approved a rezoning application which includes the subject Property and adjoining areas for construction of the new elementary school and Meadow Branch Avenue. In addition, the 2014 rezoning application removed the proffered conditions associated with the 2005 application from the subject Property. This proposed rezoning application would consolidate the Property under the MR Zoning District and proposes to develop the site as a single, cohesive project under the City's PUD requirements.

Proposed Development Plan

The proposed development of the site includes a total of 170 dwelling units, consisting of 26 townhouse style rental units and 144 total apartment units across four apartment buildings. The two apartment buildings fronting the site at Meadow Branch Avenue will be three story structures. The remaining two apartment buildings at the rear of the site will have four finished floors with structured parking below. The two buildings with four floors will also have elevator access.

A clubhouse and pool facility is centrally located to serve the needs of the development. The clubhouse will be a minimum of 5,000 finished square feet and include a pool deck area that is at least 80 feet wide and 120 feet long. Ample pedestrian facilities will be provided on the Property as well, including a 10 foot hiker-biker trail connection from Meadow Branch Avenue through the site to the common property line with the Glass Glen Burnie Foundation.

Site parking needs are accommodated through surface parking as well as structured parking below the two easternmost apartment buildings. In addition, several above grade garage spaces located between the apartment buildings will also be available as an option for residents.

Access is provided at two points to Meadow Branch Avenue across from the planned access points for the new elementary school. In addition, an interparcel connection will be made between the internal street network and the adjoining parking area of Sacred Heart.

The development will include two primary stormwater management areas, including underground facilities at the rear of the site as shown on the Development Plan as well as two facilities within the open space between the apartment buildings.

Conformance with the Comprehensive Plan

The Property is within the West Central Planning Area of the Winchester Comprehensive Plan. In July of 2014, City Council adopted amendments to this area. The amendment included the following language applicable to the subject Property:

As part of a Planned Unit Development, a variety of housing types, ranging from luxury condominiums/apartments to high-and mid-rise retirement housing and assisted living, may be appropriate for the central portions of the site.

The proposed development is consistent with the future land use identified by City Council as part of the recent amendments to the Comprehensive Plan.

The Winchester Comprehensive Plan notes that the City has a deficit of paved and unpaved trails. The proposed Development Plan includes a paved trail that will connect the future Green Circle along Meadow Branch Avenue with the Glass Glen Burnie Foundation Property.

Impacts to Community Facilities

The original 2005 rezoning provided for up to 115 total dwelling units (75 RB-1 zoned apartments and 40 MR zoned singles). That original rezoning area is now comprised of this PUD application as well as B-2 zoned commercial areas and a future elementary school as a result of the recently approved rezoning application. The proposed Development Plan includes a total of 170 units within a well-planned development that will be geared towards young professionals and empty-nesters. Recent studies in the area have identified that apartments in the higher rent segments generate very few school age children due to the market segment served by such units. The resulting overall development plan for the area should result in fewer net impacts to community facilities, especially considering the new elementary school and the offsetting revenues that will be generated by the future commercial uses in the adjoining B-2 area.

PROFFER STATEMENT
A PROPOSED REZONING

for
A PORTION OF
TAX MAP PARCEL ID: 149-1-7

Prepared For: Ridgewood Orchard Limited Partnership
549 Merrimans Lane
Winchester, Virginia 22601

Prepared By: Thomas Moore Lawson, Esquire
Lawson and Silek, P.L.C.
P.O. Box 2740
Winchester, Virginia 22604
Tel: 540-665-0050

Original Date: October 21, 2014

Revised: ~~November 25~~ December 11, 2014

INTRODUCTION

The undersigned applicant hereby proffers that in the event that the Council of the City of Winchester ("Council") shall approve the rezoning of two tracts of land on Tax Map Parcel ID 149-1-7, totaling 10.59 acres (the "Property") as shown on the plan entitled "Ridgewood Orchard Land Bay C Apartments Development Plan" dated October 21, 2014 and revised ~~November~~ 25 December 11, 2014 (the "GDP"), with one tract consisting of 9.79 acres from Medium Density Residential District ("MR") to MR with a Planned Unit Development District ("PUD") overlay and a second tract consisting of 0.80 acres from RB-1 to MR with a PUD overlay, then development of the subject properties shall be done in conformity with the terms and conditions as set forth herein, except to the extent that such terms and conditions may be subsequently amended or revised by the applicant and such be approved by the Council in accordance with Virginia law. In the event that such rezoning is not granted, then these proffers shall be deemed withdrawn and have no effect whatsoever. These proffers shall be binding upon the applicant and their legal successors or assigns.

The conditions proffered herein supersede all prior proffers submitted by the owner on the Property. All prior proffers affecting these areas are hereby revoked by the owner.

PROFFERS RELATING TO USE IN THE PROPOSED PLANNED UNIT DEVELOPMENT DISTRICT

The Property shall be subject to the standards provided in the City of Winchester Zoning Ordinance Article 13.

Street and Access Improvements

The owner proffers to design and construct a series of private streets within the Property as shown on the GDP. The entrances to the Property will be as generally shown on the GDP. The number of entrances to the Property will be limited to that shown.

The owner proffers to also design and construct an interparcel connection from the Property's north entrance to the boundary of Tax Map Parcel 149-01-6 owned by The Most Reverend Paul S. Loverde, Bishop of the Catholic Diocese of Arlington, Virginia (the "Diocese") as shown on the GDP and will grant the Diocese a non-exclusive easement for the access and use of said connection.

The owner proffers to also design and construct an interparcel connection at the Property's southern boundary to Tax Map Parcel 169-1-5, as shown on the GDP.

Site Development

The Property shall be developed as a multi-family project (the "Project") consisting of no more than one hundred seventy (170) apartment homes and a clubhouse with pool and amenities generally consistent with the GDP. Buildings 1 and 2, as shown on the GDP, shall consist of a total of forty-eight (48) apartments in three-story buildings on slab. Buildings 3 and 4, as shown on the GDP, shall consist of a total of ninety-six (96) apartments with an elevator and basement level parking. These two buildings will have a four-story elevation facing northwest. The

twenty-six (26) townhouse-style apartments will be constructed along the northern Property boundary, as shown on the GDP, and will be two stories.

The apartments and club house shall be constructed in general accordance with the elevations depicted on the GDP and shall primarily consist of red brick and ground face block with white cementitious siding in select areas. The architectural style and building materials used for all elevations of the apartments and club house shall be consistent with the design, color, and materials depicted on the elevations depicted on the GDP. Additionally, the single story garage structures and maintenance building, as identified on the GDP, shall be designed and constructed to be consistent with the materials and colors of the apartment buildings.

Development of the Property shall consist of one, two and three bedroom apartments; however, the Project shall not have more than twenty-four (24) three-bedroom apartments. Further, no three-bedroom townhouse-style apartments will be built within the Project.

The owner proffers that all of the apartments (residential units) within the development shall be market rate. Market rate is being proffered in order to distinguish the multi-family apartment units that are being proffered in this community from some other existing multi-family stock in the City of Winchester as of the time of the filing of this rezoning and Proffer Statement. This market rate concept is further elaborated upon in the market analysis authored by S. Patz and Associates, Inc.

The apartments and club house developed on the Property, shall be built in general accordance with the floor plans shown on the GDP (with variations for handicapped accessible units, units accessed other than from the stairwell or units modified due to construction restraints such as an elevator wall).

The club house shall be a minimum of 5,000 finished square feet and associated amenities shall include a pool deck area of approximately seventy (70) feet by ninety (90) feet, as depicted on the GDP, and a swimming pool with a minimum water surface area of 1,800 square feet.

The club house and pool area shall be operational and available for use prior to the issuance of occupancy permits for any apartments constructed on the Property.

In response to stated concerns received from the City of Winchester, the owner does proffer that the townhouse-style apartments shall not be sold as independent dwelling units for a term of at least forty (40) years from the date of the approval of the rezoning.

~~The rents charged for the apartments within the Project shall be market rate.~~

No vertical construction shall occur on the 0.54 acres bordering Meadow Branch Avenue Extension as shown on the GDP.

Recreation, Landscaping and Design

The Applicant shall provide, in addition to Zoning Ordinance requirements, a single row of evergreen trees between the two parking areas at the eastern Property boundary, as shown on the GDP. Landscaping will be provided for the other perimeter areas of Property as well. The landscaping plan shall be incorporated as part of the site development plan. The landscaping plan shall be approved by the Planning Commission as part of the design of these areas.

Development of the Property shall include street trees along the Meadow Branch Avenue frontage ~~at a minimum rate of 1 tree per 50 linear feet of frontage~~. Said trees shall consist of a mixture of Sugar Maples and Pin Oaks in order to coordinate with and compliment the planned landscaping for the future, adjoining John Kerr Elementary School.

Development of the Property shall include 10 foot asphalt hiker/biker trails as depicted on the GDP, including a connection from the planned Green Circle Trail at Meadow Branch Avenue Extended to the Glass Glen Burnie Foundation property line. Said trails shall be ~~in place~~ constructed and necessary public pedestrian access easements dedicated to the City of Winchester ~~prior to occupancy permits being issued for any apartments constructed on the Property~~ as development of the adjoining apartment buildings is completed. The site plan for the Property shall identify the specific sequence of construction for the proposed buildings, parking, and trail system. At a minimum, the 10 ft asphalt trail along the southern Property boundary shall be constructed and easements dedicated prior to issuance of the occupancy permit for the third apartment building.

A screen, consisting of a single row of evergreens planted no more than four (4) feet apart with a minimum height of 5 feet at time of planting, in accordance with Winchester Zoning Ordinance requirements, shall be located along the northern Property boundary between the proposed hiker/biker trail and the townhouse style rental units. This screen shall not be planted within a stormwater conveyance channel and shall additionally satisfy the requirements of Section 19-5-6.4d of the Winchester Zoning Ordinance for that portion of the Property.

Meadow Branch Avenue Extension

The owner has entered into an agreement with the City of Winchester to provide up to One Million Dollars (\$1,000,000.00) in funding (the "Agreement") to be used in conjunction with matching funds being provided by the Commonwealth of Virginia (the "Project Administration Agreement") for the installation of the Meadow Branch Avenue Extension running from Merrimans Lane to the property line between Ridgewood Orchard Limited Partnership and Moffett Farms, LLC. The owner understands that the Meadow Branch Avenue Extension is beneficial to the development of the property, in particular the development of the market rate apartments. To the extent the aforementioned One Million Dollar contribution is not sufficient after having been spent in conjunction with the funds from the Project Administration Agreement, and pursuant to the Project Administration Agreement and the Agreement then the owner proffers to pay such additional monies as may be required to complete the installation of the Meadow Branch Avenue Extension up to a maximum of Three Hundred Thirty-Three Thousand Dollars (\$333,000.00). This amount shall only be paid if said funds are spent pursuant to the terms of the Agreement.

Stormwater Management

~~All stormwater management and stormwater quality facilities shall be installed in accordance with the standards and specifications of the Winchester Public Works Department. These facilities shall be maintained by the owner of the development and be constructed so as to secure the safety of the public at all times.~~

Phasing

Applicant proposes to ~~commence construction on all units within the complex at the same time~~ develop the Property as a single phase, but does expect that certain units will be delivered for occupancy before others. As part of the overall construction, however, the ~~roadway connections~~ inter-parcel connections to adjoining properties, as depicted on the GDP will be installed and will have at least a base coat of asphalt on them at the time of the ~~completed to final paving prior to~~ occupancy for of the first apartment building. As additional apartment buildings are completed, final paving necessary to serve those apartment units shall be provided prior to issuance of an occupancy permit for the applicable apartment units.

The conditions proffered above shall be binding on the heirs, executors, administrators, assigns, and successors in the interest of the owner. In the event that the City Council of Winchester grants this rezoning and accepts these proffers, then these proffers shall apply to the land rezoned in addition to the other requirements of the City of Winchester Codes.

SIGNATURES APPEAR ON THE FOLLOWING PAGE(S)

Submitted By:

Ridgewood Orchard Limited Partnership

By: _____

Date: _____

STATE OF VIRGINIA, AT LARGE
FREDERICK COUNTY, To-wit:

The foregoing instrument was acknowledged before me this ____ day of _____, 2014,
by _____.

My commission expires on _____

Notary Public _____



DATE	BY	REVISIONS

ARCHITECTURAL
AND FLOOR PLANS

RIDGEWOOD ORCHARD
LAND BAY C APARTMENTS
DEVELOPMENT PLAN
WINCHESTER, VIRGINIA

117 East Rockwell Street, Suite 100
Winchester, Virginia 22601
Tel: 540-687-8130 Fax: 540-688-0181

Engineers • Surveyors • Planners • Landscape Architects

10-21-14
PDS
10-21-14

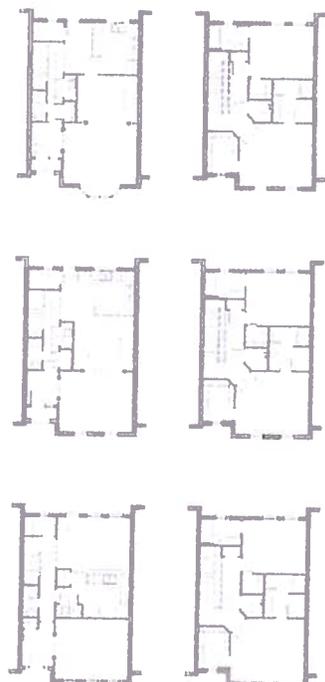
Scale: 1" = 8'-0"
R.O.P. 1402
Sheet 3 of 3



TOWNHOUSE STYLE APARTMENT UNITS - TYPICAL ELEVATIONS



TOWNHOUSE STYLE APARTMENT UNITS - TYPICAL FLOOR PLANS (W/ BASEMENT GARAGE)



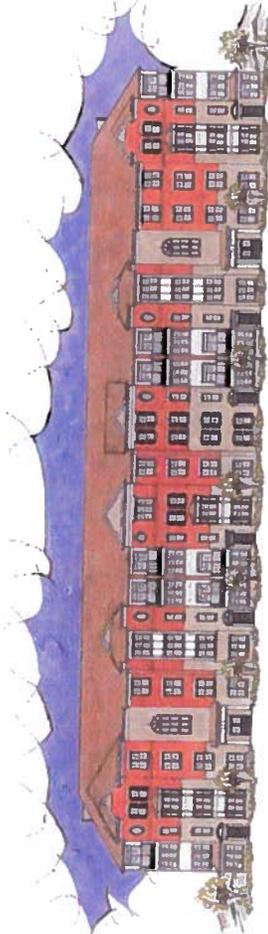
TOWNHOUSE STYLE APARTMENT UNITS - TYPICAL FLOOR PLANS (W/OUT BASEMENT GARAGE)



CLUB HOUSE - TYPICAL FLOOR PLAN



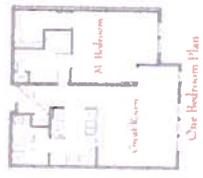
CLUB HOUSE - TYPICAL ELEVATION



APARTMENT BUILDING (FOUR STORY) - TYPICAL ELEVATION



APARTMENT BUILDING (THREE STORY) - TYPICAL ELEVATION



One Bedroom Plan



Two Bedroom Plan



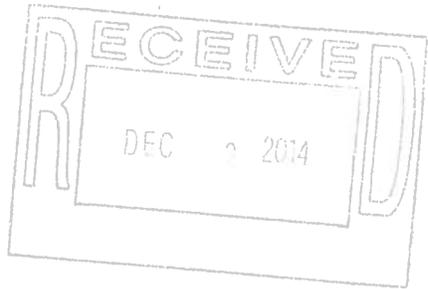
Two Bedroom Plan w/ Sun Room



Three Bedroom Plan

THREE AND FOUR STORY APARTMENTS - TYPICAL FLOOR PLANS

Pennoni Associates Inc.



Market and Fiscal Impacts Analysis
Meadow Branch Apartments
Winchester, Virginia

Prepared for:

Denise LaCour
Denstock LLC

November, 2014

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



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

November 24, 2014

Ms. Denise LaCour
Denstock LLC
1430 Rolkin Court
Suite 301
Charlottesville, Virginia 22911

Dear Ms. LaCour:

Attached is our market study and fiscal impacts analysis for the proposed 170-unit, upscale apartment complex, Meadow Branch Apartments, that is planned for construction during mid-2015 to mid-2016 on an attractive parcel of land located along Meadow Branch Avenue extended. The apartment site is planned for rezoning to MR with a PUD overlay zone. Construction will commence once the extension of Meadow Branch Avenue is completed.

Within the report to follow is a summary market study that evaluates market support for new apartment unit development. The findings show full market support for Meadow Branch Apartments, as planned.

The fiscal impacts analysis is based, in part, on the market study findings, and in part, on the evaluation of the City of Winchester's annual budget, and a comparison of costs and revenues related to new, residential real estate development.

The chart below summarizes the findings for both on-site fiscal impacts for Meadow Branch and for off-site impacts. Altogether, the apartments would produce a net surplus revenue of \$148,000 annually.

	<u>Direct On-site</u>	<u>Spin-off Off-site</u>	<u>Total Fiscal Impact</u>
Revenues	\$417,930	\$142,460	\$560,390
Costs	<u>-\$320,520</u>	<u>-\$91,900</u>	<u>-\$412,420</u>
Net Benefit	\$97,410	\$50,560	\$147,970

Ms. Denise LaCour
November 24, 2014

The detailed data and analysis to support this conclusion is presented in the attached report. Please call if additional data or clarification are needed. We remain available to continue to assist you with the rezoning proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Stuart M. Patz". The signature is written in a cursive style with a long, sweeping underline.

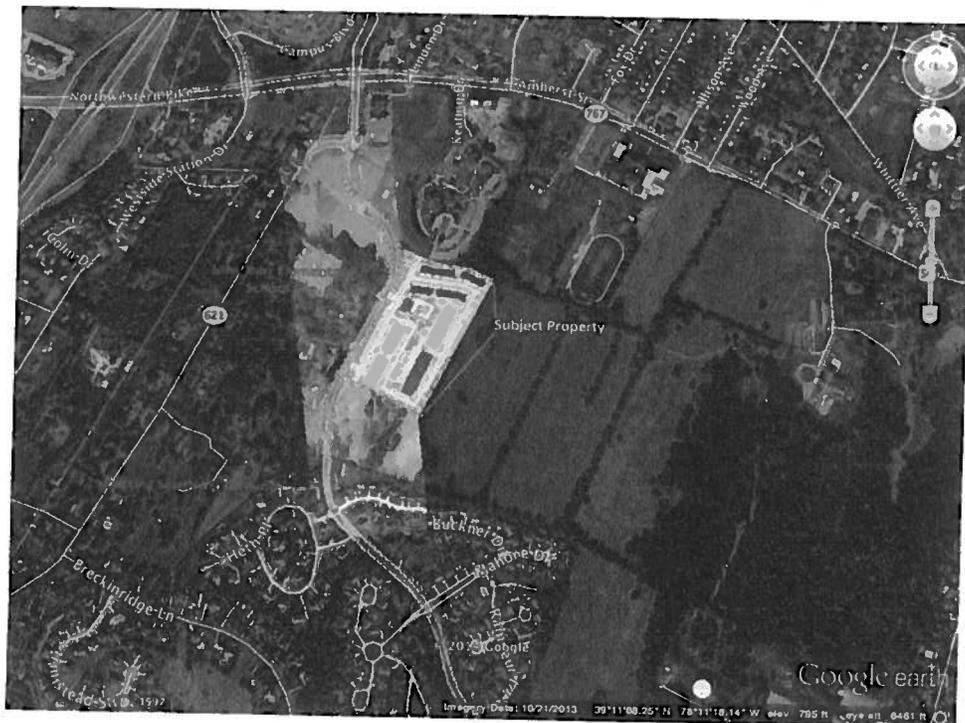
Stuart M. Patz
President

Cc: Mr. Thomas Lawson

Introduction

The following is a market analysis and fiscal impacts analysis (FIA) for the proposed development of the 170-unit, Meadow Branch Apartments, planned for construction during mid- to late-2015 and with a projected opening date of mid-2016. The site is located along Meadow Branch Avenue extended and directly across from the site proposed for the new John Kerr Elementary School.

The following aerial shows the site location and configuration. The site fronts on Meadow Branch Avenue and extends north along the planned alignment of the new roadway. Meadow Branch Avenue is planned for extension from its current southern terminus during mid-2015 to mid-2016, as it is needed to serve the new school. The new road will extend north and intersect with Amherst Street (U.S. Route 50) just east of Linden Drive. In addition to the new school site on the immediate west of the apartment site, Sacred Heart Catholic School and Church abuts the north side of the property. The area to the east is meadowland and to the south, along Meadow Branch Avenue, are higher priced single family homes.



Aerial View of Meadow Branch Apartment Site

Following are three photos of the Meadow Branch Avenue proposed right-of-way. The first photo is a view north from the current terminus of Meadow Branch Avenue. This view, noted by No. 1 on the next aerial, shows an area with a mixture of meadowland and treed areas. The second photo (No. 2) is a view east from a site along Merriman's Lane to where the roadway right-of-way exists, in the center of the new extension. The third (No. 3) photo looks south from the church parking lot which abuts the site. The comparison of the two aerials shows that the Meadow Branch Apartments site is primarily wooded and runs throughout an attractive undeveloped neighborhood of the City.



No. 1



No. 2



No. 3

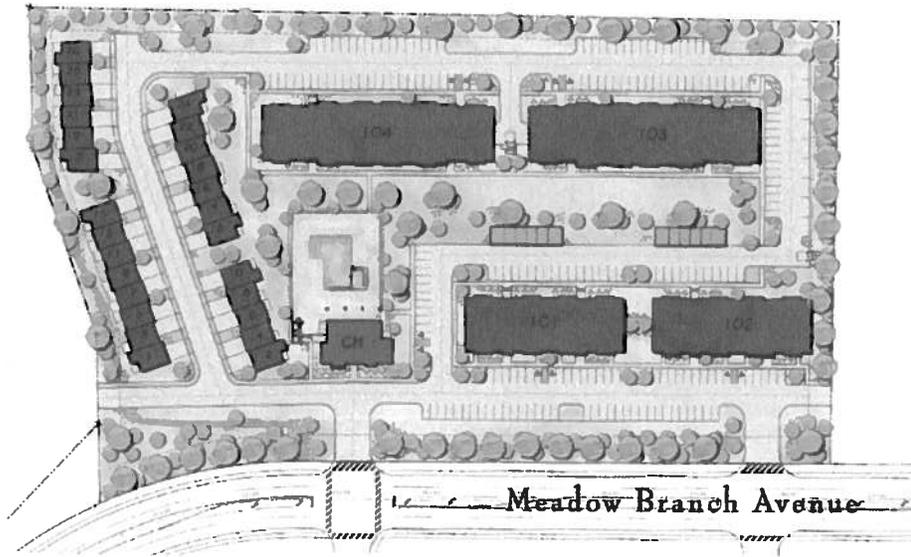
The two aerials show that the site is in close proximity to U.S. 50, one of the primary east-west arterials in the City of Winchester and to the Winchester Medical Center, which is located along Route 50 just west of the intersection of Routes 50 and Meadow Branch Avenue. Route 37 intersects with Route 50 to the immediate west of the hospital campus and is an excellent limited-access highway that runs north-west along the western boundary of Winchester.



Map Showing Location of Photos of Site

The proposed site plan is presented next. It includes two four-story buildings with 48 units per building and two three-story buildings with 24 units each. On the north side of the property are two-story apartment buildings with a townhouse design. The apartment complex will be amenitized with a pool and clubhouse. The 10.6-acre site is being developed at a low density of 17 units per acre. The four-story buildings will be elevator served. The site will have garage parking as well as the required number of surface parking spaces. The proposal is for a rezoning change from MR (9.79 acres) and RB1 (0.8 acres) to MR with a PUD overlay.

Meadow Branch Apartments



John Kerr Elementary School Site

Next shown is an elevation of the four-story apartment building. It has the same exterior design as the three-story garden building. The buildings have enclosed stairwells, large windows and a predominately brick exterior.



Meadow Branch Apartments

The sponsor reports that the project will have a total cost of approximately \$30 million, including the cost of the upscale apartment buildings with high-end interior finishes; the on-site amenities, including the clubhouse and pool; and the garage

buildings. This total cost of \$176,500 per unit will place the apartment complex at the top of the market for apartment units in Winchester.

Data in Table 1 show the proposed unit mix and rents. The unit mix includes 44 one-bedroom units, 96 two's and 24 three's. The apartment units in the two-story buildings will be two-bedroom with 2.5 baths.

All of the apartment units are very spacious and are designed for young professionals and empty nesters, i.e., mature families who move from homes into a maintenance-free environment.

Also shown in the table are the proposed rents, reported in constant 2014/15 dollars. These rents range from \$1,000 to \$1,100 for a one-bedroom to \$1,300 to \$1,350 for a two-bedroom with two full baths. The three's, also with two full baths, are expected to generate rents of \$1,375 to \$1,500. The two-bedroom two-story units will have a rent of \$1,500. These rents exclude utility costs. One-bedroom units require families with incomes of over \$40,000. The two- and three-bedroom units require incomes of up to \$60,000.

<u>Unit Type</u>	<u># of Units</u>	<u>Living SF</u>	<u>Rent/Unit</u>	<u>Rent/PSF</u>
Garden - 1 BR/1 BA	12	920	\$ 1,000	\$ 1.09
Garden - 2 BR/2 BA	12	1,280	\$ 1,300	\$ 1.02
Garden - 2 BR/2 BA w/ Sunroom	16	1,300	\$ 1,325	\$ 1.02
Garden - 3 BR/2 BA	8	1,503	\$ 1,375	\$ 0.91
Elevator - 1 BR/1 BA	32	915	\$ 1,100	\$ 1.20
Elevator - 2 BR/2 BA	32	1,280	\$ 1,350	\$ 1.05
Elevator - 2 BR/2 BA w/Sunroom	16	1,342	\$ 1,375	\$ 1.02
Elevator - 3 BR/2 BA	16	1,652	\$ 1,500	\$ 0.91
TH - 2 BR/2.5 BA	26	1,514	\$ 1,500	\$ 0.99
TOTALS	170	216,732	\$ 223,000	\$ 1.03

Note: 1/ Rents exclude utilities.
Source: Denico Development

Following is a brief description of the apartment proposal in terms of unit features and amenities.

Each apartment unit will offer energy-saver appliances, granite countertops, in-unit washer and dryer, electric fireplaces, electronic locks, crown molding in the living room, blinds, ceiling fans, walk-in closets and ceramic tile, wood laminate or carpet flooring.

The project will also offer a state-of-the-art Club House with fitness center, media room, business center and entertainment area, and a swimming pool with large sundeck and grill area.

Other amenities include a walking trail that will connect Meadow Branch Avenue to the extensive walking trails being planned by the Museum of the Shenandoah Valley. Covered parking will be in the two four-story buildings. In addition, as shown on the site plan rendering above, the project will have extensive green space for outdoor passive recreation. There are a limited number of parking garages behind the three-story buildings and some at the two-story apartment buildings. An on-site management office will be located in the clubhouse.

Section I - Market Analysis

The Winchester area has a small and modest apartment market. Current apartment properties are somewhat mature and far below the quality of the Meadow Branch Apartments proposal. There are, however, three new active proposals. These, along with the Meadow Branch proposal, will greatly improve the area's rental apartment market. This section of the report presents the market support for the proposal, including a demographic analysis of the market area, which includes both the City of Winchester and adjacent Frederick County. The demographic analysis is followed by an analysis of the higher rent apartment properties in the market area, almost all of which are in the City of Winchester.

The Census population count for 2010 for the two jurisdictions within 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. The most recent (2013) population estimate for the two jurisdiction market area is 108,540, or 4,000 above the 2010 census count.

The population forecast of 118,800 by 2018 is based on a lower growth rate in the market area compared with the 2000 decade. The population 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. However, area 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. The FBI already has staff in the County.

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

Table 2: Trends and Projections of Population and Households by Tenure and Income, Greater Winchester Market Area, 1990-2018 (Constant 2014 Dollars)

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018</u>
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/	4,010	4,300	5,010	6,160
Percent Within Income Category 1/	47.2%	44.0%	42.0%	43.5%

Note: 1/ Renter households with incomes exceeding \$42,000.

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 half of the Group Quarters population is persons in hospitals, assisted living facilities and institutions. The growth in Group Quarters shown in Table 2 is based on the new dorm rooms expected to be built by Shenandoah University by 2018. The subtraction of Group Quarters population from total population is Household Population, which are the basis for the projection new housing unit demand.

Household Trends. In 2010, the market area had 39,470 households based on the census count. This total is 7,400± more than in 2000. 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 in 2010. This is the result of persons doubling up during the recession due to job losses and/or salary reductions. 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 2010 was below the level normally created by population growth.

For 2018, a reversal of the increase in the average household size is expected to decrease 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 market area 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-2014 period, a slight increase in the percentage of renters is expected. The market area is projected to have 30.6 percent renter households by 2018, or 14,110 renters.

Higher-Income Renter Households. We used \$42,000 as the minimum household income for renters who can afford the rents at new apartment developments. Those rents are approximately \$1,050 to \$1,100 net for a new one-bedroom unit and \$1,300± net for a two-bedroom with two full baths, and \$1,450 to \$1,500 for a three or two-bedroom townhome. At 30% of income allocated to net rent, a household with an income of \$42,000 can afford a net rent of approximately \$1,050. For the higher rent apartment units at Meadow Branch, renters with incomes of \$50,000 and \$60,000 will be required.

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 past biannual census counts. Thus, the 2010 estimate for renters with incomes of \$42,000+, when incomes are reported in 2014 dollars, is based on a calculation of trend data from the 1990 and 2000 census by the staff of SPA.

Our estimates show that the market area has 5,010+ renters in the income category under study in 2010 and that total is expected to expand to 6,160 renters by 2018.

Overall, there has been steady demographic growth in the market area and that trend should continue. 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. In the paragraphs below, the rental household data and trends will be compared with past apartment unit development and active proposals to calculate net apartment unit demand over the forecast period.

Base Economic Trends

At-place jobs in the market area increased in 2010, 2011, 2012 and 2013, after a decline in 2009 during the recession. The 2013 data show the market area's at-place jobs are at the level of the peak year of 2008 at nearly 52,000 and are likely to continue to expand with an improving national economy.

This trend is also true for employment, which differs from at-place jobs and refers to the number of market area residents who are employed. Market area employment is increasing and unemployment is decreasing.

There are a few large developments in the market area that are expected to generate net population, employment and job growth, including:

- **Navy Federal Credit Union** completed construction on a 56,000 square foot Building II of its existing Frederick County campus on Security Drive in August, 2013, where 450 people will be hired by 2018. Since locating to the County in 2006, Navy Federal has grown from 60 to more than 1,000 employees. Most of the new jobs are customer support positions with salaries above \$40,000.
- **Dormeo Octaspring**, a mattress manufacturer, opened its 2nd U.S. facility in the Fort Collier Industrial Park. Twenty people are now employed at the 38,000 square foot facility. The plant produces foam coils.
- **Barrett Machine**, a metal fabrication company, announced in March, 2014 that it would expand its Frederick County facility and hire 27 new employees.

- **M & H Plastics**, a manufacturer of plastic bottles and containers, announced in July, 2014 that it would add 45 new jobs.
- **Evolve Stone**, a manufacturer of natural themed play environments, announced in March, 2013 that it would hire 46 people at its 15,000 square foot facility in the Stonewall Industrial Park. Operations in the new factory began in May, 2013.
- **Creative Urethanes**, manufacturer of castable and reaction injecting molding and stamping, announced in February, 2014 that it would expand its Winchester operation at Westview Business Centre by adding 54 new employees.
- **White House Foods**, an apple products processing company, announced in March, 2014 that it would expand in Winchester by adding 31 new jobs.
- **Joe's Steakhouse** opened a new 11,000 square foot restaurant in Winchester in June, 2014 where it employs about 50 people.
- **Henkel-Harris Co.**, a household furniture manufacturer, announced in April, 2014 that it would hire 18 new employees at its Winchester location.
- **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. The Winchester plant first opened in 2001 with 170 employees and has been steadily growing since then. The 75 additional jobs will bring its total employment up to 500 workers. The majority of these new jobs will be operating positions from within the plant and will be permanent hourly positions.
- **Pactiv Corporation**, a manufacturer of corrugated containers, announced in November, 2013 that it would hire 25 new employees.
- **Amherst Medical Office Building**. Construction on this three-story Class B office building began in early-2013 and was completed in mid-2014. This 57,695 square foot building is fully occupied with medical office tenants.
- **McKesson Corp.**, a health care services and information technology company, completed a new distribution center in 2013 that employs 200 people. The company distributes medical and surgical supplies to physician offices, surgery centers, long-term care facilities and home care businesses.
- **The Shenandoah Valley Discovery Museum** opened in a new 20,000 square foot location in mid-2014 at 19 W. Cork Street.
- **Chuck E. Cheese** opened a new location in August, 2013 in Winchester where it employs 50 people.

- **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 and also provides storage for National Archives and Records Administration's (NARA) compliant records in an environmentally conditioned, fire-protected space. The proposed facility will include a record management building. This facility was anticipated to open in 2016 and employ as many as 1,200 people, but the timeline has been delayed. Construction could begin in 2017. As always, there is no certainty with this proposal, but our research shows a strong likelihood that it will occur.
- **Winchester Marketplace.** This 50,000 square foot retail center, to be located at 1523 S. Pleasant Valley Road, is currently under construction. It is located across South Pleasant Valley Road from Sheetz and beside the Dick's Sporting Goods store. The property would include a 3,450 square foot Roy Rogers restaurant. Up to 180 permanent jobs could be created at the new retail center. The site plan includes a 5,700 square foot commercial pad site located behind the existing Jiffy Lube. Two more buildings are included in the site plans: an L-shaped building with wings measuring 21,000 and 12,000 square feet and another building measuring 8,140 square feet.
- Several small developments are in planning within Frederick County, primarily in and around the industrial parks. These include a planned 75,000 square foot building expansion by Greenbay Packaging at 285 Park Center Drive and a 29,000 square foot warehouse expansion at 774 Smithfield Avenue.

In total, these new companies and local expansions will add approximately 2,600 new full-time employment, in addition to new construction jobs. These totals will increase on an annual basis.

Apartment Market Analysis

Next presented is a summary of the apartment market in the Winchester area. For this analysis, we studied market support for 170 new apartment units at the Meadow Branch development. The study is for a new, upscale modern apartment complex. The forecast date for unit delivery is 2016. Current market area net rents (2014 dollars) for new attractive units at an amenitized apartment complex are \$1,000+ for a one-bedroom and \$1,200+ net for a two-bedroom with two full baths. Thus, the Meadow Branch proposal will be more upscale compared with the current market.

Within these parameters, market support is analyzed for renter households with incomes of \$42,000 and above. A \$1,050 net rent will require an income of \$42,000 and above, based on 2014 dollars and allocating 30 percent of total income for net rent. Thus, we used \$42,000 and above as the minimum household income for the target market for Meadow Branch Apartments.

The market area demographic analysis was presented in Table 2. The key demographic factor under study for new apartment unit development is the magnitude and growth of renters with incomes of \$42,000 and above. Our analysis shows that the market area has over 5,000 renter households with incomes of \$42,000+ in 2010, at the time of the Census count. By 2018, this total is expected to increase to about 6,150, or a growth of 1,150 renters for the 2010 to 2018 period, or nearly 300 households per year on average.

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 Meadow Branch, once built. While most marketplaces throughout Virginia have had an abundance of new apartment unit development since the start of the recession, this is not the case in the Winchester area.

The two newest apartment developments were built in 2005. There has been a considerable number of adaptive reuse buildings opened for apartment units in downtown Winchester over the past few years, but overall, the Winchester area apartment market is modest and has had only modest growth. There are only a few upscale properties.

Summerfield and Stuart Hill are the two newer and better apartment properties in the market area. In studying the Winchester area apartment market, only 40± 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 home rentals. Some of the units are rented by university students, but that is a small total of the occupancy shown in Table 3.

There are five key points shown by the data in Table 3 in regard to the magnitude and quality of the Winchester apartment market:

1. For a marketplace with 5,500± renters (in 2014) with incomes of \$42,000+, the total competitive apartment unit count is modest, at 1,360± units, and particularly given the fact that many of the apartment units listed in Table 3 are well below the rents proposed for new apartment unit development at Meadow Branch and do not compete for the \$42,000+ income renter;
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 recently opened at Cedar Hill as noted below);
4. Nearly 60 percent of the apartment units that are listed in Table 3 were built prior to 2000; and
5. Tasker Village, with 64 units, is the only market rent newer apartment complex in Frederick County. Many of the other rental units in the County are at towns and condos for rent.

Table 3 Characteristics of Competitive Apartment Complexes and Other Higher End Rentals, Meadow Branch Market Area, November, 2014

	<u>Date Built</u>	<u>Total Units</u>
<u>Apartment Complexes</u>		
Summerfield	2005	64
Treetops	1995	52
Stuart Hill	2003	180
Tasker Village	2005	64
Pemberton	1998	120
Peppertree	1987/89	194
(Subtotal)		(672)
<u>Other Rentals 1/</u>		
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	2006/13	45
Saunders Construction Rentals	NA	120
Oakcrest Realtors	NA	130
Hables Real Estate	NA	210
(Subtotal)		(695)
Total 2/		1,359 2/
Notes: 1/ Totals include rentals that are managed by these companies.		
2/ Excludes the recently built Cedar Hill Apartments.		
Source: Field and telephone survey by S. Patz & Associates, Inc.		

Pipeline Proposals. At this time, there are three active proposals for new apartment unit development in the market area, plus additional adaptive units in and near the downtown.

1. Jubal Square is a 140-unit apartment proposal that has been approved by City officials for rezoning. Jubal Square is expected to attract Shenandoah University students for at least 40 of the 140 planned units. This proposal will likely be ready for occupancy by sometime in Fall, 2016 or shortly after. The expected start date is early-2015. The proposal includes 28 three-bedroom units and 20 two-bedroom units with dens. The remainder are one- and two-bedroom units.
2. Heritage Commons is a large PUD in active planning in Frederick County, but adjacent to the City. The location is along U.S. Route 522 just south of the intersection of Route 522 and Route 50 and across from

Airport Road. The apartment section will be built in phases with the initial phase being approximately 200 units in size. These units are to be as upscale as Meadow Branch. Construction is expected to start by mid-2015 with project opening in mid- to late-2016.

3. Cedar Hill is a new construction 48-unit apartment building that was opened in 12-unit phases. The first building opened in mid-2013. The second building was available for occupancy by the end of 2013. Both of these buildings are fully occupied. The last two buildings are still under construction, with one planned for completion by year-end 2014 and the last expected to open in early-2015. This is a non-amenitized property and likely an attractive property for university students given its location. The units are two- and three-bedroom with somewhat modest rents.
4. Old Town Properties. City officials have approved the addition of 120 apartment units in adaptive reuse buildings in Old Town. These will open for lease-up over the next year or two. There are 40± new units in active planning and other buildings being studied.

These pipeline proposals are summarized in the chart to follow with an adjustment for apartment units expected to have some units occupied by Shenandoah University students. At this time, the market area has 490 units in active planning, plus the 170 units at Meadow Branch, for a total of 660 units. This is within a marketplace with a pent-up demand for new units.

Number of Planned Apartment Units (2013-2018)	
Jubal Square	100 1/
Cedar Hill	30 1/
Old Town Properties	160
Heritage Commons	<u>200</u>
Total	490 (rounded)
Note: 1/ Adjusted to exclude college student occupancy.	

Conclusions

The market area renter household totals are expected to expand by 2,200± by 2018. Of these, 1,150 renters, or 52 percent, are expected to be in the \$42,000+ income range. The expected number of apartment unit additions to the market area by 2018 is 660. Thus, based on net renter household growth and the pent-up demand that exists, full market support exists for the list of new apartment units shown above.

The market support for Meadow Branch will be further enhanced as Jubal Square and Cedar Hill are likely to attract students. Heritage Commons (see photo below) will be located in the County, and away from the Winchester Medical Center and Route 50 corridor west. Only Meadow Branch Apartments and the new units at Heritage Commons will compete for the \$42,000+ rental apartment market.



**Apartment Product to be Built at Heritage Commons
(example is The Reserve at Belvedere in Charlottesville)**

Section II Fiscal and Economic Impacts of the Proposed Meadow Branch Apartments

This section of the report presents the methodology and findings of a Fiscal and Economic Impacts study for the proposed Meadow Branch Apartments in Winchester, Virginia. The fiscal impacts analysis compares the tax revenues to be forthcoming from a project, with the tax-supported costs the City will entail to serve the project, once it is built and stabilized occupancies have been achieved. The net fiscal benefit from the project will be the difference between those revenues and the costs. The fiscal impacts for Meadow Branch will cover activity on the site and fiscal impacts created off-site due to the spin-off effect of resident expenditures within the City. For off-site impacts, an economic impacts analysis is also undertaken to show how resident expenditures will stimulate business within Winchester, giving the new business receipts, employment and employee earnings resulting from those expenditures.

Summary of Impacts

Table 4 below presents the revenues, costs, and net fiscal benefit (revenue surplus or deficit) for Meadow Branch Apartments, and for the economic business that is generated in the City by the apartment proposal. On-site impacts produce a surplus of \$97,000 annually due to the few public school pupils which are expected in the apartments, based on experience at Stuart Hill and other projects identified by the Winchester public school district. The apartment resident expenditures in Winchester will generate \$22 million in new business receipts in the City, and these new business receipts will produce a fiscal surplus of \$51,000 annually for the City. The data in Table 4 will be explained fully in the body of this section of the report. Total fiscal benefit, or surplus, will come to \$148,000 annually in constant year 2014 dollars.

Table 4. Summary of Fiscal Impacts of Meadow Branch On the City of Winchester, Virginia, both On-site and Off-site (constant 2014 dollars)

<u>Source of Fiscal Impacts on the City</u>	<u>Apartment Impacts On-site In Winchester</u>	<u>Apartment Impacts Off-site In Winchester</u>	<u>Total Apartment Fiscal Impacts</u>
Revenues to the City 2/	\$417,930	\$142,460	\$560,390 2/
City Costs	<u>-\$320,520</u>	<u>-\$91,900</u>	<u>-\$412,420</u>
Net Fiscal Benefits	\$97,410 2/	\$50,560	\$147,970 2/

Notes: 1/ Data are rounded to the nearest ten dollars.

2/ Includes possible high estimate for recordation tax (see below on page 23).

Source: City of Winchester and SPA.

In addition to the fiscal impacts, the economic impacts off-site in the City from residences at Meadow Branch would be appreciable. Apartment residents would spend \$6.9 million in expenditures at businesses in the City, with another \$14.7 million in business expenditures being generated by the “ripple effect” of apartment resident expenditures throughout the local economy. This would add a total of \$21.6 million in business activity in the City. (All dollar amounts are in constant 2014 dollars.) Total new employment generated would be 121, with annual earnings of \$4.3 million. These new off-site impacts would also generate a fiscal impact for the City, as is shown above. **These economic impacts are based on multipliers provided by the U.S. Bureau of Economic Analysis for the Winchester area economy.**

The body of this part of the report presents the derivation of fiscal and economic impacts to be derived from the development of Meadow Branch. These impacts include the net fiscal benefits of the apartments, being the difference between revenue generated for the City of Winchester and the costs of public services to serve the development. As stated above, economic impacts include new business revenue, employees, and employee earnings that would accrue in the City as a result of resident expenditures in the City annually. The analysis is based on allowance for lease-up and achievement of stable occupancies after buildout of the project.

On-site Fiscal Impacts: City Revenue from Meadow Branch Apartments

The following analysis derives the revenues generated "on-site" for the City. "On-site" denotes those revenues that are derived directly from Meadow Branch Apartments, ignoring "off-site" impacts on local businesses. Those off-site impacts will be treated separately as "economic impacts," although their fiscal benefits will also be assessed. Data in tables to follow are rounded off to the nearest ten dollars and represent annual amounts after buildout.

Table 5 summarizes the revenues to accrue to the City from the development and occupancy of Meadow Branch Apartments. The two property taxes would account for 95 percent of the revenue to be generated on-site at the apartments. Three smaller taxes and fees account for only five percent of the total of \$418,000 in total tax revenue. Each revenue source will be explained and the revenue derived in the paragraphs to follow. A separate section of the report will address the costs of services and facilities the City must provide to serve the development.

	<u>Amount</u>	<u>Percent</u>
Real Estate Tax	\$285,000	68.2%
Personal Property Tax	\$110,670	26.5%
Consumer Utility Tax	\$15,500	3.7%
Motor Vehicle Licenses	\$6,380	1.5%
Recordation Tax	<u>\$380 1/</u>	<u>0.1%</u>
Total Revenue	\$417,930	100.0%

Note: 1/ Assumes property sale in time, which is not anticipated by the sponsor (see below).
Source: City of Winchester

Real Estate Tax

Development costs for Meadow Branch Apartments are projected to be approximately \$170,000 per apartment unit, including land and land preparation. This leads to a total property development cost of \$30± million. Tax assessment at market value at build-out is projected to be \$30 million in today's dollars. At the real estate tax rate of \$0.95 per \$100 of valuation, real estate taxes would be \$285,000 each year after buildout, in constant year 2014 dollars. The calculation of this tax is shown in Table 6.

Table 6. <u>Real Estate Tax for Meadow Branch Apartments, Winchester, Virginia (constant \$2014)</u>	
	<u>Amount</u>
Cost per Unit	\$170,000+
Number of Units	170
Total Cost	\$30,000.000
Tax Rate	0.0095
Real Estate Tax	\$285,000
Source: Denico Development and City of Winchester.	

Personal Property Tax

Personal property taxes for residences in Virginia are based on the depreciated values of vehicles used solely for residential purposes. The first step in calculating the personal property tax for Meadow Branch is to estimate the average depreciated value of vehicles in the City. This is done by dividing the personal property tax that is residential by the number of vehicles in the City. Included in the tax is the Personal Property Tax Relief Act (PPTRA) reimbursement from the Commonwealth to the City. The proportion of the property tax budgeted for 2014 is 59 percent, based on the percentage of the real estate tax base that is residential of the total residential plus

commercial. As shown in Table 7, the total residential personal property tax including PPTRA is divided by the tax rate of \$4.50 per \$100 valuation to give the total depreciated value of vehicles in the City as \$159 million. This total value divided by 17,200 estimated vehicles in the City gives an average depreciated value of about \$9,300 per vehicle.

Table 7. <u>Estimation of the Average Depreciated Value Per Vehicle, Winchester, Virginia, 2014</u>	
	<u>Amount</u>
FY 2015 Personal Property Tax	\$7,700,000
Proportion Residential	0.59
Residential Personal Property Tax	\$4,543,000
PPTRA	\$2,622,100
Total Residential Personal Property Tax	\$7,165,100
Tax Rate	\$0.045
Total Residential Depreciated Value	\$159,224,444
Estimated Number of Vehicles	17,210
Average Depreciated Value per Vehicle	\$9,250

Sources: FY 2015 Adopted Budget for Winchester, Virginia. And the American Community Survey of the U.S. Census Bureau.

Residents at Meadow Branch Apartments are projected to own 266 vehicles based on current average ownership rates in the city. At just under \$9,300 per vehicle, the total on-site personal property value for residents would come to \$2.5 million. At the tax rate of \$4.50 per \$100 of valuation, the on-site personal property tax would be \$110,700 annually in constant 2014 dollars. This is shown in Table 8.

Table 8. Personal Property Taxes at Meadow Branch Apartments at Buildout, Winchester, Virginia (constant \$2013)

	<u>Amount</u>
Meadow Branch No. Units	170
Percent Occupied	0.95
Occupied Units	162
Vehicles per Unit	1.65
Number of Vehicles	266
Depreciated Value Per Vehicle	\$9,252
Total Depreciated Value	\$2,459,228
Tax at \$4.50/\$100	\$110,670

Source: City of Winchester and SPA.

Consumer Utility Tax

Consumer utility taxes are taxes on expenditures on consumer utilities, such as electric, gas, telephone, and cable. While the tax rates for the different utilities vary, experience has shown that the average tax is about \$2.00 per utility per month. This analysis assumes an apartment unit vacancy rate of five percent to allow for lease-up and normal turnover. This may be conservative, as Meadow Branch may achieve a higher occupancy rate than 95 percent. At this rate, there are 162 occupied apartment units, or households. For four utilities per household, averaging \$2.00 per utility per month for 12 months, the total utility tax for Meadow Branch Apartments would be \$15,500 annually.

<u>Consumer Utility Taxes at Meadow Branch Apartments, at Buildout, Winchester, Virginia (constant \$2014)</u>	
	<u>Amount</u>
Number of Units	170
Occupied at 95%	162
Utilities Per Unit	4
Each Utility Average	\$2.00/mo.
Number of Months	12
Total Utility Tax	\$15,500

Motor Vehicle Licenses

Each motor vehicle in Winchester is subject to a license fee of \$24 per vehicle. In the derivation of the personal property tax at Meadow Branch, it was shown that there would be 266 vehicles at the apartments. At a fee of \$24 per vehicle, the total for the apartments would be \$6,380 annually.

Recordation Tax

The Commonwealth of Virginia taxes all exchanges of real property at the rate of \$0.25 per \$1,000 of value, or .00025. One-third of this amount is returned to the municipality where the transaction occurred. It is assumed that the Meadow Branch Apartments are taxed three times in 20 years, once at initial completion of the construction of the project, and sold twice in 20 years. This may not be the case for a successful upscale apartment property, particularly given the sponsor's company policy for a "long-term" hold. At the given tax rate, the revenue share for Winchester for the property valued at \$9.24 million would be \$7,500, with an annual average over 20 years of \$380, as shown below.

<u>Recordation Tax for Meadow Branch Apartments, at Buildout, Winchester, Virginia (constant \$2014)</u>	
	<u>Amount</u>
Real Estate Value	\$30,000,000
First and Once each 20 years 1/	3
Total Taxable Value	\$90,000,000
Tax at state level	0.00025
State Tax	\$22,500
Share to City	33.3%
City Recordation Tax	\$7,500
Annual Average	\$380
Note: 1/ Property sale is not anticipated by the Sponsor.	

Summary of Revenues

In total, the sum of projected revenues forthcoming from Meadow Branch Apartments after buildout would be approximately \$418,000 each year, in constant \$2014 dollars. The individual sources of these revenues are summarized in Table 9.

<u>Table 9. Summary of Annual Revenues for the City from Meadow Branch Apartments at Buildout, Winchester, Virginia (constant \$2014)</u>		
	<u>Amount</u>	<u>Percent</u>
Real Estate Tax	\$285,000	68.2%
Personal Property Tax	\$110,670	26.5%
Consumer Utility Tax	\$15,500	3.7%
Motor Vehicle Licenses	\$6,380	1.5%
Recordation Tax	\$380 1/	0.1%
Total Revenue	\$417,930	100.0%
Note: 1/ See above description.		
Source: City of Winchester and SPA		

On-site Fiscal Impacts: City Costs to Serve Meadow Branch Apartments

The focus of the fiscal impacts analysis of costs to the City of Winchester are the General Fund Budget expenditures expressed on a per capita basis. Expenditures are allocated by type to residents, public school pupils, and businesses (in terms of numbers of employees) on a proportional basis according to utilization by those two types of persons. These costs cover both operations for services and capital improvements in the form of annual debt service to support the capital improvements programs of the City. Budget expenditures will be discussed below, and per capita costs will be calculated. Applying these per capita costs to the characteristics of Meadow Branch Apartments produces an estimate of the annual costs to the City for service to the apartments.

Per Capita Expenditures

The fiscal impacts methodology for determining costs of new development to the City of Winchester is to express budget expenditures on a per capita basis. For residents, this will be per person residing in the City, and for businesses, this will be per employee working in the City. The allocation of General Fund budgeted expenditures to persons and employees is derived in Table 10. For most expenditure items, except schools, the total budgeted expenditures for FY 2015 are allocated proportionally to population (53 percent) and employees (47 percent). However, for two expenditure categories, all expenditures are allocated to population. These are Health and Welfare and Recreation and Culture, including parks.

For the City budget in FY2015, 82 percent of all General Fund expenditures must be supported by taxes. An examination of budgeted revenues for the year will demonstrate this proportion:

**Table 10. General Fund Revenue by Type, and
Percent from Local Taxes, Winchester,
Virginia, FY2015**

General Property Taxes	\$37,632,000
Other Local Taxes	\$29,953,000
Subtotal Local Taxes	\$67,585,000
Non-tax Revenue	\$14,482,000
Total Gen. Fund Revenue	\$82,067,000
Percent Tax Revenue	82.4%

Source: Adopted FY 2015 Budget for the City of Winchester, Virginia.

When the expenditure for each type of user are summed and the tax-supported proportion calculated, and net is divided by the number of persons of that type, the per capita expenditures result. For residents, this is \$956 per person; for businesses, and \$761 per employee. Schools are treated separately, as shown in Table 10. When General Fund transfers to the schools are divided by the number of pupils, the result is a per capita cost of \$6,470 per pupil. **Again, this amount is the tax requirement to fund the schools.** The School Fund also has other sources of revenues, such as State and Federal transfers.

Table 11. Allocation of General Fund Expenditures by Type to Residents (Population) and Businesses (Employees), City of Winchester, Virginia (current dollars)

	<u>FY 2015 Adopted: Population</u>	<u>FY 2015 Adopted: Employment</u>	<u>FY 2015 Adopted: Total</u>
General Gov't Admin.	\$2,959,806	\$2,665,739	\$5,625,545
Judicial Administration	\$1,672,904	\$1,506,696	\$3,179,600
Public Safety	\$10,035,161	\$9,038,135	\$19,073,296
Public Works	\$4,036,784	\$3,635,716	\$7,672,500
Health & Welfare	\$3,179,065	\$0	\$3,179,065
Parks, Rec. & Culture	\$3,276,654	\$0	\$3,276,654
Community Development	\$994,594	\$895,778	\$1,890,372
Debt Service	\$5,445,226	\$4,904,224	\$10,349,450
Total Except Education	\$31,600,194	\$22,646,288	\$54,246,482
Percent Tax Support	82.4%	82.4%	82.4%
Tax-supported Expenditures	\$26,023,848	\$18,649,998	\$44,673,846
Number of Persons	27,216	24,512	51,728
Per Capita Tax Support	\$956	\$761	\$864
Education	\$27,820,518	\$0	\$27,820,518
Number of Pupils	4,300	0	4,300
Per Capita Tax Support	\$6,470	\$0	\$6,470
Total General Fund	\$59,420,712	\$22,646,288	\$82,067,000

Sources: FY 2015 Adopted Budget for Winchester, Virginia; Virginia Employment Commission; School District of Winchester, Virginia; and S. Patz & Assoc., Inc.

Tax-supported Costs of Meadow Branch

As explained above, costs to the City to serve the Meadow Branch Apartments are derived by multiplying the per capita costs of residents and public school pupils by the numbers of those persons. These are tax-supported costs, to be compared to the taxes generated by Meadow Branch. The costs will cover operating costs for general government and schools and the costs of facilities in terms of debt service for capital improvements. There are expected to be about 250 residents at Meadow Branch,

including children, based on the number of residents per unit at Stuart Hill, as Stuart Hill is the largest and most upscale apartment property in the City at this time. It was shown above, that the average tax-supported cost for residents in the City is \$956. For these residents, total tax-supported costs to the City would be \$238,200.

	<u>Amount</u>
Residents	249
Expenditure Per Capita	\$956
Population Expenditures	\$238,240

A comparison of pupil generation rates for comparable apartments with similar rents is shown in the chart below. Stuart Hill is a comparable apartment in Winchester. Three other apartment comparables have been identified by the Winchester Public Schools in a memo from the Director of Operations of the school district to school board members, dated October 6, 2014. The findings of these comparables are shown in the accompanying chart, yielding an average of 0.079 pupils per apartment unit as the comparable pupil generation rate. These other apartment communities are not located in the City. 37 West is a Lynchburg property. Stone Creek Village and Arden Place are located in Charlottesville.

<u>School Pupils Per Apartment Unit at Apartment Properties Identified by Officials of Winchester Public Schools</u>			
<u>Apartments</u>	<u>Units</u>	<u>Pupils</u>	<u>Pupil/Unit</u>
Stuart Hill	180	9	0.050
37 West	144	12	0.083
Stone Creek Village	264	29	0.110
Arden Place	<u>212</u>	<u>13</u>	0.061
Total	800	63	0.079

With 162 occupied units, or households, the pupil generation rate of 0.079, derived above, yields 13 pupils projected for Meadow Branch, at buildout. Tax-

supported costs per pupil were shown above to be approximately \$6,500. For 13 pupils, this is a need for \$82,300 in taxes for schools from the apartments. At \$6,500 per pupil, Meadow Branch could support a total of approximately 35 students and still provide a net positive impact to the City.

	<u>Amount</u>
Occupied Units	162
Students per Unit	0.079
Number of students	13
Cost Per Pupil	\$6,470
Cost of Schools	\$82,280

Costs for residents of \$238,240 and for school pupils of \$82,280 yields a total of \$320,520 as the total tax-supported costs of providing services and facilities to the apartments annually, in constant year 2014 dollars.

Fiscal Impacts

The chart below compares the tax revenues expected from Meadow Branch with the tax-supported costs required to serve the apartments. The net fiscal benefit will be an annual surplus of \$97,400, in constant year 2014 dollars.

	<u>Amount</u>
Total Tax Revenue	\$417,930
Total Tax-supported Costs	<u>-\$320,520</u>
Net Fiscal Benefit	\$97,410

Off-site Impacts: Economic and Fiscal

In addition to the revenues and costs that accrue to the City of Winchester from the apartments "on-site" - that is, due to the apartments and residents themselves in

their dwellings, there are also off-site impacts that occur as residents spend part of their income in the City, and as businesses re-spend the income from purchases by residents by the purchase of goods and services from other vendors in the City. Consumer budgets are identified by the U.S. Bureau of Labor Statistics by area and income level. There is no direct budget information for Winchester, and the income level for the Washington, D.C. area is too high to be applicable here. Instead, national data for a budget for income in the \$50,000's-\$60,000's has been chosen. This is the income level of households in the comparable complex, Stuart Hill Apartments. Among the larger expenditures by consumers are 19 percent for shelter and 27 percent for retail trade, including automobiles.

Consumer expenditures made off-site in the City are translated into economic impacts in the City using multiplier matrices provided for the local area by the U.S. Bureau of Economic Analysis. These multipliers capture the round-by-round flows of expenditures in the City initiated by residents at the apartments. The multipliers are specific to Frederick County and the City, but since the City figures so heavily in the County economy; accounting for almost all of the jobs; it is assumed here that the impacts from the apartments will apply essentially to Winchester. There are separate matrices for business receipts, employment and employee earnings. The items in the consumer budget are multiplied in turn by these expenditure-specific categories in each matrix and summed to give the "ripple effect" (spin-off or multiplier effects) of circulation of money through the economy. The ripple effects, plus the original consumer expenditures, equal the total economic impacts of apartment residents on the City economy.

Business Receipts

Residents at Meadow Branch Apartments are likely to spend about 78 percent of their income, or about \$45,000 per household. Other uses of income are taxes and savings, for example. Overall, this is \$6.9 million in expenditures from apartment residents. The ripple or multiplier effect will generate another \$14.7 million in receipts

among City businesses, for total business receipts impact of \$21.6 million. These business receipts are broken down by business sector in the matrices and will form the basis for many tax receipts for the City from the impacted businesses.

<u>Source of Impact</u>	<u>Business Receipts</u>
Direct Consumer Expenditures	\$6,921,735
Indirect Ripple Effect	<u>\$14,662,689</u>
Total Business Receipts	\$21,584,424

Employment and Earnings

Since there are only a few employees on-site at the apartments, all employment and employee earnings impacts come from the ripple or multiplier effects on businesses, i.e., employee earnings that support increased business receipts in the City. There will be 121 new full-time equivalent employment positions created in Winchester, with earnings for these employees of \$4.3 million, for an average earnings of \$35,400. This is a relatively modest earnings level because so much of the impact is on retail trade and consumer services such as cleaning and laundries and other household services.

Off-site Fiscal Impact

Table 12 summarizes the revenues and costs to the City of Winchester from the off-site impacts of the Meadow Branch Apartments. These impacts derive primarily from the \$21.6 million in new business receipts in the City, plus estimates of real property and business personal property for a typical commercial operation. It is proper to look at these impacts as long-term. That is, it is not likely that 121 new employees in many different firms will lead to immediate expansion of the property tax base, but this should happen over time as part of business expansion in the City. Other tax receipts should accrue as soon as consumers at Meadow Branch Apartments begin making expenditures, that is, as soon as the property is built out and stable occupancies are achieved. In the short run, revenues should start at \$100,000, rising to \$142,000, as businesses expand physically. Costs are based on 121 new employees at a cost to the

City of \$761 per employee, as derived above. With costs of \$91,900, net fiscal benefits should start with a net surplus of about \$63,000 annually in the short run, rising to \$92,000 over time.

Table 12. <u>Off-site Fiscal Impact of Consumer Expenditures From Residents of Meadow Branch Apartments in Winchester, Virginia (constant \$2014)</u>	
	<u>Amount</u>
<u>Annual Revenues for the City:</u>	
Real Estate Tax	\$34,430
Business Property Tax	\$16,310
BPOL Tax	\$33,920
Retail Sales Tax	\$22,370
Motel Tax	\$9,810
Meals Tax	\$24,790
Other Local Taxes	\$780
Recordation Tax	\$45
Total Revenue	\$142,455
Less Costs to the City	- <u>\$91,900</u>
Net Fiscal Benefit to the City	\$50,555
Source: RIMS II Modeling System, U.S. Bureau of Economic Analysis	

On-site and Off-site Fiscal Impacts

The chart below summarizes the previous findings for on-site fiscal impacts for Meadow Branch and the off-site impacts presented above. Altogether, the apartments would produce a net surplus revenue of \$148,000 annually.

	<u>Direct On-site</u>	<u>Spin-off Off-site</u>	<u>Total Fiscal Impact</u>
Revenues	\$417,930	\$142,460	\$560,390
Costs	<u>-\$320,520</u>	<u>-\$91,900</u>	<u>-\$412,420</u>
Net Benefit	\$97,410	\$50,560	\$147,970
<p>Note: Total Fiscal Impact includes recordation taxes for two property sales over the next 20 years, which may not occur.</p>			



MARK Y. LINEBURG, Ed.D.
SUPERINTENDENT

MARK L. MIEAR, Ed.D.
ASSISTANT SUPERINTENDENT

TO: School Board Members
FROM: Ed Smith, Director of Operations
DATE: 10/6/2014
SUBJECT: Information Regarding Luxury Apartments Impact on Schools

Background:

The owner of the land that will be across the street from the new John Kerr Elementary School has indicated his interest in developing the land into a luxury apartment complex.

I have researched several similar luxury apartment complexes and their impact on surrounding schools in 2 different locations. The information is outlined in the chart below:

Student Impact on Luxury Apartment Complexes

Complex	Pricing	Units	Students	Students per Apt
37 West Lynchburg, VA (Campbell County)	\$800 – 1 BR	144	ES – 3	.083
	\$1000 – 2 BR		MS – 2	
	\$1100 – 3BR		HS – 7	
			Total – 12	
Stone Creek Village Charlottesville, VA (Albermarle County)	\$1000-1200 – 1 BR	264	ES – 11	.11
	\$1300-1400 – 2 BR		MS – 7	
	\$1500-1600 – 3BR		HS – 11	
			Total – 29	
Arden Place Charlottesville, VA (Albermarle County)	\$900-1200 – 1 BR	212	ES – 10	.06
	\$1280-1360 – 2 BR		MS – 2	
	\$1545 – 3BR		HS – 1	
			Total – 13	

Recommendation:

No recommendation, this is for board information only.

Strategic Plan Reference:

3. 1 Provide safe, clean, and appropriate physical environments conducive to teaching and learning

Law, Policy, Regulation:

Policy FA – Facilities Development

Fiscal Impact:

None



MEADOW BRANCH LUXURY APARTMENTS WINCHESTER, VA

This memorandum shall serve to describe in detail the proposed 170-unit Meadow Branch Apartments, the financing of the project, the markets the project is intended to serve, the anticipated impact of the apartment complex on the Winchester school system, the inclusion of the townhouse-style apartments in the project, the fiscal benefit of the project for the City of Winchester and the project's embodiment of many of the goals set forth in the 2011 Economic Development Analysis & Master Plan for the City of Winchester.

PROJECT

The proposed Meadow Branch Luxury Apartments project, to be located across Meadow Branch Avenue from the soon-to-be-constructed John Kerr Elementary School in Winchester, Virginia, will consist of 170 Class A luxury apartments. Since the subject developer typically builds and holds all of the projects constructed, it is critical to the long-term success of the project that the product offering be as varied as possible in order to be competitive with fluctuating market trends in the future. Therefore, the project will offer several product types, including garden-style apartments with a limited number of free-standing garages, apartments in two elevator buildings with covered parking and townhouse-style apartments. Except for the townhouse-style apartments, which will exclusively offer two-bedroom units, the project will offer 1-, 2- and 3-bedroom apartments. A breakdown of the types of apartments and the unit mix is set forth below:

TABLE 1		
Meadow Branch Proposed Unit Type		
Three storied garden-style apartments		48
Four-storied buildings with elevator and covered parking		96
Townhouse-style apartments		<u>26</u>
	TOTAL	170
Garages		12

TABLE 2		
Meadow Branch Proposed Unit Mix		
One bedroom - one bath	44	26%
Two bedrooms - two baths	102	60%
Three bedrooms - two baths	<u>24</u>	<u>14%</u>
	TOTAL	170
		100%

In deference to the comments provided by several members of the Planning Commission and the City Council, any three bedroom units originally planned for the townhouse-style apartments have been eliminated. All of the townhouse-style apartments are two-bedroom only without an additional room that could be used as a third bedroom.

It is also critical to the long-term success of the project that the appearance of the proposed apartment complex be well-received in the local community. Therefore, special attention is given to complementing the surrounding buildings such as the Church, the commercial buildings, the new elementary school and the homes located nearby. Specifically designed to blend in with the upscale feel of the surrounding area, the Meadow Branch Apartments will offer a red-brick and ground face block masonry façade unlike anything built in Winchester to date. As seen by the elevation rendering of the three story building below, the building elevations and roof lines have been purposely designed to break up the massing and portray the apartments as townhomes rather than the typical apartment building. Further, some units will have bay windows and all will have enclosed sunrooms or sitting areas rather than the typical balcony porch with railing. The stairwells will be enclosed.

FIGURE 1
Three Story Building Elevation



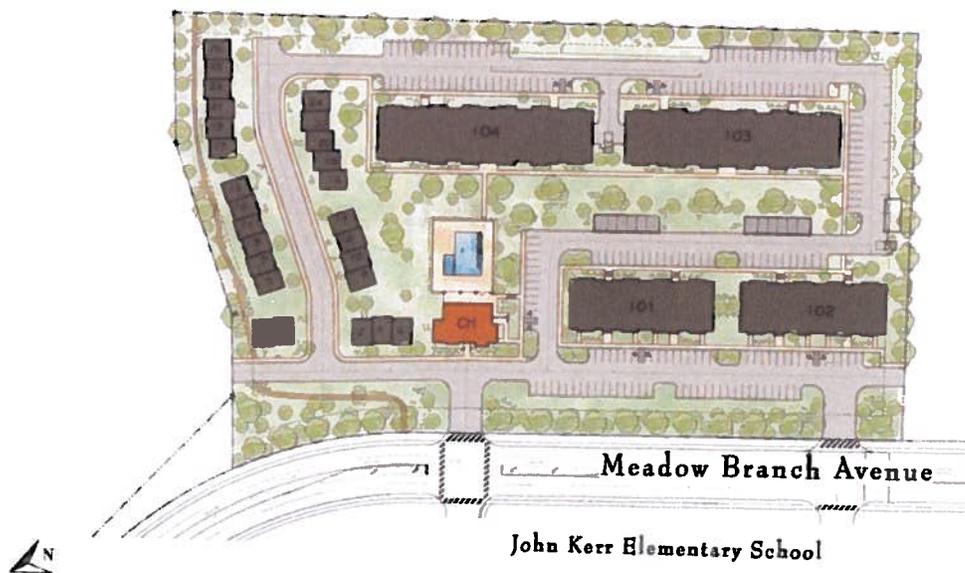
To further ensure the success of the project, each apartment home will offer energy-saver appliances, granite countertops, washer and dryer, electric fireplaces, electronic locks, crown molding in the living room, blinds, ceiling fans, walk-in closets and ceramic tile, wood laminate or carpet flooring.

The project will also offer a state-of-the-art Club House with Fitness Center, media room, business center and entertainment area (all of which will be accessible 24-hours a day), swimming pool with large sundeck and grill area, Club Room for social events and a leasing center.

Other amenities include a walking trail that will connect Meadow Branch Avenue to the extensive walking trails being planned by the Museum of the Shenandoah Valley, garages for a limited number of apartment homes and covered parking in the two four-story buildings that will have an elevator (Buildings 103 & 104). In addition, as seen by the site plan rendering below, the project will have extensive green space for the outdoor enjoyment of its residents.

**FIGURE 2
Site Plan Rendering**

Meadow Branch Apartments Winchester, Virginia



In deference to the neighbors, Sacred Heart Academy and Sacred Heart of Jesus Catholic Church, the townhouse-style apartment homes have been purposely lined up along the common boundary between the subject property and Sacred Heart; it was felt that two-story apartment homes would be a better and softer transition than a three- or four-story building looming over the church and school.

Clearly, the quality of the proposed project and the amenities offered will place the Meadow Branch Luxury Apartments at the top of the rental market in Winchester and the rents will reflect this position. Rents will range from a low of \$1,000/month for one bedroom apartments

to \$1,500/month for a three bedroom apartment. Residents will pay for all utilities except for trash removal.

FINANCING

Financing for the Meadow Branch Luxury Apartments will be provided by the U.S. Department of Housing & Urban Development (“HUD”) under Section 221(d)(4). Not to be confused with subsidized housing offered by other HUD programs like Section 8, the HUD 221(d)(4) program offers financing for market-rate, Class A luxury apartments. Rents charged are as high as the market can bear. Examples of other 221(d)(4) projects built by the developer include the Stone Creek Village Apartments (www.scvaps.com), Lakeside Apartments (www.liveatlakeside.com), Waverly Place Apartments (www.waverlyplacelouisa.com) and The Apartments at Goose Creek (www.goosecreekapts.com).

HUD does have other financing programs for rental products, one of which is Section 231 for elderly housing. The 231 program requires that every single resident be over the age of 62 and prohibits the developer from offering resident-friendly services such as transportation, food, health care inspections and laundry services. (If these services are offered, HUD mandates that the developer use another program specifically for health-care related facilities). Clearly, there is a limited number of potential residents above the age of 62 who do not need any of the type of services described above; for that reason, this HUD program is rarely used.

A special subset of the HUD 221(d)(4) program is intended for “housing for the elderly”, which specifically mandates that at least one occupant of the apartment must be at least 62 years of age. However, management cannot prohibit younger people living in the same apartment, including school-age children; otherwise, management would be guilty of discrimination based on familial status.

HUD will not permit one project to be governed by separate programs. Therefore, the Meadow Branch Luxury Apartments must elect one of the above-programs for a market rate project. Due to the restrictions described above for the section 231 financing and the special subset of the 221(d)(4) program, coupled with the developer’s intent to create a long-term successful project, the general Section 221(d)(4) financing is the only financing that will be pursued.

TARGETED MARKETS

With its upscale apartments, extensive amenity package and close proximity to the Winchester Medical Center, the Meadow Branch project is specifically designed to appeal to two demographics: the young and the aging.

The Young

As cited in the Economic Development Analysis and Master Plan generated for the City of Winchester in 2011 ("Winchester Master Plan"), there is a decided lack of housing for the young professionals or entrepreneurs in Winchester. Other than Stuart Hill, the City's housing supply is comprised primarily of aging properties that cannot offer well-appointed apartments or features that appeal to the mobile, technologically advanced younger set. For that reason, as stated in the Winchester Master Plan, many of these younger professionals do not live in the City. Further, it has been suggested that it is difficult for local companies trying to hire talented young professionals to attract them to the area due to the dearth of an available supply of Class A rental properties in Winchester.

A targeted group of these young professionals are the doctors and nurses who work at the Winchester Medical Center. The Meadow Branch site was purposely selected due to its proximity to the Medical Center; it is our understanding that some of the doctors and nurses are temporarily employed or are on rotation and need short-term housing. Meadow Branch will be able to offer quality housing in close proximity to the Medical Center on a short-term basis. By offering furnished apartments on a short-term rental basis, Meadow Branch will be able to accommodate this sector of the market who need to live only temporarily in Winchester.

Another subset of the targeted younger demographic are the 300 students attending the Pharmacology School located across Route 50 at the Winchester Medical Center. Conveniently located near the Pharmacology School, Meadow Branch will be attractive for those graduate students who want an easy commute to school. It is envisioned that these graduate students will likely have roommates in order to share the relatively high cost of the rent and will be potential occupants of the 2 and 3 bedroom apartment homes.

The Aging

At the other end of the spectrum are the generally affluent "empty nesters". Near or at retirement age and with children who have their own families, the "empty nester" wants to downsize from a single-family home. This sector has the "lock and leave" mentality; they are no longer interested in mowing the yard or repairing the roof. Instead, they want to be able to leave for a week to visit the grandchildren, take a cruise or go on a vacation without worrying about the maintenance of their home. However, and this is critical, downsizing is not to be interpreted as meaning that they are willing to sacrifice the comforts of home. They want high-end appointments in their apartments and engaging amenities and are willing and able to pay for it.

Because they are downsizing from a larger home, most "empty nesters" prefer to rent 2 or 3-bedroom apartment homes. Often they do not want to part with furniture that they had in their single-family homes or they want extra rooms for when the children and grandchildren visit, which prompts them to lease the larger apartments.

Meadow Branch will also be especially attractive to the "empty nester" sector due to its close proximity to the Winchester Medical Center. The aging sector typically requires the services of the local medical community more than any other age group and thus Meadow Branch's convenient location to such a highly acclaimed medical facility will be extremely appealing.

IMPACT ON SCHOOL SYSTEM

The Meadow Branch Luxury Apartments should not pose a relative burden on the school system for several reasons.

First and foremost, as stated previously, Meadow Branch is specifically designed to attract the young professionals and the empty nesters, who typically do not have children living with them. As explained before, the three bedroom units at Meadow Branch are designed for (i) three roommates; (ii) two roommates who also want a study; or (iii) empty nesters who want bedrooms for their children and grandchildren to visit or simply want more room to accommodate their furniture. While admittedly across the street from the proposed John Kerr Elementary School, the Meadow Branch Apartment site was specifically selected due to its proximity to the Winchester Medical Center and not the school.

Second, the high rents that will be charged at Meadow Branch will make home ownership by a family with children a more attractive option. With one bedroom rents estimated to start at \$1,000, two bedroom rents in the \$1,300 range and three bedrooms in the \$1,500 range, Meadow Branch will have rents that will rival the mortgage payment on a single family home with its own yard. For example, at the Red Bud Run community in Stephenson, a three bedroom, 1,747 square foot single family home with 2-car garage can be purchased for \$264,990. Assuming that a family were to make a 10% down payment and get a 30 year fixed mortgage at the current interest rate of 3.95%, their monthly mortgage payment would be only \$1,131 a month. Even if the interest rate were to move up to 5%, their monthly mortgage payment would still only be \$1,280 a month, well below the three bedroom rent at Meadow Branch Apartments. It is most likely that families with children would be more inclined to purchase a three or four bedroom home with a yard with a lower mortgage payment than it would cost to live in a three bedroom apartment at Meadow Branch.

It is important to note that the subject property could easily be developed into 40 single family lots under the current zoning. If Dan Ryan Builders or another tract builder of similar ilk were to purchase the property, it is highly likely that the close proximity of the new John Kerr Elementary School would be used as a selling point, thereby generating a large number of school-age children within the single family development.

Therefore, ignoring the fact that the Meadow Branch Luxury Apartments are targeting renters without children, statistics and actual data prove that the proposed 170 unit luxury apartment project would generate less children than if the project were to be developed as a 40 single family lot development.

For example, the statistics shown in Table 3 below indicate that 100 apartments would generate 22 children while 100 owned single-family homes would generate 58 children. Further, if all of the 100 homes were rented rather than owned, the number of children per 100 single-family homes would increase to a staggering 77.

TABLE 3
School-Age Children Per 100 Households

School-Age Children Per 100 Households					
	Total	Single-family renter	Single-family owner	Multi-family renter	Multi-family owner
All	42	65	43	24	9
Built before 1990	38	62	36	25	*
Built 1990-2004	51	75	56	23	*
Built 2005-2012	51	77	58	22	*

SOURCE: NMHC TABULATIONS OF CENSUS BUREAU'S AMERICAN COMMUNITY SURVEY, 2012
*Sample size too small to produce reliable data for multifamily owner homes built after 1989. Note: Multifamily refers to buildings with five or more units; as such, "total" includes two- to four-unit multifamily homes, which are not shown separately.

If the subject property were to be developed by-right as 40 single-family homes, and if all the homes were owned, it is estimated that 23 children would be generated by the 40 homes as seen in Table 4. However, as projected in the Winchester Master Plan, approximately 55% of the households in the City in 2015 will be renters. Assuming that to be true, it is likely that some of the single-family homes on the Meadow Branch property will be rented. Table 4 shows a matrix of the number of homes that might be rented if the subject property were to be developed as a subdivision with the resulting number of school-age children ; for example, if all 40 homes were rented, the number of school children generated is projected to be as high as 31.

TABLE 4
Number of School-Age Children Generated Based on % of 40 Single-Family Homes Owned

	# of Children	
100%	23	
90%	24	
80%	25	
70%	25	
60%	26	
50%	27	
40%	28	
30%	29	
20%	29	
10%	30	
0%	31	

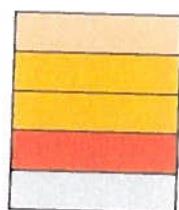
* % of Single-Family Homes Owned

Comparatively, the number of school-age children projected to be generated by the proposed 170 apartments is 37 as seen in Table 5 below. However, it can be argued that these statistics include Class A, B and C apartments in their data. If the data were narrowed to include only Class A luxury apartments which charge higher rents, residents are less likely to have children for the reason described above; families will be more prone to purchase a home for the same or less monthly expenditure. Support for this proposition is evidenced by the research provided by Ed Smith, Director of Operations for the Winchester Public School system, a copy of which is attached as Exhibit 1.

TABLE 5
Number of School-Age Children Based on 170 Apartment Homes

	# of Children
22	37
21	36
20	34
19	32
18	31
17	29
16	27
15	26
14	24
13	22
12	20
11	19
10	17
9	15
8	14
7	12
6	10
5	9

Number of School-Age Children Per 100 Apartments



- Based on Stone Creek Actuals (11 children/100 units)*
- Based on 37 West Actuals (.083 children per 100 units)*
- Based on S. Patz Report (.079 children per 100 units)*
- Based on Arden Place Actuals (6 children per 100 units)*
- Based on S. Patz study of Racey Meadows (2013) (5 children/100 units)*

Mr. Smith researched actual data on three luxury Class apartment projects in Virginia, all of which had fewer children per 100 units than the 22 children per 100 units projected in Table 3. Based on Mr. Smith's research, it is projected that the Class A luxury Meadow Branch Apartments will generate as high as 19 children and as few as 10 children, a range well below the lower number of 23 students if the property were to be developed as a single-family subdivision with 100% owned homes and much lower than the 31 students projected if all of the 40 homes were rented. Table 5 above also reflects the fact that, in S. Patz's fiscal impact study of the formerly proposed Racey Meadows project in Winchester, Stuart Hill in 2013 only had 9 children in its 180 apartments for a ratio of 5%. Based on this information, Meadow Branch would then generate only 9 school-age children. Mr. Patz, in his Market and Fiscal Impacts Analysis for Meadow Branch Apartments dated November 24, 2014, further concluded that the proposed apartment community would generate only 7.9 children per 100 units or 13 children.

It has also been suggested by some that Meadow Branch's close proximity to the new John Kerr Elementary School would be an incentive for families to locate to Meadow Branch in the express hope of having their children within walking distance of the school. However, the Class A luxury apartments referred to as Stone Creek in Table 5 above and located in Charlottesville, Virginia are situated immediately adjacent to the Monticello High School, across the street from the private Tandem School and less than a half mile away from Cale Elementary School; yet, it only has 11 children per 100 units. Further, as developer and owner of the Stone Creek Apartments, the subject developer can attest that the vast majority of these children do not stay in the complex for more than a year. Most of these children are products of an on-going divorce and are simply residing at Stone Creek in order to stay at a particular school until the end of the school year. In summary, families are not moving to Stone Creek in order to get in the school system; rather, they are already a part of the school system and thus there is no net impact.

Without the benefit of the statistics discussed above that prove unequivocally that Meadow Branch Luxury Apartments will not have a net impact on schools relative to the property being developed as a single-family subdivision, some have suggested that the perceived impact of school-age children can be eliminated by developing the apartment complex as an age-restricted (55+) community. An age-restricted community is not possible with the intended financing and not desired given current demographic characteristics.

First of all, HUD financing, as discussed above, will not permit an economically feasible method of restricting children at Meadow Branch. HUD Section 231 prohibits anyone under the age of 62 living at the complex but also prohibits the offering of age-related services; thus this program is not economically viable on its face due to the very limited market that the apartments could serve. Further, a special subsection of the Section 221(d)(4) program requires at least one resident per apartment to be over the age of 62 but it permits any number of children as well; this program would not achieve the goal of no children at the project. As a result, the intended financing will not permit a 55+ age-restricted product.

Second, ignoring the financing limitations, one should be hesitant to encourage age-restricted communities as to do so could spell doom for the long term viability of the project. For example, of the 74 million Baby Boomers, 40 million are now between the ages of 56 and 66 years and are turning 65 at a rate of 8,000 per day. They are educated (19% have their

bachelor's degree), wealthy (they possess 70% of the total wealth in the US) and account for 40% of total consumer demand.

Referred to as the Leading-Edge Boomers, this sector has a history of disrupting past patterns and challenging past ideas and ways of living and working. They are healthier and more energetic, and they expect to have a longer, healthier, active and more productive life than any previous generation. Cultural anthropologist Mary Catherine Bateson writes that they don't see turning 65 as retirement but as "Adulthood Part II". They are physically active and do not envision themselves as "seniors". They do not want to be marketed to as seniors and are likely to want something quite different from what today's housing communities for seniors provide. As John K. McIlwain, Senior Resident Fellow at the Urban Land Institute (ULI) wrote in the study Housing in America: The Baby Boomers Turn 65, "A shift may well be occurring in the housing market with long-term implications, namely, that Leading-Edge Boomers are not as interested in age-restricted communities as past generations. They are not looking to retire early and are not seeking to isolate themselves among the elderly."

As support for McIlwain's proposition, the active adult community sector is in fact in crisis. Since the beginning of the Great Recession, age-restricted communities have faced difficulties finding new residents to replace those leaving, causing a rising vacancy rate in most communities. This has led to a number of developers trying to lift age restrictions from existing active adult communities. In the New York Times on June 9, 2011, Lisa Provost reported that the Connecticut towns of Ellington, Tolland, and Southington had all approved requests to lift age restrictions for troubled developments. Developers in other towns in New Jersey are similarly pressuring the municipalities to remove age restrictions from their developments.

The Comprehensive Plan acknowledges that the subject site's proximity to the neighboring medical center makes it attractive to housing for high-income professionals and seniors. Further, the Comprehensive Plan identifies that a variety of housing types, including luxury apartments, may be appropriate for the subject site when proposed as a Planned Unit Development (PUD). Meadow Branch Apartments is proposed to be developed as a PUD with an underlying MR (Medium Density Residential) zoning designation, consistent with the Comprehensive Plan. The Comprehensive Plan also suggests that high-density zoning may be appropriate for age-restricted housing. However, it is the belief of the subject developer that this recommendation was based on the desire of the City to have a development that generated no children. What was not contemplated was that the development of the property into an age-restricted community might be unwise, as discussed in the ULI study, as it would ignore the current trend of Leading-Edge Boomers rejecting the premise of age-restricted communities. To ignore this trend could possibly result in an economically unviable project and potentially become an eyesore for the City. In fact, given the current trends in marketing to Leading-Edge Boomers, it is probable that the Meadow Branch Luxury Apartments will attract more seniors by not designating the community as age-restricted, resulting in a vibrant and economically stable community for the City of Winchester

Further, this recommendation of age-restricted apartments is most likely based on the belief that unrestricted-age apartments would be populated by numerous children. However, the above analysis has statistically shown that luxury apartments would generate less school-age children than if the property were to be developed into 40 single-family lots

THE TOWNHOUSE-STYLE APARTMENT

The 26 two-bedroom townhouse-style apartments have been designed specifically for two reasons. First, it is strongly felt that two-story buildings are a much more neighborly transition from Sacred Heart to the apartment community in that the buildings along the common boundary will only be two stories tall rather than a looming three or four story building. Second, the fundamentals of a successful multi-family project in today's economy dictate that a project owner offer a varied array of apartment types and prices. The townhouse-style apartments provide an appealing product to doctors and young professionals and empty nesters who want luxury rental accommodations, the ability to park right outside their unit and do not want anyone living over them.

It is very important to note that townhouse-style apartments are a for-rent product only. Unlike townhouses, which are typically sold to a homeowner, townhouse-style apartments cannot be sold. The argument made herein regarding the number of school-age children in luxury apartment communities holds for the townhouse-style apartments too; the fact that the apartments are built to look like a townhouse does not encourage more children. For example, the townhouse-style apartments are only two bedrooms. But second, and even more importantly, these apartments will demand the highest rents in the project, making the economic analysis of rent vs. buy discussed herein even more applicable.

Apartments designed to look like townhouses are critically different than townhouses developed to be sold. For-sale townhouses do typically attract families with young children because of the entry-level price for home ownership. As with the Red Bud Run analysis discussed above, a townhome on Haverford Court just outside the City of Winchester is listed for \$244,866. Assuming the same financing as discussed above, a homebuyer paying 10% down for a 30-year fixed mortgage at 3.95% would end up having to make a \$1,045.78 monthly payment, well below the \$1500/month that will be charged for the townhouse-style apartment at Meadow Branch. Even if the homebuyer's loan interest were to increase to 5%, the homeowner would be paying only \$1,183.04 per month, still well below the \$1500/month rent that will be charged at Meadow Branch.

Since townhouses for sale typically do generate school-age children, a concern has been expressed that the townhouse-style apartments at Meadow Branch will be offered for sale at a future date. First, the particular HUD financing applicable to Meadow Branch will not permit a for-sale product; it is expressly mandated that all of the units be for rent. However, to assuage the concern expressed, the developer will proffer as a condition of this rezoning that the townhouse-style apartments will not ever be offered for sale for a period of forty (40) years from the date of the Certificate of Occupancy.

FISCAL IMPACT

According to a Market and Fiscal Impacts Analysis prepared by S. Patz and Associates dated November 24, 2014, the total on-site and off-site fiscal benefit of the Meadow Branch Apartment project is a net \$147,970. A copy of this report has been submitted with this memorandum.

ALIGNMENT OF PROJECT WITH WINCHESTER MASTER PLAN

As can be seen below, the Meadow Branch Luxury Apartment project as proposed embodies many of the goals and objectives of the 2011 Economic Development Analysis & Master Plan prepared by Herd Planning & Design, Ltd ("Master Plan").

♦ *"These two demographic sectors ["empty nest" households and young "creative class" households], in many ways, represent not just potential population growth, but also economic growth in and of themselves, since they would tend to raise the average income, diversify and upgrade the educational levels of the population and work force, and provide the labor resources desired by the emerging jobs in the modern, high-tech economy." (pg 17).*

As stated herein, Meadow Branch is targeting this exact demographic and can be instrumental in raising the income and educational level of the City of Winchester.

♦ *"RECOMMENDATION: 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."(pg 18)*

Meadow Branch, with its high rents, superior product and advantageous location, will definitely improve the existing housing stock as well as attract higher income tenants than otherwise may currently live in the City.

♦ *"Residential Market: [...] reveals the need to target two segments within this demographic: the young and the aging.For the retirees and the aging population, access to the Medical Center and healthcare industries [is important]." (pg 83)*

The Meadow Branch Luxury Apartments' Site was specifically selected due to its proximity to the Winchester Medical Center. This Medical Center will draw retirees who desire to live close to healthcare facilities.

♦ *"The City has a large percentage of renters and a large number of low- and moderate-renters. Thus, there is more low-rent apartment properties in the City compared with newer, upscale ones.....The upscale market has been successful to date but is still fully underserved.....The City should encourage upgrades to some of the mature and low rent housing stock." (Appendix A-34)*

Meadow Branch will be the most upscale apartment community in Winchester and demand rents well above the rates charged by most of the existing apartment communities. With its luxury apartment homes, Meadow Branch will attract affluent, educated renters, which will only benefit the City. In addition, while it cannot be quantified, competition can serve to encourage existing apartment complexes to upgrade their offerings in order to be competitive. For example, a project just completed in the Town of Louisa by the developer resulted in one competitor replacing the roof and all of the siding in the competitor's project as well as making improvements to the interiors of the apartments. Another local competitor installed all new appliances, added washers and dryers to the units and repainted the property inside and out. According to the local townspeople and contractors, no improvements had been made in many years prior to the advent of the new apartments. So, while the Master Plan recommends that the City encourage improvements to the existing apartment inventory, the market itself will be the biggest impetus for capital improvements.

◆ ***"RECOMMENDATION: 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)." (pg 19)***

Property along the proposed Meadow Branch Avenue is one of the six catalyst sites referred to in the Master Plan. This PUD development has the opportunity to create the mixed-use center described above. The Meadow Branch Apartments will attract the young and the aging due to its proximity to the Winchester Medical Center and the School of Pharmacology; its high rents will result in affluent renters who will raise the median income of the City as well as spend more dollars in the economy than would less affluent residents. Residents of the Meadow Branch Apartments will also be able to walk to churches and retail, most notably the proposed commercial parcels adjacent to the subject property. With the construction of 170 apartments next door, the owner and/or developer of the adjacent commercial areas will be able to attract quality commercial tenants, which in turn will generate additional sales tax revenue for the City.