



Plaza Program Analysis - Appendix

C

Analysis by UrbanAdvisors indicates that of several possible uses, the Plaza property would be most economically valuable when redeveloped as a dense, mixed-use, traditional urban development. This pedestrian oriented development would maximize building land area and increase its economic value. During the creation of the Comprehensive Plan 2002-2020, Economics Research Associates (ERA) analyzed growth opportunities in Lynchburg for retail, office, and housing uses (see Tables on pages C.4 - C.6). ERA advises that because of the City's limited land availability, it is important to redevelop vacant and deteriorated properties (such as the Plaza) to ensure continued economic growth within City limits.

OFFICE

According to the ERA analysis for the Comprehensive Plan 2002-2020, the demand in the City for additional office space in the next twenty years is estimated at 720,000 square feet. The demand for research and development (R&D) space is estimated at 200,000 square feet. The Plaza site is a good central location in the City for office use, leaving raw land for large developments such as major manufacturing enterprises. R&D uses on the Plaza site would benefit from the close proximity to Centra Health, building on the success of the Medical Arts District.

RETAIL

The current layout of the Plaza does not take advantage of its prime location on two major corridors in Lynchburg. Loading docks, deep setbacks with blocked views, and steep slopes limit visibility and accessibility. The Plaza as currently designed does not maximize commercial uses that rely on storefront visibility and appeal. Retailers and service businesses would benefit economically with a layout and design based on that proposed in chapter four. National retail trends indicate a strong market for retail centers configured as main streets within traditional neighborhood developments (TND's).

Retail rents at the Plaza are below the national average of \$16 per square foot. However, this may be due to an insufficient supply of high-end retail. New space at Wyndhurst is achieving top rents at \$15 per square foot in a TND with quality retail establishments. With a concentration of 75,000 to 150,000 square feet of retail (enough for a neighborhood cen-

ter) constructed in Midtown, rents of \$16 to \$18 per square foot should be achievable. This will only happen if the development provides a concentration of retail space that accommodates retailers of higher end products and services that will attract shoppers from a three-mile trade radius.

CINEMA

One suggested use for the site includes relocating the existing cinema closer to Memorial Avenue to act as an entertainment anchor for the developing mainstreet. Lynchburg is not maximizing market demand of movie-goers because of its lack of a stadium-style cinema, which has become the format now commonly expected by consumers. Cinema companies have been exploring the Lynchburg region over the last few years seeking a site for such a theater. Since this would be a significant asset to the community, it may be in the interest of the City to consider underwriting the lease to secure financing for development of a stadium-style cinema at the Plaza site.

GROCERY STORE

Participants in the community charrette process repeatedly expressed interest and support for a high-end grocery store, such as Ukrop's and/or Whole Foods. Since no similar retail service is offered in the Lynchburg region, this could be a tremendous draw for the Midtown Area. However, redesign, upgrades, and image improvements are essential for the Plaza site to draw higher-end retail such as these grocers. The Plaza's location in the middle of the City is a very strong asset and another reason to redevelop the Plaza for better retail.

RESIDENTIAL

The City's Comprehensive Plan 2002-2020 observes that new housing in the surrounding counties has been growing at a greater rate than in the City. One explanation suggested by a local real estate professional is that there is an insufficient supply of adequate middle-income housing available in the City. This observation is supported by the larger proportion of low and high-income households captured by the City and the lower pro-

portion of middle-income households (see Table on C.3). Together, this suggests that there is latent demand for quality middle income housing opportunities close to amenities in the City, including the Midtown Area. The new neighborhood of Wyndhurst and the Downtown loft units prove that there is a market for new housing types in Lynchburg for middle and upper income resident who choose to live in neighborhoods designed as traditional urban developments.

Demographic trends for both the City and MSA suggest annual growth in the number of households with incomes over \$100,000 annually. In addition, the Comprehensive Plan states that 86% of consumers would prefer to shop in a village center with a mix of stores and civic buildings, rather than at a strip shopping center. This statistic along with demand for middle to high-income housing are strong indicators that redevelopment of the Plaza site into a TND would be economically successful.

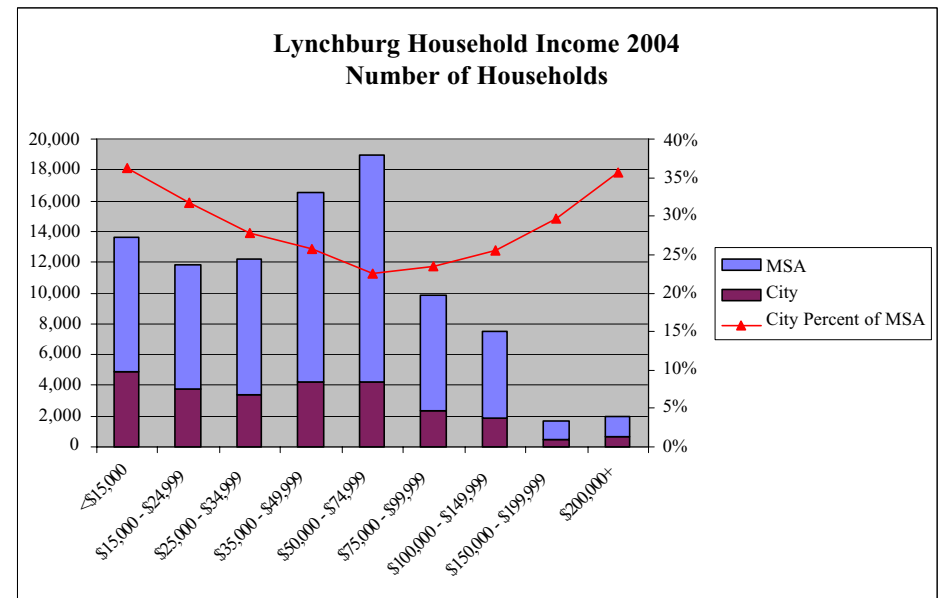
The existing Midtown neighborhood provides a high proportion of low-income housing, and much of the housing stock is in need of upgrading and improvement. In other cities a significant proportion of growing upper-income households (6%-8% of Young Couples and Empty Nesters) prefer to live in historic neighborhoods and close to amenities. This is an opportunity to bring new investment to Midtown through rehabilitation of houses in Miller Park neighborhoods and new, compact, mixed-use/residential development. The Plaza site is large enough to create a new neighborhood of several hundred housing units. Ten acres at a minimum should be developed with residential uses to create a new neighborhood that builds on the character of the older and established adjoining communities. The residential component will require associated new neighborhood retail services on the Plaza site and adjoining commercial corridors to provide the amenities that the urban housing market demands.

Single Family Detached Houses

Considering a variety of factors, including the cost of the land at the assessed value of the site, and the expense of quality of construction, a development predominated by single-family detached units on the Plaza site would not provide an adequate return to a private developer.

Rowhouses & Condominiums

Utilizing the efficiencies of party walls, rowhouses and condominiums at a density of 18 units per acre (or more) on the Plaza site would provide the highest return for residential development to a private developer.



Source: ESRI BIS, and UrbanAdvisors Ltd

The following three pages contain data tables prepared by Economics Research Associates in May 2002 for the City of Lynchburg Comprehensive Plan.

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TABLE 1
PROPOSED DEVELOPMENT PROGRAMS, BY SITE
Lynchburg Comprehensive Plan Update

SITE	The Plaza Shpg. Ctr. (3)
ASSUMPTIONS	
Estimated Gross Acres	42.56
Less Set-Asides	
Open Space @	15.0% 6
Circulation/Pkg/ROW @	20.0% 9
Net Usable Land Area (NULA):	28
PROPOSED USES	
Single-family	
Acres Allocated	-
Density (Units Per Acre)	4
Total SFD Units:	-
Multi-family	
Acres Allocated	8
Density (Units Per Acre)	20
Total MF Units:	160
General Retail	
43,560 Acres Allocated	10
Sq. Ft. of Land	435,600
Density (Coverage Ratio)	30.0%
Total Sq. Ft. - Retail (Rounded):	130,700
665,400 % of 20-Year Demand	20%
Office	
Acres Allocated	4
Sq. Ft. of Land	174,240
Density (Coverage Ratio)	40.0%
Total Sq. Ft. - Office (Rounded):	69,696
720,000 % of 20-Year Demand	10%
General Industrial	
Acres Allocated	-
Sq. Ft. of Land	-
Density (Coverage Ratio)	25.0%
Total Sq. Ft. - Industrial (Rounded):	-
1,528,000 % of 20-Year Demand	0%

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TABLE 1 (Continued)
PROPOSED DEVELOPMENT PROGRAMS
Lynchburg Comprehensive Plan Update

SITE	The Plaza Shpg. Ctr. (3)
PROPOSED USES	
Flex-tech/R&D	
Acres Allocated	5
Sq. Ft. of Land	217,800
Density (Coverage Ratio)	35.0%
Total Sq. Ft. - R&D (Rounded):	76,200
160,400 % of 20-Year Demand	48%
Hotel/Lodging	
Acres Allocated	-
Sq. Ft. of Land	-
Density (Coverage Ratio)	30.0%
Total Sq. Ft. - Hotel (Rounded):	-
No. of Rooms (At Sq. Ft. Per)	650
258 % of 20-Year Demand	0%
Total Potential Program:	
In Sq. Ft.	276,596
Housing Units	160
Hotel Rooms	-
Total Acres Allocated	
Net Usable Land Area	28
Acres Consumed	27
Reserve for Future Use	(4) 1
Acres Remaining:	-

(3) The Plaza Shopping Center site includes The Plaza, an existing, partially vacant community retail center containing 474,000 sq. ft. on three parcels of land comprising 1.178 acres, 17.073 acres and 24.312 acres, and located at Lakeside Drive and Memorial Avenue.

SOURCE: CITY OF LYNCHBURG; STRATEGIC LAND PLANNING, INC.; ECONOMICS RESEARCH ASSOCIATES, MAY 2002.

TABLE 2
POTENTIAL ECONOMIC IMPACTS

NEW HOUSING

Lynchburg Comprehensive Plan Update

FACTOR	SITE	
		The Plaza Shpg. Ctr.
PROGRAM		
Multi-family Units		160
Total:		160
CONSTRUCTION EMPLOYMENT (1)		
Estimated Development Costs		
\$ 65,000 At \$65,000 Per Unit (Excludes Land)		\$ 10,400,000
Total:		\$ 10,400,000
Equivalent Person Years-Employment:		119
CONSTRUCTION INCOME		
Wages as % of Dev't Costs		40.0%
Average Ann'l Construction Wage		\$ 35,000
Construction Income:		\$ 4,160,000
PERMANENT EMPLOYMENT & WAGES (2)		
0.15 Permanent Employment: (3)		24
Average Wage		\$ 25,000
Permanent Wages:		\$ 600,000
STATE INCOME TAXES-PERMANENT JOBS		
Permanent Income		\$ 600,000
Estimated Income Tax Rate		4.50%
Annual Taxes-Permanent Jobs:		\$ -
STATE INCOME TAXES-CONSTRUCTION JOBS		
Construction Income		\$ 4,160,000
Estimated Income Tax Rate		4.50%
Temporary Taxes-Construction Jobs:		\$ 187,200

TABLE 2 (Continued)
POTENTIAL ECONOMIC IMPACTS
NEW HOUSING
Lynchburg Comprehensive Plan Update

FACTOR	SITE	
		The Plaza Shpg. Ctr.
ANNUAL PROPERTY TAX REVENUES		
City of Lynchburg Tax Rate Per \$100 of Assessed Value		\$ 1.11
Estimated Value at Buildout Equalization Ratio	(1)	\$ 10,400,000 100.0%
Future Annual Property Taxes:		\$ 115,440
Current Assessed Value		\$ 9,544,000
Less Existing Annual Property Taxes		\$ 105,938
- AppORTIONED TO NEW HOUSING @	(4)	33.1%
31,428,140		\$ 35,056
Net New Annual Property Taxes:		\$ 80,384 (5)
OTHER IMPACTS		
Net New Households		160
Estimated Persons/Household		1.5
Net New Population:		240
Average Annual Wage		\$ 35,000
Net New Income:		\$ 8,400,000
Disposable Income @	(6)	35.0%
Potential New Disposable Income:		\$ 2,940,000
Potential Supportable Retail (Sq. Ft.):	(7)	

- (1) Estimated development costs were used to determine equivalent construction employment and assessed values.
(2) Includes permanent, seasonal and part-time employment on a full-time equivalent basis.
(3) Estimated at 0.15 full-time equivalent jobs per housing unit.
(4) This reflects the portion of each site's total estimated value at buildout allocated to housing.
(5) Estimated net new property taxes generated by residential development on a portion of The Plaza site.
(6) Defined as estimated income available after consumer needs, housing costs and taxes.
(7) Assumes minimum annual performance (sales) of retail or restaurant tenants is \$225 per sq. ft. This estimate is not location-specific.

SOURCE: CITY OF LYNCHBURG; STRATEGIC LAND PLANNING, INC.; ECONOMICS RESEARCH ASSOCIATES, MAY 2002.

TABLE 3
POTENTIAL ECONOMIC IMPACTS
COMMERCIAL & INDUSTRIAL USES
Lynchburg Comprehensive Plan Update

FACTOR	SITE	
	The Plaza Shpg. Ctr.	
PROGRAM (In Sq. Ft.)		
General Retail		130,700
Office		69,696
General Industrial		-
Flex-tech/R&D		76,200
Hotel/Lodging		-
Total:		276,596
No. of Hotel Rooms		-
CONSTRUCTION EMPLOYMENT (1)		
Estimated Development Costs (Per Gross Sq. Ft.)		
General Retail	\$ 75	\$ 9,802,500
Office	90	6,272,640
General Industrial	45	-
Flex-tech/R&D	65	4,953,000
Hotel/Lodging (Per Room)	\$ 85,000	-
Total:		\$ 21,028,140
Equivalent Person Years-Employment:		240
CONSTRUCTION INCOME		
Wages as % of Dev't Costs		40.0%
Average Ann'l Construction Wage		\$ 35,000
Construction Income:		\$ 8,411,256
PERMANENT EMPLOYMENT & WAGES (2)		
Permanent Employment (Per Sq. Ft.) (3)		
General Retail	400	327
Office	200	348
General Industrial	600	-
Flex-tech/R&D	350	218
Hotel/Lodging (At 1 Per 3 Rooms)	3	-
Total:		893
Average Wage		\$ 25,000
Permanent Wages:		\$ 22,323,607
STATE INCOME TAXES-PERMANENT JOBS		
Permanent Income		\$ 22,323,607
Estimated Income Tax Rate		4.50%
Annual Taxes-Permanent Jobs:		\$ 1,004,562
STATE INCOME TAXES-CONSTRUCTION JOBS		
Construction Income		\$ 8,411,256
Estimated Income Tax Rate		4.50%
Temporary Taxes-Construction Jobs:		\$ 378,507

TABLE 3 (Continued)
POTENTIAL ECONOMIC IMPACTS
COMMERCIAL & INDUSTRIAL USES
Lynchburg Comprehensive Plan Update

FACTOR	SITE	
	The Plaza Shpg. Ctr.	
ANNUAL PROPERTY TAX REVENUES		
City of Lynchburg Tax Rate		\$ 1.11
Per \$100 of Assessed Value		
Estimated Value at Buildout	(1)	\$ 21,028,140
Equalization Ratio		100.0%
Future Annual Property Taxes:		\$ 233,412
Current Assessed Value		\$ 9,544,000
Less Existing Annual Property Taxes		\$ 105,938
Apportioned to New Commercial @	(4)	66.9%
		\$ 70,882
31,428,140		
Net New Annual Property Taxes:		\$ 162,530
SALES & TRANSIENT OCCUPANCY TAXES		
Estimated Annual Retail Sales		
General Retail Space		130,700
Assumed Productivity (Sales Per Sq. Ft.)		\$ 225
Total:		\$ 29,407,500
State Retail Sales Tax		4.5%
Annual Retail Sales Tax Receipts:		\$ 1,323,338
Estimated Annual Hotel Performance		
Rooms		-
Assumed Annual Occupancy @		70.0%
Total Annual Roomnights:		\$ 75
Assumed Daily Room Rate		\$ -
Total Annual Room Revenue:		\$ -
Transient Occupancy Tax @	5.25%	-
Additional Flat Fee	\$ 1	-
Annual Transient Occupancy Tax Receipts:		\$ -
OTHER IMPACTS		
Permanent Employment		893
Avg. Annual Spending-Retail & Food		\$ 1,750
Gross Employee Spending Potentials:		\$ 1,562,653
Potential Supportable Retail (Sq. Ft.):	(5)	

(1) Estimated development costs were used to determine equivalent construction employment.

(2) Includes permanent as well as seasonal and part-time employment on a full-time equivalent basis.

(3) Estimated at one full-time job per 400 sq. ft. of retail or general commercial space.

(4) This reflects the portion of each site's total estimated value at buildout allocated to commercial development.

(5) Assumes minimum annual performance (sales) of retail or restaurant tenants is \$225 per sq. ft. This estimate is not location-specific.

SOURCE: CITY OF LYNCHBURG; STRATEGIC LAND PLANNING, INC.; ECONOMICS RESEARCH ASSOCIATES, MAY 2002.