

Industrial Development Authority of the City of Lexington, Virginia

Monday, April 15, 2019, 5:30 p.m.

300 East Washington Street

City Hall Conference Room (Second Floor)

1. Call to Order – Bruce Summers, IDA Chairman
2. Discussion on City staffing transition – Noah A. Simon, City Manager
3. Consideration of a Task Order for the Timmons Group to manage and oversee a market feasibility study for the VDOT property\* – Noah A. Simon, City Manager
4. Consideration of a proposal by Danter & Associates to identify the market place for multifamily rental (including senior housing) on the VDOT property\* – Noah A. Simon, City Manager and Tim Davey, Timmons Group
5. Adjourn – Bruce Summers, IDA Chairman



**Task Order 3  
On Call Economic Development Services**

**City of Lexington**

**April 8, 2019**

This Task Order for Professional Services entered into between the City of Lexington, VA and Timmons Group (Timmons) complies with the terms and conditions of the Letter of Agreement dated February 6<sup>th</sup>, 2018 for On Call Economic Development Services.

**Scope of Services**

The City of Lexington is evaluating acquiring approximately 5 acres of property along Waddell Street, currently controlled by VDOT. Timmons Group completed a preliminary feasibility study outlining development options for this site and subsequently provided a high-level business plan and set in motion an appropriate strategy for securing control of the property. The City has now requested that Timmons Group prepare a market feasibility study for the property as part of that business plan.

The deliverables for this Task Order will include:

1. Research firms with the expertise and experience to complete market feasibility studies in the City of Lexington
2. Discuss specific scope and schedule terms and solicit proposals from multiple firms.
3. Negotiate an appropriate scope and fee with selected firm based on availability of resources to meet the City of Lexington's schedule.
4. Attend meetings, as necessary to communicate progress of the study to the City Administration and/or City Council
5. Review the draft of the study and work with selected firm to complete the market feasibility study in accordance with the terms and conditions between the City and Consultant.

**Fee**

Timmons Group will complete the above listed scope of services for a fee of \$5,000 plus expenses in accordance with the contract referenced above.

Approved

\_\_\_\_\_  
City of Lexington

\_\_\_\_\_  
Date

**DANTER  
& ASSOCIATES**

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[www.danter.com](http://www.danter.com)

March 28, 2019

Mr. Tim Davey, PE  
Principal  
Timmons Group  
117 South 14<sup>th</sup> Street  
Richmond, VA 23219

Dear Tim,

Thanks for your call to discuss revisions to our proposal to identify residential development potential for a five (5) acre site in Lexington, Virginia.

We have reviewed your requested revisions for this project and as a result have enclosed our revised proposal outlining our market feasibility services as they relate to this project.

As we discussed, we will remove the independent-living component and expand the market-rate apartment component to include an evaluation of senior apartment demand.

Thanks for considering Danter and Associates for this assignment; we look forward to working with you and your team on this project.

Sincerely,



Terry Hall



**Prepared For:**

Mr. Tim Davey, PE  
Principal  
Timmons Group  
117 South 14<sup>th</sup> Street  
Richmond, VA 23219

**Prepared By:**

Danter and Associates, LLC  
2760 Airport Drive, Suite 135  
Columbus, Ohio 43219  
(614) 221-9096  
(614) 221-4271 (Fax)

March 28, 2019

A Proposal for the  
Identification of  
Residential Development  
Potential in  
Lexington, Virginia

Mr. Tim Davey  
March 28, 2019



DANTER  
& ASSOCIATES

I. INTRODUCTION

This proposal outlines our approach to the identification of multifamily rental (including senior apartments) and assisted-living/memory care development potential for your site in Lexington, Virginia. It will be the objective of this report to provide an overview of current and projected market conditions impacting the subject site. It will provide the market data sufficient to understand the land absorption ratios that can be applied to the ultimate development plan.

Following is an overview of the components of this assignment:

Multifamily Rental

This component will address support for rental housing over the development period of the project. Support will be by broad rent range, type/class of product, number of units, density and ultimate land price. Of specific interest will be active seniors and age-restricted 55+.

Assisted-Living/Memory Care

This component will address support for the proposed assisted-living/memory care units/beds, the number of units/beds that can be supported at the subject site, projected absorption period, and appropriate unit mix, unit/project amenities, and unit sizes.

II. EFFECTIVE MARKET AREA (EMA)

An EMA will be identified for each development alternative. It should be noted that EMA's often differ considerably for each specific use. It will be critical to understand residential mobility patterns, retail shopping patterns and employment/ residence relationships.

The EMA will be the smallest geographic area from which the proposed site is expected to generate the major component of support.

The EMA will be determined based on interviews with real estate professionals in the area, market areas as defined by competitive properties and an area mobility analysis.

Mobility patterns affecting the proposed site will be identified, and their impact on the proposed development will be discussed.



III. MULTIFAMILY RENTAL

A. CONCLUSIONS

1. Recommendations for a variety of rental housing including conventional apartments, active adult and age-restricted 55+ units.
2. Unit mix, number and size recommendations
3. Unit and project amenity packages competitive with area developments.
4. Projected absorption--including absorption expected in initial lease-up, an overall average absorption rate and absorption impacted by turnover if absorption is extended beyond standard lease terms.
5. A comparison of proposed rent to expected market-driven rent at opening based on a Comparable Rent Analysis. The Comparable Rent Analysis allows for determination of market-driven rent for projects of any amenity level by using a trend line analysis to evaluate project rent in conjunction with its Comparability Index.
6. An analysis of step-up support for the proposed project. Our research indicates that the largest single component of support for any apartment project is apartment tenants already residing within the EMA, and that most apartment shoppers will "step up" their rent payments for housing that they consider being a value. Our analysis identifies this step-up support within specific rent ranges by unit type. This step-up support is based on the number of renters already residing in market-rate rental housing in the EMA.
7. Further, we have identified a trend of increasing seniors already residing in market rate apartments. This impact on the existing rental base in the EMA will be fully explored.
8. An analysis of potential turnover vulnerability for the proposed project. Our research indicates that the largest single source of tenant "drain" from any development is the apartment communities in the EMA priced within step-up range of the subject community.

9. An analysis of rent gaps. Rent gaps are the differences in rent between unit types, such as one-bedroom and two-bedroom units. Rent gaps can be a substantial factor in a project's initial rent-up. Our analysis identifies the area's median rent gap, rent gap at the proposed project's Comparability Index, and rent gap at the proposed project. Rent gap among product alternatives (such as mix, location, and floor plan) at the subject site is also evaluated.
10. Competitive Analysis. Potentially competitive projects will be compared with the proposed project and analyzed in detail, including a detailed look at floor plans (and square feet), entry impact, storage space, unit and project amenities, and pricing.
11. Marketing strategies for the proposed project may be discussed if appropriate.

**B. FIELD SURVEY**

All conventional apartment development within the EMA is surveyed by our field analysts. The number of units surveyed is checked against census and local building permit data to ensure proper representation. The following information is identified for each community.

1. Number of units
2. Type of unit (garden/townhouse) and unit mix
3. Rent and vacancies
4. Unit and Project amenities
5. Project type (market-rate or government subsidized)
6. Percentage of residents aged 55+
7. Utilities
8. Marketability rating of the project
9. Year built/opened
10. Photographs and GPS
11. Determination of Comparability Rating, an impartial apartment project comparison rating based on a community's unit, project, and aesthetic amenities.

The use of a 100% database allows us to use the following:

- Step-up support
- Exit and turnover vulnerability
- Gap pricing
- Trend-line analysis
- Vacancy and occupancy dependencies

IV. ASSISTED-LIVING/MEMORY CARE

A. CONCLUSIONS

1. Market support for assisted-living/memory care development based on projected fees using established capture factors among area age- and income-appropriate households.
2. Support for additional development is established by subtracting existing beds from total market support levels.
3. Other factors used in determining support include status of the project (profit/nonprofit) and potential affiliations (such as a hospital or church denomination) that may attract support from outside the EMA
4. Total number of units that can be supported at the subject site
5. Rents
6. Unit mix
7. Unit amenities
8. Project amenities/services
9. Square footage
10. Marketing strategies
11. Projected absorption period

B. FIELD SURVEY

A 100% field survey is conducted to identify area assisted-living/memory care facilities to identify the following, presented in comparative chart form for each project surveyed:

1. Type of facility
2. Number of units or beds/unit mix
3. Rents/monthly fees



4. Vacancies
5. Year opened/converted
6. Photograph and GPS
7. Entrance fees (if applicable)
8. Unit amenities
9. Project amenities/services
10. Utilities
11. Service charges/additional fees
12. Refund policies
13. Square footage of rooms/units

VI. AREA ANALYSIS

A. SITE INSPECTION

The proposed site is personally inspected by a Danter and Associates field analyst. The site is inspected for the suitability for development as it relates to the market. A full area description is included identifying surrounding land uses, as well as proximity to area resident services.

B. NEW AND PROPOSED DEVELOPMENTS

1. Additional proposed or planned development and an analysis of its competitive impact on the proposed development
2. Other collateral development, including roads, shopping centers, buildings, or other economic development that could impact the proposed development

C. SOCIAL, DEMOGRAPHIC, AND ECONOMIC CHARACTERISTICS

1. Population trends and projections
2. Household trends and projections
3. Distribution of households by age and income
4. Household wealth
5. Employment and unemployment trends
6. General information, including schools, major employers
7. Existing housing characteristics, including occupancy rates

Mr. Tim Davey  
March 28, 2019



**DANTER**  
& ASSOCIATES

## VII. PROJECT SCHEDULE

We propose two phases. The first phase will include both primary and secondary data collection and consulting with your development team to identify the optimum product mix to achieve your ultimate goals. Phase II will be the preparation of the final report.

It will be our goal to keep the client fully informed of our progress during the data collection period with regularly scheduled discussions. At the conclusion of Phase I, Danter and Associates and the client should both be fully informed as to the direction of the report. Only then will the final report be completed.

Phase I will require 4-6 weeks for data collection. Timing of subsequent consulting will be determined by the client.

Phase II, report preparation, will require 1-2 weeks.

Following is our proposed schedule for completion of this project.

### Phase I – Data Collection and Project Concept

- Internal organizational meeting with Danter and Associates staff for scheduling and orientation
- Discussion with client and Project Director
- Secondary data collection
- Field survey
- Compile data and analysis
- A critical component of this assignment will be a full discussion with the client to review all data, identify and discuss development alternatives, and identify final development plan. This will culminate with a Project Concept detailing unit mix, rents, and amenity recommendations

### Phase II – Report preparation

- Report preparation and delivery

Mr. Tim Davey  
March 28, 2019



VIII. TERMS AND CONDITIONS

The fee for this assignment will be as follows:

Component	Phase I	Phase II	Total
Multifamily Rental	\$5,100	\$3,400	\$8,500
Assisted-Living/Memory Care	\$5,100	\$3,400	\$8,500
Total	\$10,200	\$6,800	\$17,000
<b>Total if conducted concurrently</b>	<b>\$7,650</b>	<b>\$5,100</b>	<b>\$12,750</b>

Fees are payable in full upon delivery of our Phase I project concept. The fee includes continued project consulting regarding market feasibility issues through completion of the report and provides an electronic copy of our report.

The Danter Company will accept the following forms of payment:

- Check or money order
- All major credit cards
- Wire transfer

In the event this project is canceled or put on "Hold," the following invoicing procedure will take effect. If the "Cancel" or "Hold" is initiated prior to the field trip, 25% of our fee will be required. If the "Cancel" or "Hold" is initiated after the field trip has been completed and prior to the completion of the written report, 75% of the quoted fee will be invoiced at that time. If the project is reinstated within 90 days, it will be assigned a new due date, and the balance of the previously quoted fee will be invoiced at project delivery. A finance charge of 1.5% per month (an annual percentage rate of 18%) will be assessed on invoices after 30 days.

This proposal is valid for 60 days.

Mr. Tim Davey  
March 28, 2019



DANTER  
& ASSOCIATES

IX. EXECUTION

This proposal, when signed and returned to Danter and Associates, LLC will serve as a contract. Upon receipt of this dated and signed proposal, and initial payment of \$6,375, we will initiate work on this project. Please note that the preceding schedule will not be initiated until receipt of the retainer.

This agreement shall be governed and construed in accordance with the laws of the State of Ohio. By accepting this agreement you further agree to submit to the jurisdiction of any state or federal court sitting in Ohio in any action or proceeding arising out of or relating to the enforcement of this agreement.

By signing this agreement, you acknowledge that payment is not contingent upon successful closing or financing of the proposed project. This policy assures the independence of Danter and Associates analysis and conclusions.

You further acknowledge that Danter and Associates study requires it to rely upon data gathered during interviews with major area employers, local officials and civic organizations. Danter and Associates, LLC also obtains data through surveys of area residents and statistical research from demographic materials.

Although Danter and Associates, LLC considers these sources reliable, it cannot verify the data provided. Therefore, you further acknowledge and agree that Danter and Associates, LLC does not guaranty or warrant the data obtained or the projections and conclusions drawn from that data as stated in the project report.



Terry Hall  
Danter and Associates, LLC  
March 28, 2019

\_\_\_\_\_  
Tim Davey, PE  
Timmons Group  
Date: \_\_\_\_\_

TH/ms  
Encl.

Mr. Tim Davey  
March 28, 2019



**DANTER**  
& ASSOCIATES

## To Be Provided By Client

### 1. Contact Information:

Name: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Fax Number: \_\_\_\_\_

### 2. Additional Contacts

### 3. Site Map

### 4. Project summary

### 5. Any prior appraisals, studies, evaluations (if available)

### 6. Loan submission (if available)

### 7. Signed contract

### 8. Retainer fee

Mr. Tim Davey  
March 28, 2019



## Payment Information

\_\_\_\_\_ Check or Money Order (enclosed)

\_\_\_\_\_ Wire Transfer submitted

\_\_\_\_\_ Credit Card (please fill out the following)

Amount: \_\_\_\_\_

Name as it appears on card: \_\_\_\_\_

Card Type (i.e. Visa, Mastercard, etc.): \_\_\_\_\_

Card Number: \_\_\_\_\_

Expiration Date: \_\_\_\_\_

Security Code: \_\_\_\_\_

Billing Address: \_\_\_\_\_

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