Status of VDOT Property Acquisition Activities
Lexington City Council
February 6, 2020

For several years, City Council has been working to control the future of the VDOT property on Waddell Street at Lexington’s South Entrance Corridor. While no decisions have been made regarding the type of development that may occur, Council has gathered pertinent information that we desire to share with the Community. The ambition of the City is to successfully sell the property for development. Council’s goals for the development of the property are:

- Property owned by private developer.
- Property developed to highest and best use.
- Development consistent with long term goals of the City.
- Property generating long term tax revenue.
- Project has a positive impact on surrounding properties.
- Prompt sale of the property to a development partner.

The work completed to date includes:
- Feasibility Study completed in April 2018
- Alternatives Analysis completed in July 2018
- Real Estate Control secured in January 2019
- Market Study completed in July 2019
- Appraisal completed in September 2019

The Timmons Group conducted a Feasibility Study for the VDOT property which was completed in April 2018. As part of the study, Timmons reviewed the current zoning and comprehensive plan to identify possible development opportunities. They are multi-family housing, townhouses, office/multi-family, office, retail, light industry, and hotel. The marketability of each of those types of development was assessed.

The City also requested that Timmons study the impact of two potentials - reducing the property size by 0.7 acres for use by the Rockbridge County School System and trading property with the Rockbridge Farmers Co-op. These two groups had proposed these options to the City. The study indicates that allowing the Rockbridge County School System to have 0.7 acres might negatively impact the marketability of the property. Also, trading the VDOT property for all 5 acres of the Co-op property including the Main Street frontage could improve the marketability of the property. However, trading for only the 3 acre parcel of the Co-op property (Waddell Street frontage), would likely negatively impact the marketability of the property.

In July 2018, Timmons completed the Alternatives Analysis. Several scenarios of build-out are analyzed in terms of long-term potential property taxes for the entire 5 acre parcel and for a 4.3 acre parcel with 0.7 acres used for Rockbridge County School System. The scenarios evaluated in order of greatest potential real estate tax generated are Office/Multi-family, Office, Light
Industrial, and Single Family Residential. It is estimated that the potential real estate tax generated could be reduced by as much as 23% if 0.7 acres is transferred to the Rockbridge County School System.

In January 2019, the **Real Estate Control** was secured. Lexington has the opportunity to purchase the VDOT property as part of the Governor’s approved budget. Governor Ralph Northam and Senator Creigh Deeds supported this effort because the property could be developed to expand the City’s tax base.

In April 2019, Council and the Industrial Development Authority (IDA) commissioned a **Market Study** on multi-family rental housing including senior housing. Danter and Associates completed the Market Study in July 2019. The study includes:

- Analysis of overall Effective Market Area rental housing market
- Historical housing trends
- Current market conditions based on 100% field survey of modern apartments
- Appropriateness of the site for subject development
- Current and expected economic and household growth conditions
- Area apartment demand factors

The Market Study recommendation and findings are summarized as follows:

1. Site can support 200 multifamily units (all ages), 200 multifamily units for active older adults 55+, or up to 150 total units of assisted-living/memory care containing a mix of approximately 65% assisted-living and 35% memory care.

2. The current market rate and tax credit apartment market (for qualified low and moderate income individuals) is 98.8% occupied. The market is clearly limited by supply rather than demand.

3. Conventional rental market is tight, in part, due to 407 seniors at W&L and 394 law students.

4. Given the limited number of traditional apartments available, renters who cannot secure a conventional apartment must occupy single-family homes, duplexes, and other rentals or live outside the Lexington Effective Market Area and commute.

5. Adding 200 non-age-restricted apartments would result in more rental units available for both student households and non-student households. This would free up single family rentals and duplexes for non-students who cannot afford to buy a home of their own due to high housing prices.
6. There are no market-rate apartment properties designated for older adults 55+ in the market area. All development for older adult occupancy is government subsidized.

7. Adding 200 market-rate units for age 55+ would create few vacancies in the existing modern apartment base since there is a limited number of 55+ households in the existing market-rate and tax credit apartment base.

8. The research indicates that apartments for those 55+ are primarily occupied by households wishing to downsize out of home ownership and the time-consuming routines of outdoor maintenance. As a result, developing this type of unit would keep those residents in Lexington and likely result in a period where more single-family homes are available in the local market for new families.

9. Given that senior housing with services is based on need, it will likely impact rental and owner households proportionally. Of the 1,621 area households aged 75+ in the Effective Market Area in 2010, 27% were in renter-occupied units and 73% were in owner-occupied units. Therefore, adding senior housing with services will be more likely to put additional owner-occupied homes into the for-sale market.

The City’s Appraisal of the property was completed in September 2019. The State’s appraisal indicates a minor discrepancy in the parcel size. Lexington and the State are currently working to resolve this issue and move towards transfer of the property. It remains City Council’s ambition to engage a developer and sell the property as soon as practical. City Council realizes we do not have the expertise for development of such real estate.

While Council has not committed to housing, preliminary analysis indicates that this may be the type of development that best meets Council’s goals. The next step in this project should be for Council to review the project goals, then present the information described above in a public forum to solicit comments, suggestions, and questions from the community. That input will be considered in determining how to proceed with the marketing and development of the parcel.