



DOWNTOWN BLACKSBURG HOUSING MARKET STRATEGY

July 2015

Prepared by **DEVELOPMENT STRATEGIES**[®]

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Chapter One
INTRODUCTION AND SUMMARY

Introduction and Summary

Introduction

Blacksburg is a college town. Within this simple, yet indisputable statement lies all of the Town's opportunities—as well as its challenges. As a flagship university, Virginia Tech enrolls nearly 30,000 students—a figure roughly equal to three-fourths of the Town's total population. It is the largest employer and economic driver in the region, bringing in talent in a way few communities could even hope for.

While other towns and cities in the vicinity of the Appalachian Mountains grapple with issues of poverty and brain drain, Blacksburg has a very different set of problems and, as it turns out, they are good problems to have, because they underscore the opportunities available for it to become a great 21st Century community. But heavy lifting remains in transforming its challenges into opportunities in order to fully leverage its immense assets. Downtown—and downtown housing by virtue of what it can facilitate—is a significant cornerstone in this undertaking.

As the knowledge economy continues to evolve, it has become increasingly apparent that the towns and cities that retain and attract innovators and entrepreneurs are the ones that will attract investment and enjoy greater prosperity. Having a vibrant downtown is an essential piece of any attraction and retention strategy, and housing is a critical component. Not only do urban living options appeal to many of the young, educated people that companies need to retain in order to prosper, but density and inviting places foster the kinds of day-to-day idea exchanges and informal interactions between innovators that are needed to grow an economy.

Yet developments that capitalize on this latent demand for Downtown housing have largely not been realized. This underdevelopment can primarily be traced to two forces:

- The increasing demand for off-campus housing from Virginia Tech's undergraduate student population has driven up the perceived value of land in Downtown and made the development of other types of housing difficult; and
- Restrictive land use policies which are meant to preserve the Town's historic character and minimize student housing have inadvertently constrained desired development that targets strategically important demographic groups.

Amidst these opportunities and challenges sit two catalyst sites—the Old Blacksburg Middle School site and the Blacksburg Baptist Church site—which can set a precedent for the future course of Downtown. This study focuses on the levers that need to be pulled in order to ensure that these opportunities are not squandered.

Development Strategies (DS) was commissioned by the Town of Blacksburg and the Blacksburg Baptist Church to better understand what housing demand exists for Downtown and the types of products that must be offered to capture this market demand. This study considers site context, marketability opportunities and constraints, socio-economic trends and characteristics, the performance of peer cities, competitive supply, and demand and market segmentation; these analyses result in conclusions about future resident characteristics, the products that they will demand, and the likely market performance and rate at which the development can occur.

The challenge and opportunity is to make targeted investments, seek an alignment of interests in the form of strategic partnerships, and to craft policies that correctly leverage Blacksburg's assets in ways that catalyze economic growth—while providing an equitable community for all its residents—in order to unlock its considerable latent value. Downtown housing is paramount in that effort.



The Moss Arts Center



Lane Stadium



Corporate Research Center



Miller-Southside



Main Street

Summary of Key Findings

Demand

This study utilizes a variety of demand analysis methods to determine the depth of the market for residential and mixed-use development in Downtown Blacksburg. A reconciliation of these various methods reveals demand for **500 to 750 non-student housing units in Downtown over the next ten years.**

A key takeaway from the demand analysis is that much of this market—largely young, highly-mobile and educated professionals—are currently leaving the Blacksburg market altogether. Current neighborhood housing supply fails to deliver a competitive product that will attract this demographic group, either due to the wrong housing products, lack of a mix of uses, lack of affordability, or a combination of all three. Strategic housing development in Downtown is the key to retaining these residents.

Supply and Product Positioning

This study identifies ten residential development products that could serve the needs of different demographic groups in the market, including some products not currently present in Blacksburg. A particularly desired product is one with relatively small units (i.e. 600 square feet) that rent for under \$1,000/month. Delivering such products to Downtown will greatly help retain young professionals.

Further, delineates six distinct districts were identified within Downtown. The study includes market strategies that will help realize the development potential of these districts, such as aligning and co-locating complementary uses, vendors, and amenities that suit the needs of targeted demographic groups.

This study tests the economic feasibility of marketable housing products at the two catalyst sites. The testing determined that only a handful of these products would be economically viable at either site. These include some products that would be desirable for Downtown, such as mixed-use development with ground-floor retail and rental housing for graduate students and young professionals at the Baptist Church site, and dense for-sale townhomes at the Old Middle School site. However, the most economically profitable products to develop in Downtown (and indeed, anywhere in the Town) are housing units for undergraduate students. This situation will persist and become more acute as Virginia Tech continues to expand its undergraduate enrollment, unless the Town takes active steps to address it.

Summary of Key Recommendations

There are many policies the Town of Blacksburg can undertake to encourage or discourage certain types of development in the Downtown neighborhood. Seven policies that will be the most effective in helping the Town realize its development goals include the following:

Target young professionals

Companies in Blacksburg's emerging research and technology sectors need to attract and retain skilled workers to continue to grow their businesses. Many of these desired professionals are recent college graduates and young adults who want to live in places that not only offer good job opportunities but also new, affordable housing and vibrant, walkable amenities. If Blacksburg cannot offer these features, young professionals will not come or stay in town, leading to a loss of opportunity.

Better align regulatory and policy framework with desired outcomes

Current density restrictions on development in Downtown are adversely affecting developers' ability to optimize their products to serve young professionals and other non-student populations who want to live Downtown. Other types of restrictions and incentives—both voluntary and legal—could promote desired non-student housing while limiting student housing development in Downtown.

Identify places for full-block development and Downtown expansion

One of the biggest challenges to Downtown development is land constraints, which drives up land costs and makes many types of developments economically infeasible. Denser Downtown development that extends a full block back from Main Street (as opposed to mid-block alleys) will allow for more cohesive mixed-use project development with human-scaled pedestrian level architecture that can accommodate storefront retail, mixed uses, and structured parking. Additionally, finding areas for Downtown expansion beyond Main Street will help accommodate future economic development and job growth.

Continue to partner with Virginia Tech where interests align

The ability of Downtown to continue to become a vibrant, mixed-use place that attracts young professionals and New Economy jobs not only enhances the economic performance of the Town but also the brand of the University. The two entities should coordinate and work collaboratively to develop Downtown's attractiveness for residential, office, and retail development, as well as strategically address the growing demand for upscale student housing.

Undertake a joint plan with Virginia Tech to accommodate future growth

While collaboration and cooperation between the Town and the University on a project-by-project basis will be an important part of Downtown's development, a formal process of joint strategic planning will be helpful in achieving long term goals. The Town and University could come to a greater shared understanding and agreement of how to go about addressing issues—such as housing, retail and lifestyle amenities, business development, transportation and parking, and branding—in ways that will lead to greater shared prosperity. Such an effort should evaluate strategic goals, public input, market and economic opportunities, and physical development potential, as well as policy and implementation frameworks.

Chapter Two
LOCATION AND PROCESS OVERVIEW

Downtown Blacksburg Location

Downtown is a very attractive place to live and work, yet developments that capitalize on the latent demand that is being driven by shifts in consumer preferences toward more mixed-use, walkable places have largely not been realized. With effective alignment of policy and partnerships, Downtown's location can be better leveraged in order to achieve its full potential as an economic catalyst and vibrant neighborhood.

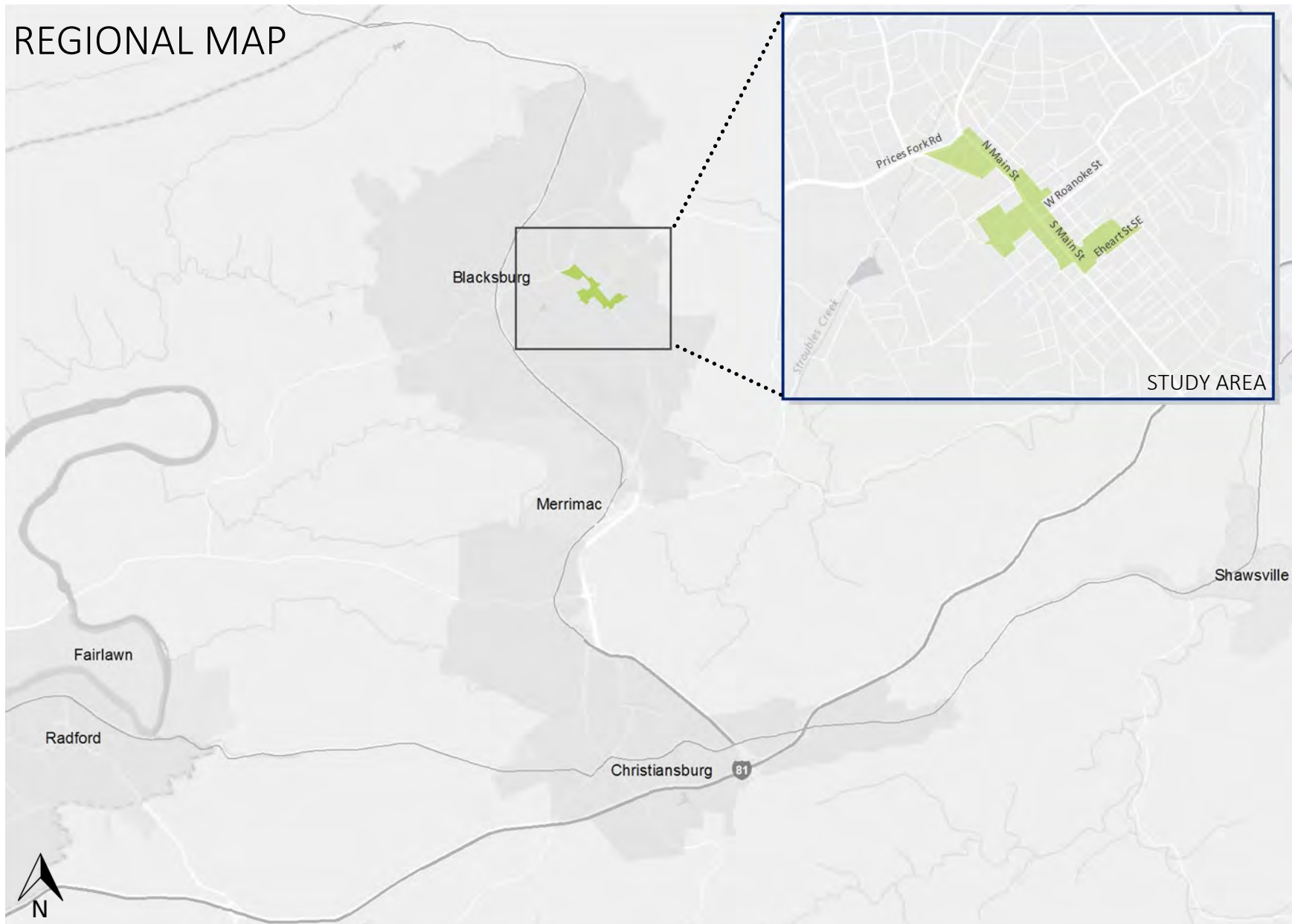
Blacksburg is located in a beautiful setting in a valley at the base of Appalachian Mountains, and affords an excellent quality of life, with a flagship university providing significant employment and numerous recreation opportunities within just miles of the Town.

Downtown is located near the center of Blacksburg, lining the eastern edge of the Virginia Tech campus. Main Street forms its spine, with a mix of commercial and retail shops lining it and College Avenue. While the adjacent community of Christiansburg, to the south, benefits from more highway traffic (and is thus able to provide a greater volume of retail services in a highway-oriented setting), Downtown Blacksburg offers historic charm, walkability, human-scaled buildings, and the kind of foot traffic that a combination of a large university and a great place can afford.

Downtown is therefore a very attractive place to live and work, yet developments that capitalize on the latent demand that is being driven by shifts in consumer preferences toward more mixed-use, walkable places have largely not been realized.

As this document demonstrates, Downtown is the most marketable location for young, educated professionals and a growing number of New Economy enterprises—start-ups in the tech and creative fields. The barriers to realizing this potential are not ones of market demand, but rather the cost of product delivery (i.e., land and development costs). With effective alignment of policy and partnerships, Downtown's location can be better leveraged in order to achieve its full potential as an economic catalyst and vibrant neighborhood.





Market and Economics: Analysis and Strategy

This process includes market analysis to establish a baseline of housing opportunities that are possible in Downtown and provides the market strategies needed to create the environment in which that housing is marketable. Development projects are then tested against economic considerations such as land and construction costs, to see if policies are needed to improve the likelihood of desirable housing developments.

Market and economic analysis are required, in tandem, to fully understand development conditions, and why some types of development are more or less likely to occur without public intervention. While market analysis established a baseline of understanding on the revenue side of the development equation—how much development can occur, and what rents and sale prices are achievable, economic analysis considers the cost side of the equation, which includes land and development costs, and whether or not a desired product can realistically be delivered to the market.

While analysis provides a baseline of understanding, it is the strategies that add the value. Market strategies ensure that the conditions—including improvements to the public realm, effective marketing and branding, and the design of products to target specific markets—area created that enable market potentials to be realized. Economic strategies align economic policies with strategic community initiatives to create conditions under which desired development can occur.

Market Study

In the first portion of this report, a market study is conducted in order to understand the scope of market-supported housing products that are supportable within the downtown. Site context is understood, demographics are studied, current product supply is surveyed, and demand is analyzed, resulting in a marketable housing program.

Market Strategy

Building upon the market study, a market strategy evaluates ways in which to add value to existing and potential market opportunities. A market strategy will take a set of market opportunities and mold them into something that is better than the sum of their parts, whether through curating the right mix of uses or tenants, creating an inviting public realm, identifying optimal locations, adding amenities, aligning design (such as architectural features) with consumer demand, or targeting underserved niches.

Development Plan

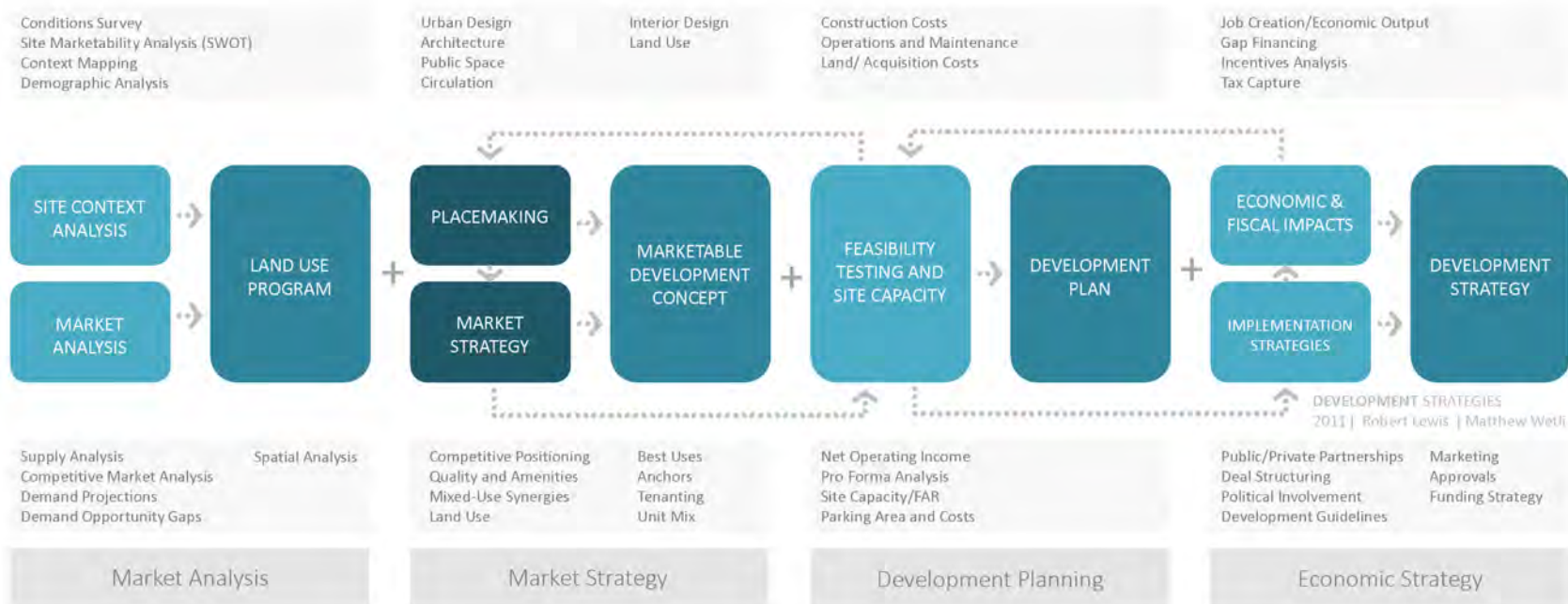
In this phase, development economics—construction and acquisition costs, facility operations, etc.—meet market analysis. This is known as feasibility testing, which involves identifying products—be they housing, retail, etc.—for which the economic returns justify the development costs. If a project passes this test, it is well on its way to becoming a “real project”. Often the amount of density that is achievable can make or break the viability of a project, so site feasibility testing is an important component. The goal of a development plan is often to identify one or more catalyst projects that can potentially stimulate an even greater amount of development that is both feasible and supported by the community.

Development Strategy

Often a number of opportunities are identified that would benefit a community, but the development projects are not quite viable—often because the development costs are greater than the economic returns. In such instances, the potential benefits to the community must be carefully weighed against public involvement—financial or otherwise, to determine if the ends justify the means. This falls beyond the scope of this study, but suggestions and recommendations to improve economic conditions (and thus achieve desired housing development) will be provided for further policy analysis.

Market and Economics: Analysis and Strategy

DEVELOPMENT PLANNING PROCESS[©]



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Market Analysis: A Process Overview

While demand for housing in places that promote a more urban lifestyle is great, competition, economic realities, and site constraints typically reduce the total amount of development that is supportable at a given site. Demand, supply, and site opportunities are therefore inter-related variables in any development that are evaluated separately and then reconciled to arrive at an economically sustainable program. This process is equal parts art and science, relying on qualitative understanding of human behavior as well as market metrics.

Determining market support for housing at a given place, particularly one as complex as Downtown Blacksburg, requires analysis of many interdependent variables—specifically, those relating to demand, competitive supply, and site opportunities and constraints.

Typically, demand for housing at desirable urban infill sites exceeds supply—both present and potential future supply. This is often because available sites for development are limited, or because the cost of acquisition is so high that only upscale housing or high-density housing are economically viable (because they generate greater returns). As a result, many middle-income families that desire modestly priced single family housing are “priced out” and move to more remote locations.

Competition also plays a large role in “whittling down” demand that would otherwise be available at a particular site by luring or “capturing” prospective residents to other locations. Of course, competitive supply also provides invaluable information on the types of products that need to be provided to appeal to different consumer groups.

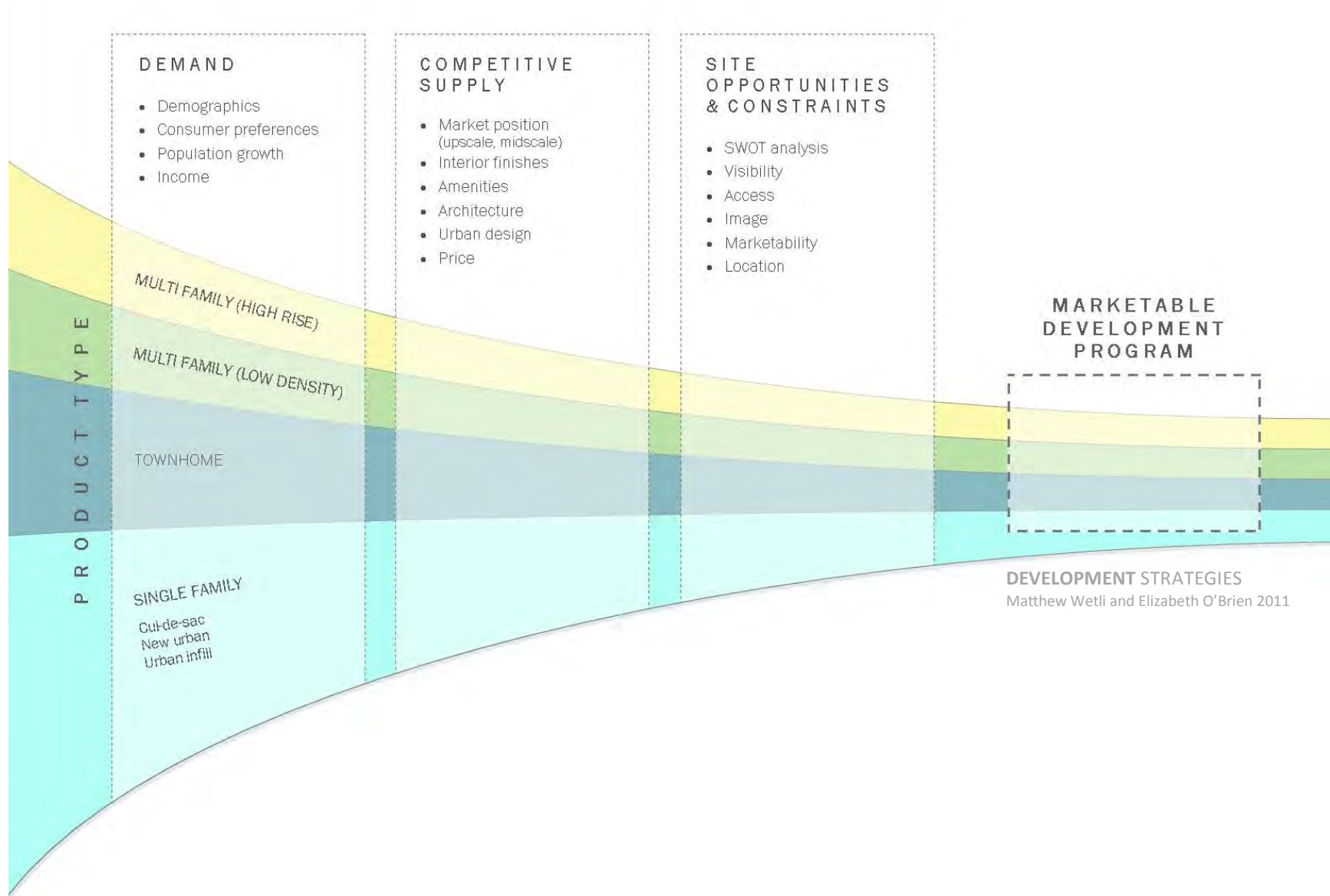
Last (but not least), site analysis is an essential, but often overlooked, element of market analysis. Some sites lend themselves to mid-rise, multi-family condos, for example, because they offer the convenience, address and name recognition, image, and views associated with a major thoroughfare, mixed-use district, or prominent public space, while other sites lend themselves to low-density townhomes on tree-lined streets.

Market opportunities are very dependent on site conditions—which are the sum of amenities, assets, and linkages, as well as barriers, constraints, and incompatibilities—and are shaped and informed by competition (or lack thereof). Therefore, while demand analysis sometimes yields a high volume of support, this demand is necessarily passed through the “filters” of competition and site analysis, leading to a lower number of supportable or marketable units for a site.

This process of market analysis is equal parts art and science, and is as much dependent on a market analyst’s experience, vision, and knowledge of the more qualitative influences on consumer behavior, such as psychology, as it is on quantitative metrics such as absorption, occupancy, and lease rates. In this study, demand, supply, and site opportunities and constraints are evaluated separately before being reconciled to conclude a likely housing program for Downtown Blacksburg.

As is inherently the case with a study of this complexity, particularly one with a 10-to 15-year horizon, numerous assumptions will be made that are based on past histories, market performance, and knowledge of human behavior. While the final program may appear prescriptive, it is not intended to be the final word or “gospel.” Rather, it is intended to serve to guide policy by using numbers to inform planners, investors, and policymakers of the timing, market performance, product types, locations, scale, quality, design, and mix of development that are likely to result in an optimal and economically sustainable community.

Market Analysis: Process Overview



Chapter Three
DISTRICT IDENTIFICATION AND BRANDING

District Identification and Branding

Identifying the different districts within Downtown—what they are and what they can become—is the first step in market analysis and market strategy. Some districts will need to build on existing momentum, whereas others will benefit from reimagining what they can become.

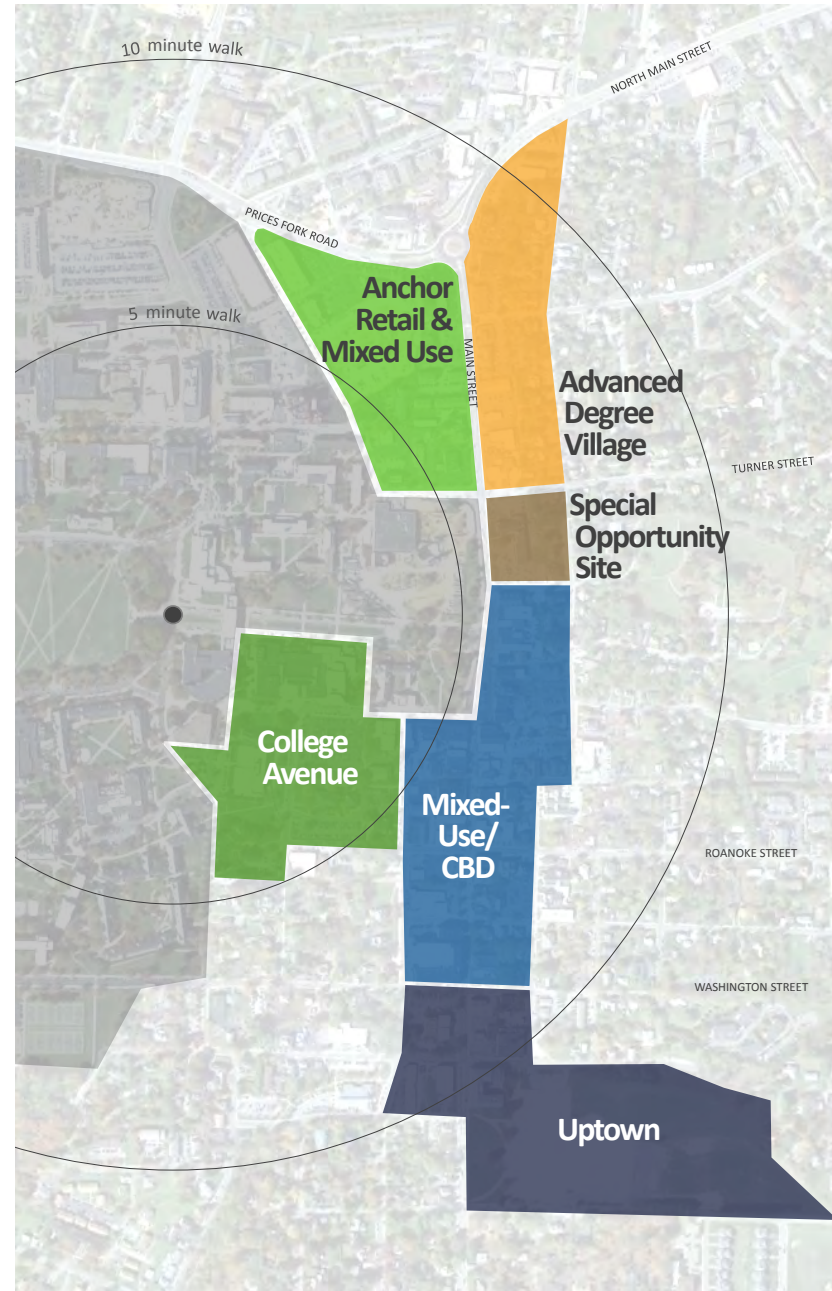
The foundation of any market strategy involves first understanding the characteristics of a particular place and what makes it unique. In the case of Downtown Blacksburg, the character and opportunity changes from district to district. In some instances, this involves teasing out established traits, or building on existing momentum. Other times, it involves a complete re-imagining of what a place can be, based on market opportunities and community aspirations.

In doing so, a competitive *differentiation strategy* begins to emerge—one that makes less likely that different districts will cannibalize on one another’s opportunities; rather, they will each achieve their individual potential and contribute variety to the whole of the downtown.

DISTRICTS

This analysis identified six distinct districts, each of which possesses unmet market potential that would enable them to contribute more meaningfully to the quality of life and economic performance of Blacksburg. They are discussed in detail on the following pages and include:

- Uptown
- Central Business District (CBD)
- Advanced Degree Village
- College Avenue
- Anchor Retail and Mixed Use
- Special Opportunity Site



Uptown

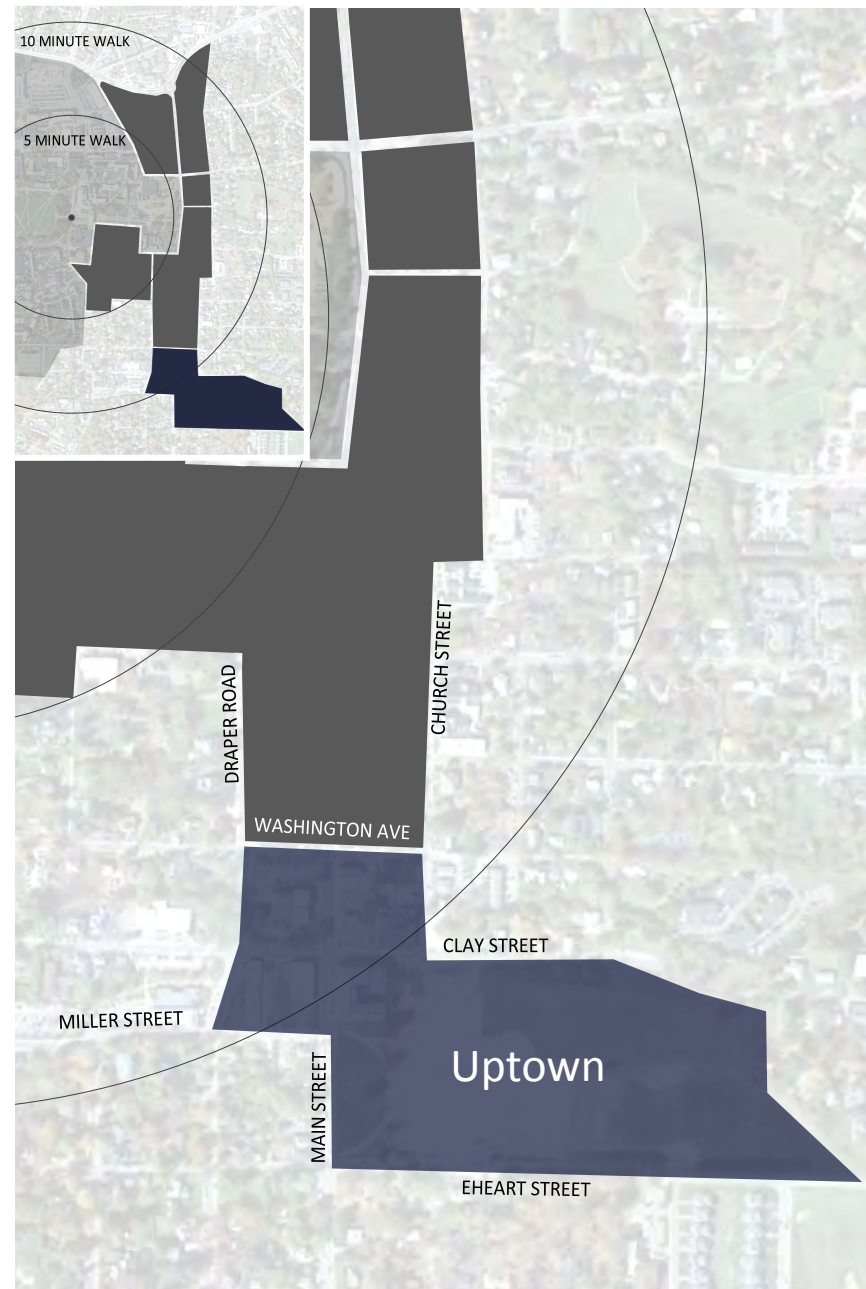
The opportunity for Uptown is to realize its potential as a relatively dense, residential-centric district of upscale townhome and condominium development, with a moderate mix of commercial uses.

Due to the fact that much of the land in this district is undeveloped (having previously been part of a middle school site), the Uptown district represents a very immediate development opportunity that can serve as a catalyst for Downtown. It also includes several blocks of Main Street frontage that terminates at Washington Street, and includes some high-end residences.

This study has given the district the name “Uptown” because of its market potential. In the lexicon of urban neighborhoods, an uptown is a district that, along with a downtown and midtown, tends to be one of the areas of greatest density in a city. Uptowns can be mixed in use, but tend to have a residential focus—particularly with relatively high-end housing. Unlike a downtown, uptowns do not tend to have as strong an employment or commercial focus.

This is precisely the opportunity for this district, which could include a mix of townhomes and denser residential products that are developed to a relatively high level of quality and generally target a more affluent, mid-career professional or empty nester household that is looking to downsize.

While its Main Street frontage does not carry the foot traffic found north of Washington Street, it nevertheless may have commercial development potential, whereas property without this frontage probably has limited non-residential development potential.





Uptown District



Central Business District

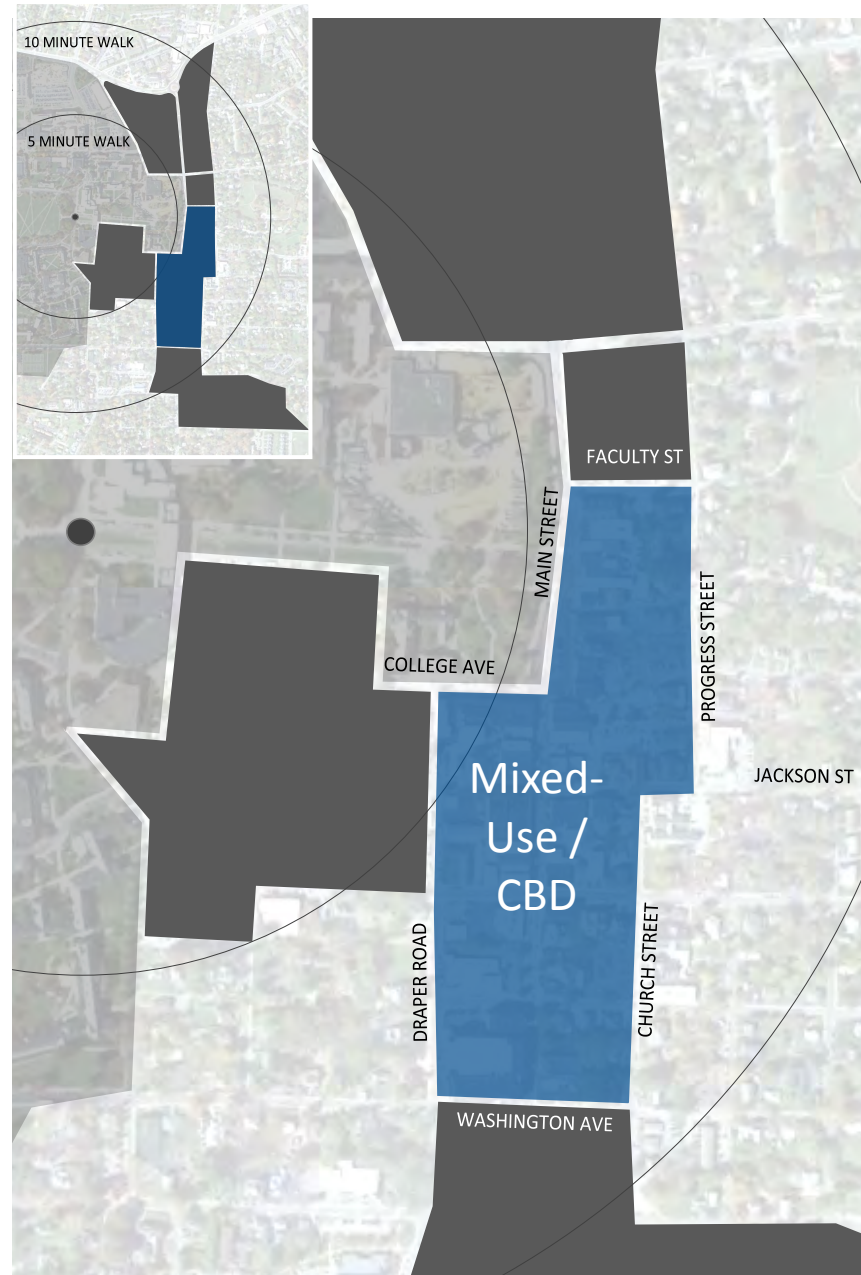
The CBD already has significant momentum, and is most valuable to the region as a vibrant, mixed-use place that accommodates employment growth in creative and tech industries, as well as housing that targets urban professionals.

The Central Business District (CBD) is an area that already has significant momentum, and so any housing strategy for it would necessarily involve building on this and augmenting it with the right kinds of housing.

The CBD contains the most foot traffic and successful storefront retail venues, and has experienced an influx of employment growth, most notably with creative firms such as Modea, which have expressed a need to be in a thriving, mixed-use environment in order to recruit and retain talented employees.

Given its proximity to downtown, the CBD would be attractive to student housing developers, but in terms of its strategic importance to the economic health of Blacksburg and Virginia Tech, the district is far more valuable to the community as an employment center, retail center, and residential community that targets young and mid-career professionals. The CBD's greatest potential is as a vibrant, mixed-use environment that targets talented professionals that otherwise may choose to move to another city that offers the kinds of urban amenities that they seek.

The CBD stretches from Washington Street to Faculty Street, in a linear fashion along Main Street. As demand for employment, retail, and housing increases in this district, options for greater shared and structured parking will need to be explored, and community input will be necessary to determine whether expanding to the west or east to accommodate growth is publicly supportable.





Central Business District



Advanced Degree Village

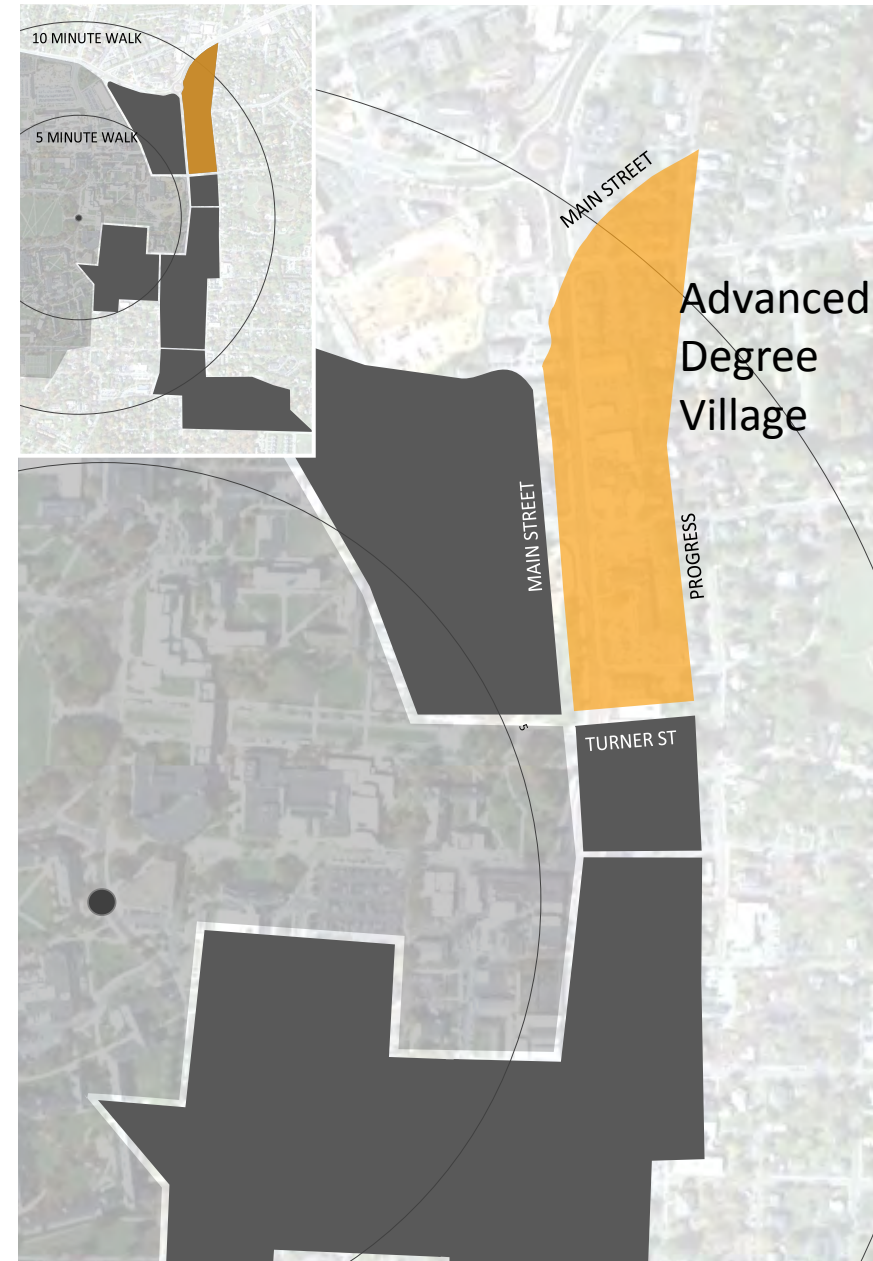
The area north of Turner Street and East of Main Street is highly marketable for graduate housing. In addition to adding vitality to the downtown, graduate students would be compatible with non-student populations to the south and east.

Given the vast amount of housing demand that is generated by graduate and post-graduate students at Virginia Tech, an opportunity exists to develop higher quality housing that targets this population, and is within walking distance to the university. The area north of Turner Street, and east of Main Street would be very marketable for graduate and post-graduate students.

- **Greater compatibility:** Unlike the CBD and Uptown, it is somewhat less marketable to non-students, given the heavy concentration of student populations to the east and north.
- **Less incompatibility:** By targeting graduate students, incompatibilities with the targeted non-student populations in the districts to the south are likely to be minimal.
- **Strategically wise:** This area has less momentum as an employment district, so graduate student housing would not be occupying land that is strategically more valuable to the regional economy as another use.

For these reasons, policy efforts that target graduate students in this district will help it achieve its potential in contributing to Blacksburg's overall economic performance and marketability.

As with the CBD, demand for this targeted and marketable use exceeds the supply of land. As there are many different property owners in this area, the feasibility of expanding the Advanced Degree village to the east should be explored through dialogue with the community.





Advanced Degree District



College Avenue

College Avenue is an excellent urban amenity, rich in character, urbanity, and amenity. As it is likely to remain student-focused, Virginia Tech could be an excellent partner in increasing employment density and shared parking in this district.

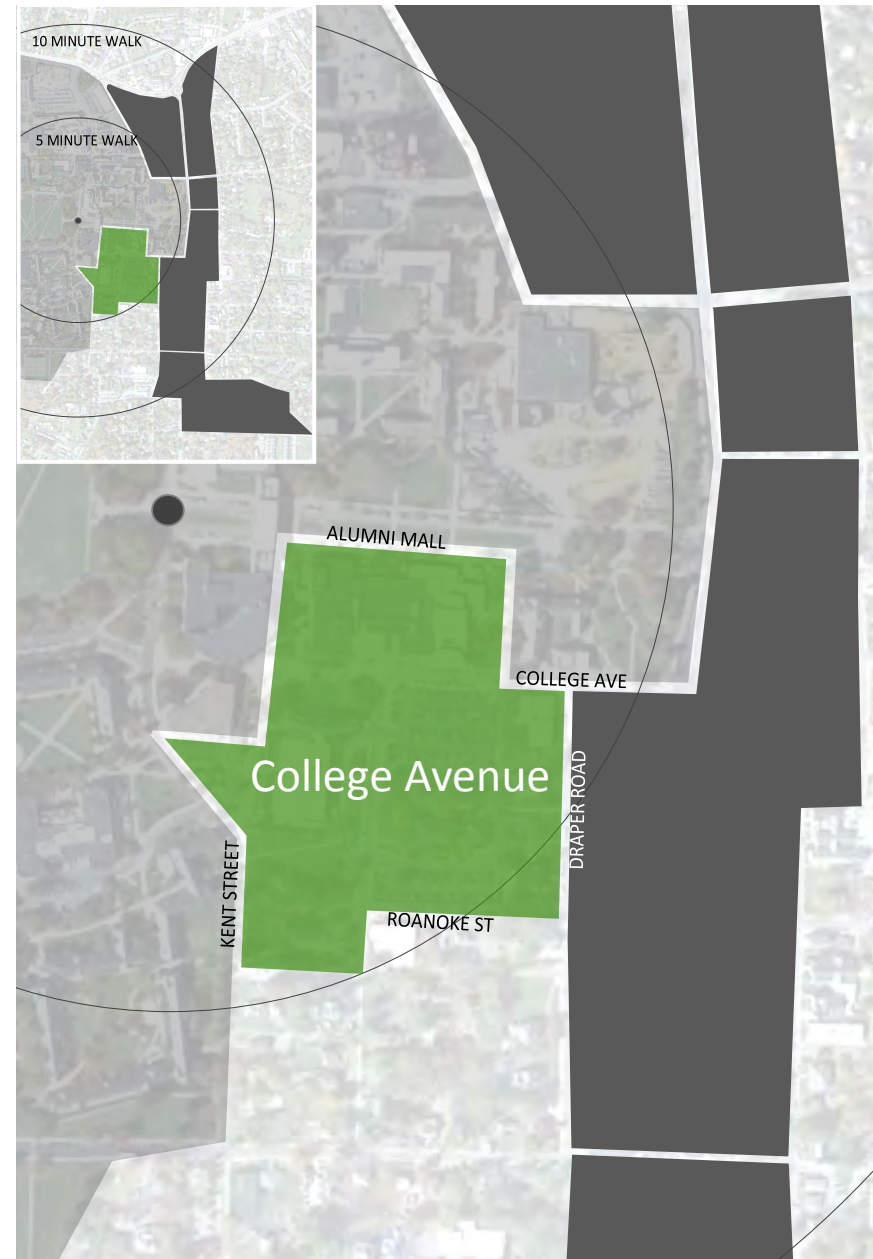
College Avenue, along with Main Street, comprise the two finest urban streets in Blacksburg. As such, it is an appealing urban amenity that creates value for nearby development, and it has the potential to continue to expand and improve. Given its adjacency, the university wields significant influence over the district and can be an excellent partner in realizing its potential.

The recent streetscape improvements have made College Avenue an excellent urban street, and anchor amenities such as the Lyric (a cinema) and the nearby farmer's market make this a great place for students and residents of all ages. That said, the adjacency of Virginia Tech makes the housing component of the district most marketable to students.

Virginia Tech could make an excellent partner, in a number of ways, in this district.

- **Lunchtime business:** By focusing future administration buildings in this area (which is within walking distance to Main Street), it would help support daytime restaurants that target non-students, which would bolster Downtown's marketability to non-student residents.
- **Shared parking:** Exploration of shared-use parking garages could be mutually beneficial (because university staff need spaces during the work week, whereas retailers and restaurants need them on evenings and weekends).

In these ways, thoughtful alignment of university and Town needs could result in meaningful gains in the marketability of downtown for non-student housing.





College Avenue District



Anchor Retail and Mixed Use

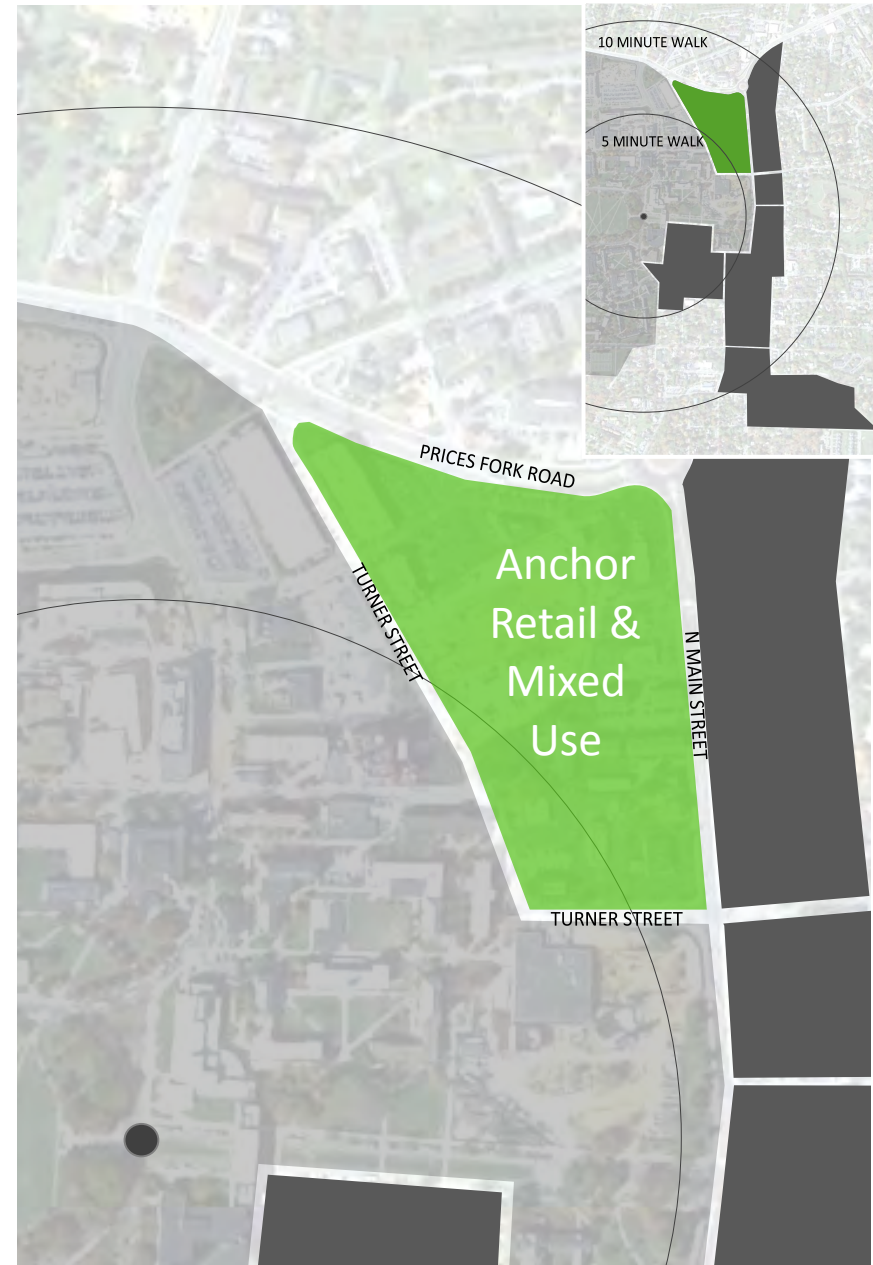
With the most attractive sites for anchor retail, this district could be re-imagined as a mixed-use, urban place with urban amenities that appeal to both students and non-students.

This area has the greatest potential for anchor retail and mixed-use development. Leveraging this effectively could make the Downtown and Virginia Tech more marketable to students and non-students. The greatest opportunity here involves re-imagining Main Street and realizing a transformation from a more suburban place with unfortunate redevelopment decisions, to one rich in urbanity.

The intersection of Prices Fork, can accommodate more car traffic, and Main Street, which accommodates far more pedestrian traffic, makes this a great site for retail. Anchor tenants could include a university bookstore, possibly in partnership with a national brand, such as Barnes and Noble. Such arrangements exist at many universities, and have been successfully incorporated into mixed-use developments that reinforce urban streets, at places like Ohio State, Case Western Reserve, and Virginia Commonwealth.

Another anchor tenant could include an urban grocery store—one that emphasizes natural and prepared foods—such as Lucky’s Market. Such tenants often require subsidized rents, but pay dividends to a community or institution by enhancing marketability, as well as traffic for other desired retailers.

The site has the potential to serve as a fulcrum between Main Street and Prices Fork Road, and serve both student and non-student populations with key retail amenities.





Anchor Retail and Mixed Use



Special Opportunity Site

A number of possibilities exist at this excellent development site, including rental and for-sale housing that targets non-student populations, as well as retail and other uses that might be rolled into a mixed-use concept.

Within the downtowns of most cities, some sites are simply special. A combination of amenities, views, and important accessible uses converge, and development opportunities are abundant. Often, more than one type of use is marketable, as is the case here. Perhaps as often, and paradoxically, special opportunity sites lie undeveloped or underdeveloped for years, because the high perceived value of the land makes all but the most intensely developed proposals economically inviable.

This special opportunity site has great access and visibility to and from Virginia Tech. It has access to the CBD, retail, and employment to the south. It has views of the new Moss Arts Center—a landmark building for the University and Downtown.

This study confirms that several types of housing are marketable at this site. Marketable uses at the site also likely include a conference center/hotel, relatively high-rent retail, and office.

Given the likelihood of relatively high land costs, viable residential uses would need to target those able to pay for an upscale product that would enable a developer to underwrite the purchase price of the land.

A marketable development product would certainly include housing, either rental or for-sale, that is at least three to four stories in height. Such housing could target young and mid-career professionals, or empty nesters. Ground-floor retail is likely to be viable as part of a mixed-use concept.





Special
Opportunity Site



Chapter Four
MARKET AREAS AND NEIGHBORHOODS

Definition of Market Areas

Market Areas are defined by hard and soft boundaries, as well as consumer preferences. Analysis of these market areas provides useful insight into the types of demographic groups that would be attracted to living in a walkable, mixed-use downtown environment.

In market analysis, a Primary Market Area (PMA) is typically defined as the smallest geographic area from which a high percentage (often 75 percent) of support for a project will be drawn. Market boundaries are sometimes defined by hard boundaries, such as rivers, highways and other major thoroughfares, railroads, etc. Often, market areas are defined by soft boundaries—that is, marked changes in socio-economic condition, such as income, density, ethnicity, and educational attainment.

Due to the size and location of Blacksburg, the entire town and nearby communities could be considered a PMA. This study divided the Town and adjacent areas into three submarkets, based on the factors discussed above:

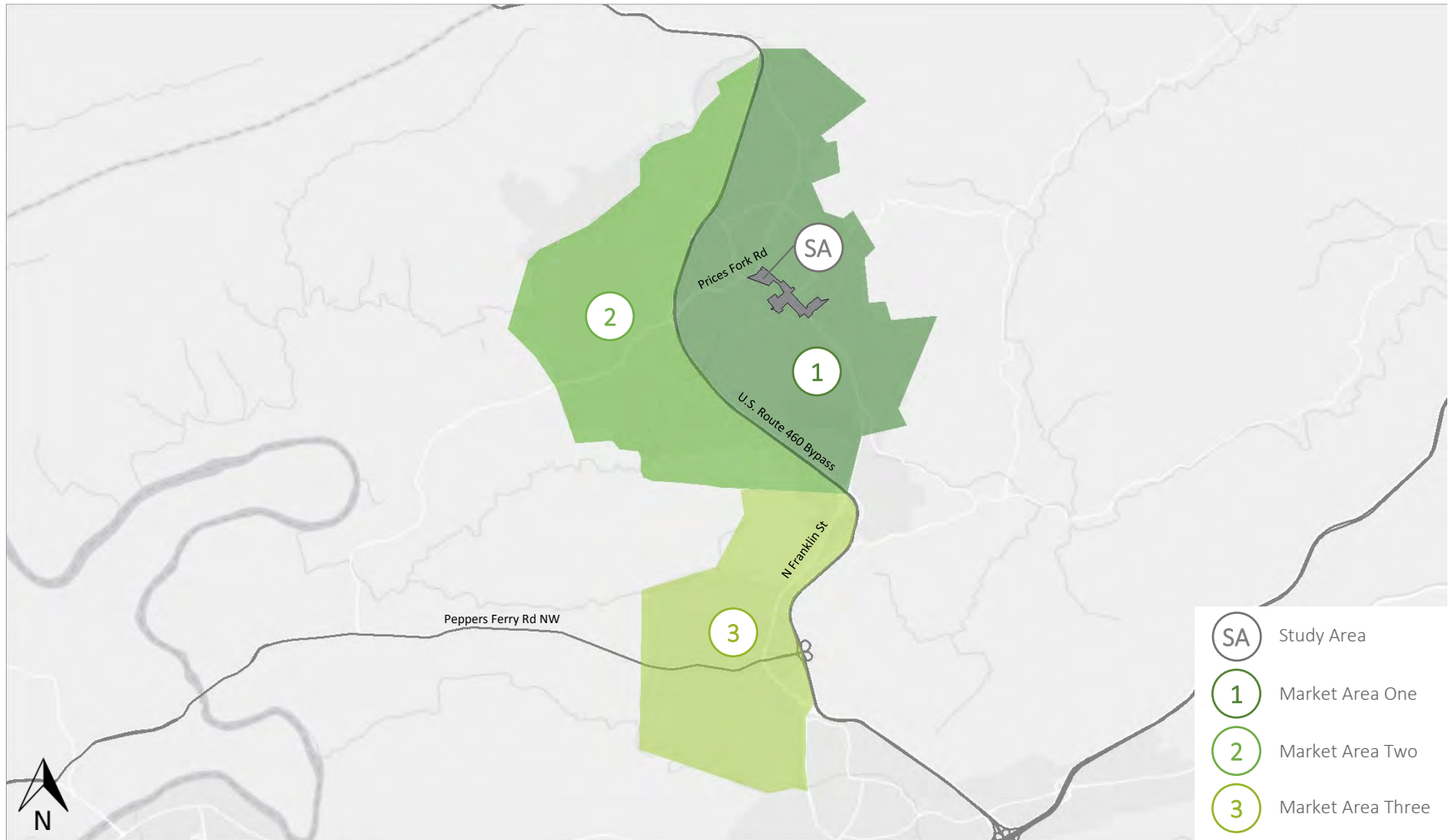
- **Market Area One** covers the area east of the Route 460 Bypass and includes Downtown Blacksburg as well as major population centers around Prices Fork Road and Main Street.
- **Market Area Two** covers the area west of the Route 460 Bypass and includes the Hethwood community
- **Market Area Three** is located to the south of the Blacksburg town limits and includes Merrimac and the northern part of Christiansburg.

A conventional methodology assumes project support will come from these market areas. However, it is likely that potential consumer groups will relocate from outside the Town and surrounding locales, and that an opportunity exists for the Town to retain residents who are currently leaving Blacksburg. As a result, it is anticipated that, unlike conventional methodology, roughly 60 percent of housing support in Downtown will likely come from these defined market areas. One might think of other cities, from and

to which potential Downtown residents are moving, as an additional market that is capable of providing significant support.

The market areas are used not only in the demand analysis of this report, but also in the demographic analysis to identify and express patterns and commonalities between existing residents, some of whom represent potential future residents of Downtown. Summary demographics for the market areas are presented below, with a detailed demographic analysis included in Appendix A.

Summary Demographics	1 Market Area	2 Market Area	3 Market Area
Households	11,200	3,800	3,500
Median age	22.7	24.7	37.1
Median household income	\$30,400	\$33,800	\$57,200
Median housing value	\$260,000	\$260,000	\$202,000
Percent owner-occupied units	25%	27%	61%
Percent detached single-family units	43%	33%	76%



Market Areas: Income Distribution

Household income and age of householder helps to inform the level of demand for different types of housing and what price points can be achieved for these housing products. An analysis of household income in Blacksburg suggest a particularly deep market for Downtown housing among 25 to 34 year olds earning between \$35,000 and \$100,000 annually.

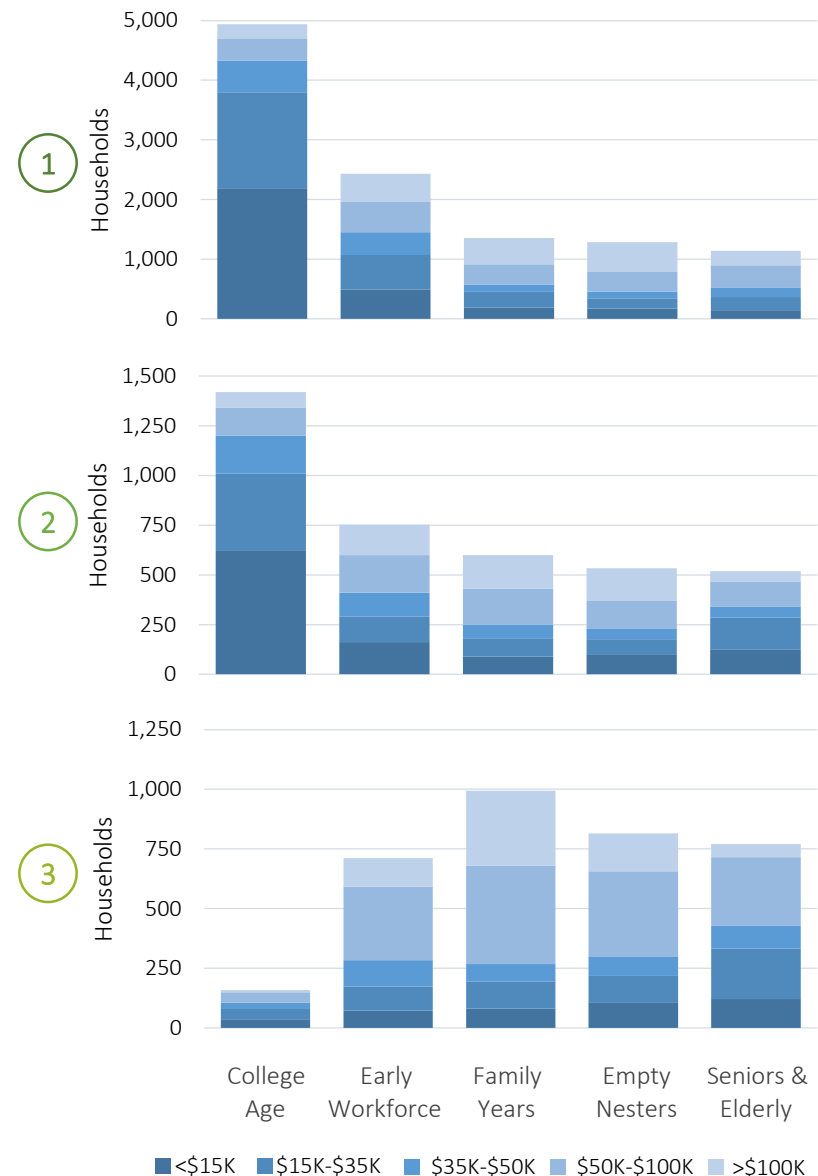
Household income and age of householder are important factors in housing demand. Housing affordability is dependent on household income, while different age groups desire different housing types. An analysis of income distribution by age segment therefore helps inform which price points will be achievable for different housing types in Downtown.

The charts at right show a deep market from Early Workforce (age 25-34) households earning between \$35,000 annually to over \$100,000 in all three market areas. Theoretically, an even deeper pool of demand exists in the Family Years category (age 35-49), especially from Market Area Three, but Downtown will capture only a small percentage of this group because many of them have school-age children. Upper-income Empty Nesters households (age 50-64) provide a third pool of demand.

The data presented here was used to quantify housing demand for rental and for-sale units in Downtown, which is presented later in the demand section of this report.

Household Income by Age Segment

Source: ESRI 2015



Definition of Neighborhoods

Understanding neighborhood character aids in visualizing competitive opportunities for Downtown. Notably, no neighborhood currently offers housing in an environment that most appeals to young professionals.

Another way to understand the housing market in Blacksburg is through exploration of the town's neighborhoods. Neighborhoods, like market areas, are often identified with particular types of residents, as well as with particular types of housing. Through site visits and consultation with town staff, thirteen neighborhoods in and around Blacksburg were identified as most relevant to understanding the development potential for Downtown.

Analysis of each neighborhoods involved collecting detailed information on the types, prices and rents, unit sizes, and ages for the prevalent housing types. When matched with the typical resident composition of the neighborhood, this information informs what housing types are preferred by and available to specific demographics in Blacksburg, as well as the achievable sale prices and rents for different housing types in the market. The analysis also helps identify which housing types are not currently present in the town and therefore present an opportunity for housing development in Downtown.

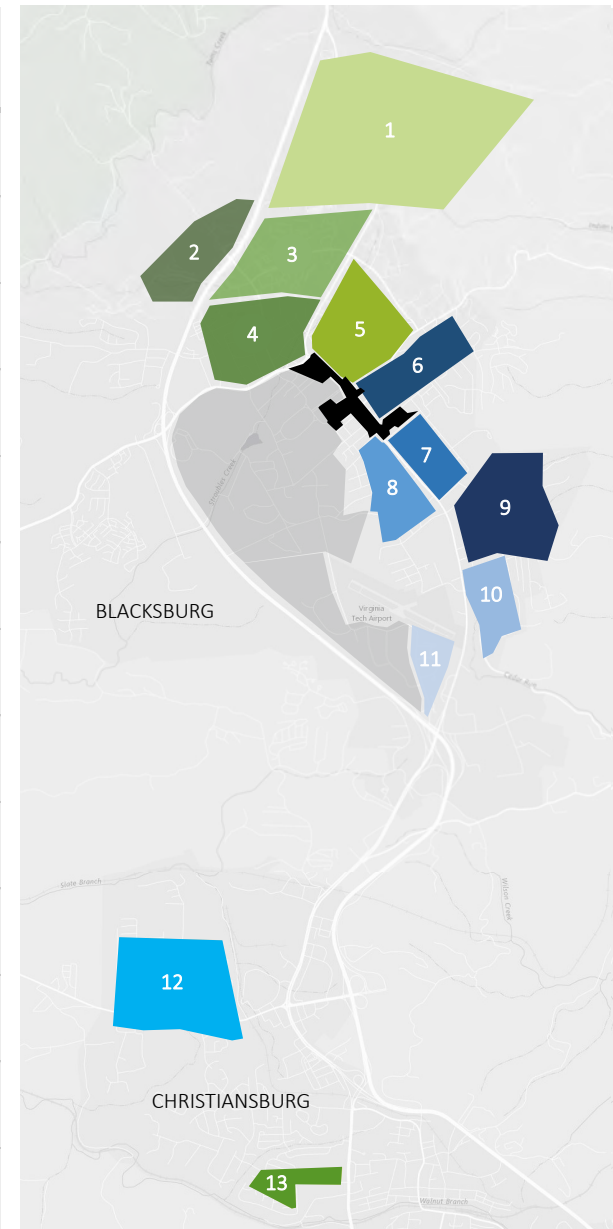
The map and table on the following page show the location of each neighborhood and a summary of their housing profiles. Detailed profiles can be found in Appendix B.

The most important take away from this analysis is the lack of a neighborhood that would accommodate the demands of Blacksburg's young professional population. As will be described in further detail in the following chapter, this demographic desires a walkable environment that is mixed in use, reasonably affordable, and conveying either a modern or historic aesthetic. None of the neighborhoods identified in this analysis offer this type of housing environment. For instance, among the neighborhoods closest to Downtown the predominant housing types are:

- Expensive single family homes—Miller-Southside
- Dated 1960s single family homes—McBryde
- Older rental housing—Eastside
- Student-oriented rental housing—Patrick Henry

This situation represents a significant development opportunity, especially as the Town seeks to attract and retain the types of industries that tend to hire young professionals. Potential housing types that might fill this demand gap will be discussed later in the report.

	Neighborhoods	Median House Price Range	Average Size (Sq Ft)	Median Year Built
1	Mount Tabor	\$231,000 - \$407,000	2600	2006
2	Village at Tom's Creek	\$295,000 - \$382,000	2451	2006
3	Patrick Henry	\$163,000 - \$295,000	1859	1995
4	McBryde	\$191,000 - \$291,000	2094	1963
5	Bennett Hill	\$135,000-\$271,000	1754	1960
6	Eastside	\$203,000-\$290,000	2010	1973
7	Mountain View	\$201,000 - \$245,000	2119	2001
8	Miller Southside	\$243,000 - \$527,000	2779	1957
9	Grissom/ Highland	\$219,000 - \$363,000	2528	1968
10	Ellett/ Jennelle	\$152,000 - \$197,000	1621	1985
11	Knollwood	\$182,000-\$245,000	1810	2000
12	New River Mall	\$173,000 - \$211,000	2000	2005
13	Oak Tree	\$138,000 - \$160,000	1629	2000



Chapter Five
DEMOGRAPHIC TRENDS OVERVIEW

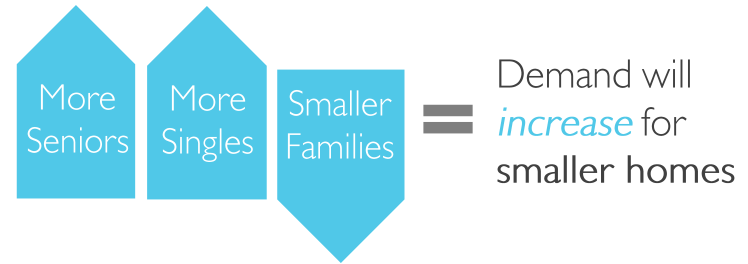
Demographic Analysis: Overview

The population is growing and it is shifting demographically, which implies that the types of housing offered will have to be altered to meet changing needs. Smaller types of housing are likely to become in greater demand, which will benefit Downtown Blacksburg.

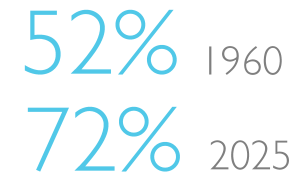
Blacksburg has and will continue to experience demand for new housing growth, driven by expansions at Virginia Tech and the Corporate Research Center, as well as increased investment in local entrepreneurship. This new development, especially development serving the non-student population, will be pushed to the edges of the town or to neighboring communities unless closer-in housing is renovated or new products are offered.

- **National growth:** The U.S. will reach 400 million people around 2040, up 100 million from 2005. ¹
- **Housing demand:** The next 100 million people will require 40 million homes. Add 30 million replacement homes, and 70 million homes will be constructed between 2005 and 2040, for an average of two million homes per year.¹
- **Fewer families:** Households are becoming more diverse. In 1960, 48 percent of households had children. By 2025, this number will be reduced to 28 percent. Simultaneously, 28 percent of housing units in 2025 will be occupied by a single person, up from 13 percent of units in 1960. ²
- **More seniors:** The population is aging: 41 million of the next 100 million will be over 65.¹

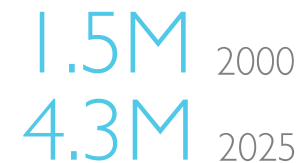
Demographics are Changing



Households without children



Americans Turning 65 Each Year



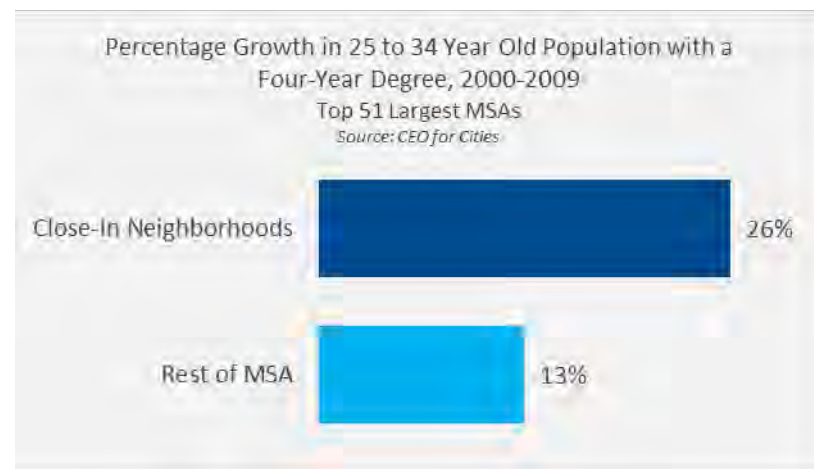
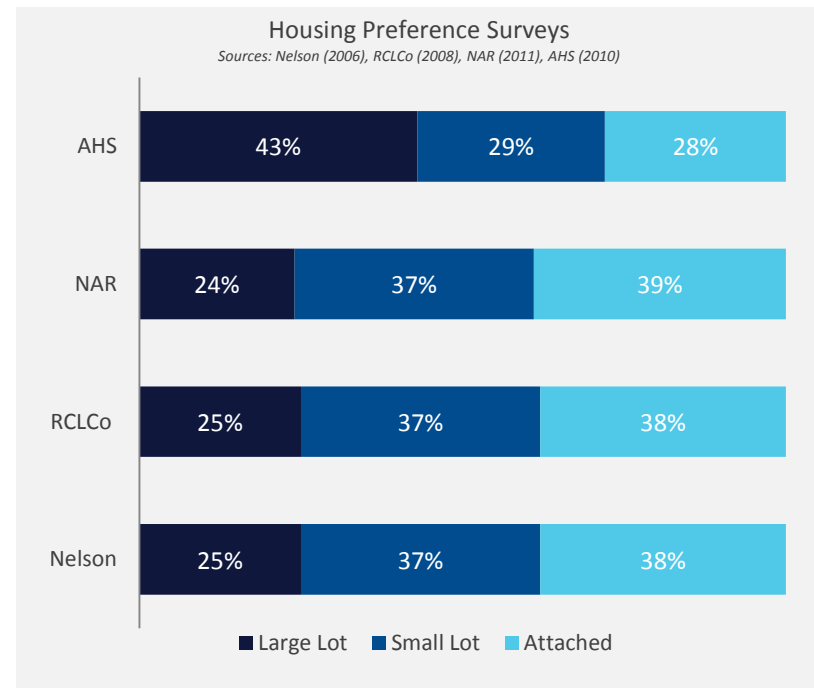
Demographic Analysis: Overview

Increasingly, surveys indicate a shift in the type of homes and communities that many households prefer. Specifically, there is greater recognition of the tradeoffs to owning a big home; many have expressed a willingness to exchange some space in order to reduce commute times and live closer to shopping and a mix of uses.

Consumer preference surveys align with demographic shifts in that they indicate a slight majority or sizeable minority prefer walkable communities and will live in dense, walkable environments if it places them closer to jobs and amenities.

- **Walkability:** 33 percent of residents in conventional suburbs prefer a more walkable environment.³
- **Mix of uses:** 49 percent prefer a neighborhood where they can walk to nearby shopping.³
- **Underserved market:** 20 to 40 percent of residents showed a preference for compact, walkable neighborhoods, but only five percent live in such an environment.³
- **Smaller homes and lifestyle:** 55 percent would accept a smaller house if it meant more options to walk, cycle, or take transit.³
- **Smaller homes and commute:** Recently, four national studies have confirmed what local studies have been demonstrating for a decade—many people are willing to trade housing size for shorter commutes.⁴

This preference is particularly notable among young, educated professionals. A recent study by CEOs for Cities showed that there was a 26 percent increase of this group across the 51 largest MSAs in “close-in neighborhoods” (i.e., neighborhoods located in and around downtowns), compared to a 13 percent increase in this demographic group outside of close-in neighborhoods.⁵ These data indicate that a market for close-in neighborhoods likely exists in Blacksburg, but the right set of policies and community design/amenities must be put in place to attract them.



Demographic Analysis: Local Housing Preferences

A survey of employees in Blacksburg's tech and research industries revealed that workers in these fast-growing industries are interested in living in a walkable downtown environment. These housing preferences demonstrate a tangible demand for dense, affordable downtown housing in Blacksburg.

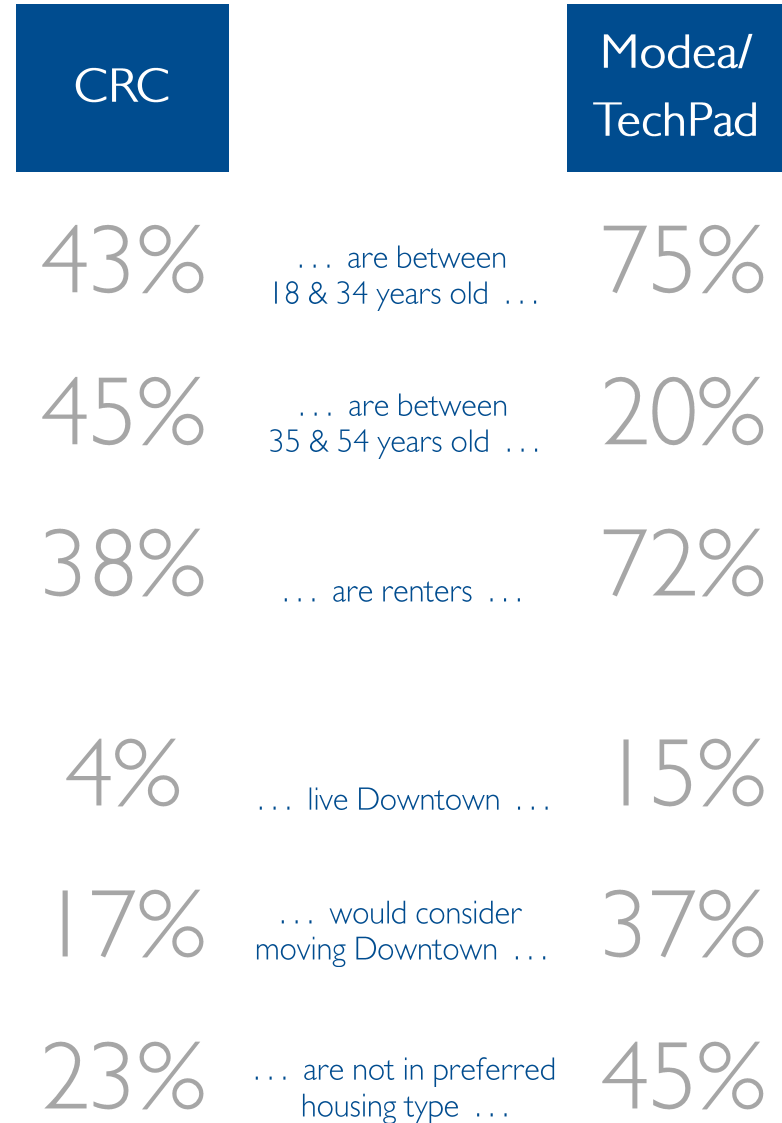
While Downtown currently has few housing options and therefore few residents, there is an interest in downtown living among employees of some of the Town's fastest-growing companies. Development Strategies conducted housing preference surveys of about 400 employees at the Corporate Research Center (CRC) and 65 employees at Modea and TechPad. The results revealed a preference for living downtown that cannot be met by existing housing options.

Demographics

Modea and TechPad's employees are overwhelmingly young professionals (aged 18 to 34), while CRC's employees are more evenly split between young and mid-career professionals (aged 35 to 54). The differences in age are reflected in housing tenure, with about 40 percent of CRC employees renting their homes as compared to nearly three-quarters of Modea and TechPad employees.

Housing Preferences

While only a small number of respondents currently live Downtown, a much larger proportion of indicated that they would consider moving Downtown—17 percent of CRC employees and 37 percent of Modea and TechPad employees. Further, 40 percent of CRC employees and 57 percent of Modea and TechPad employees indicated they would be willing to live in a smaller housing unit if it was in walking distance of work and amenities. There was also significant discontent with available housing options in Blacksburg. About one-quarter of CRC respondents and nearly half of Modea and TechPad respondents indicated they do not live in their preferred housing type, with the cost of housing being the most-commonly cited challenge in satisfying this preference.



Summary of Market Area Demographics

Because Downtown added few households over the last decade relative to its peer cities, its demographics are very different from those of the market for new housing downtown. Instead, the demographic traits of the market areas are more consistent with the types of people most likely to buy or rent housing Downtown.

Population

The Blacksburg MSA is projected to add roughly 4,000 residents over the next five years. Given shifting demographics and preferences, downtown and close-in neighborhoods can be positioned to capture a greater share of regional growth than in recent decades.

Income

Relative to regional averages, Downtown Blacksburg has a low per capita income, which is explained by the large presence of students. The same is true of Market Areas One and Two, which cover most of the town. On the other hand, Market Area Three, which has been identified as having less expensive and more desirable housing stock for professionals working in Blacksburg, has a higher per capita and median household income as compared to the region. Downtown can attract some of this latter group if it offers the right housing products.

Income Density

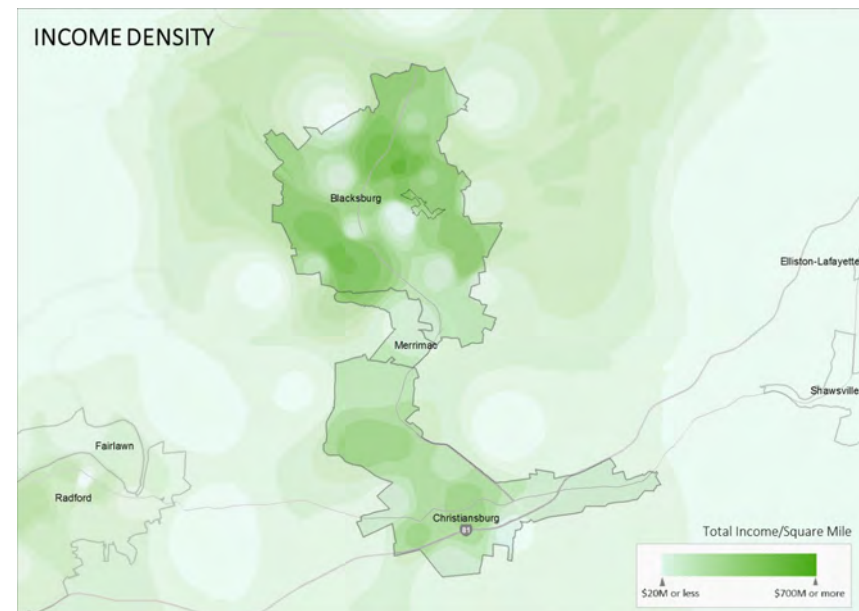
Basic economic indicators reveal the region's greatest concentrations of wealth are to the north and southwest of Downtown, specifically in the Northside/Wyatt Farms and Hethwood neighborhoods. These areas also have significantly higher home values than most other areas of Blacksburg. Research in peer cities indicates that downtown housing can appeal to residents with similar traits as those found in some of these areas. As the income density of Downtown increases, it will become more attractive to retailers.

Age

As would be expected in a university town, the market areas around Virginia Tech's campus—Downtown and Market Area One—trend young, with a median age of 23. These areas also have a relatively low number of residents in their early workforce years, as well as empty nesters, which are favorable demographics for downtown housing. The current age distribution in these market areas demonstrates that there is an opportunity to attract a more diverse age cohort to Downtown and the surrounding area.

Housing

Census data indicates high home values in Downtown, as well as a very low homeownership rate (11 percent), pointing to two conclusions: A small market for high-end housing *does* exist and too much development emphasis on high price points has excluded modestly priced units that appeal to a broader market.



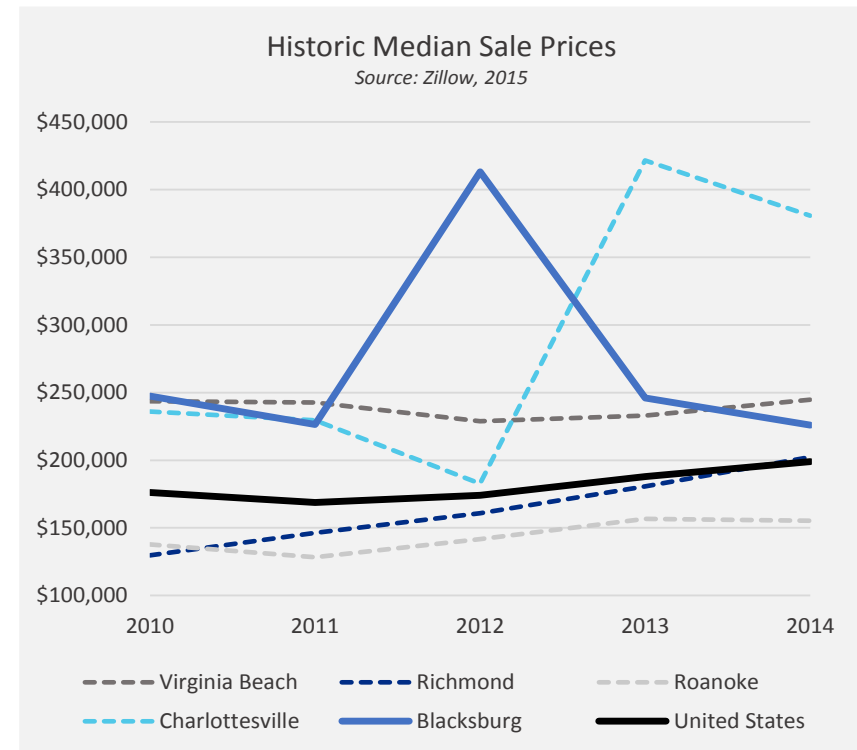
Chapter Six
MARKET ANALYSIS: SUPPLY

Market Analysis: For-Sale Housing Overview

After years of decline, the for-sale housing market has begun to recover. As the market continues to improve, there will be an increase in opportunities for new condominium and urban townhouse development. Long-term trends favor the type of dense, walkable, and close-in neighborhoods that Downtown Blacksburg can exemplify.

Following a flurry of building activity from the late 1990s to 2006, the national for-sale housing market collapsed. Some markets in southern and central Virginia, such as Charlottesville and Richmond, followed suit, while others remained stable through the collapse. All markets have since recovered to achieve sale prices above 2006 levels, with the most dramatic increases seen in the fast-growing market of Charlottesville.

While pre-collapse home prices for Blacksburg are not available, the graph below demonstrates that the Town has had some of the highest home sale prices among regional markets over the past five years. The median sale price in Blacksburg in 2014 was \$225,000, which is over \$25,000 less than that of the nation as a whole but comparable to regional cities such as Virginia Beach and Richmond, which had median home values ranging from roughly \$200,000 to \$250,000.

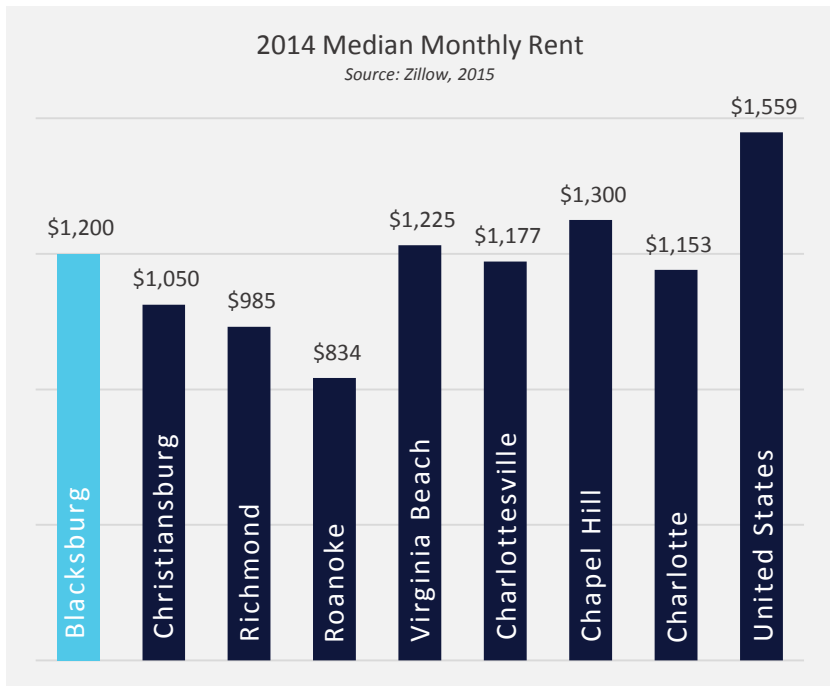
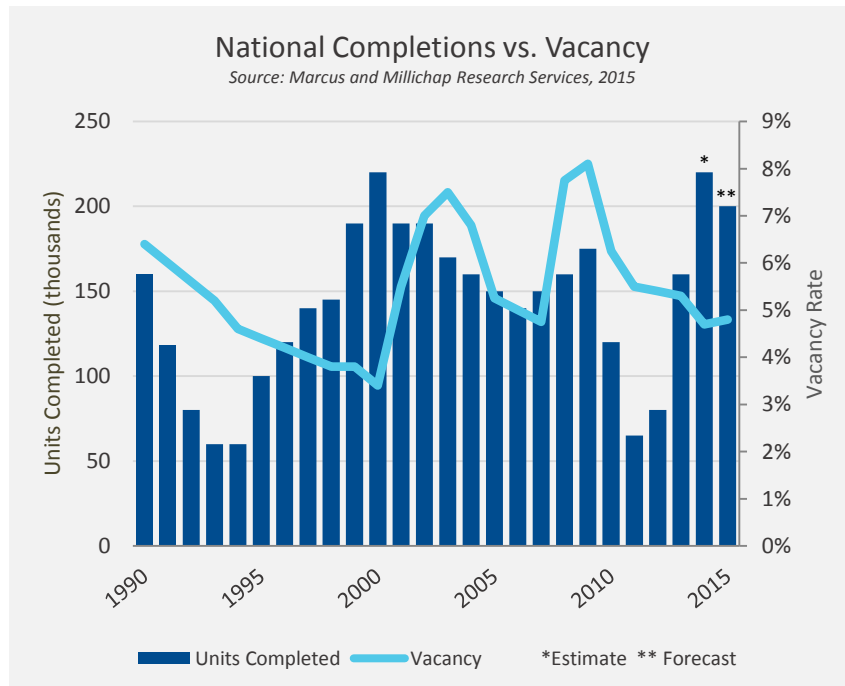


Market Analysis: Rental Housing Overview

Recent trends have converged and propelled occupancy and rents of apartments upward. Given the desirability of urban living for the Millennial generation and the appeal of downtown housing, opportunities for urban rental housing should emerge in the short-term.

After suffering several tough recession and post-recession years, the apartment market has rebounded nationally. Vacancy rates peaked at eight percent in 2009, but have since declined to 4.7 percent.

The occupancy rate in the Blacksburg rental market has stayed relatively high throughout the past few years, primarily driven by demand for student housing. Overall average vacancy rates have consistently stayed below two percent since mid-2013. Blacksburg’s median rent of \$1200 per month is higher than nearby communities such as Christiansburg and Roanoke, but on par with other regional university cities such as Charlottesville and Chapel Hill. No new apartment development was recorded in 2010 and 2011, but over 200 units were added in 2012 and 2013, with an additional 325 units expected for 2015 and 2016.



Residential Supply

A broad range of housing products are possible throughout Downtown Blacksburg, but only a limited number of product types have been offered to date. This study therefore surveyed existing products in the rental and for-sale arenas throughout the town, as well as identified numerous typologies that have yet to be offered but could be successful in Blacksburg.

Because opportunities for development, redevelopment, and renovation vary greatly depending on site-specific opportunities, this study surveyed a number of different property types. No one property type is relevant to every site, but all of the property types surveyed have relevance for some part of Downtown.

This study surveyed both for-sale and for-rent products. The properties surveyed can be roughly broken down into the following categories (though there is some overlap in a few instances):

- Undergraduate Student Rentals
- Graduate Student and Young Professional Rentals
- Midscale Apartments
- Affordable Housing
- Upscale and Upper-midscale Condos
- Midscale Condos
- Single Family and Townhouse Development

The following pages summarize selected local properties in each category, as well as case studies of property types not currently in Blacksburg that could fit in a downtown housing market. A more detailed property summary of Blacksburg's residential supply can be found in Appendix C.



Existing Supply: Rental

Based on current Downtown properties, newly constructed medium and high-density products targeted at students will rent for up to \$1.80 per square foot, while newly rehabilitated properties for graduate students and professionals will rent for as much as \$2.00 per square foot.

Undergraduate Student Rentals

This is the most prevalent rental product type in Blacksburg and the most attractive to developers given the high demand from Virginia Tech students. The properties generally include larger three- and four-bedroom units that are rented out by the bed. While few of these properties are currently located Downtown, increasing demand combined with high development costs could spur their construction in the area unless the pressure is alleviated elsewhere in the town.

Graduate Student and Young Professional Rentals

These properties generally consist of smaller one- and two-bedroom units with higher-level finishes. In downtown environments they can be new construction or historic commercial properties rehabilitated into rental apartments. This product is currently in low supply in Downtown but could perform well, particularly given current demand from young professionals.



Undergraduate Student Apartments

Local Example: The Edge

Year Built | 2013

Total Units | 252

Occupancy | 100%

Rent Per Square Foot

Two-Bedroom Units | \$1.55

Three-Bedroom Units | \$1.69

Four-Bedroom Units | \$1.88



Graduate Student / Young Professional Apartments

Local Example: Reserve at Knollwood

Year Built | 2013

Total Units | 111

Occupancy | 100%

Rent Per Square Foot

One-Bedroom Units | \$1.30

Two-Bedroom Units | \$1.13

Three-Bedroom Units | \$1.17

Case Study

Off-Campus University Housing



Undergraduate student housing is currently the most feasible type of development for Downtown, given current economics. A number of universities have partnered with municipal governments to bring mixed-use infill development to central corridors, which can help to increase the desirability of the area and bring additional development. The following case study from Washington University in St. Louis is an excellent illustration of this type of project.

The Lofts of Washington University
St. Louis, MO

Located near the Washington University campus in the vibrant and diverse Delmar Loop neighborhood, this project includes 140 one-, two-, and three-bedroom student apartments managed by the University. Rents range from \$1,125 for one-bedroom units to \$3,150 for three-bedroom units.

The building also has a 22,000 square foot grocery store, a 24-hour diner and an electronics repair business on the first floor. The retail components were targeted to fill needs identified by the University and the city, to serve both the building's residents and the surrounding community.

The project was part of the University's strategy to invest in the neighborhood and build a stronger connection between the school and the city. A second phase will bring an additional 100 apartment units to the development.

Case Study

Upscale Rental Products: Graduate Student/Young Professional and Mid-Career Professional



Although not currently provided in the market, new high-density upscale rental properties could be feasible in Downtown. Projects in peer cities such as Ithaca, as well as larger cities with universities such as Columbus, can lend insight into the potential for these types of developments.

South Campus Gateway Apartments
Columbus, OH

Opened in 2005, this upscale mixed-use development at the southern end of The Ohio State University campus was part of a public-private partnership between the University and the City of Columbus. It includes 184 studio, one-, two-, and three-bedroom apartment units for graduate and professional students, as well as 225,000 square feet of retail space and 88,000 square feet of office space. Residential rents range from \$895 for studio units to \$2,445 for the three-bedroom units, with an average of \$1.75 per square foot. While it is unlikely that a new product in Blacksburg would achieve rents at this level, a new similar upscale product in a high-profile location should be able to get \$1.40 to \$1.60 per square foot.



Seneca Way
Ithaca, NY

Built on a former industrial site, this 2014 infill project at the eastern end of Ithaca's downtown pedestrian mall includes 38 upscale one-bedroom and two-bedroom apartment units. The unit sizes range from 688 square feet to 1,673 square feet, with average rents of \$2.00 per square foot for one-bedroom units and \$1.65 per square foot for two-bedroom units. The building also houses 9,000 square feet of Class A office space. While the cost of living in Blacksburg is lower than Ithaca, there is demand in the Blacksburg market for upscale rentals that is not currently being met. Therefore, a new similar product should be able to achieve rents of around \$1.90 per square foot.

Existing Supply: Rental

Older midscale properties in Blacksburg achieve rents of around \$1.00 per square foot, while affordable rental townhomes rent for as little as \$0.50 per square foot.

Midscale Apartments

Targeted towards middle-class working families, these are mainly older garden-style apartment properties that were built in the 1990s or earlier and have since received only modest renovations. This property type is common in the Blacksburg rental market but it is neither found in Downtown nor does it attract the types of residents who would prefer living in Downtown.

Affordable Housing

Affordable properties are generally those that target households earning 30 to 60 percent of area median income. Apartment development is facilitated with tax credits from the Low Income Housing Tax Credit (LIHTC) program, and limits are set on household earnings for qualifying tenants, as well rents that can be charged. Most of the region’s affordable housing is located in Christiansburg, with less than 100 units offered in Blacksburg and none in Downtown. This low supply is primarily due to the high costs of development in the Town, which limits the number of units that can be developed and the quality at which they can be constructed.



Midscale Apartments

Local Example: Cedarfield

Year Built | 1993-2001

Total Units | 114

Occupancy | 100%

Rent Per Square Foot

One-Bedroom Units | \$1.08

Two-Bedroom Units | \$0.91

Three-Bedroom Units | \$0.88



Affordable Housing

Local Example: Cedar Crest

Year Built | 2006-2014

Total Units | 80

Occupancy | 94%

Rent Per Square Foot

Two-Bedroom Units | \$0.50-\$0.71

Three-Bedroom Units | \$0.52-\$0.64

Existing Supply: For Sale

A small number of condominium projects have occurred in Downtown Blacksburg in the past 15 years. While the market for upscale condominiums is modest, there is increasing demand from young professionals for midscale for-sale products in Downtown, a demand which is currently not being met.

Upscale and Upper-midscale Condos

This product consists of buildings that are positioned on the higher end of the for-sale housing market, have good locations but lower levels of overall finish than luxury products. Most of the newer for-sale housing currently available in Downtown falls into this category. They are generally targeted at mid-career professionals, retirees, and game-day buyers, and are outside the price range for young professionals.

Midscale Condos

These are older for-sale properties, primarily developed in the 1980s and 1990s, that offer a more affordable product with fewer amenities and lower levels of finish in less desirable locations. In Blacksburg these units are targeted towards graduate students and young working professionals who would prefer the location and quality of upscale condos but can only afford this less expensive option.



Upscale Condominiums

Local Example: The Brownstone

Year Built | 2014

Total Units | 17

Price Per Square Foot

Two-Bedroom Units | \$324



Midscale Condominiums

Local Example: Knollwood Condos

Year Built | 1990s

Total Units | 90

Price Per Square Foot

One-Bedroom Units | \$172

Two-Bedroom Units | \$173

Three-Bedroom Units | \$152

Case Study

Young and Mid-Career Professional Condos



As with rental products, new high-density for-sale properties could be feasible in Downtown. Projects in cities such as Chapel Hill and Louisville provide models of products that are more affordable than upscale or luxury condos and target a professional demographic interested in downtown living.

Park Place Lofts
Louisville, KY

Park Place Lofts was developed in 2005 in the East Main District of Downtown Louisville. It offers an option for young professionals who want access to Downtown and are willing to trade off higher levels of amenities or finishes for an affordable sale price in a desirable location. Sale prices at the property have been rising steadily in recent years—the average sale price went from \$170 per square foot in 2012 to \$190 per square foot today. A number of other condo developments have been built in the same neighborhood over the past ten years, but the property has managed to stay fully occupied throughout.



140 West Franklin
Chapel Hill, NC

Opened in 2013, the development of 140 West Franklin was part of a movement to increase the year-round population of Downtown Chapel Hill, a university town with increasingly broad-based popularity. Many of the residents have a connection to UNC, either as alumni, faculty, or staff. The price point—approximately \$200 per square foot—targets a mid-career and retiree demographic. The mixed-use project includes 26,000 square feet of retail and restaurants on the ground floor, creating a vibrant dynamic around the property. The property is also walking distance to the UNC campus and other Downtown amenities. The property was sold out within six months of opening.

Existing Supply: For Sale

Blacksburg has a few examples of dense single family and townhome infill products around the peripheries of Downtown. They demonstrate that these products could be very marketable in the greater Downtown area, given feasible land costs.

Single Family and Townhouse Development

Very little townhouse or dense single family development has occurred within Downtown due mainly to the constraints of urban land economics. While these products may not be the highest and best use of land in Downtown, they can be very marketable in greater downtown locations and generally have a deeper pool of demand than multifamily developments. In Blacksburg in particular, townhomes targeted at a retiree demographic looking to downsize could be quite attractive, and would succeed in the areas in or walkable to Downtown where land costs are lower.



Dense Single Family

Local Example: Echols Village

Year Built | 2006-2014

Total Units | 53

Price Per Square Foot

Three-Bedroom Units | \$137



Townhomes

Local Example: Knollwood Townhomes

Year Built | 2006

Total Units | 42

Price Per Square Foot

Two-Bedroom Units | \$130

Three-Bedroom Units | \$167

Chapter Seven
MARKET ANALYSIS: DEMAND

Demand Analysis: Multiple Methods

A number of different methodologies were used to determine market demand for downtown housing. These methods are reconciled at the end of this chapter.

Determining market demand is complicated. Doing a conventional market analysis simply looks at age and income variables within some area near the site. Such a method might miss incoming residents to the market area, and fails to evaluate consumer preferences. Target market analysis includes consumer preferences, and is in most ways superior, but relies on national data. Other types of analyses are better for determining student housing demand, employment-driven demand, and demand from people leaving the market that might be kept if the right product is offered (an opportunity cost). Ultimately, a number of methods have been used in this study, and are then reconciled at the end of this chapter.



TARGET MARKET

Target market considers consumer preferences of residents within the Blacksburg/Christiansburg market.



OUTMIGRATION

Using data from the American Community survey and target market analysis, estimates the number of residents leaving Blacksburg annually that would stay if the right downtown product is offered.



CONVENTIONAL

Assesses age and income variables to determine the amount of units that are affordable to existing residents within defined market areas in the region.



EMPLOYMENT

Employment applies survey data to employees in different occupations to estimate an amount of employment-driven demand for downtown housing.



STUDENT HOUSING

Student Housing estimates the volume of student housing demand by general market position and price point.



AFFORDABLE HOUSING

Affordable Housing uses conventional market demand methodology to validate a hypothetical new affordable housing development.



PEER CITY

Peer City identifies downtowns in comparable communities to understand the velocity of housing development that occurred in a previous time period.

Demand: Target Market Analysis

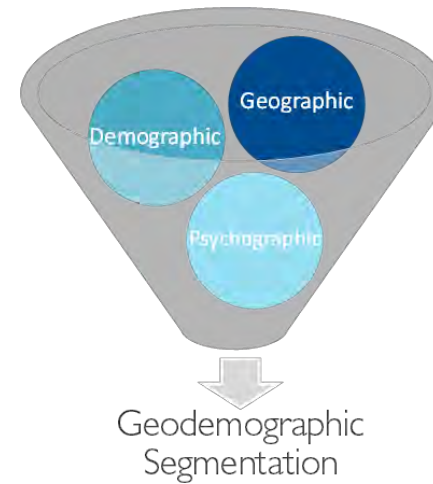


Target market analysis is used to determine demand based not only on geography and demographic traits, but also on consumer preferences. As a result, desired product types can be determined, in addition to affordability. This is particularly useful with respect to Downtown Blacksburg, where a diverse group of market segments could be appealed to with an array of housing products.

Just as market segmentation and target marketing are used to determine tendencies to buy different types of consumer products—including products as diverse as cars, computers, and dish soap—Development Strategies analyzes market segmentation data to identify demand for different types of housing products at a particular location. Market segmentation analysis provides a clearer understanding of how many households might be attracted to a project (or community), who those households will consist of, and where they will come from. Ultimately, this guides the type, pricing, and market position of housing product to be offered at a given site.

The methodology makes use of ESRI’s Community Tapestry™ data, which uses algorithms to link demographic, geographic, and psychographic data to create 65 unique geodemographic segments. In other words, these “segments” are essentially 65 household groupings, each with their own unique combination of demographic (income, age, etc.), geographic, and psychographic (values, culture, etc.) characteristics.

Unlike conventional demand methodologies, which focus on absorption of nearby projects or subdivisions, as well as basic demographic variables like age and income. Target market analysis and segmentation data enables for the analysis of consumer data to produce more targeted results regarding who might live Downtown and where they would come from.



Psychographic	Demographic	Geographic
<ul style="list-style-type: none"> • Attitudes • Values • Culture • Buying Patterns 	<ul style="list-style-type: none"> • Age • Gender • Income • Home Value • Ethnicity • Family Type • Education 	<ul style="list-style-type: none"> • Market Areas • Cities • Counties • MSA's • Neighborhoods • Census Tracts

Demand: Target Markets



Three target markets were identified as being likely to live in Downtown Blacksburg: Urban Professionals, College and Post-Graduates, and Displaced Urbanites.

This study identified three categories of target market segments for market rate housing in Downtown Blacksburg. They are: Urban Professionals, College and Post-Graduate, and Displaced Urbanites. The most affluent of these households can afford the most expensive for-sale housing products, whereas the least affluent are likely to rent the least-expensive rental units.

Urban Professionals

This group tends to be highly educated, earn high incomes, and have a strong preference toward urban living. This segment tends to support cultural institutions, attend rock concerts, own the latest technology (e.g. laptops, handheld devices), read, travel, and eat ethnic food. Households tend to be civic-minded.

The Metropolitans group is likely to own their homes, and perhaps have children. Metro Renters are more likely to be singles or couples/roommates without children, and thus are more likely to rent or desire multifamily or townhome arrangements.

College and Post-Grads

This group actually consists of two separate and distinct groups: undergraduates (i.e. Dorms to Diplomas), on one hand, and post-graduates and young professionals (College Towns), on the other. Both have very low household incomes, but often supplement their income with money from parents or with student loans. As a result, their buying power tends to exceed other types of households with similar incomes. Both groups are very likely to rent and share housing/rent with roommates, though both statements are more true of undergraduates.

Displaced Urbanites

This group consists of a wide variety of households that, for reasons cultural or practical, are strong candidates for urban or—even more likely—*urbane* living, but currently live in suburban locations. The Young and Restless group is young, transient, single, and well-educated—an ideal market for Downtown Blacksburg, but one not currently present in the region. The In Style group is older and more likely to have children, but is culturally very similar to Urban Professionals. These groups are likely to be lured by new housing, and would be attracted to a downtown setting as long as sufficient lifestyle amenities are provided.

Potential Market Segments

Downtown Blacksburg

Tapestry Group/Segment	Median HH Income	% Owner	Average HH Size	Predominant Household Type
Urban Professionals				
Metropolitans	\$60,000	60%	2.09	Singles, Couples, Roommates
Metro Renters	\$56,000	10%	1.61	Singles, Roommates
College and Post-Grads				
College Towns	\$31,000	30%	2.06	Singles, Roommates
Dorms to Diplomas	\$19,000	10%	2.13	Singles, Roommates
Displaced Urbanites				
Young and Restless	\$46,000	15%	2.00	Singles, Roommates
In Style	\$71,000	68%	2.43	Couples, Families

Source: ESRI Business Analyst 2013. Data presented are national figures.

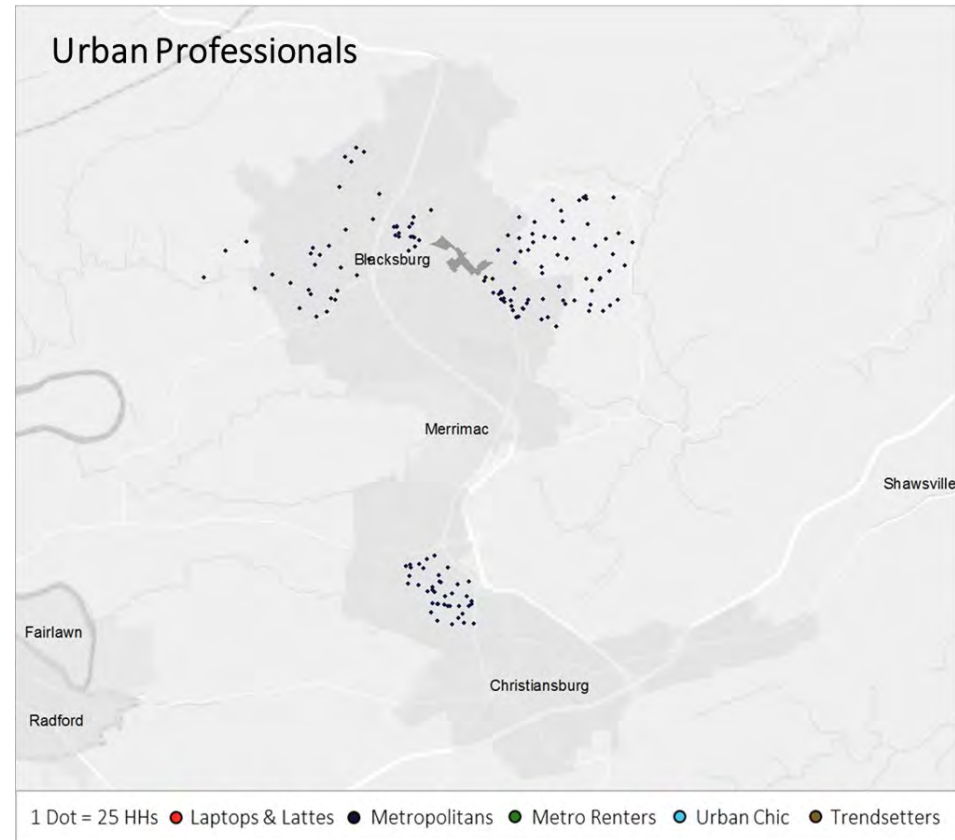
Demand: Urban Professionals



While downtowns are typically an attractive housing option for many urban professionals, few in Blacksburg call Downtown home. Attracting more such residents will require an aggressive development strategy that provides a wide variety of new supply.

Despite a propensity for urban professionals to locate within downtown areas, segmentation data indicates that few actually do in Blacksburg. Of the five segment groups that comprise urban professionals, only the Metropolitan group is present in the region, and only a portion of them are located near Downtown. Some segment of this group, particularly those currently living in Christiansburg, might be lured to Downtown if the right products are offered.

Another urban professional group that would be likely to locate in Downtown are the Metro Renters; however, they are not currently found in the region. The analysis of outmigration from Blacksburg later in this section indicates that this group is leaving Blacksburg for places with more urban amenities. Therefore, there is significant potential to retain them with improved downtown housing options.



Urban Professionals

- Close to work
- Trendiness
- Activity



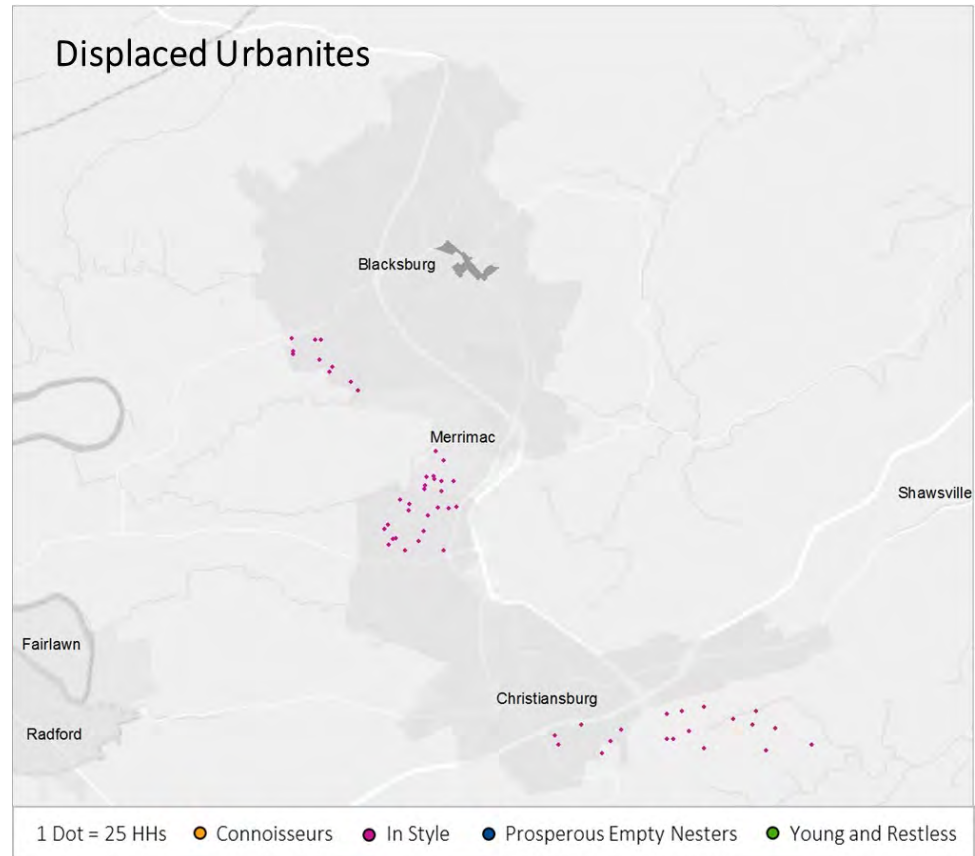
Demand: Displaced Urbanites



While this group has historically lived in the suburbs, a portion has shown a willingness to live in downtown and main street environments.

Residents in many market segments live disproportionately in suburbs, yet can be induced to live in urban or *urbane* environments. Development Strategies calls this group “displaced urbanites” and while many already live in more urban parts of the town, few live Downtown.

Many displaced urbanites prefer townhome living in traditional neighborhoods. This is evidenced in Blacksburg by the clustering of the In Style group in the Hethwood and Oak Tree communities. Yet some find low maintenance lifestyles appealing and would be willing to downsize to higher density condominiums or apartments. Appealing to this segment can be more challenging, but targeted investments that make downtown a more appealing place to live will help capture a portion of this deep market of higher income-earners.



Displaced Urbanites

- Close to Work/Culture
- Schools



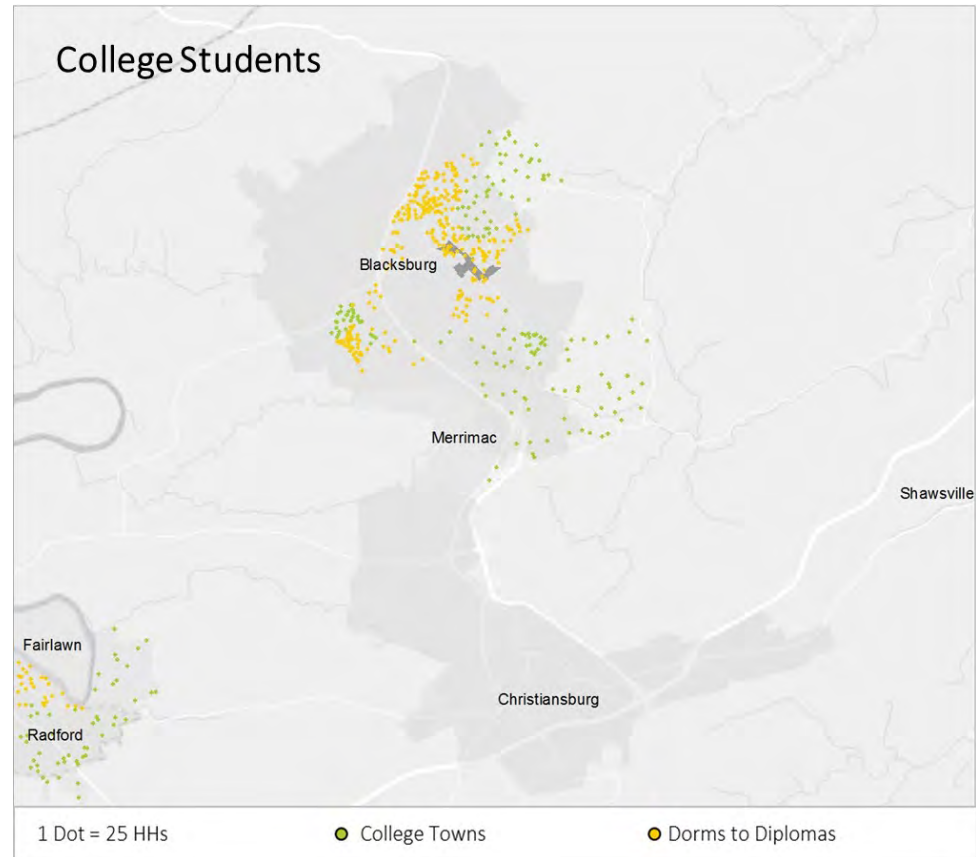
Demand: College and Post-Grads



The market for student housing will continue to put pressure on Downtown housing development unless alternate sites near the campus are made available.

Current housing in the area north of Downtown is dominated by multi-family developments for undergraduate students, although such housing development is restricted in Downtown itself. While demand for undergraduate student housing will remain strong and continue to put pressure on land costs, there is the potential to develop multi-family housing for graduate students in Downtown, given its close proximity to campus.

Unlike undergraduates, who tend to live with roommates, graduate students and recent graduates prefer living alone or with one roommate, so smaller units with one bedroom or two bedrooms are very marketable.



Demand: Target Market Analysis



Target market analysis yields theoretical demand for roughly 1,300 non-student housing units in Downtown. This number is dwarfed by the amount of student demand, but nevertheless would represent a substantial increase in downtown housing that would truly be transformative.

By applying a mathematical model to ESRI Tapestry™ data on market segmentation, Development Strategies arrived at the numbers shown in the table at top right, which offers a breakout of the number and types of households most likely to provide support for new and rehabilitated housing in Downtown.

The demand analysis indicated that approximately 1,300 non-student housing units (from the Urban Professionals and Displace Urbanites groups) could be supported within Downtown over the next 10 to 12 years. Other factors, such as development of more affordable housing, could push that number upward. On the other hand factors such as inadequate opportunity sites, unfavorable development economics, and failed product delivery can drive the number of units delivered to the market downward.

The majority of support for non-student housing in Downtown will come from urban professionals and displaced urbanites. Per the chart at bottom right, this represents just 32 percent of total demand, with a far greater amount of potential market support coming from undergraduate and graduate students. Development of products that target both graduate students and young professionals could greatly increase the amount of housing unit demand in the downtown.

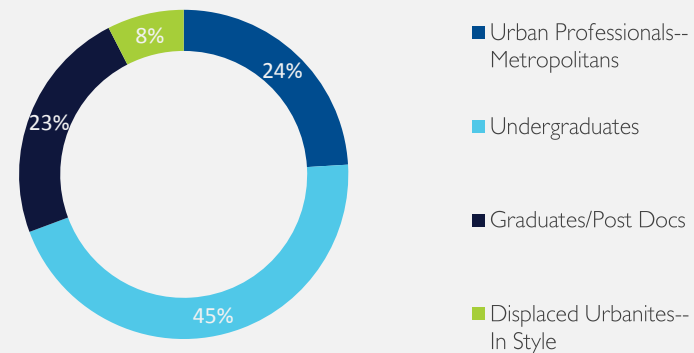
Target Market Segment Methodology - Implied Product Pricing
Downtown Blacksburg

Tapestry Group/Segment	Total Households	Implied Owner Households	Implied Average Price	Implied Renter Households	Implied Average Rent
Urban Professionals	1,013	608	\$230,000	405	\$1,150
Laptops and Lattes	0	0	\$350,000	0	\$1,800
Urban Chic	0	0	\$330,000	0	\$1,670
Metropolitans	1,013	608	\$230,000	405	\$1,150
Trendsetters	0	0	\$250,000	0	\$1,330
Metro Renters	0	0	\$210,000	0	\$1,170
College and Post-Grads	2,881	483	\$100,000	2,398	\$650
College Towns	975	292	\$120,000	682	\$900
Dorms to Diplomas	1,906	191	\$70,000	1,715	\$550
Displaced Urbanites	317	216	\$270,000	102	\$1,180
Prosperous Empty Nesters	0	0	\$260,000	0	\$1,120
Connoisseurs	0	0	\$460,000	0	\$2,020
Enterprising Professionals	0	0	\$260,000	0	\$1,170
Young and Restless	0	0	\$170,000	0	\$960
In Style	317	216	\$270,000	102	\$1,180
Totals	4,211	1,307	\$190,000	2,904	\$740

Sources: ESRI, Development Strategies 2015

Demand Distribution by Market Segment
Blacksburg

Sources: ESRI Business Analyst Tapestry Segmentes, Development Strategies, 2015



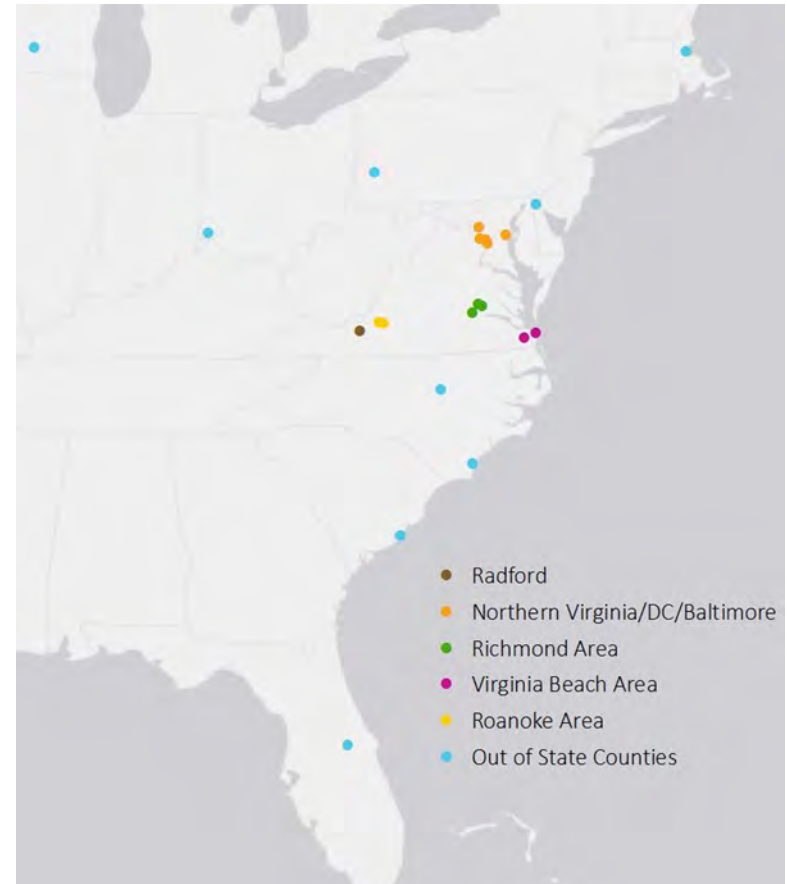
Demand: Outmigration and Leakage



While the existing regional market for downtown housing is limited, there is a sizeable potential market of households leaving Blacksburg for other cities. If the right product is offered, these residents may choose to stay or return to Blacksburg and locate in Downtown.

As a university town, Blacksburg has a large transient population. Undergraduate and graduate students, as well as faculty and staff, may leave for better opportunities or more desirable locations. While employment opportunities are often a major determinant, availability of desirable housing types can also play a role in the decision to stay or leave.

Using data from the American Community Survey, Development Strategies identified the places to which former Blacksburg area residents tend to move. The analysis focused on movers to areas with major urban centers, as individuals moving to suburban or rural locations would be unlikely to live in a downtown environment. The analysis indicated that many households are moving from Blacksburg to other major metropolitan areas in Virginia, including Washington, D.C.; Richmond; Virginia Beach; and Roanoke. A large contingent also made the short move from Blacksburg to the Radford area, while the remaining households moved to major metropolitan areas outside of Virginia, including Charlotte, NC; Madison, WI; Pittsburgh, PA; Boston, MA; and Cincinnati, OH.



Downtown Arlington, VA



Downtown Roanoke, VA



Downtown Madison, WI

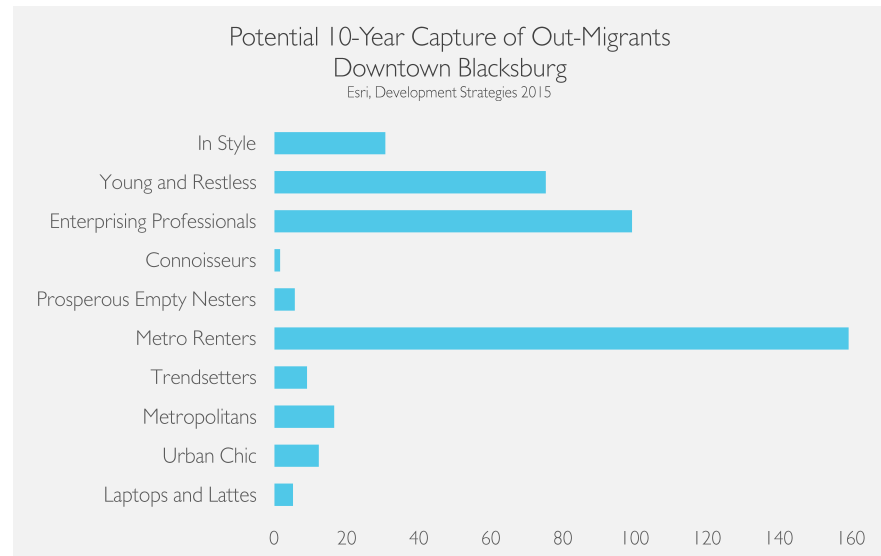
Demand: Outmigration and Leakage



Capturing a portion of out-migrants could generate theoretical demand for an additional 400 housing units within Downtown. A large percentage of these households would be from market segments not currently living in the Blacksburg area, setting the stage for a more diversified population and workforce in the long term.

Using the ESRI Tapestry™ data for the destination markets, Development Strategies applied the same model used for local market demand to determine the number of households currently leaving Blacksburg that are most likely to provide support for Downtown housing.

The demand analysis indicated that Blacksburg could potentially capture about 400 households currently leaving the area over the next 10 to 12 years. In particular, improved Downtown housing options could attract 160 Metro Renter households and nearly 100 Young and Restless households—demographics that are not currently locating in the Blacksburg area.



Target Market Segment Methodology - Implied Product Pricing Migration Markets

Tapestry Group/Segment	Total Households	Implied Owner Households	Implied Average Price	Implied Renter Households	Implied Average Rent
Urban Professionals	203	39	\$250,000	164	\$1,200
Laptops and Lattes	5	2	\$350,000	3	\$1,800
Urban Chic	12	8	\$330,000	4	\$1,670
Metropolitans	17	10	\$230,000	7	\$1,150
Trendsetters	9	3	\$250,000	6	\$1,330
Metro Renters	159	16	\$210,000	143	\$1,170
Displaced Urbanites	213	84	\$250,000	128	\$1,070
Prosperous Empty Nesters	6	5	\$260,000	1	\$1,120
Connoisseurs	2	1	\$460,000	0	\$2,020
Enterprising Professionals	99	46	\$260,000	54	\$1,170
Young and Restless	75	11	\$170,000	64	\$960
In Style	31	21	\$270,000	10	\$1,180
Totals	415	123	\$250,000	292	\$1,140

Sources: ESRI, Development Strategies 2015

Demand: Conventional Analysis



Conventional market analysis yields insight into key price points that are affordable to portions of the market. Homes priced at \$260,000 have significant support, as do apartments with monthly rents ranging from roughly \$1,000 to \$1,250.

A number of methods are used to quantify housing demand for Downtown Blacksburg. Target market analysis, using market segmentation data, is the best practice approach relied on most heavily for this study. That having been stated, conventional market methodology, using primary market areas, still offers some value in understanding local market conditions and depth of demand.

A conventional analysis of the Blacksburg market areas—which is more demographically representative, at present, of those willing to move downtown than those *currently living downtown*—is illustrated in the charts at right and on the following page, which show the likely for-sale and rental housing price points for each of the three market areas.

Analysis of incomes and affordability yield three likely price points for for-sale housing:

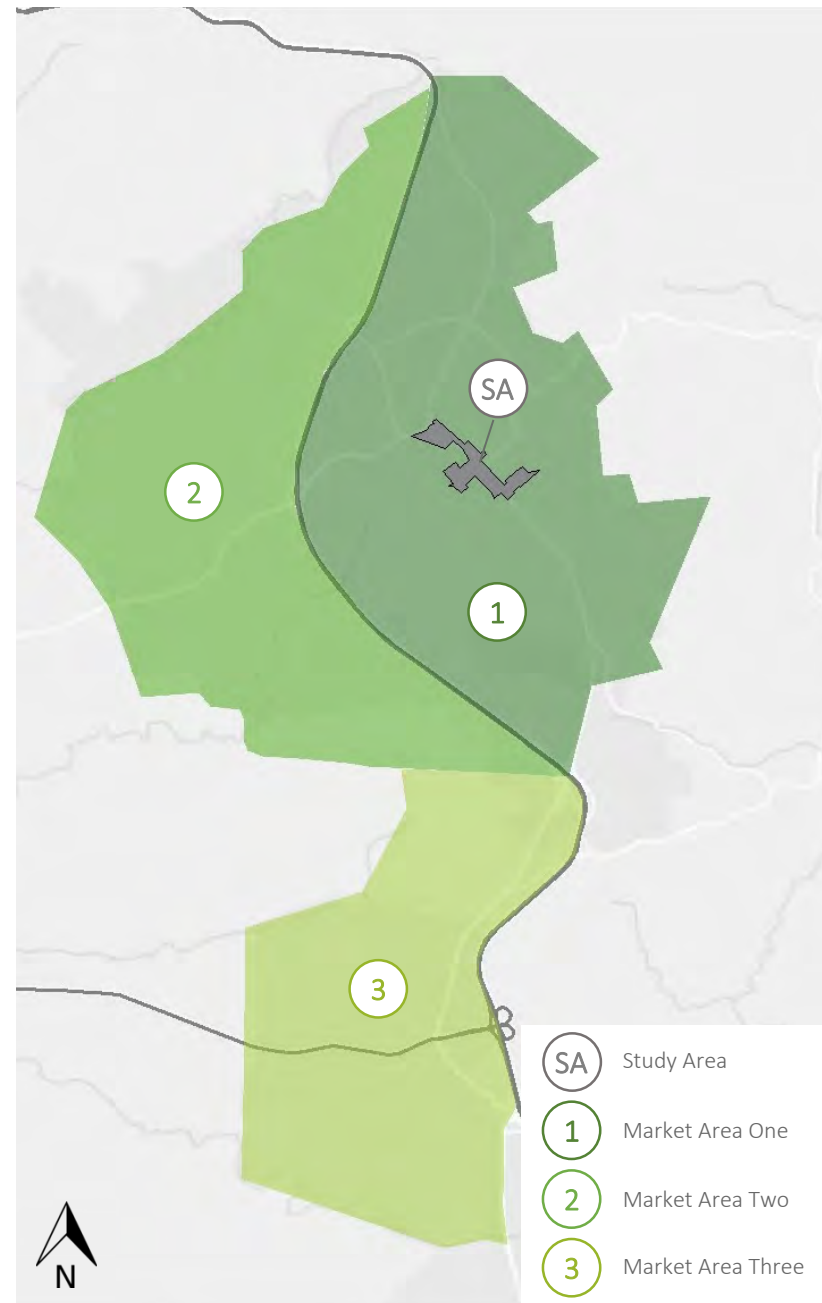
- \$190,000
- \$260,000
- \$350,000

Though there is demand for products priced at \$170,000 and below, private developers cannot generally deliver homes to the market at these prices.

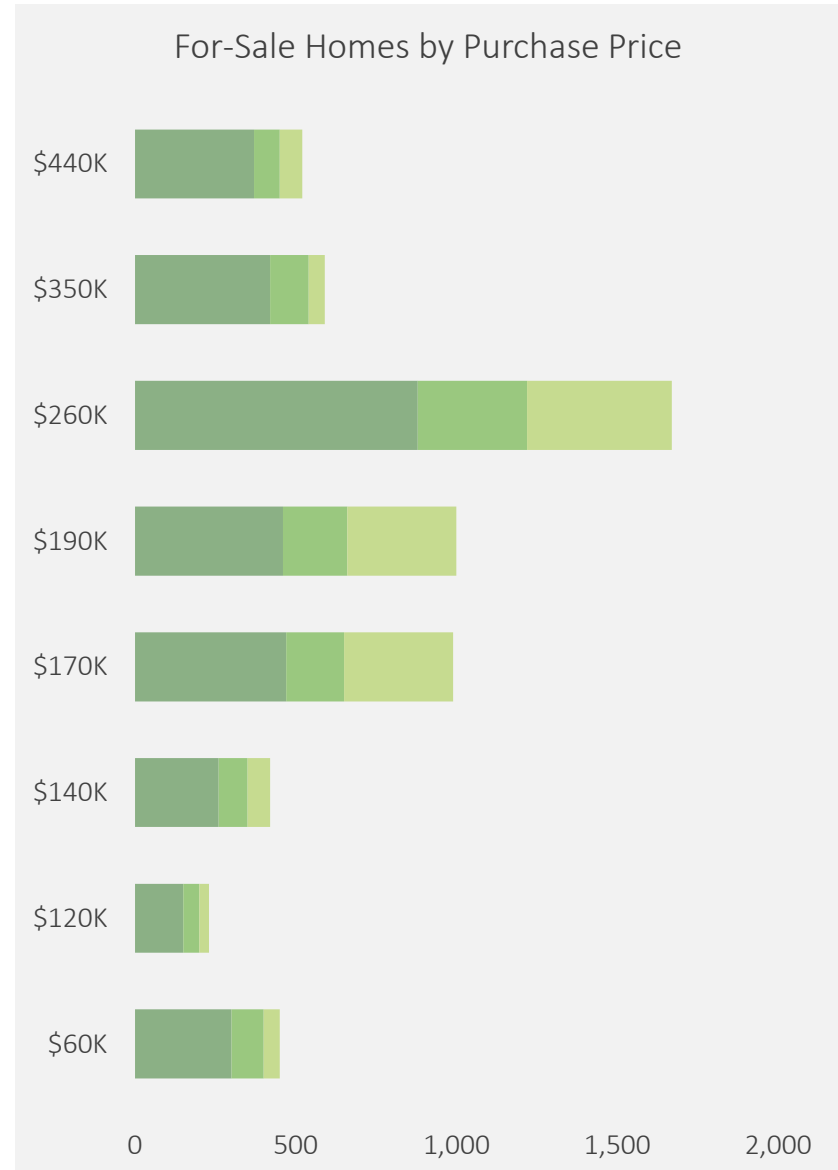
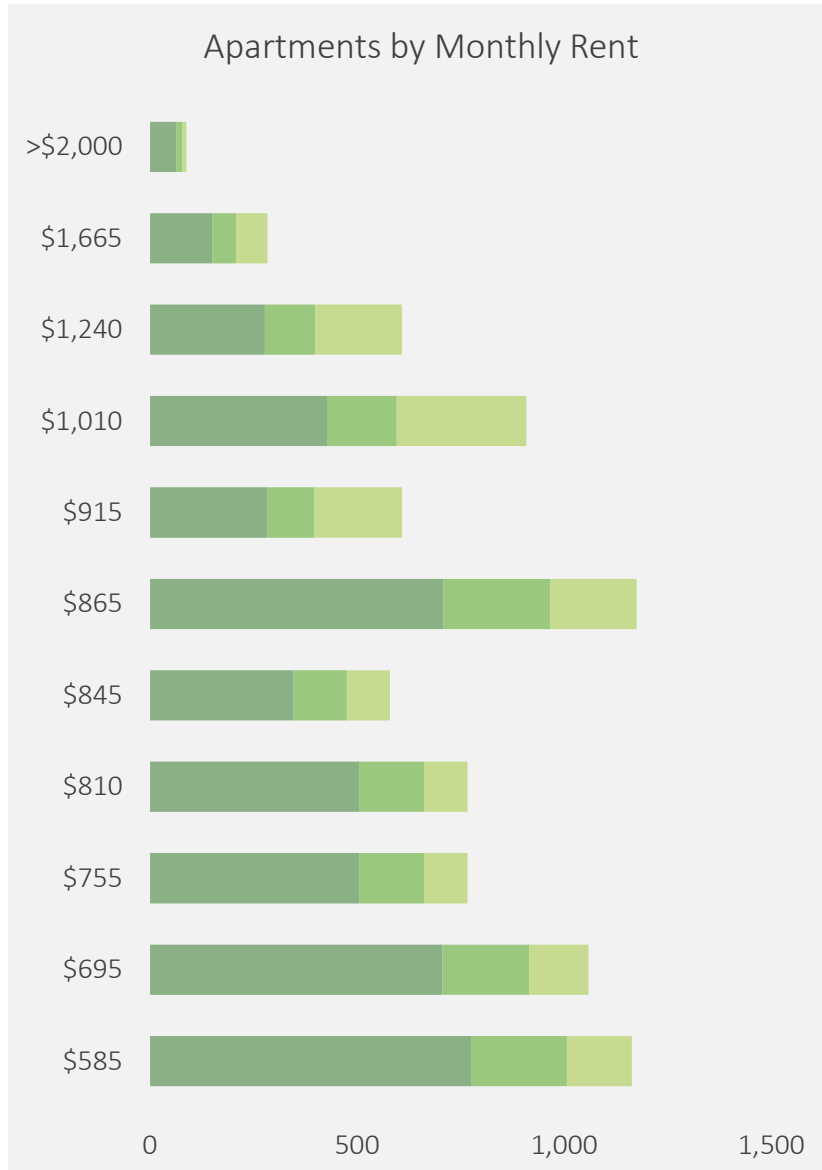
A similar analysis was conducted for rental housing, yielding the following key monthly market rate rent ranges:

- \$810 to \$915
- \$1,010 to \$1,240
- \$1,665

Monthly rents below this range are generally considered affordable, and rents above this range are affordable by very few.



Home Affordability for Apartments and For-Sale Homes Market Areas One, Two, and Three



Not shown in the chart: nearly 5,000 housing units are in demand at or below \$500 per month.

Demand: Student Housing



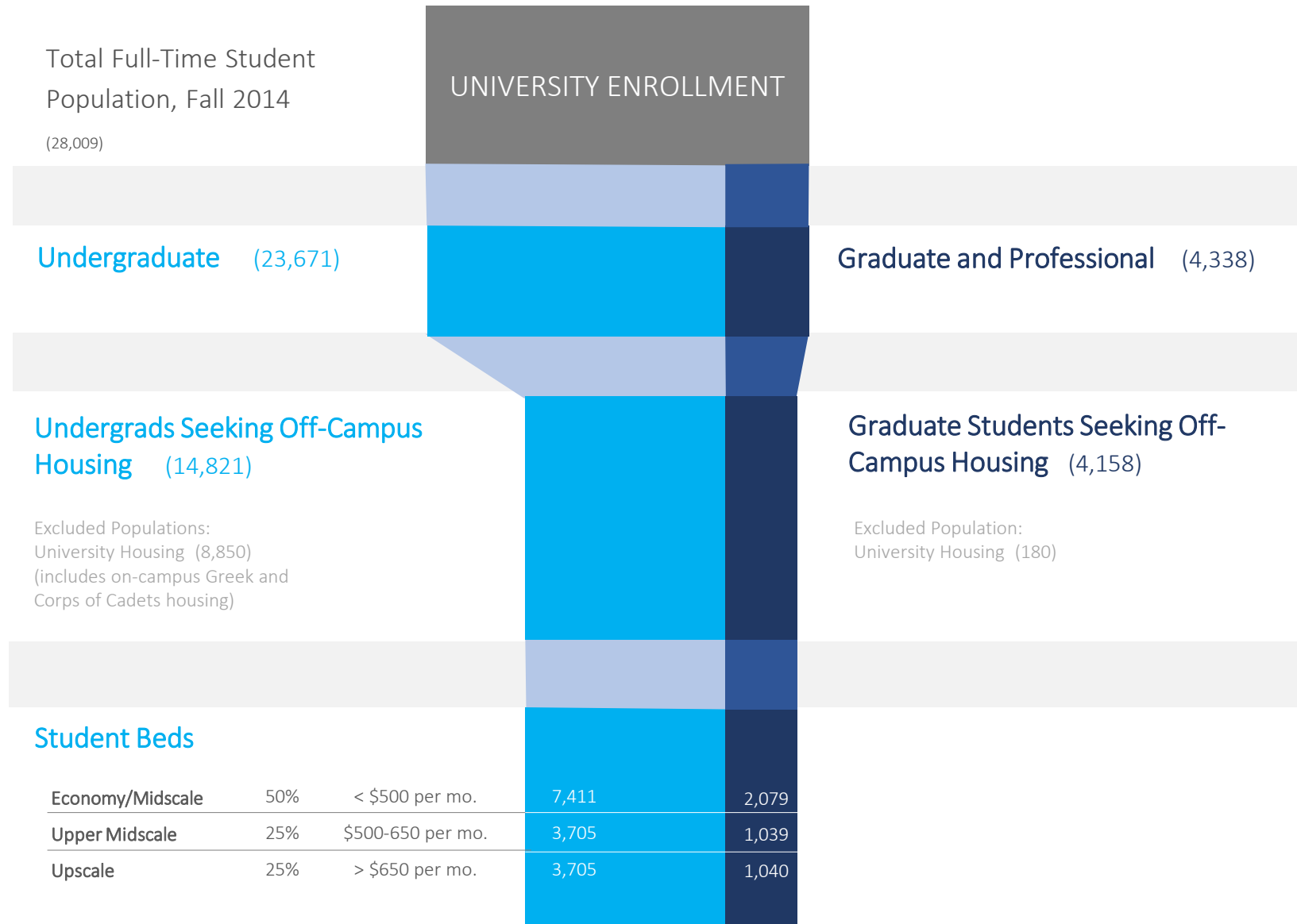
The demand for student housing is the major driver of residential development in Blacksburg. The upscale student housing market could currently support nearly 5,000 beds, an amount that remains largely unmet, driving up speculation for land that could accommodate student housing.

The diagram on the following page demonstrates the sources and magnitude of student housing demand. The majority of demand comes from undergraduate students, although there is ample demand from graduate students, particularly since there is very limited university-provided graduate housing. Taking into account the current supply of approximately 500 beds and the expected 1,200 beds being developed now, an additional 3,000 beds will need to be developed to meet the current demand for upscale off-campus student housing.

Approximately half of the students seeking off-campus housing—roughly 9,500 students—will be willing to pay \$500 or less in rent and will look for midscale quality apartments. Another 25 percent—approximately 4,750 students—will be willing to pay \$500 to \$650, corresponding to the rents at newer properties such as The Edge and Smith’s Landing. The final 25 percent of students will be willing to pay more than \$650, which exceeds the typical rent at student-oriented properties and is more in line with upscale rentals in Downtown such as Jackson Square and Lofts at the Lyric. This market has the lowest available supply and has the greatest potential for new development.

The demand for student housing is creating significant pressure on land costs around the Virginia Tech campus, including in Downtown. Unless this pressure is alleviated elsewhere in the town, it will continue to challenge the development of non-student-oriented housing in Downtown.





Source: Virginia Tech Office of Institutional Research and Effectiveness (www.ir.vt.edu)

Demand: Employment-Based



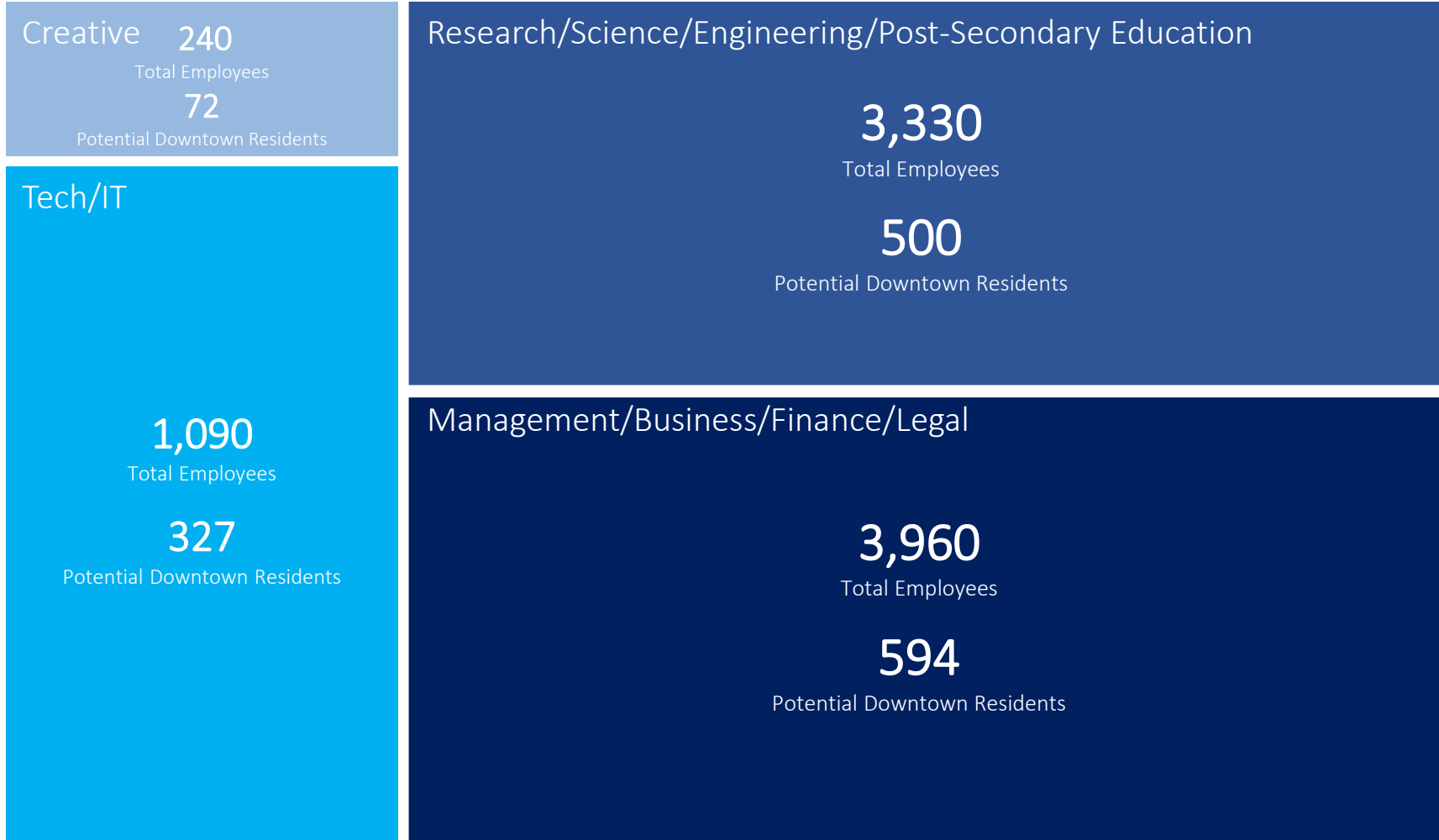
National trends and local survey data suggests that employees in certain types of occupations have higher rates of demand for downtown living. Based on current employment numbers, Downtown could potentially capture 1,500 residents from a variety of occupations, including ones that are growing in the region such as tech and IT.

Just as factors such as age, income, and consumer behavior can suggest an individual's likelihood to live in a downtown environment, so too can their occupation. The same young professionals who are expressing a preference for downtown living are overrepresented in certain types of occupations. An analysis of occupational distribution can therefore provide another method of quantifying demand for Downtown living.

The diagram on the following page illustrates the number of employees in different occupation types in the Blacksburg MSA as well as the number of potential Downtown residents that could be captured from each group. Different capture rates were applied to different groups of occupations based on employees' likelihood of living Downtown. The capture rates were informed by national trends as well as the results of the Blacksburg employee survey discussed earlier.

The analysis suggests demand for 1,500 Downtown housing units among current Blacksburg area employees. Employees in tech/IT and creative occupations are more likely to live in Downtown, but since they make up a relatively small proportion of the area workforce, they will only demand about 400 of those units. The demand for the remaining 1,100 units will come from employees in research/science/engineering/post-secondary education occupations (primarily Virginia Tech faculty and staff) and management/business/finance/legal occupations. These different groups will likely demand different housing products at different price points, suggesting that a variety of housing types could be supported in Downtown.





Sources: Bureau of Labor Statistics (May 2013), DEVELOPMENT STRATEGIES 2015

Demand: Affordable Housing



Quality affordable housing is generally in undersupply, particularly in Blacksburg. If sites are made available, an additional 150 units would likely be well-supported in the marketplace.

In the case of Downtown Blacksburg, quantification of demand for market rate housing requires, by necessity, greater sophistication, as housing in the neighborhood will need to target and be marketed to specific demographic groups. Essentially, Downtown Blacksburg must target tenants who are willing to sacrifice some amount of space (in terms of square footage) in exchange for lifestyle amenities and/or proximity to work and school.

Demand analysis for affordable housing, on the other hand, is less complex, since there is constant need for quality affordable housing. If a quality product is offered at below-market rents that fall within a particular economic groups' affordability range, substantial demand is likely to exist. Therefore, affordable demand analysis relies on a more conventional methodology. That is, a primary market area from which 80 percent of demand will be generated is determined, and the number of eligible and qualified residents is quantified based on income, household size, and tenure.

To determine market demand, a potential program of 150 affordable units was created to test the level of market depth that could support such a project. It is assumed that qualifying tenants may earn up to 60 percent of area median income (AMI). However, additional product could be supported if housing for other income groups (i.e. 50% AMI) is provided.

Based on demand analysis of the potential program, 150 units would generate reasonable penetration and capture rates (essentially, measures of risk evaluated by lenders). Additional affordable housing could be added in later phases, following lease-up and absorption of a first phase.

Potential Affordable Housing Program

Downtown Blacksburg

Bedrooms	Number	Net Rent	Gross Rent	Gross Rent Limit
60% AMI				
1 BR	50	\$600	\$690	\$782
2 BR	75	\$700	\$810	\$939
3 BR	25	\$850	\$980	\$1,084

DEVELOPMENT STRATEGIES 2015. Gross Rents include utility expenses of \$90, \$100, and \$130 for 1, 2, and 3 BR units, respectively. The Gross Rent Limit for 2014 is set by HUD.

Summary of Demand from Income-Qualified Households (60% AMI)

Downtown Blacksburg Primary Market Area for Affordable Housing

	1 BR Units	2 BR Units	3 BR Units	TOTAL DEMAND
ESRI Estimate of 2014 Qualified Households	1,564	1,761	1,840	3,695
Renter Household Ratio	65%	65%	65%	65%
Household Size Ratio	45%	60%	30%	97%
Qualified Renter Households	457	687	359	2,330
Units Serving Income Group	50	75	25	150
Demand from Primary Market Area	80%	80%	80%	80%
Units Serving Primary Market Area	40	60	20	120
Penetration Rate - Single Year <i>(Units ÷ Qualified Renter HHs)</i>	8.7%	8.7%	5.6%	5.2%
Estimated Annual Unit Turnover	40%	40%	40%	40%
Annual Demand from Existing Households	183	275	144	932
ESRI Projection of 2019 Qualified Households	1,309	1,737	1,988	3,127
Renter Household Ratio	65%	65%	65%	65%
Household Size Ratio	45%	60%	30%	97%
Projected Five-year Increase in Demand	(75)	(10)	29	(358)
Projected Annual Increase in Demand	(15)	(2)	6	(72)
Total Qualified Households in Market Annually	168	273	149	860
Units Serving Primary Market Area	40	60	20	120
Capture Rate - Single Year <i>(Units ÷ Qualified Renter HHs)</i>	23.8%	22.0%	13.4%	13.9%

Sources: DEVELOPMENT STRATEGIES, ESRI, 2015

Demand: Peer City Housing Growth



Relative to the amount of demand identified in this report, actual development of housing in Blacksburg and its peer cities falls well short. While this may mean that expectations need to be tempered, it also indicates partnerships are likely needed to get over the hurdle of development costs for some initial catalyst projects.

The identification and benchmarking of peer cities is an excellent “check” to other forms of demand analysis in quantifying an order-of-magnitude amount of housing that is supportable over a period of time—as well as a means of understanding the types of people who are moving downtown. A number of peer cities were identified—based largely on location, size and population of metropolitan area, and the presence of a large university. They include nearby Charlottesville, as well as Ithaca, NY, State College, PA, and West Lafayette, IN.

Data on the number of multi-family housing units built in the Blacksburg MSA and its peer metropolitan areas between 2000 and 2012, as well how many units were added in the downtown neighborhoods of each city, was collected from the American Community Survey and the Census’ Building Permit Survey. The data indicate that while the Blacksburg metro area is adding housing units at a pace comparable to its peers, it is lagging in terms of the number of housing units added to its downtown. The Town added less than 20 housing units to the downtown area between 2000 and 2012, while its peer cities added 50 to 250 units during the same period.

Downtown Blacksburg captured the lowest percentage of new regional housing units among its peer downtowns—roughly one percent. If it were to have captured the nine percent that Ithaca did over the same time period, this would have translated into nearly 160 housing units.



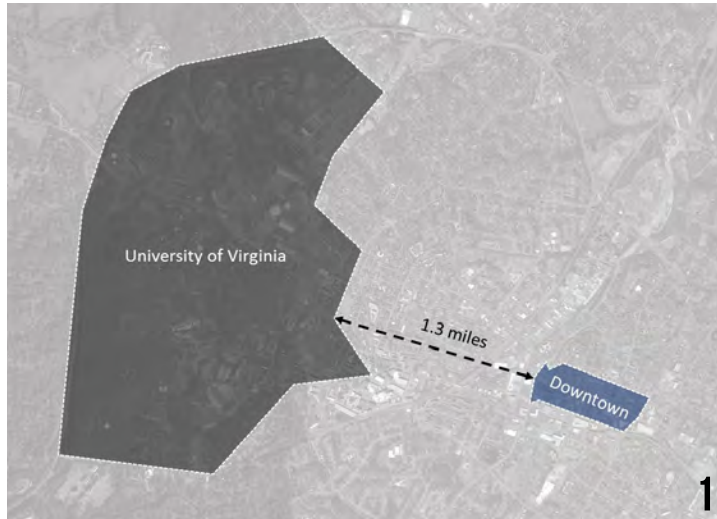
Charlottesville



State College

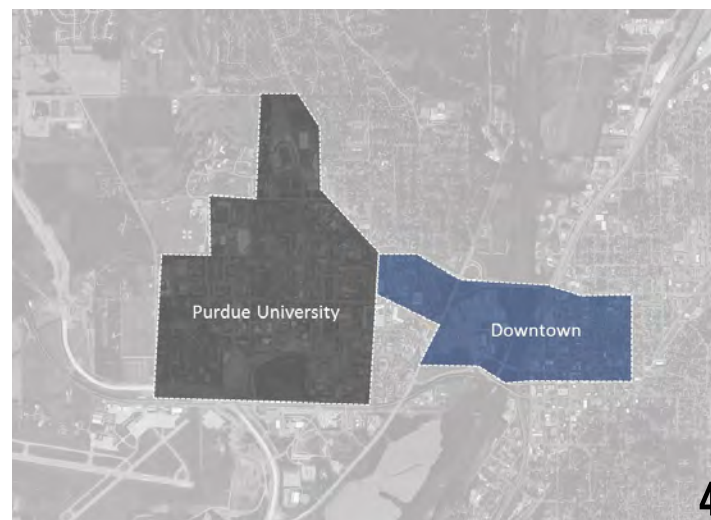
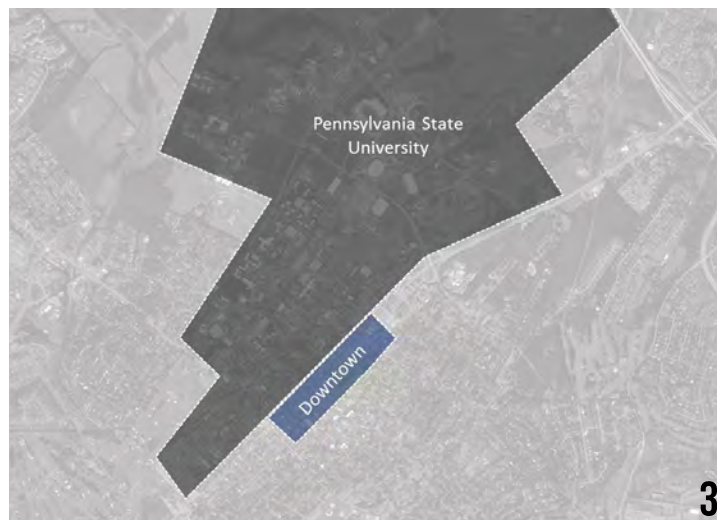
PEER DOWNTOWNS

In relation to university campuses



[1 | Charlottesville, VA](#)

[2 | Ithaca, NY](#)

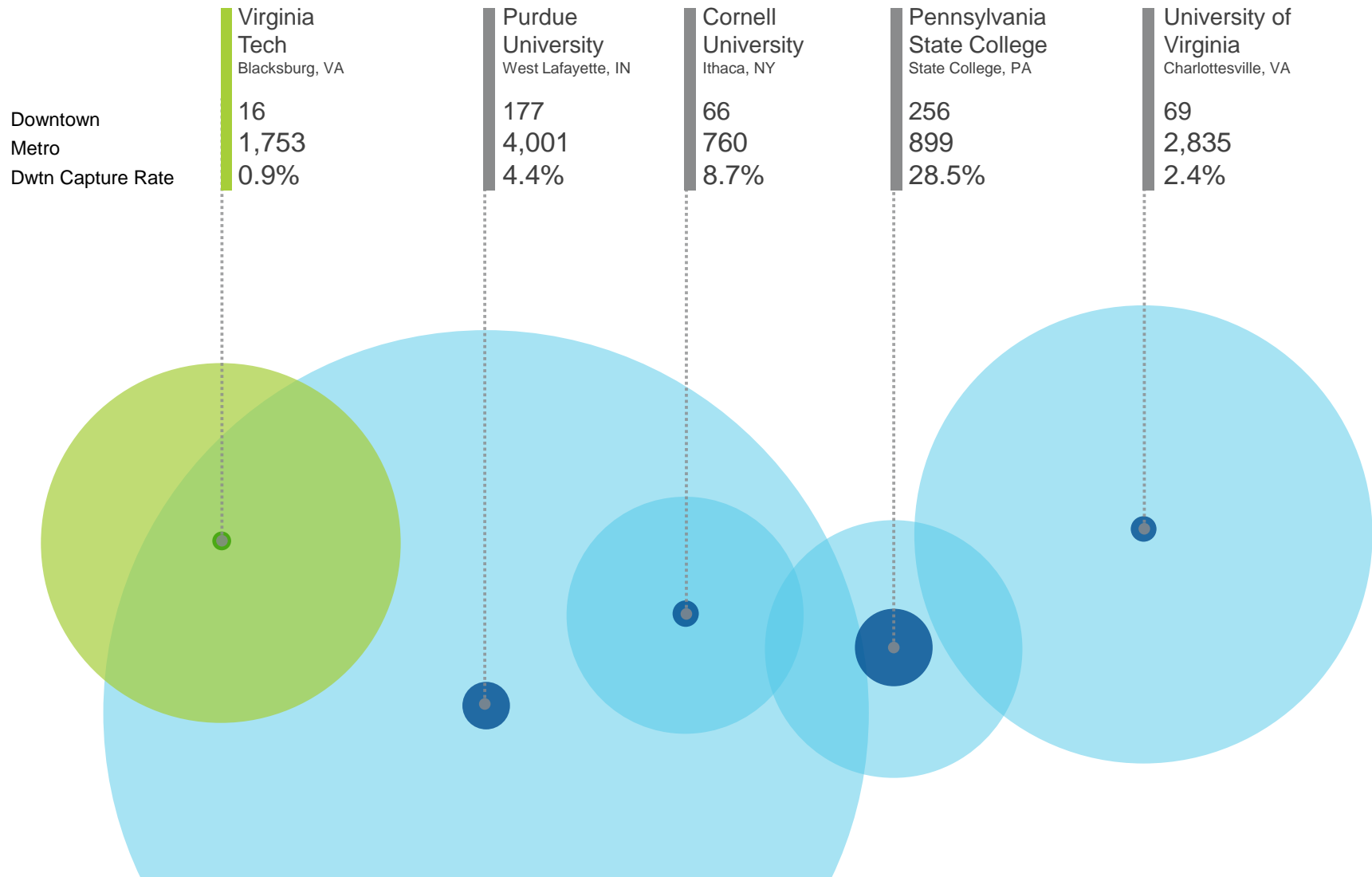


[3 | State College, PA](#)

[4 | West Lafayette, IN](#)

HOUSING UNITS ADDED 2000-2012

Source: ESRI, 2015



Reconciliation of Methods

A number of different methods were used to determine the amount, type, and pricing of future housing demand for Downtown. Ultimately, a total of 500 to 750 market rate housing units are deemed supportable over the next 10 to 12 years.



TARGET MARKET

- 1,000-plus units of demand from 30-45 professional demo
- Mostly townhomes at Uptown
- \$225,000 average price point means most demand cannot be met
- Rents of \$850 to \$1,100/month most marketable



CONVENTIONAL

- Market for \$260K housing is deep; largely for townhomes and SF
- Market for \$190K housing is moderate; needs to be condo if downtown
- Market for \$1,000 to \$1,250/month rents is sizeable
- Deep demand for rentals between \$865 and \$915/month



OUTMIGRATION

- Market varied, but driven by 25-40 demographic
- 400-plus units over 10-12 years
- 2/3 rental units
- \$950-\$1,200/month rents



EMPLOYMENT

- 15% of conventional office occupations want to be downtown
- 35% in creative occupations
- 1,500 units of demand over 10 years
- 400 likely willing to be pioneers



STUDENT HOUSING

- Roughly 5,000 upscale beds in demand
- Market is delivering roughly 1,200 of those



PEER CITY

- 150 to 250 non-student units the most that was achievable in the last decade
- Underscores challenge of delivering products to meet actual demand



AFFORDABLE HOUSING

- Over 2,000 qualified rental households
- Monthly rents of \$600 and \$700 for one and two-bedroom units

Chapter Eight
MARKET STRATEGY

Market Strategy: Overview

A market strategy, built on the findings of a market analysis, matches housing products with available sites and markets to recommend the most successful development plans.

A market strategy ensures that the right types of products will be delivered to the right markets, thereby reducing risk to developers and the public sector while increasing the likelihood of lasting, sustainable development and communities. A market strategy builds on the program derived from market analysis, molding it into a strategy that takes advantage of a community's or site's assets—resulting in development that is distinctive, integrated, and economically successful. By leveraging investments in place and the public realm, sound design, traffic-generated anchors, and coordination of complementary uses, a development, district, or community can be created that is greater than the sum of its parts.



MARKET STRATEGY

In the case of downtown Blacksburg, five categories of market strategy have been identified:

- Placemaking
- Creation of **development products** that are aligned with target markets
- Encouragement of development products within **targeted districts**
- **Housing synergies** with retail and business development efforts
- Leveraging of **institutional investments**



Market Strategy: Placemaking and Value Creation

Continuing to develop a strong sense of place will play a critical role in the success of Downtown development, as it has a direct effect on the desirability of living and working in Downtown and by extension can positively impact property values and real estate revenues.

An important intervention in the physical realm that can lead to enhanced performance of private enterprise involves continuing to realize more of Downtown as a place with walkable, livable, human-scaled streets and a strong sense of place. Significant strides have been made in this regard along College Avenue and Main Street, so a continuation is needed and will require a coordinated effort between the public, private, and institutional sectors.

Over the past decade, a measurable positive market response has been well-documented in areas with great character and placemaking principles (i.e., main streets, town centers, walkable neighborhoods, historic districts, transit-oriented development) in the form of value appreciation for property owners, greater retail traffic, greater desirability as a location for employers and employees, and greater real estate revenues (which make quality development more economically viable).

Main Street Model

Many of the most rapidly-revitalizing communities across the nation are leveraging their historic main streets as assets that increase retail traffic as well as demand for housing (and thus retail sales and home values). Significant strides have been made along College Avenue and portions of Main Street. Continuing these efforts along Main Street, between Turner Street and Prices Fork Road, as private development allows, will enhance the marketability of downtown. In particular, creating an inviting sense of enclosure with multistory buildings, along with inviting streetside zones and street furniture will be value-creating efforts.

Gateways and Branding

The Blacksburg economy is best-served by a Downtown that is thriving, mixed-use, and walkable. Its brand will be enhanced at its key entrance points—its gateways. These include the traffic circle at Prices Fork and Main Street, as well as the middle school site at Main Street and Eheart. In the case of Prices Fork, redevelopment in the form of multistory development that addresses the street is needed. The middle school site, conversely, presents an opportunity for new development and public space that signals the entrance into a distinctive place that is at the heart of Blacksburg’s identity and character. Both would be well-served by signage and public art.



Placemaking investments along College Avenue have created value that can be leveraged over an entire district.

Market Strategy: Development Products and Typologies

Using the analysis performed in earlier chapters, a number of development products were identified which would be marketable to different consumer segments in the different Downtown districts.

A thorough analysis of housing and retail supply, demand, consumer preferences, case study, and location considerations was undertaken to determine marketable development products for Downtown. Ultimately ten development products were established as part of a market strategy to identify products that are aligned with specific segments of consumer demand. Some of these products have relatively deep levels of demand, whereas others are limited. Each must further be feasibility-tested (discussed in the next chapter) to determine if there are barriers of cost in delivering them to the market. While certain products, such as undergraduate student housing, may be considered strategically important to locate elsewhere for policy reasons, each marketable product has been identified as a means of better understanding the market for housing in Downtown Blacksburg. Following is a summary of each:

Graduate/Young Professional Apartments

One model not currently present in Blacksburg is a large-scale apartment development that specifically targets graduate students. Such a project would be marketable in portions of Downtown, including the area identified as Advanced Degree Village. Relative to undergraduate housing, emphasis would be placed on studio, one-bedroom, and some two-bedroom units. Units could be relatively small, about 600 square feet, and could achieve relatively high rents at \$1.50 per square foot. Compared to undergraduate student housing, the number of parking spaces per unit is lower, because graduate students have relatively fewer roommates. An example of such a project can be found at the South Campus Gateway in Columbus, Ohio.

Mid-Career Apartments

Another model not present in the Blacksburg market are apartments for mid-career professionals. Such units would be larger with higher quality finishes and amenities than those for young professionals and graduate students, and would command a higher price point, around \$1.90 per square foot. This product primarily targets couples without children, in the 35-50 year age range, who may have a temporary professional tenure in Blacksburg and desire the access to and dynamism of Downtown living. As with graduate and professional apartments, the tenant make-up requires fewer parking spaces per unit. An example of such a project is the new Seneca Way development in Ithaca, NY.

Upscale Undergraduate Housing

Upscale market rate undergraduate housing has been a highly successful development product near campus environments across the country, including Blacksburg. Newer developments, such as The Edge, achieve rents between \$670 and \$750 per month (per person)—approximately \$1.70 per square foot.

Given the proximity of several sites in Downtown, relative to campus, it is almost certain that student housing rents can match or exceed those of The Edge, and combining this with structured parking would increase development density. Demand for this type of product is deep.

Off-Campus University Housing

In this instance, Virginia Tech would effectively offer some of its students who seek a university-controlled housing option an off-campus alternative. The property would have full apartments, with complete kitchens, and charge an annual rent that is at the high end of the amount of money charged for two semesters of room fees. Students would get an extremely high-quality living environment that would look and function like an authentic mixed-use

apartment, ideally in an appealing urban environment. In this way, it is differentiated from a typical “dorm” environment, and targets a more independent (i.e., non-freshman) student. A recent case study includes the Lofts at WashU, which are located in St. Louis’s Delmar Loop, near Washington University. On a per square foot basis, rents are quite high, enabling high-quality construction, structured or underground parking, anchor retail tenants, and top-notch security.



Graduate/Professional Housing

Average Monthly Rent
\$900

Rent/ Square Foot
\$1.50

Avg. Unit Size (SF)
600

Units/Acre
50

Parking Spaces/Units
1.25

Depth of Market
Deep



Mid-Career Apartments

Average Monthly Rent
\$1,800

Rent/ Square Foot
\$1.90

Avg. Unit Size (SF)
950

Units/Acre
50

Parking Spaces/Units
1.5

Depth of Market
Moderate



Upscale Undergraduate Housing

Average Monthly Rent
\$2,840

Rent/ Square Foot
\$1.85

Avg. Unit Size (SF)
1,550

Units/Acre
35

Parking Spaces/Units
3.6

Depth of Market
Deep



Off-Campus University Housing

Average Monthly Rent
\$1,570

Rent/ Square Foot
\$2.80

Avg. Unit Size (SF)
560

Units/Acre
40

Parking Spaces/Units
2.0

Depth of Market
Deep

Young Professional Condominiums

One option that is likely to become more viable, following a fuller recovery in the for-sale market, is condominiums that target young professionals. A product that is priced near or below \$220,000 is likely to have the greatest amount of market depth. They appeal to a non-student demographic, which could fulfill a policy goal of the Town. In order to appeal to the broadest market possible, a quality product is needed that is a “step up” from apartment properties, but should not have luxury finishes or services that add too significantly to building cost (and thus push up sale prices).

Mid Career Condominiums

Similar to mid-career rental apartments, larger and higher quality for-sale condominiums could be marketed to couples seeking an urban living environment. The market for these for-sale units in Blacksburg is not as deep as that for rental units, but a product at the \$330,000 price point would be marketable. A recent example is 401 West Franklin in Chapel Hill, another university-town market that has become increasingly appealing to a broad spectrum of professionals.

Upscale/Gameday Condominiums

This product type is characteristic of the majority of condominium development that has occurred in Downtown Blacksburg in the past fifteen years. They include large unit sizes and upscale finishes, with a price point of \$500,000—around \$220 per square feet.

The market for this product is modest, consisting primarily of retirees and “game-day” buyers looking for a second home in Blacksburg with easy access to Virginia Tech and other Town amenities. As many residents do not live in Blacksburg year-round, such a product contributes limited vitality to the Downtown environment.



Young Professional Condo



Mid-Career Condo

Average Sale Price	Average Sale Price
\$220,000	\$330,000
Sale Price/ Square Foot	Sale Price/ Square Foot
\$190	\$200
Avg. Unit Size (SF)	Avg. Unit Size (SF)
1,150	1,650
Units/Acre	Units/Acre
25-45	25-35
Parking Spaces/Units	Parking Spaces/Units
2.0	-
Depth of Market	Depth of Market
Moderate	Modest



Game Day Condo

Average Sale Price
\$500,000

Sale Price/ Square Foot
\$220

Avg. Unit Size (SF)
2,300

Units/Acre
30

Parking Spaces/Units
-

Depth of Market
Modest



First Time Townhomes/
Dense SF Homes

Average Sale Price
\$215,000

Sale Price/ Square Foot:
\$140

Avg. Unit Size (SF)
1,500

Units/Acre
5-10

Parking Spaces/Units
2.0

Depth of Market
Moderate



Downsize Townhomes/
Dense SF Homes

Average Sale Price
\$350,000

Sale Price/ Square Foot:
\$190

Avg. Unit Size (SF)
1,800

Units/Acre
5-10

Parking Spaces/Units
2.0

Depth of Market
Moderate

First Time Townhomes

While townhome products in Downtown may not be the highest and best uses of land, they generally have a deeper pool of demand as more people want to live in single family homes than in multifamily properties. The area identified as Uptown would be a particularly marketable site for this product (as well as for the empty nester/mid-career townhome product described below).

Smaller starter homes, priced at around \$215,000, would appeal to young couples and families wanting the comfort of a house with easy access to Downtown. The density of townhomes would fit with the general design of Downtown development. While no product with these exact characteristics exists in Blacksburg, the design and price point of Echols Village is similar.

Empty Nester/Mid-Career Townhomes

A larger, higher-quality, more expensive townhome product is another for-sale model that could be developed in or near Downtown. This product could be successful at the \$350,000 price point—around \$190 per square foot. It would attract retirees looking to resettle permanently in Blacksburg or local empty-nester couples downsizing from a larger single family home who want to still live in a house but would enjoy the proximity to Downtown’s amenities. The Fiddler’s Green development just south of Downtown offers a similar type of housing product, although it is not as accessible to Downtown.

Market Strategy: District Product Alignment Strategy

Providing the right product at the right location to target specific market segments greatly increases the likelihood of a successful development project.

A broad range of for-sale and rental housing products could be offered in Downtown —taking advantage of specific site opportunities and existing neighborhood assets—in order to maximize the community’s potential.



Market Strategy: Retail Anchors

Housing development rarely exists in a vacuum. Just as an inviting public realm can improve the marketability of housing development, so too can synergies be found with retail and employment.

With respect to retail, anchor tenants that enhance the lifestyle options of downtown residents (i.e., reduce their dependence on the automobile) are the ones that will be most value-adding. Chief among these is an urban grocer. Operators such as Lucky's Market have shown a willingness to locate in college towns. Their emphasis on natural and prepared foods would be well-received by both students and non-student downtown residents. A location near the intersection of Prices Fork and Main would provide the best combination of vehicle access and foot traffic. However, such tenants typically require below-market rents, so a public-private or institutional-private partnership is likely necessary.

Other potential tenants that would enhance the marketability of downtown as a residential neighborhood include a bookstore (perhaps through a partnership with Virginia Tech as a university bookstore) and restaurant options that appeal to a non-student demographic. Attracting such retail amenities, likely in partnership with Virginia Tech, would be an effective market strategy that encourages downtown housing development.



Retail anchors can enhance housing marketability, and often be incorporated into mixed use developments in university districts. Lucky's Market has been willing to locate in university districts in places like Boulder, Colorado and Columbia, Missouri.

Market Strategy: Business Development Synergies

Great synergies can be leveraged with creative, tech, and start-up firms, which can provide market support for downtown housing.

A number of businesses in growing industries have found it strategically important to be downtown, and for their employees to have downtown living options. This study surveyed the employees of Modea and TechPad, and found that 75 percent are between the ages of 18 and 34, and 37 percent would consider moving downtown, if the right options were offered.

This study further demonstrated that a number of young, talented professionals are leaving Blacksburg for cities with, among other things, more and better downtown or urban housing options. As a result, adding more downtown housing that targets professionals, particularly those in creative and growing tech occupations, will help companies attract and retain talent. Finding ways to accommodate the growth of such companies within the downtown, in conjunction with downtown housing development, is likely to boost the marketability of both—a highly synergistic market strategy.



Modea and TechPad are representative of the type of Knowledge Economy, start-up driven organizations that can provide market support for downtown housing.

Market Strategy: Leveraging Institutional Investments

Virginia Tech's potential impact on Downtown cannot be overstated. There are a multitude of strategies that the Town can pursue in partnership with the university to develop and enhance Downtown in ways that serve students, faculty, and staff as well as the greater Blacksburg population.

Many of the market strategies cited in this section benefit from synergies and partnerships, be they public-private or institutional-private. But the greatest potential for market synergy in the Town is public-institutional, between Blacksburg and Virginia Tech. The university is the largest employer in the region, effectively driving the Blacksburg economy. Conversely, a thriving Downtown Blacksburg only enhances Virginia Tech, helping to attract and retain faculty, staff, and students.

In addition, the environment around a university can affect the brand of the institution. Increasingly, universities that are able to develop partnerships with companies in growing industries—especially those in tech, IT, and creative enterprises—are seen as being capable of adapting and evolving to connect students and faculty into the growing, global knowledge economy. As such, adaptability is becoming a vital part of the university brand, and partnering the Town to accommodate growing start-ups and creative firms (such as Modea and TechPad) in urban places will become an increasingly valuable effort for the institution to undertake.



The University of Florida is investing in innovation in downtown Gainesville to commercialize its research, foster start-ups, enhance its brand, and retain talent.

Virginia Tech could partner with the Town of Blacksburg in a number of ways, including making planned or potential investments in ways that are mutually beneficial and additive to the marketability of Downtown for housing and mixed use development. The new Moss Arts Center, located on Main Street, is a perfect example. Other possible actions and investments include:

Put Workers Near Main Street: The marketability of Downtown for non-student housing is greatly enhanced as successful retail and restaurant operators that appeal to non-students are added. By locating more administrative offices closer to Main Street, in districts such as College Avenue, as part of its campus planning efforts, Virginia Tech can help support daytime businesses that target a greater diversity of people, and improve the marketability of downtown for housing and employment.

Bring the Anchors: The university has immense leverage in attracting retail anchors. Some, such as a bookstore or grocery store, could be located on Main Street, benefiting students, faculty, and staff, as well as Town residents.



Ohio State's South Campus Gateway development addresses High Street in a way that reinforces the pedestrian realm.

Address the Street: Downtown Blacksburg will create the most value for the Town and the university alike if it is an urban, walkable, mixed-use place. If Virginia Tech makes future investments and land development along Main Street and/or College Avenue, it would best serve both by creating development that fronts the streets and is human-scaled and pedestrian-oriented.

Share Parking: If the university considers building parking garages to serve its staff and students, both it and the Town could benefit from a shared parking strategy. This is particularly true if a garage were built in the College Avenue district. Such a garage could serve primarily students during the workweek, but remain open to downtown business patrons on evenings and weekends.



The South Limestone garage in Lexington services the University of Kentucky during weekdays, and a commercial district on the evenings and weekends.

Chapter Nine
CATALYST SITES AND FEASIBILITY TESTING

Development Planning: Overview

While realizing the physical manifestation of market demand for Downtown is a long range proposition (with a timeframe of a decade, not a year) there is often a need to focus on early projects—catalyst projects—that can seize on near term market opportunities and set a new standard for future development.

A critical component to a development plan is proper vetting through a number of prisms, including site capacity, market analysis, economic viability, and political support. The vetting of potential projects through these different lenses is often referred to as feasibility testing. This is where a development plan becomes more tangible and near-term goals for the community and implementation entities (such as community development corporations) come into clearer view.

FEASIBILITY

Site Feasibility: Tests how much development product (typically expressed in housing units, hotel rooms, or commercial square footage) can be reasonably fit onto a site

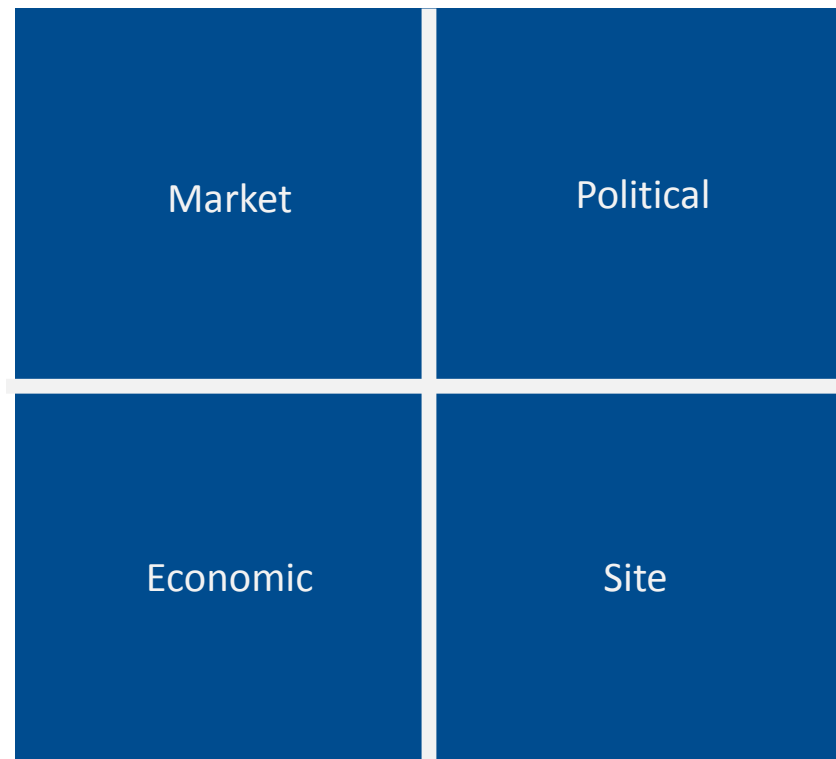
Market Feasibility: Determines the likely revenues (expressed in rents, lease rates, and sale prices) and depth of demand that exist for different development products

Economic Feasibility: Compares revenues (typically in the form of rents or sale prices) with construction and operation costs, to determine whether a project is economically viable

Political Feasibility: Assesses whether a project is not only legally permissible, but also whether it has public support or opposition

The following section will test the economic feasibility of several marketable development products, at two catalyst site locations, to understand the degree to which they are viable. Assumptions will be made regarding achievable density, making the analysis the culmination of market, economic, and site feasibility testing. Testing political feasibility is outside the scope of this study; however, previous planning efforts that involved public input have been considered in the final chapter of this report, which aims at policy changes that would result in more desired housing development in the Downtown.

The Four Points of Feasibility

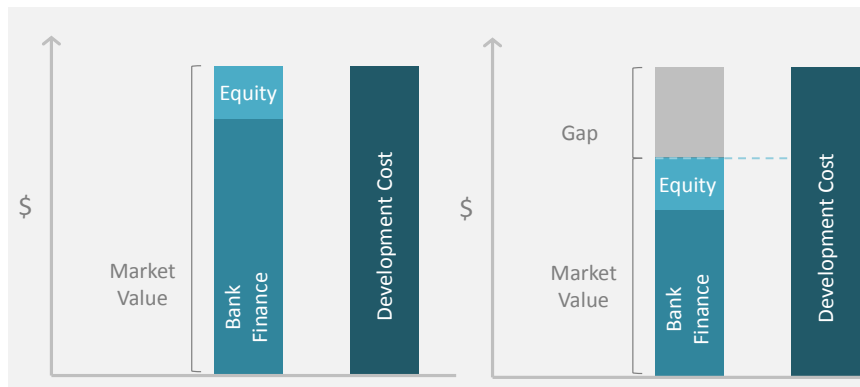


Feasibility Testing: Overview

While market analysis helps to identify opportunities and establish revenue potentials, feasibility analysis considers the cost side of the development equations.

Site feasibility analysis was conducted for two catalyst sites—the special opportunity site and the Uptown district (currently referred to as the Baptist Church and Middle School sites, respectively)—to determine the amount and type of housing development that can be accommodated on a site.

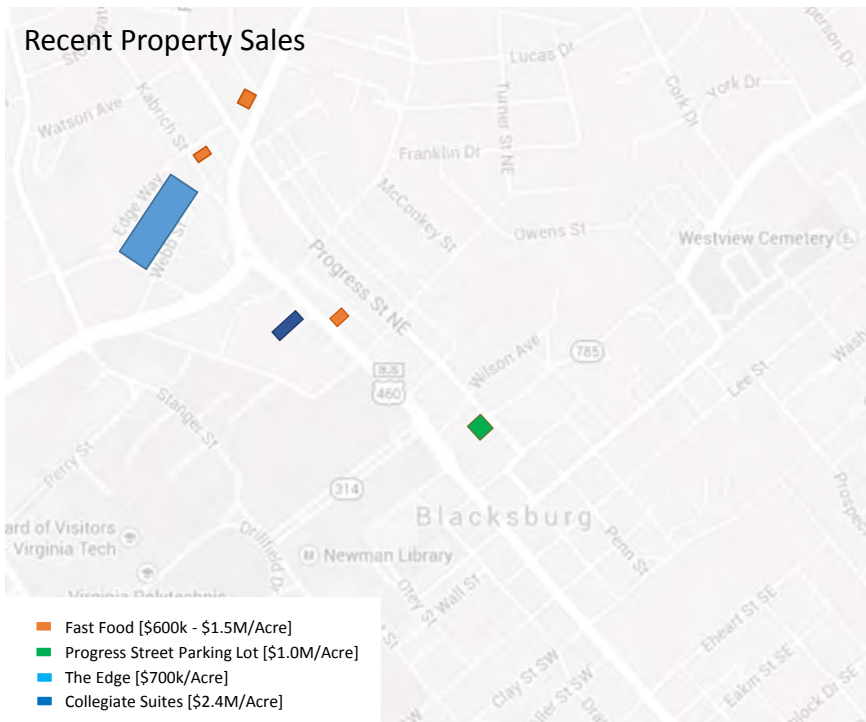
Economic feasibility analysis will evaluate and test development products by determining their development value and weighing it against their development (i.e., construction, acquisition, etc.) and operational. Where development value exceeds development costs, a project is likely to be viable and attractive to private investment. Where it is not, public or institutional funds are needed to make a project feasible.



Feasibility Testing: Site Acquisition/Land Cost Estimates

While market analysis helps to identify opportunities and establish revenue potentials, feasibility analysis considers the cost side of the development equations.

Though not as difficult as estimating remediation costs, acquisition costs can sometimes represent something of an unknown or “X factor” in determining a development cost. Materials and labor costs are generally easier to estimate, since materials are priced as commodities and labor costs can be derived by determining the wage differences for construction works by region. With acquisition, a landowner may have an inflated sense of their property’s worth, or be unwilling to sell. Other times, it is difficult to estimate the value of a particular business operation, unless they open their books.



While a detailed appraisal is always recommended in determining a property value, some general assumptions were made regarding possible acquisition costs, based on residual value analysis (estimating the total value of a property and backing into a land cost), recent sales in the area, and the sales of comparable bank or restaurant franchises in the Blacksburg market.

Generally, an acquisition price of \$1.5 million per acre is deemed reasonable for the special opportunity site/Baptist church site, whereas Uptown prices vary depending on whether they have Main Street frontage (\$450,000 per acre) or not (\$300,000 per acre).

Student Housing: The Distorting Effect on Land Value

In thinking about land values, the profitability, deep market demand, and perceived lack of risk for upscale student housing cannot be ignored. Based on a residual land value analysis, it was concluded that dense student housing (that makes use of structured parking to maximize the number of units that can be accommodated) could command a purchase price of \$3.5 million per acre—substantially more than other uses could support. Since student housing is not encouraged or allowed at either site, this residual value determination is largely hypothetical, but nevertheless may factor into a property owner’s perceived land value.

Special Opportunity Site: The Baptist Church Site

Site Details and Summary

The Baptist Church site is truly special. Covering 3.5 acres on Main Street, it is within a short walking distance to the core of the Virginia Tech campus, the retail district of Main Street, College Avenue, and has excellent views of the Moss Arts Center. A number of housing options, targeting different demographic and consumer groups, would be very marketable here, as would non-residential uses. These likely include retail, but also hospitality uses, specifically on the western half of the site that fronts Main Street (Zone One). Development on the eastern half of the site, fronting Progress Street, would have to be at a lower density, limiting the types of housing that could be built.

Detailed analysis of student housing has not been included in this report, due to its likely political infeasibility. However, analysis of that and a variety of residential scenarios is provided in the appendix of this report. Following are feasibility analyses of two of the most marketable uses for Zone One, as well as two potential uses for Zone Two.



Baptist Church Site

Area

Total:	3.5
Zone 1:	1.9
Zone 2:	1.6

Estimated acquisition costs

Per Acre:	\$1.5M
Total:	\$5.25M

Retail assumptions

Rent/Sq. Ft.:	\$26.00
Acreage:	1.0
Parking Spaces/ 1,000 Sq. Ft. GLA:	2.0

Special Opportunity Site: The Baptist Church Site

Product 1: Graduate Student and Young Professional Apartments (Zone One)

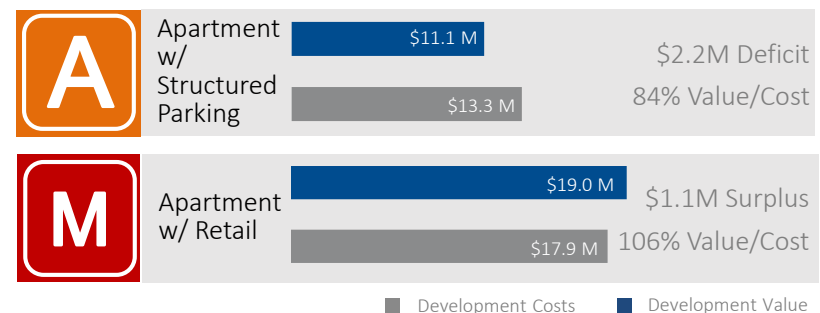
The feasibility of high-quality rental apartments that target graduate students and young professionals was considered for this site. Achievable rents are estimated to be \$1.50 per square foot, or roughly \$900 per month for a 600 square foot, one-bedroom unit. Demand for this product is deep. The site would leverage structured parking to facilitate a development density of approximately 50 units per acre.

An initial test of the housing component alone in Zone One indicates that the development of this type of housing yields a financial gap of \$2.2 million dollars, meaning it is not feasible, and has a value to cost ratio of 84 percent. However, if ground floor retail is introduced, something interesting happens. Because this is a premiums site, a relatively high retail lease rate of \$26 per square foot is assumed (a price that likely only a chain tenant, such as Potbelly’s Subs or Panera, could pay). With such a high lease rate, and with the apartment component underwriting the purchase of the land, a 28,000 square foot retail component would drive the project into feasibility, with a 106 percent value to cost ratio. Therefore, the project is economically feasible, assuming enough retailers can be assembled that can afford the relatively high rents that such a site can command.



Proposed Development Details

Avg. Unit Size:	600 SF
Units/Acre:	50
Total Units:	100
Rent/Square Foot:	\$1.50
Development Costs/ SQ Ft:	\$160
Capitalization Rate:	6.0%



Special Opportunity Site: The Baptist Church Site

Product 2: Mid-Career Apartments

Another development product, Mid-Career Apartments, was tested on Zone One. This product targets single and childless couples in the 35 to 50 age range. It draws inspiration from products targeting similar markets in places like Charlottesville, Ithaca, and Chapel Hill. Achievable rents are estimated to be \$1.90 per square foot, or roughly \$1,800 per month for a 950 square foot, two- or three-bedroom unit. The site would leverage structured parking to facilitate a development density of approximately 50 units per acre. Unlike graduate/professional apartments, demand for this product is limited.

An initial test of the product indicates that the development of this type of housing yields is financially viable, generating a surplus of \$0.9 million dollars, with a value to cost ratio of 104 percent. The project is therefore marketable and economically viable. However, investors will likely find this project to be riskier, due to the much smaller pool of demand that is present. The 95 units that could be accommodated on the site may be deemed to large a project, and may therefore need to be pared back, yielding the need for additional development on another portion of the site.



Proposed Development Details

Avg. Unit Size:	950 SF
Units/Acre:	50
Total Units:	95
Rent/Square Foot:	\$1.90
Development Costs/ SQ Ft:	\$180
Capitalization Rate:	6.25%



Apartment
w/
Structured
Parking



\$0.9M Surplus
104% Value/Cost

■ Development Costs ■ Development Value

Special Opportunity Site: The Baptist Church Site

Product 3: Graduate Student and Young Professional Apartments (Zone Two)

Due to the deep demand for this product, rental apartments targeting graduate students and young professionals was also considered for development on Zone Two. Achievable rents are estimated to be the same as on Zone One—\$1.50 per square foot, or roughly \$900 per month for a 600 square foot, one-bedroom unit. However, given the character of Progress Street and the zoning restrictions in that area, the development density was lowered to approximately 25 units per acre.

The feasibility test indicates that the development of this type of housing yields a financial gap of \$2.3 million dollars, meaning it is not feasible, and has a value to cost ratio of 66 percent. The addition of ground floor retail was not considered, as the location off of Main Street would not be marketable for that use. Therefore, the project is not economically feasible at the current density and land price.



Proposed Development Details

Avg. Unit Size:	600 SF
Units/Acre:	25
Total Units:	40
Rent/Square Foot:	\$1.50
Development Costs/ SQ Ft:	\$160
Capitalization Rate:	6.0%



Special Opportunity Site: The Baptist Church Site

Product 4: Empty Nester/Mid-Career Townhomes

Townhome development was also tested in Zone Two, at a density of 15 units per acre. Assuming a roughly \$340,000 purchase price for an 1,800 square foot home, development of this type of housing on the site is not feasible, with a financial gap of \$1.3 million dollars and an 85 percent value to cost ratio. However, such a development could be feasible at a lower land price, and would fit with the character of the street better than a multi-family product.



Proposed Development Details

Avg. Unit Size:	1,800 SF
Units/Acre:	15
Total Units:	24
Sale Price/Square Foot:	\$190
Development Costs/ SQ Ft:	\$150



Townhome

\$7.6 M

\$1.3M Surplus

\$8.9 M

85% Value/Cost

■ Development Costs

■ Development Value

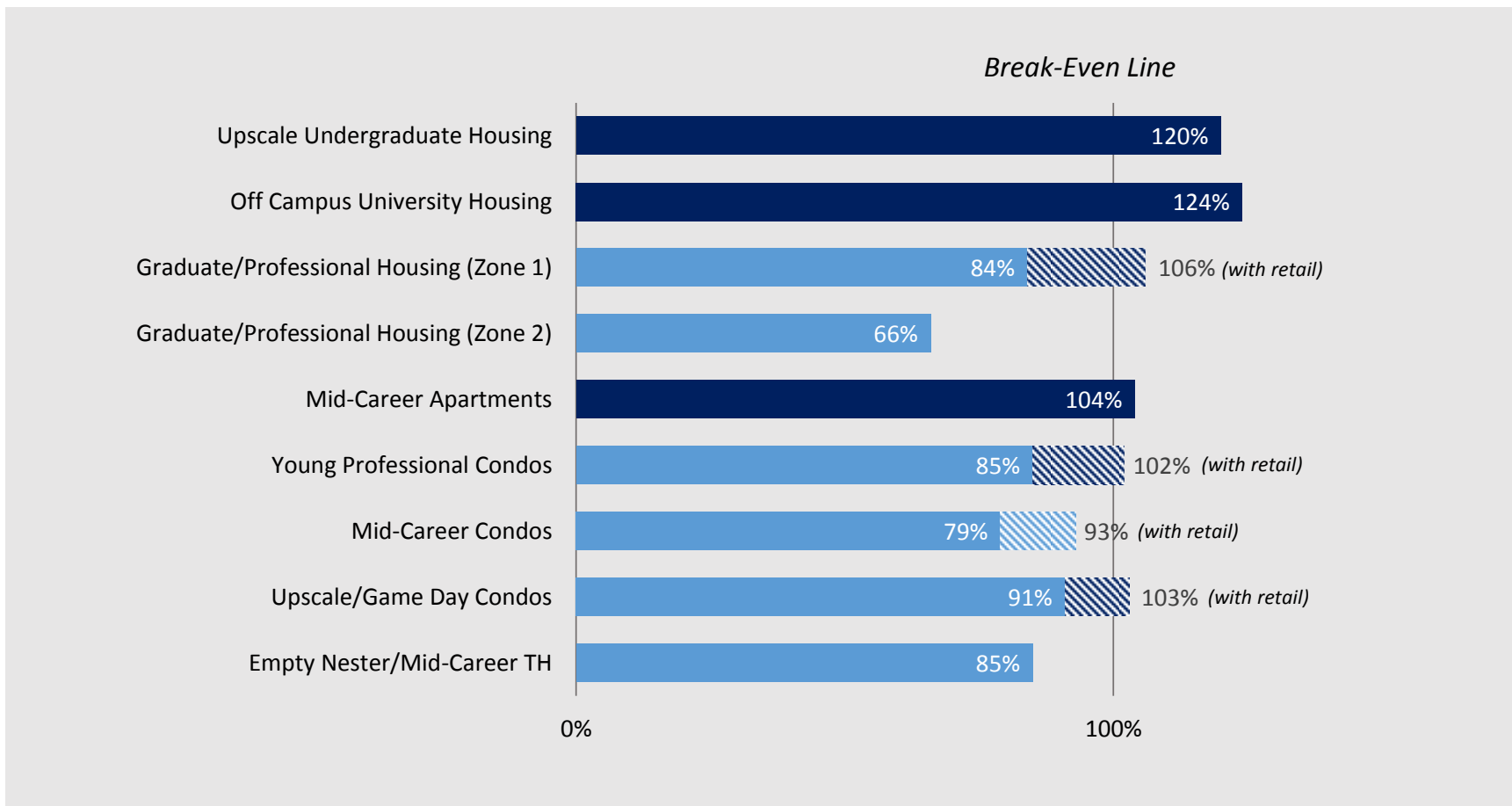
Special Opportunity Site: The Baptist Church Site

Feasibility Testing Summary

Though two of the most viable development products were provided in detail on the previous pages, a number of residential projects were actually considered, including some that are politically infeasible (such as student housing). Following is a summary of those results, with more detailed analyses in Appendix D.

As the chart shows, student housing is highly feasible at the site, but is general-

ly considered politically infeasible. Mid-career apartments are feasible, but demand is limited. Housing in greater demand, such as graduation/professional apartments, and mid-career condos, are possible with the combination of high-rent retail. Development potential on the eastern half of the site is limited, although changes in cost and zoning regulations could open up more opportunities.



Uptown: The Middle School Site

Site Details and Summary

The middle school site, rebranded in this study as the Uptown district has obvious potential. With 20 acres of undeveloped property adjacent to Downtown, it is likely the most valuable large tract of undeveloped land in greater Blacksburg/Christiansburg. It is close enough to downtown amenities and Virginia Tech employment to be within walking distance. It is far enough to provide some distance between evening crowds and noise.

The site is broken into two zones. Zone One has commercial frontage along Main Street, and is therefore more valuable, on a per acre basis. Multifamily housing is marketable in this zone. Zone Two does not have commercial frontage, and is more marketable for dense single family and/or townhome development. A third areas is designated as open space in this study, due to its steep topography.

While retail is considered somewhat marketable in Zone One, it is deemed unlikely that it can achieve the kinds of rents that are possible where there is greater foot traffic. So, unlike the Baptist Church/special opportunity site, retail development is not considered additive in terms of economic value as part of a mixed-use development.



Middle School Site

Acreage

Total:	20
Zone 1:	6
Zone 2:	10

Estimated acquisition costs

Zone 1	
Per Acre:	\$0.45M
Total:	\$2.7M
Zone 2	
Per Acre:	\$0.30M
Total:	\$3.0M

Uptown: The Middle School Site

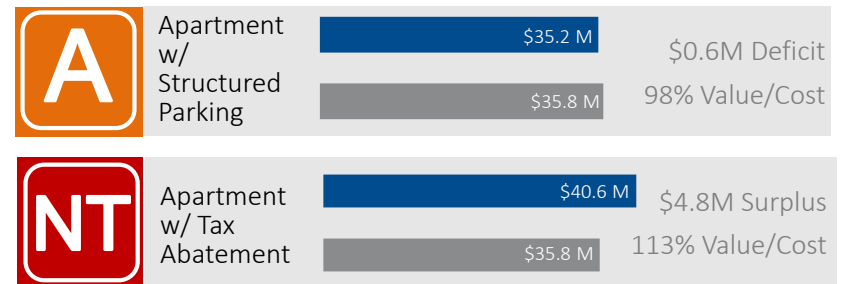
Product 1: Graduate Student and Young Professional Apartments

At this site, graduate/professional apartments are nearly feasible, due to lower land costs. If 300 units were developed over six acres, a \$0.6 million gap would result, with a 98 percent development value to cost ratio. That said, retail rents are likely to be lower here, so a mixed-use product will not drive the project into feasibility. A full tax abatement, however, would drive the project into feasibility, yielding a 113 percent value to cost ratio. Therefore, a partial abatement or other incentive (such as TIF) would likely make the project feasible.



Proposed Development Details

Avg. Unit Size:	600 SF
Units/Acre:	50
Total Units:	300
Rent/Square Foot:	\$1.50
Development Costs/ SQ Ft:	\$160
Capitalization Rate:	6.0%



■ Development Costs ■ Development Value

Uptown: The Middle School Site

Product 2: Mid-Career Apartments

As with the special opportunity site, mid-career apartments (which target the 35 to 50 demographic) is viable here, with a value to cost ratio of 108 percent. Again, demand for this development product is not deep, so other uses would have to be developed in conjunction with this development product, since there are six acres in Zone One alone.



Proposed Development Details

Avg. Unit Size:	950 SF
Units/Acre:	50
Total Units:	300
Rent/Square Foot:	\$1.90
Development Costs/ SQ Ft:	\$180
Capitalization Rate:	6.25%



Apartment
w/
Structured
Parking

\$66.6 M

\$4.9M Surplus

\$61.7 M

108% Value/Cost

■ Development Costs ■ Development Value

Uptown: The Middle School Site

Product 3: Empty Nester/Mid-Career Townhomes

In Zone Two, townhomes, at a density of 15 units per acre, are very marketable. Assuming a roughly \$340,000 purchase price for an 1,800 square foot home, development of this type of housing on the site is feasible, with a 108 percent value to cost ratio, and no financial gap. However, the difference between development value and cost is relatively small, so additional costs incurred through regulation could drive the project into infeasibility. It should be viable if a \$150 per square foot development cost is achievable.



Proposed Development Details

Avg. Unit Size:	1,800 SF
Units/Acre:	15
Total Units:	150
Sale Price/Square Foot:	\$190
Development Costs/ SQ Ft:	\$150



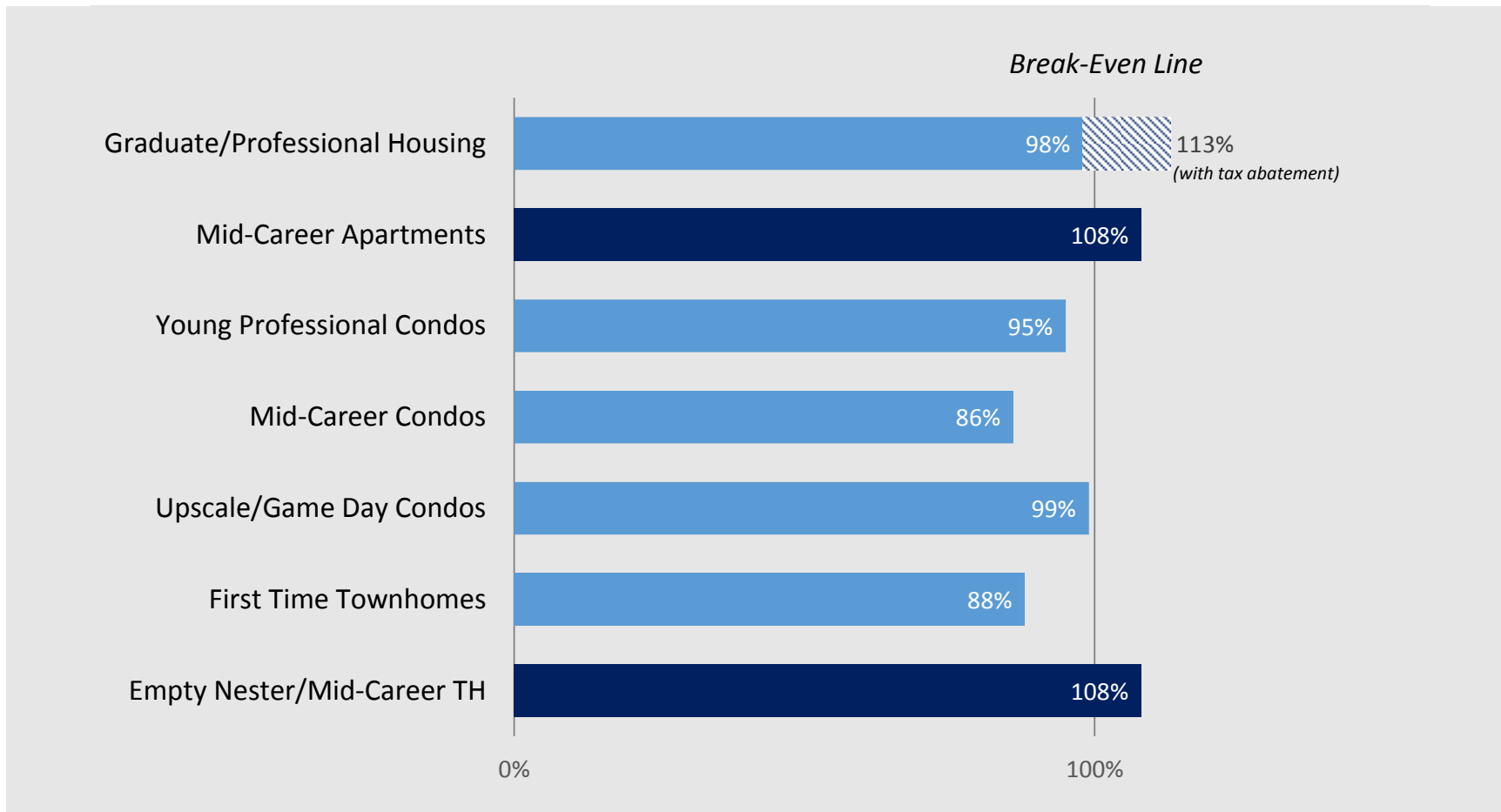
■ Development Costs ■ Development Value

Uptown: The Middle School Site

Feasibility Testing Summary

Though three of the most viable development products were provided in detail on the previous pages, a number of residential projects were actually considered, again including some that are politically infeasible. Following is a summary of those results, with more detailed analyses in the appendix.

As the chart shows, a number of development products are not viable, and retail lease rates are not high enough to drive projects into feasibility. However, some form of tax incentive is likely to make several development products viable.



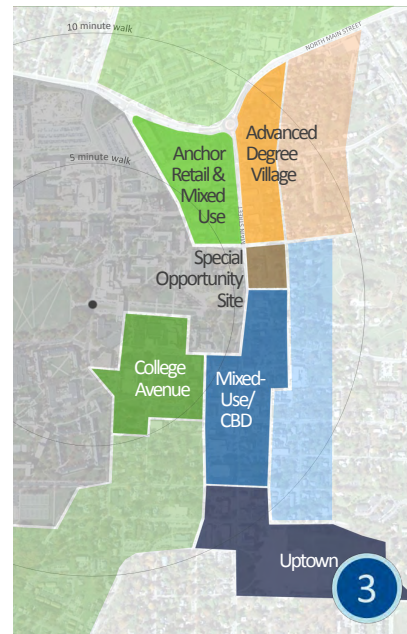
Chapter Ten
STRATEGIC RECOMMENDATIONS

Strategic Recommendations: Overview

Housing does not exist in a vacuum. It is greatly impacted by factors such as consumer preferences, economic growth, access, design, and many others. Similarly, market and economic opportunities can only thrive if the right policy framework or ecosystem is in place. Often, policies that address one set of issues have consequences that introduce another, unintended set.

The Town of Blacksburg has immense potential to adapt and thrive in the growing knowledge economy. Downtown is the centerpiece; it can continue to evolve into a more vibrant, mixed-use environment with the kind of energy that a robust residential community can add, and that an innovation economy needs. Over the course of conducting this housing market strategy, a number of policies were identified that need to be addressed in order to make the development of non-student oriented housing a reality:

1. Target young professionals
2. Better align regulatory and policy framework with desired outcomes
3. Identify places for full-block development and downtown expansion
4. Continue to partner with Virginia Tech where interests align
5. Undertake a joint plan with Virginia Tech to accommodate future growth



Target Young Professionals

1

Blacksburg is home to thriving research and technology sectors, driven by the presence of Virginia Tech and its investment in the Virginia Tech Corporate Research Center (CRC). Companies in these sectors, such as Modea and Rackspace, need to attract or retain skilled individuals in Blacksburg in order to make their businesses viable and to keep the Town's economy growing. Many of these desired professionals are recent college graduates—from Virginia Tech and elsewhere—and young adults, aged 25 to 35. They want to live in places that not only offer good job opportunities but also new, affordable housing and vibrant, walkable amenities. Their ideal housing types include the Graduate/Young Professional Apartments and Young Professional Condos products (as described in Chapter Eight). These housing types offer rental units of around 600 square feet that rent for \$900 per month; and for-sale units of around 1,150 square feet that sell for about \$220,000. As demonstrated in the previous chapter, it can be economically feasible to develop these products Downtown—particularly on the Baptist Church site—if mixed with ground floor retail.

If Blacksburg cannot offer these products, young professionals will not come to or stay in town, and opportunities will be lost in these important economic sectors. Therefore, the Town should find ways to encourage these types of housing and mixed-use development in Downtown.



“Our young staff doesn’t necessarily want big... but they want nice.”
- David Catalano, Modea

Better Align Regulatory and Policy Framework with Desired Outcomes

2

Presently, Downtown Zoning restricts the number of bedrooms that are developable per acre. This restriction has had unintended consequences, such as limiting developer flexibility in optimizing their products and economics in order to deliver housing—such as small-unit apartments that target young, educated professionals—without need of subsidy. Relaxation of these restrictions combined with implementation of some or all of the strategies below could increase the economic feasibility of developing non-student housing in Downtown, while limiting the development of student housing which is more profitable but less desirable:

- **Encourage voluntary restrictions:** A developer might elect to impose restrictions more directly targeted at students if they provide increased development flexibility and/or density. Such restrictions might include:
 - Requiring tenants to income-qualify for units on their own, as opposed to allowing a guarantor;
 - Renting apartments by the unit rather than by bedroom;
 - Developing smaller units with just one or two bedrooms; and
 - Excluding 18 to 22 year old tenants (an age group not part of a protected class in of itself) from Downtown apartments.
- **Explore legal restrictions:** The Town may be able to put certain legal restrictions on tenants in Downtown properties—for example, not allowing more than two unrelated persons in a unit downtown.
- **Offer flexibility:** Allowing developers to build at greater densities or heights in exchange for putting these restrictions in place could yield positive results for both the Town and developer.

- **Leverage profitable types of development:** The Town should explore ways to leverage profitable types of development to create revenue streams that could be effectively utilized to achieve other policy goals. One possible approach is the establishment of a land trust, which can be utilized to further initiatives such as affordable housing.



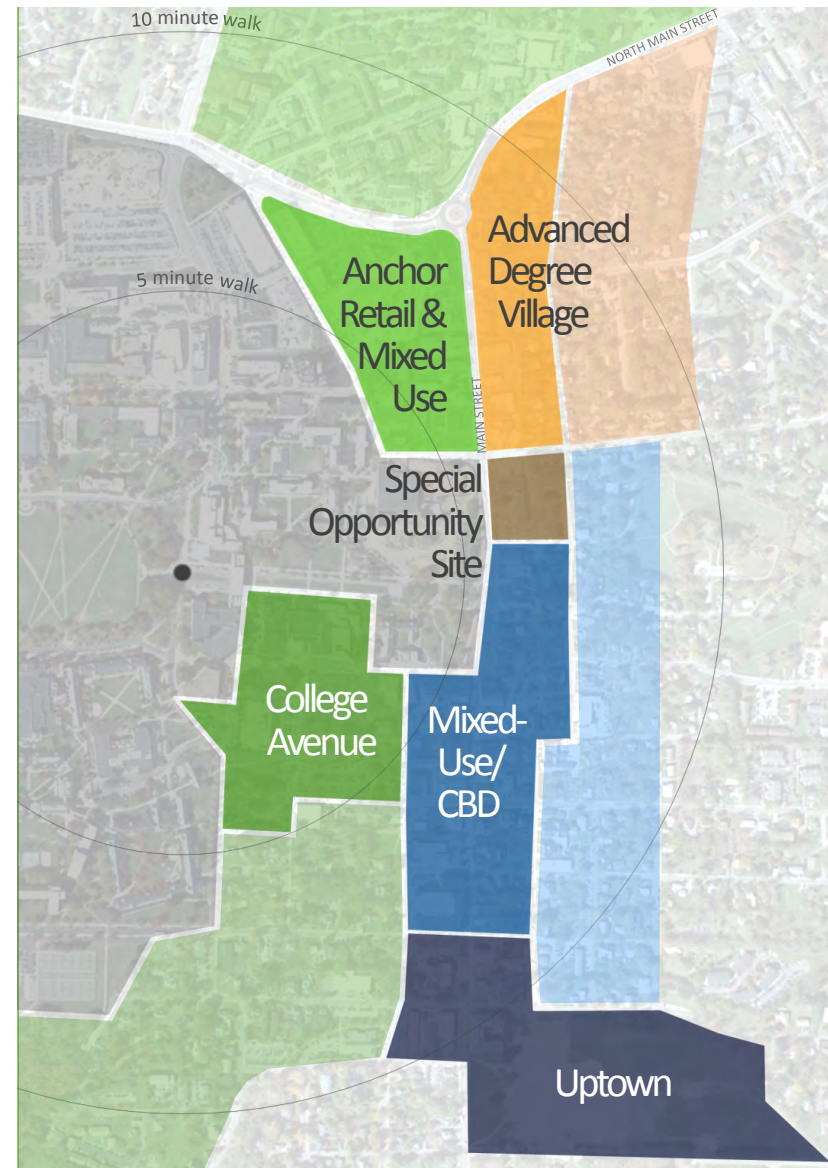
Current zoning restrictions drive Downtown developers to build larger units and provide fewer total bedrooms, effectively pricing out the young professionals who would contribute to a more vibrant and active downtown environment.

Identify Places for Full-Block Development and Downtown Expansion

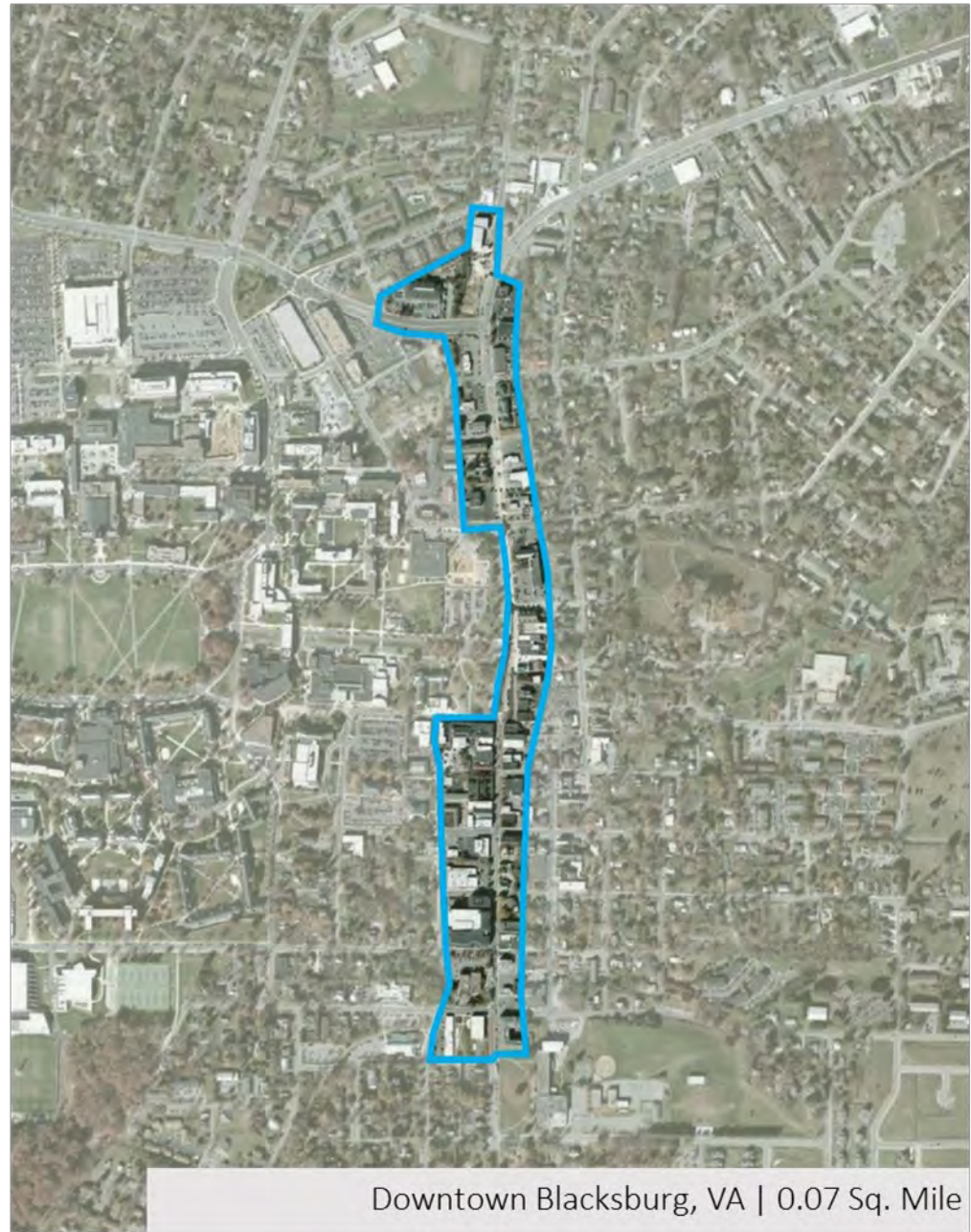
3

Development along Main Street is currently very shallow—only going back to mid-block alleys. This does not have to be the case. True downtowns often have multiple streets that support commercial activity and dense housing. Limiting Downtown to a half-block depth off of Main Street makes many types of development economically infeasible. It also constrains design options. For example, full-block development allows for parking structures to be built behind street-facing buildings, increasing the buildings' frontage and moving parking out of sight. Opportunities to realize greater parcel depth should be explored to allow developers to optimize economic performance, thus increasing private financing and reducing the need for public finance. In the case of the Baptist Church site in particular, allowing greater density on the full block, between Main Street and Progress Street, will allow for a better, more cohesive, catalyst project development with human-scaled pedestrian level architecture that can accommodate storefront retail, mixed uses, and structured parking. To address issues of neighborhood compatibility, some height or density could be shifted from Progress Street to Main Street.

The Town should also look for places to expand Downtown. Land constraints are leading to high land costs along Main Street, making Downtown a very difficult place to develop housing. The expansion of key districts, such as the Central Business District, Advanced Degree Village, and College Avenue, will help alleviate some of this cost pressure and encourage desired housing development. Expanding Downtown's boundaries out from Main Street in ways that allow for greater density of development, while respecting existing neighborhoods, will help accommodate future economic development and job growth.



Many college towns have downtowns that extend over multiple streets. Even though Downtown Blacksburg is constrained to the west by Virginia Tech's campus, areas adjacent to the north, east, and south of existing Downtown boundaries could be developed to meet the needs of strategically important types of housing and business growth.



Reinforce an Alignment of Town-Institutional Interests

4

What is good for Downtown is good for Blacksburg and Virginia Tech. The ability of Downtown to build on its design successes, and become a more vibrant, mixed-use place that is supportive of New Economy job growth, as well as housing for recent college graduates, not only enhances the economic performance of the town, but the brand of the University. Both will realize better retention and attraction of talent as a result. Both will prosper.

Actions and partnerships that could arise from this strategic alignment include:

- Attraction of firms in innovation and research industries
- Attraction of key anchor retailers
- Development or co-development of structured parking
- Consideration of a location of a conference center/hotel to Main Street
- Reinforcement of Main Street as a pedestrian-oriented, human-scaled street
- Location of Virginia Tech staff/faculty closer to Main Street retail; Main Street retail closer to staff/faculty
- Identifying a place(s), on and/or off-campus, for the development of an upscale student housing village
- Encourage students and town residents to explore the amenities available both in Downtown and on the Virginia Tech campus

Investments in place have had a profound impact on Downtown over the past decade. Walkability is much-improved, with a better pedestrian realm, as well as new mixed-use developments that provide storefront retail (and human-scaled, visual interest). Support of catalyst projects that establish a better precedent of urbanity should be a high priority for the Town.



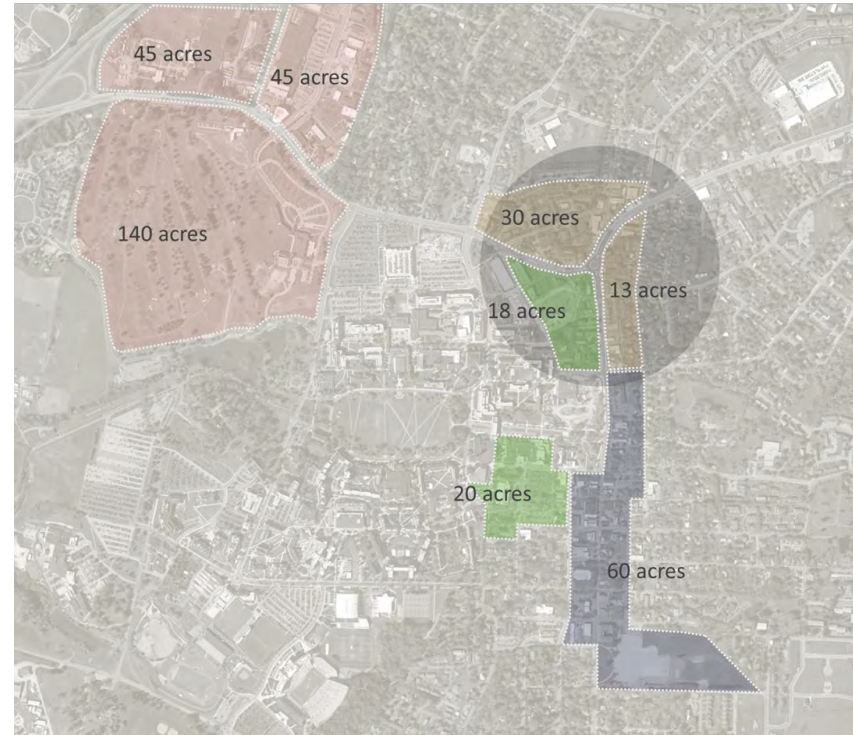
Recent efforts at investing in the public realm, including College Avenue and the northern part of Main Street, demonstrate the progress that can be made when Town and University interests align.



Undertake a Joint Plan to Accommodate Future Growth

5

Given the alignment of interests between the Town and University, and the many obvious opportunities for partnership, the two should engage in an updated strategic planning process that includes downtown and other areas where the Town and University edges meet. With input from the public along the way, the Town and University could come to a greater shared understanding and agreement of how to go about addressing issues like housing, retail and lifestyle amenities, business development, transportation and parking, branding, and greater shared prosperity. Such an effort should evaluate strategic goals, public input, market and economic opportunities, and physical development potential, as well as policy and implementation frameworks.



Market demand for upscale student housing combined with land constraints is pushing up Downtown land prices. Finding areas outside of Downtown to alleviate some of this pressure would encourage the development of non-student housing.

5,000 Beds
market for upscale
student housing

\$3.5M
per acre value of
student housing
downtown

\$1.5M
per acre value of non-
student housing
downtown

ENDNOTES

- 1 Nelson, Arthur and Lang, Robert. "The Next 100 Million." Planning Magazine. Jan. 2007.
- 2 Riche, Martha Farnsworth. "How Changes in the Nation's Age and Household Structure Will Reshape Housing Demand in the 21st Century." HUD. 2003.
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- 4 "The 2011 Community Preference Survey." National Association of Realtors. Aug. 2011.
- 5 "The Young and Restless in a Knowledge Economy." CEOs for Cities. Dec. 2005.