Commercial Shopping Center Redevelopment

A financial analysis of the benefits of redeveloping aging shopping centers in Chesterfield County

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Partnership for Housing Affordability

RDG Partners Real Estate Consulting

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Executive Summary

The Partnership for Housing Affordability (PHA) was founded by the Richmond Association of REALTORS in 2004. PHA's mission is to promote affordable housing policies and developments through education, coordination, and leadership. To accomplish this mission, PHA serves as a leading voice on housing related initiatives in the Richmond region, educates policymakers and the community on the impact of affordable housing on the region's competitiveness, and pursues best practices in affordable housing by leading initiatives that are designed to affect change.

This report provides a financial analysis of shopping centers in Chesterfield County that, as a result of the economic impacts of COVID-19, could be prime candidates for redevelopment and catalytic forces for the county's local economy. The analysis is coupled with an examination of Chesterfield's housing needs and demand.

Given the existing infrastructure represented by aging shopping centers, the study maintains that Chesterfield is uniquely positioned to seek redevelopment that has multifamily housing as a central component. Doing so would enable the county to house its growing workforce, attract reinvestment in aging corridors, and create vibrant communities that support a strong quality of life. Redevelopment with multi-family as a key component addresses housing needs, but also increases county revenue.

Spring Rock Green and **Rockwood Square** were selected as the report's target shopping centers due to their site configuration, financial viability, vacancy rates, and neighborhood conditions.

After selecting the two target shopping centers to focus on as redevelopment options, the financial analysis revealed the following key findings:

1) Spring Rock Green is a sound candidate for partial redevelopment for both the owner and the residential developer. The majority of the center's current and potential retail occupancy is concentrated on the western half of the site, so the eastern half could be sold without a proportionate loss of value.

2) The eastern portion of Spring Rock Green is attractive for affordable multifamily housing due to the center's size, surrounding neighborhood retail centers, and the site does not abut existing residential development.

3) Rockwood Square is an ideal candidate for full redevelopment. The center has no anchor tenant and cannot effectively compete with the adjacent Oxbridge Square across Courthouse Parkway.

4) The financial model's best case scenario for Rockwood indicates that it would take several years for Rockwood Square to achieve an occupancy level that would attract retail investors. Therefore, a sale as a residential site could be an appealing alternative.

5) Rockwood Square is attractive for residential development because it has excellent access from main roads, thriving neighborhood retail, and is surrounded by other multifamily housing stock.

Based on this report's findings, policy actions for the county were outlined to determine the necessary steps to remove barriers and create the environment for multifamily redevelopment. The recommended actions encourage Chesterfield County to:

- *Adopt a voluntary affordable dwelling unit program that is supported by incentives such as fee waivers and density bonuses*
- *Expand the use of the county's performance grant program to include aging shopping centers*
- *Designate aging shopping centers as "revitalization areas" to enable any future redevelopment to be eligible for road cash proffer relief*
- *Rezone aging shopping centers to allow for mixed-use development*
- *Create zoning overlay districts for aging shopping centers that support mixed-use development*
- *Explore the allocation of public funds for acquisition of target shopping center sites through a future bond referendum package*

These recommendations are applicable to the report's two target centers and the remaining 59 aging shopping centers that Chesterfield County has identified through internal research.

This report is accompanied by a financial modeling tool that Chesterfield County administration and staff will have access to as it pursues future redevelopment opportunities.

Ultimately, the findings from this report provide Chesterfield County with sound evidence to move towards action. Beyond acknowledging issues that exist at its aging shopping centers, the report shows that these centers represent opportunities to increase revenue while addressing critical housing needs. However, public intervention is necessary for that to be accomplished. The role of the county is outlined by this report's findings. Without county action, it is likely that the decline of these aging centers will persist.

I. Affordable Housing Needs

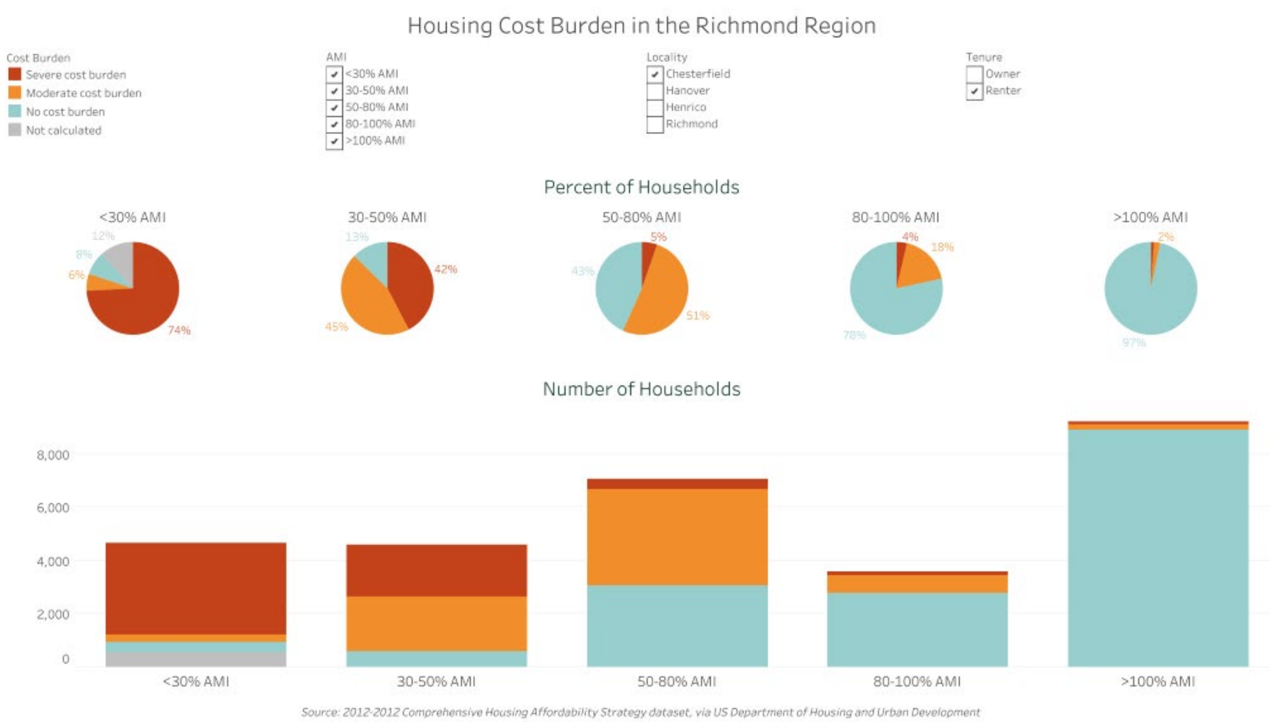
Due to this study's focus on commercial corridors, the housing needs discussed throughout the report will be specific to multifamily development. As indicated by the County's comprehensive Plan, the majority of multifamily units are situated along major corridors, such as Midlothian Turnpike, Chippenham Parkway, and Hull Street Road. With over 18,500 units, multifamily housing represents 16 percent of Chesterfield's housing stock. Half of these units have been in service for 25 years or more. It is important to examine the affordability of these units for Chesterfield residents and workers.

Cost Burden

"Cost-burden" is a term used with housing data to simply communicate affordability. Any household paying more than 30% of its income on housing costs is considered cost-burdened. Households spending over 50% of their income on housing costs are deemed severely cost-burdened.

In familial terms, this often means cutting out healthy foods or forgoing doctor visits in order to remain stably housed. Excessive housing costs engulf family budgets and negatively impact one's quality of life.

There are nearly 13,000 cost-burdened renter households in Chesterfield County, 6,000 of which are severely cost-burdened. This especially affects households earning below 80% of Area Median Income (AMI)--the federal income guideline established annually by the Department of Housing and Urban Development (HUD).[1]



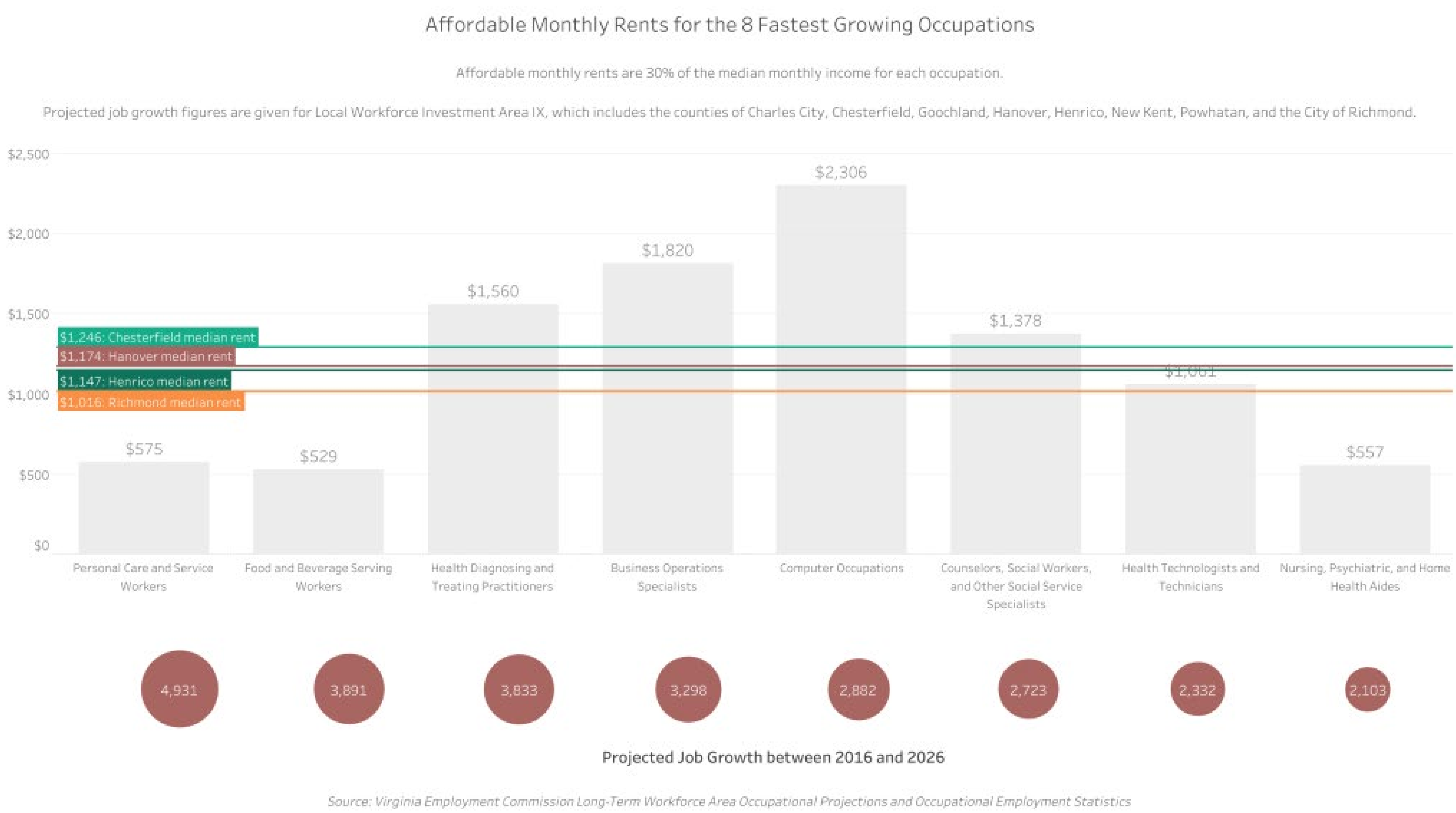
[1] Richmond Regional Housing Framework.

As demonstrated by the chart above, lower earning households find it difficult to obtain housing in Chesterfield County without having to sacrifice basic life necessities. These are households earning between $18,000 and $70,000.

More specifically, households in this range are likely to makeup the majority of Chesterfield and the Richmond region's workforce over the next six years.

Housing Chesterfield's Workforce

The Virginia Employment Commission projects that three of the eight fastest growing occupations—personal care workers, food and beverage service workers, and home health-health aides, which will account for 10,925 jobs by 2026—have average salaries that do not support monthly housing costs above $1,000.[2]



Conversely, in 2018, the median rent in Chesterfield was $1,246, which means that three of the fastest growing occupations in the region would not be able to afford the average apartment in Chesterfield County. In particular, health care and food service are two of the largest job

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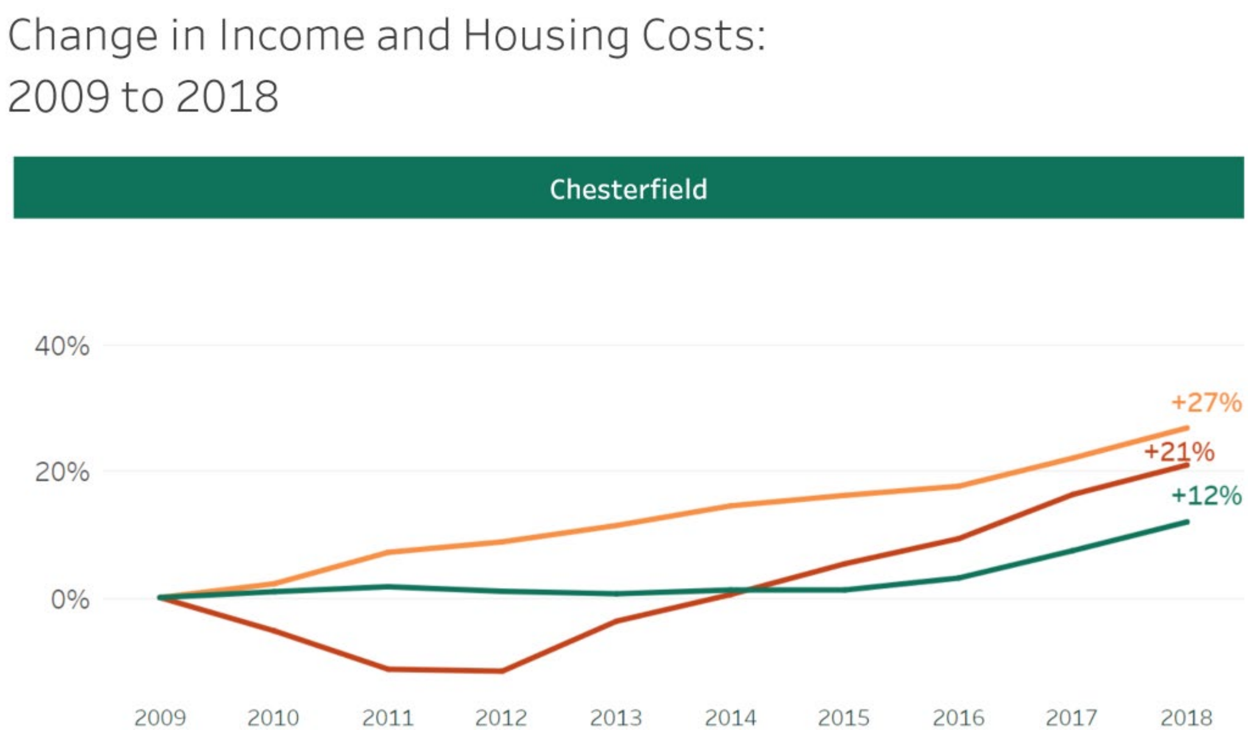
[2] Richmond Regional Housing Framework.

industries in the county. In order to retain the lion's share of Chesterfield's workforce, addressing housing affordability will be the fulcrum of providing the best quality of life.

Income vs. Rent

Maintaining a steady job has simply not been enough to avoid experiencing housing instability in the region. Modest increases in income pale in comparison to rising rents. From 2009 to 2018, Chesterfield median rents increased by 27%--the highest increase in the region—while incomes only increased 12%, a figure that is the lowest in the region. Over this time period, increases in rent outpaced increases in income by a ratio of 9 to 4.[3]



Supply vs. Demand

Even though there are thousands of units that would be affordable to lower earning households in Chesterfield, many of them are occupied by households who earn more money. For example, the county has roughly 4,500 cost-burdened households that earn between 30-50% AMI ($24,150 - $40,250 for a family of 3). This is known as the "crowding out" effect.[4]

There are 5,440 units in Chesterfield that are affordable to the 30-50% AMI range, but nearly 45% of these units are occupied by higher income households. The overall lack of supply of

[3] Richmond Regional Housing Framework.
[4] Ibid.

units available to all household types has created an environment in which lower earning households are competing among each other for the same, limited stock.

Furthermore, between now and 2040, Chesterfield County will be home to over 17,000 new lower income households earning below 80% of AMI. Just over 2,500 dedicated rental units for these households have been built in the county since 1990. It is clear, then, that there is a present and future demand for more rental units for households earning below 80% of AMI throughout the county.[5]

Housing during COVID-19

The pandemic has hit lower earning families especially hard. Since September 2020, nearly 200 Chesterfield County residents have called the Housing Resource Line (a service that connects residents with existing housing resources) expressing housing needs. Over 95% of Chesterfield callers earn below 50% of AMI.[6]

Specific to the health crisis, 52% of Chesterfield callers indicated that their housing needs had been impacted by COVID-19, many of them having lost their jobs or contracted the virus. Many of these families may face eviction, when the moratoria are lifted.[7]

As of December 2020, every single income-based or income-restricted apartment complex in the Richmond region has a waiting list—which, in many cases, are well over a year-long. The second highest request or service needed from Chesterfield callers to the HRL is rental options. These real-time data points illustrate the current demand for more rental options, and how addressing this gap can be a path for the county to rebound from the pandemic.

II. Commercial Shopping Centers

In January 2020, Chesterfield County conducted an analysis of its aging shopping centers, of which there are 61 that are 25 years or older.[8] Many of these centers represent opportunities for the County to pursue redevelopment.

Chesterfield staff also identified seven Tier 1 shopping centers that were deemed most urgently in need of redevelopment. These seven centers, at the time, were over 25 years old with high commercial vacancies. Due to the conditions wrought by COVID-19—and restrictions that directly affect retail venues—it is projected that the trends of vacancies and decline in these centers will accelerate.

[5] Richmond Regional Housing Framework.
[6] Housing Resource Line.
[7] Ibid.
[8] Commercial Indicators Project.

Each Tier 1 center possesses an average of fifteen acres and more than 100,000 square feet of building area.[9] Such characteristics present the County with tremendous potential for revitalization and economic development using existing infrastructure.

Only 3% of all land area in the county allows for multifamily development[10]; therefore, a rezoning of the selected centers could fully maximize developed land without creating suburban sprawl. In other words, rezoning could spur in-fill redevelopment. Additionally, Chesterfield's Comprehensive Plan policies support the development of at least 6,227 residential units on the shopping center sites that are outlined in the County's indicators report[11].

Mixed-use and mixed-income redevelopment of these sites would also align with other County priorities, such as promoting reinvestment in maturing and aging areas, striking a balance between residential and business growth, taking advantage of existing infrastructure through revitalization efforts, and cultivating sustainable neighborhoods that offer a high quality of life.

Building on the County's Commercial Indicators Project, this report selected two Tier 1 centers as options for future redevelopment: one site for partial redevelopment and one site for full redevelopment.

The Case for Redevelopment

This report bypasses suggestions for scaled improvements of aging shopping centers and instead recommends redevelopment as the best course of action. Landscape planner Randall Arendt recently studied strip mall development and emphasized the need for redevelopment rather than less intensive action. According to Arendt, "many retail corridors are losing economic vigor…many of these strips will be rebuilt with only cosmetic improvements, perpetuating their original mistakes, unless local regulations are updated."[12]

Arendt argues that strip mall commercial centers were not built to last longer than 25 years, "meaning that that opportunities always exist to replace structures that are ripe for demolition."[13] Chesterfield possess 61 centers over 25 years old.

Furthermore, the aging shopping centers throughout the county represent, in their current state, underperforming assets for Chesterfield County from a revenue perspective. Assessment growth of these centers has lagged in recent years to comparable properties, a reality that has cost the county in revenue not generated and will persist without public intervention. Therefore, redevelopment is the best case alternative for Chesterfield County.

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[9] Commercial Indicators Project.
[10] Richmond Regional Housing Framework.
[11] Chesterfield County Comprehensive Plan.
[12] Arendt, Randall. (2015). *Rural by Design: Planning for Town and Country*.
[13] Ibid.

III. Site Selection Process

The shopping centers classified by the County as Tier 1, or in most urgent need of redevelopment, are as follows[14]:

- 360 West
- Bermuda Square
- Chippenham Square
- Meadowbrook Plaza
- Rockwood Plaza
- Rockwood Square
- Spring Rock Green

Chesterfield also categorized five Tier 2 centers, those representing critical but less urgent need of redevelopment[15]:

- Cross Pointe Marketplace
- Meadowdale Plaza
- Oxbridge Square
- Pocono Crossing
- Victorian Square

These tiers provided a foundation for this report to select two sites that would serve as **target centers** or the best candidates for redevelopment.

Site Visits

The first step in the site selection process consisted of site visits to each of the Tier 1 and Tier 2 centers. The objective of the visits was to gain an impression of each center's potential for partial or total redevelopment based on the following characteristics:

- Quality of existing tenants
- Leasing and development activity
- Property quality and maintenance
- Configuration and location of vacant spaces
- Neighborhood residential development

Site visits were completed for all seven Tier 1 centers and three Tier 2 centers. The visits helped to provide real-time context of how the centers were being affected by the pandemic as well as an opportunity to assess the surrounding residential neighborhoods.

The above characteristics and other details were noted on a site visit checklist for each center. These notes, in turn, were developed into target analyses to help determine which centers would be selected.

[14] Commercial Indicators Project.
[15] Ibid.

Target Analysis

Expanding on the site visit impressions and using data from Costar and other sources, the target analyses were the third and final step in selecting the target centers. Each center*[16] for which a site visit was conducted received a target analysis.

The results of the analysis provided the following information:

- Site area excluding outparcels under different ownership
- Rentable area in each building
- Tenant start dates and expiration dates
- Current rent paid by existing tenants (usually the Costar estimate)
- Ownership and last purchase price
- Quality of major tenants
- Leasing activity

These key findings aided in producing a snapshot of current market activity. With basic market activity understood, the elimination of centers began based on a combination of the following factors:

- High percentage of viable retail stores
- Rehabilitation currently underway
- Site configuration not conducive to redevelopment
- Recent acquisition price

Site visits and data collected revealed that some centers were undergoing reinvestment, new construction or had been recently acquired. As a result, the above factors helped to eliminate seven centers.

Of the three remaining, only **Spring Rock Green** was large enough to make a partial redevelopment feasible.

Rockwood Square was ultimately selected for full redevelopment due to its size and tenant makeup*[17].

IV. Target Centers

The two target centers underwent an analysis to gauge financial viability, cash flow, land values, and what redevelopment could look like under various assumptions. A financial modeling process was completed for each target center to help quantify the potential benefits of redevelopment.

[16] The target analysis for each center can be found in the appendix.

[17] Rockwood Plaza is slated as a backup candidate for full redevelopment should Rockwood Square prove unfeasible.

The results of the model are according to three scenarios: **base case**, **worst case**, and **best case.**

Spring Rock Green (Partial Redevelopment)

Spring Rock Green*[18] was selected as the partial redevelopment candidate, meaning that the site is large enough to include multifamily development while maintaining strong anchor tenants and attracting new businesses.

Site Characteristics

Spring Rock Green is a 253,300 square foot Power Center on a 47.2-acre site at the intersection of Midlothian Turnpike and the exit from Chippenham Parkway. It is currently 38% occupied.

The center can be divided into two sections, east and west of the entrance road between the Panera and Chipotle outparcels. The west section contains three large stores and a 62,000 square foot space recently vacated by Virginia College.

The east section contains two in-line shops, four vacant retail spaces, small vacant office/retail spaces behind the six retail spaces, and a 65,500 square foot anchor store that has been vacant for several years.

Spring Rock Green is characterized by its large surface parking lot, with over 300,000 square feet committed to parking. The infrastructure represented by the parking creates added potential for multifamily, mixed-use development to take place.

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[18] Spring Rock Green was highlighted in a 2015 report commissioned by Chesterfield County as an underutilized site. Since then, vacancies have increased along with the demand for housing affordability. That study recommended a phased redevelopment plan, similar to what is proposed in this report.
[19] Source: Richmond Regional Planning District Commission: Spring Rock Green eastern parking lot during business hours

Redevelopment

The proposed redevelopment plan relocates the two existing tenants from the east section to the vacant Virginia College space in the west section. The east section is assumed to be sold for redevelopment as a below market multi-family residential project.

The west section would be a 157,000 square foot retail center that is 62% occupied. This configuration would not reduce access to the center or the outparcels facing Midlothian Turnpike.

Demolition of the buildings in the east section would result in approximately 19 acres for the residential project. This site will be large enough for the units to be buffered from the outparcels on the south side and the retail center on its west side.

Financial Viability

The financial analysis estimates the owner's position after the land sale by comparing the value of the existing center to the value of the smaller center after sale, plus the revenue from the land sale itself.

Three cases were run in the analysis: **Base, Best, and Worst.** The cases show different assumptions of market conditions as shown below.

Key Assumptions

	Base Case		Best Case Changes	Worst Case Changes
Projection Assumptions	**As-Is**	**Proposed**		
Discount Rate	13.0%	13.0%		
Exit Cap Rate	10.0%	10.0%		
Market Rent-Anchor	$11.00	N/A	$12.00	$10.00
Market Rent-In Line	$11.00	$11.00	$12.00	$10.00
Rent Growth 2 Yr	0.5%	0.5%	2.0%	0.0%
Expense Growth/Year	2.0%	2.0%		
Vacancy Rate/Year	13.0%	13.0%	10.0%	15.0%
Pro Forma Operating Exp/RSF	$1.55	$1.55		
RE Taxes Current	106,000	63,000		
Lease-up In-Line Spaces	7/21 - 7/24	7/21-1/24	6 months earlier	6 months later
Lease-up Anchor Building	1/25	NA	6 months earlier	6 months later
Tenant Work: In Line Spaces	$2.00	$2.00		
Build Out/Relocate Tenants	NA	$13.00		
Build Out: College Space	$10.00	$10.00		
Build Out: Anchor Bldg.	$15.00	$15.00		
Land Purchase Assumptions				
Purchase Date		Jan-21		
Acres Acquired		18.9		
Price/Acre		300,000		
Square Feet Demolished		100,894		
Demolition Cost/SF		$5.00		
Units/Acre		20		
Units		378		
TAP Fees/Unit		9,400		
Land Improvements/Acre		350,000		

Results

The following table shows the results for the three market scenarios. The objective of the analysis is to estimate the center owners gain or loss if the proposed plan were executed.

In all three scenarios, the revenue from the land sale would be $5,664,000 ($300,000 per acre) and the sale would require the removal of 101,000 square feet of retail space.
However, both the current value of the center as-is, and after reconfiguration are affected by the different assumptions in the market scenarios.

Base Case
Under the Base Case market assumptions, the following table shows that the center owner's position would increase by $1.2 million, which is the value of the reconfigured center plus the revenue from the land sale, less the current value of the center.

Since the proposed plan would decrease the center by 101,000 rentable square feet, it is useful to look the difference between the value of the lost retail area and the revenue from the sale of the land.

The value of the lost space is the difference between the as-is value, and the value of the reconfigured center. In the Base Case, the table shows that the value of the lost retail area is $4.4 million, which is $1.2 million less than the revenue from the land sale.

A key market assumption is the length of time required to lease vacant space. Since the area that will be removed is primarily vacant, it's more affected by the leasing assumption than the rest of the center.

Worst Case
Under the weakest market assumptions, the current value would be $12,998,000, which represents a 24% drop from the purchase price.

At this lower value, the area lost due to the sale would be worth only $35.89 per foot, and the owners gain from the sale would be $2,043,000.

Best Case
Under the most favorable market assumptions the current value would be $17,605,000, which exceeds the original price. Since market conditions have deteriorated since 2005, this value is at the top of a reasonable range.

At this higher value, the value of the retail area lost due to the land sale would be approximately equal to the revenue from the land sale, so the net gain to the owner is only $40,400.

Analysis Summary

SRG Owner Position:	**Worst Market Case**	**Base Market Case**	**Best Market Case**
Reconfigured Center Value	9,367,133	10,492,586	11,980,963
Revenue from Land Sale	5,664,000	5,664,000	5,664,000
Total Proposed Value	15,031,133	16,156,586	17,644,963
Center Value As-Is	-12,988,449	-14,932,450	-17,604,581
Net Gain (+-)	2,042,684	1,224,136	40,382
Land Value Compared to Lost Retail Value			
Revenue from Land Sale	5,664,000	5,664,000	5,664,000
Center Value As-Is	12,988,449	14,932,450	17,604,581
Reconfigured Center Value	-9,367,133	-10,492,586	-11,980,963
Value of Lost Retail Area	3,621,316	4,439,864	5,623,618
Net Gain (+-)	2,042,684	1,224,136	40,382

Obstacles

Phasing Land Purchase and Development

An 18.9 acre site can support 384 units, which is a large number for this market. Part of any negotiation with the center owner will be a phased takedown of the land. Phasing will be complicated and will generate additional costs for the developer.

Existing Tenant Assumptions

The assumptions used for existing tenant rent and lease term are estimates. Replacing these estimates with actual lease terms will affect the value. Since the changes will be applied in both the current and proposed cash flows, the difference is not expected to materially affect the net gain to the owner.

Vacant Anchor Building

The lease-up assumption used for the vacant 65,500 square foot anchor building affects the net gain calculation more than any other assumption. The owner is currently attempting to lease the space as an office building. If they are successful, the proposed land sale cannot occur.

But the market for office space generally is uncertain due to the unknown long-term impact of COVID on tele work options. Also, the vacant single-story office just west of the anchor site suggests that this area may not be a desirable location for office space.

<u>*Rockwood Square*</u> (Full Redevelopment)

Rockwood Square was selected as the best candidate for full redevelopment. This decision was influenced by the lack of anchor tenants, site configuration, and neighborhood composition.

Site Characteristics

Rockwood Square is a 54,000 square foot center on a 10-acre site on the southwest corner of Hull Street Road and Courthouse Road. There are five developed outparcels between the parking lot and Hull Street Road that are under different ownership.

The center is well maintained, but only 50% occupied, primarily with Class C tenants. There is no anchor tenant.

Rockwood Square is a candidate for full redevelopment because of its vacancy, low quality tenants, configuration, and neighborhood characteristics. Demolition of the entire center would result in approximately 10 acres for the residential project.

The site is clearly separated from the outparcels, and there is access from both Hull Street Road and Courthouse Road.

Financial Viability

The financial analysis estimates the owner's position after the land sale by comparing the value of the existing center to the revenue from the land sale.

Three cases were run in the analysis: base, best, and worst. The cases show different assumptions of market conditions as shown below.

Projection Assumptions	**Base Case**	**Best Case Changes**	**Worst Case Changes**
Discount Rate	13.0%		
Exit Cap Rate	10.0%		
Market Rent-Anchor	$10.00	$11.00	$9.00
Market Rent-In Line	$10.00	$11.00	$9.00
Rent Growth 2 Yr	0.5%	2.0%	0.0%
Expense Growth/Year	2.0%	2.0%	2.0%
Vacancy Rate/Year	13.0%	10.0%	15.0%
Pro Forma Operating Exp/RSF	$1.17		
RE Taxes Current	25,400		
Lease-up Month In-Line Spaces	13	7	19
Lease-up Month Anchor Building	37	25	49
Tenant Work: In Line Spaces	$2.00		
Tenant Work Anchor	$5.00		

Land Purchase Assumptions	
Purchase Date	Jan-21
Acres Acquired	10
Price/Acre	325,000
Relocate Tenants	74,000
Square Feet Demolished	53,780
Demolition Cost/SF	5
Units/Acre	20
Units	200
TAP Fees/Unit	9,400
Land Improvements/Acre	350,000

<u>Results</u>

The following table shows the results for the three market scenarios. The objective of the analysis is to estimate the center owners gain or loss if the property was sold.

In all three scenarios, the revenue from the land sale would be $3,253,250 ($325,000 per acre). The current value of the center is affected by the different assumptions in the market scenarios.

Base Case

The Base Case market assumptions result in a current value of $3 million or $56.39 per square foot. This is consistent with the assessed value of $2.7 million and the 2020 sale of the adjacent, fully occupied Oxbridge Square center for $88.18 per square foot.

The land sale generates $3,032,000 which is $221,000 over the current value estimate.

Worst Case

Under the weakest market assumptions, the current value would be $2,552,000 or $47.45 per square foot. The sale to a residential develop would result in a gain of $700,000 to the owner.

Best Case

Under the most favorable market assumptions the current value would be $3,747,000, or $69.67 per foot, which is $490,000 higher than the market value of the land to a developer.

Rockwood Owner Position:	**Worst Market Case**	**Base Market Case**	**Best Market Case**
Revenue from Land Sale	3,253,250	3,253,250	3,253,250
Center Value As-Is	2,551,803	3,032,429	3,746,809
Net Gain (+-)	701,447	220,821	-493,559

Obstacles

Owner's Financial Position

The Assessor's data reports that Rockwood Square was acquired in 2012 for $1,900,000. At this price, assuming no debt, the owner is probably achieving a positive return on investment and could reasonably elect to wait and see if the market improves. If so, acquisition would require a higher price than the market land cost.

Existing Tenant Assumptions

The assumptions used for existing tenant rent and lease term are estimates. Replacing these estimates with actual lease terms will affect the value. But about 80% of the center is vacant or occupied by weak tenants, so the impact on value will be minimal.

Pad Sites

Rockwood Square's marketing materials identify three pad sites for future development. While there are four national tenants occupying the existing pads fronting on Hull Street Road, there are two vacant pad sites currently available with the same frontage. Since these are much more desirable than the proposed pads within the center proper, they have been ignored in this analysis.

V. Recommended Actions

The results from the financial modeling coupled with the current and future demand for housing present Chesterfield County with actionable steps that can be taken to pursue redevelopment. Several options are available; but to ensure that housing is a vital component of any redevelopment strategy, the following strategies are recommended:

Land Value
The County could verify the land value and cost assumptions used in the analysis with local residential developers.

Market Information
The County could establish a connection with real estate brokerage firms active in the market. These companies could be a regular source of information on leasing and sales activity that is more current than data providers such as CoStar.

Communication with Owners
The County could initiate and maintain relationships with the firms that own the target properties. Decision makers at these firms know they own problem real estate and should welcome regular dialogue about the County's plans and programs.

Incentives

**The first two incentives would be possible, if the county adopts a voluntary affordable dwelling unit program (ADU).*

1) Fee Waivers - Both centers are not located in county designated revitalization areas, which means that any multifamily development would not be eligible for road cash proffer relief ($9,400/unit). These costs are passed on directly to tenants and make it challenging for developers to offer any level of affordability.

To overcome this barrier, the county could pursue waiving cash proffers for any development that includes units dedicated to households earning below 80% of AMI.

State legislation allows localities to adopt programs that encourage the development of housing that is affordable to low-to-moderate income residents. This program could include waiving road cash proffers for any development that includes units affordable to households earning below 80% AMI.

Other requirements and/or fees could be waived for qualifying developments, such as parking allowances or permitting fees.

2) Density Bonus - The county could also include a density bonus incentive in its ADU program. Doing so would enable a developer to build more units on the site and, in exchange, the

developer would be required to provide units that are affordable to low-to-moderate income households.

3) Performance Grant – Chesterfield can expand the use of its performance grant program to include redevelopment of aging shopping centers.

4) Designate Aging Shopping Centers as Revitalization Areas - Revitalization areas in the County enable developers to receive waivers on cash road proffers. Given the amount of aging shopping centers that have been identified in Chesterfield (61 shopping centers), the county can define aging shopping centers as "revitalization areas" if they meet certain standards (high vacancy rate, low assessment growth, lack of anchor tenants).

This strategy would require an amendment to the Road Cash Proffer policy.

5) Modify Rehabilitation Tax Exemption Program - The current rehabilitation tax exemption program allows for exemptions on only the first 200% of increased building area footage of commercial space that is converted into residential use.

Instead, the county could explore adjusting the program benefits for the redevelopment of commercial building space into residential use. A code amendment would be required in order to accomplish this solution.

Zoning and Policy

1) Rezone Target Shopping Centers - To encourage development that is balanced, the county should rezone aging shopping centers to allow mixed use redevelopment. Implementing this solution would require the initiation and sponsorship of zoning applications by the Board of Supervisors.

2) Increase Maximum Building Heights - Typically, commercial areas are subject to building height restrictions of three stories or 45 feet. This requirement would be an impediment to potential residential development on the selected shopping center sites.

Design standards for nonresidential buildings such as offices already allow taller maximum heights. The county should pursue amending the Zoning Ordinance design district standards for the target centers to allow for various housing heights and types.

3) Residential Overlay Districts - Zoning overlay districts could permit residential uses (with restrictions) in shopping centers that support mixed use development as designated by the Comprehensive Plan. This strategy has already been employed successfully in Chesterfield with the Jefferson Davis Highway Corridor Overlay District.

Adopting this strategy would require an amendment to the Zoning Ordinance.

4) Amend County Comprehensive Plan - The current Comprehensive Plan includes support for mixed-use development. To further align efforts, the language could be expanded to ensure

countywide support of mixed-use development in community and regional scale shopping centers.

Public Investment

1) Infrastructure Investment – County funding for infrastructure investment is guided through the Capital Improvements Program (CIP). CIP projects are often capitalized by bond referendums that help fund numerous capital projects, which can include parks and other revitalization efforts. The county could strategically allocate funding in a future bond package to acquire the target centers outlined in this report, which could serve as a catalyst for private investment.

VI. Appendix

A. Analysis Detail

1. Spring Rock Green

Land Cost		
	Total	**Per Acre**
Acquisition	5,664,000	300,000
Building Demolition	504,470	26,720
Total Land Cost	$6,168,470	326,720

Land Assumptions	
Purchase Date	Jan-22
Acres Acquired	18.9
Price/Acre	300,000
Square Feet Demolished	100,894
Demolition Cost/SF	$5.00
Units/Acre	20
Units	378
TAP Fees/Unit	9,400
Land Improvements/Acre	350,000

SRG Owner Position : Proposed Base Case			
	Total	**Bldg. SF Valued**	**Per Square Foot**
Reconfigured Center Value	10,492,586	152,436	$68.83
Revenue From Land Sale	5,664,000		
Total Proposed Value	16,156,586		
Center Value As-Is	14,932,450	253,330	$58.94
Net Gain (+-)	$1,224,136		
Land Value Compared to Lost Retail			
Center Value As-Is	14,932,450	253,330	$58.94
Reconfigured Center Value	10,492,586	152,436	$68.83
Value of Lost Retail Area	4,439,864	100,894	$44.01
Revenue From Land Sale	5,664,000		
Net Gain (+-)	$1,224,136		

SRG Owner Position: Proposed Worst Case

	Total	Bldg. SF Valued	Per Square Foot
Reconfigured Center Value	9,367,133	152,436	$61.45
Revenue From Land Sale	5,664,000		
Total Proposed Value	$15,031,133		
Center Value As-Is	12,988,449	253,330	$51.27
Net Gain (+-)	2,042,684		
Land Value Compared to Lost Retail			
Center Value As-Is	12,988,449	253,330	$51.27
Reconfigured Center Value	9,367,133	152,436	$61.45
Value of Lost Retail Area	3,621,316	100,894	$35.89
Revenue From Land Sale	5,664,000		
Net Gain (+-)	2,042,684		

SRG Owner Position: Proposed Best Case

	Total	Bldg. SF Valued	Per Square Foot
Reconfigured Center Value	11,980,963	152,436	$78.60
Revenue From Land Sale	5,664,000		
Total Proposed Value	$17,644,963		
Center Value As-Is	17,604,581	253,330	$69.49
Net Gain (+-)	$40,382		
Land Value Compared to Lost Retail			
Center Value As-Is	17,604,581	253,330	$69.49
Reconfigured Center Value	11,980,963	152,436	$78.60
Value of Lost Retail Area	5,623,618	100,894	$55.74
Revenue From Land Sale	5,664,000		
Net Gain (+-)	$40,382		

2. Rockwood Square

Land Cost	Total	Per Acre
Acquisition	3,253,250	325,000
Lease Termination Cost	81,045	8,096
Building Demolition	268,900	26,863
Total Land Cost	$3,522,150	351,863

Land Assumptions	
Purchase Date	Jan-21
Acres Acquired	10.0
Price/Acre	325,000
Square Feet Demolished	53,780
Demolition Cost/SF	$5.00
Units/Acre	20
Units	200
TAP Fees/Unit	9,400
Land Improvements/Acre	350,000
Lease in Place	27,015
Lease Termination Cost/SF	$3.00

RS Owner Position: Base Case	Total	Bldg. SF Valued	Per Square Foot
Revenue From Land Sale	3,253,250		
Current Value: As Is	3,032,429	53,780	$56.39
Net Gain (+-)	$220,821		

RS Owner Position: Worst Case	Total	Bldg. SF Valued	Per Square Foot
Revenue From Land Sale	3,253,250		
Current Value: As Is	2,551,803	53,780	$47.45
Net Gain (+-)	$701,447		

RS Owner Position:Best Case	Total	Bldg. SF Valued	Per Square Foot
Revenue From Land Sale	3,253,250		
Current Value: As Is	3,746,809	53,780	$69.67
Net Gain (+-)	($493,559)		

B. Target Analysis

Target Center Analysis: 360 West

General Information
360 West is a 158,000 square foot property on a 12-acre site on the northwest corner of Hull Street Road and Turner Road. The property includes 133,100 square feet of retail space and a 24,600 square foot office building.

The property is for sale with an asking price of $7,800,000 or $48.49 per square foot.

Tenants
The retail area consists of three buildings.

Building 1 (61,200 SF) on the west side of the site is anchored by Walgreens, Auto Zone and Dollar General. There are two neighborhood grocery stores and other local tenants that are assumed to be viable for the foreseeable future.
Building 2 (12,500 SF) faces Hull Street Road. It has three national tenants and is considered viable.
Building 3 (59,400 SF) on the north side of the site has primarily weak local tenants and is not viable. The adjacent office building is 78% vacant.

Leasing Activity
Building 1's most recent leases were signed in the fall of last year and CoStar reports an asking rent of $10.00 PSF.
Building 2's most recent tenant is Subway, which opened in May. CoStar estimates rent for this building at $14 to $17 PSF.
Building 3 signed three tenants in the fall of 2019 with asking rent of $10 PSF.

1	Description	Address	GLA	Acres
	In-Line	7200 Hull Street	61,179	

Tenants	Store Type	Occupied SF	Vacant	Start Date	Exp Date	Rent	Condition	Viability
Walgreens	Drug Store	13,500		Apr-05			3	4
AutoZone	Automotive	12,000		Apr-05			2	3
Dollar General	Thrift	8,000		Mar-11			2	3
Jerusalem Supermarket	Supermarket	7,000		Nov-19			2	2
Rancho Latino Market	Supermarket	6,600		Jun-18			2	2
Tops China	Restaurant	2,233		Sep-19	Dec-22		2	2
Cafe & SaborBakery	Restaurant	1,577		Aug-17			2	2
Edify Barber Academy	Salon	1,150		Nov-07			2	2
Vacant			2,218				2	

2	Description	Address	GLA	Acres
	Free Standing Building	7102-7104 Hull S	12,464	

Tenants	Store Type	Occupied SF	Vacant	Start Date	Exp Date	Rent	Condition	Viability
Taj Mahal Grocery		3,375		May-15			1	2
Boost Mobile		2,361		Jan-16			1	3
Jackson Hewitt	Service	2,082		Jan-11			1	3
House of Hair	Service	2,079		Jul-05			1	2
Kamayan Restaurant	Restaurant	1,577		Dec-13			1	2
Bob's Burgers	Restaurant	1,577		Jun-12			1	2
Subway	Restaurant			Mar-20			1	3

3	Description	Address	GLA	Acres
	In-Line	7106-7154 Hull S	59,411	

Tenants	Store Type	Occupied SF	Vacant	Start Date	Exp Date	Rent	Condition	Viability
360 Bazaar		10,047		Aug-10			2	2
Carquest	Automotive	5,941		Feb-11			2	2
Blue Streak Vape		5,500		Dec-19	Nov-24		2	1
Brolic Physiques		5,500		Nov-18	Dec-22		2	2
Sal's Italian Pizza	Restaurant	5,500		Nov-18	Dec-24		2	3
Reliable Waterproofing	Service	4,200		Aug-19			2	2
Padillas Four		3,308		Dec-17			2	2
Market De Mi Pueblo		2,750		Jun-19			2	2
New Deliverance Church	Church	2,750		Jul-12			2	2
Cricket Wireless		1,888		Mar-16			2	3
Golden Skillet	Restaurant	1,814		Feb-11			2	1
Walmart	Discount Store	1,599		May-01			2	3
Independent Insurance	Office	1,308		Jan-17			2	2
YES Family Services	Service	941		Nov-13			2	2
Elizabeth's Alterations	Service	730		Feb-14			2	2
Financial Consulting Group	Service	500		Jul-12			2	2
Premier Audio		500		Sep-10			2	2
3 local no data		4,635		Jul-12			2	2

4	Description	Address	GLA	
	Office Building	7206 Hull St. Rd	24,601	78% Vacant

Configuration
The viable retail faces Hull Street Road and Part of the west side of the site (see map below). The southeast corner is an Exxon station that is not a part of the center.

The low-quality retail and the office building are located on the north edge and north west corner of the site.

Neighborhood
The site is surrounded by single family houses on the north and west sides. The buffer between the houses and the retail buildings is narrow.

Analysis
This center is not a candidate for full redevelopment because Buildings 1 and 3 are viable as retail space.

Building 2 and the office building are potential candidates for redevelopment because of the low quality of the retail leases and the office building's condition and vacancy.

However, the site's configuration is not feasible for a mixed-use project. The functioning retail buildings, gas station and required parking leave a relatively small irregular shaped site available for residential development.

It would be extremely difficult to create a buffer between the retail and residential sites and between the redeveloped site and the single-family residential area behind it.

Target Center Analysis: Bermuda Square

General Information
Bermuda Square is a 136,500 square foot neighborhood center on a 21-acre site, on the southeast corner of West Hundred Road and Jefferson Davis Highway.

The property, which includes all the outparcels, was purchased in November 2019 for $18.5 million. The new owner has replaced a vacant grocery store with a new Burlington store and is building a 50,000 square foot store for Hobby Lobby.

Tenants
When construction is complete, the center will be anchored by Burlington and Hobby Lobby. In-line stores include national and relatively strong tenants.
The outparcels are all national tenants. There is only one vacant shop space.

	Total		GLA	Site Acres
	Neighborhood Center		136,671	14.95

1	Description	Address	GLA
	In Line Shops	12607-12621 Jefferson Davis Hwy	56,138

Tenants	Store Type	Occupied SF	Vacant	Start Date	Exp Date	Rent	Condition	Viability
Burlington	Anchor	34,355		Dec-20		15-19	3	4
Petco		13,003		May-17			3	4
ABC		4,100		May-17			3	4
H&R Block	Office	2,500		May-17			3	4
Management Office	Not Available	680					3	3
Great Clips	Service	1,500		May-17			3	3

2	Description	Address	GLA
	In Line Shops	12511-12525 Jefferson Davis Hwy	15,894

Mattress Firm		5,957		May-17		15-18	3	3
Gabes Barbershop		1,600		May-17			3	3
Vacant		0	1600	May-17			3	4
Subway		1,537		May-17			3	4
Top's Restaurant		1,200		May-17			3	3
California Nails		1,200		May-17			3	3
Manchester Cleaners		962		May-17			3	3
Chester Dental Care	Medical	1,838		Aug-06				

2	Description	Address	GLA
	Outparcels	Various	64,639

Shoneys		5,200		Aug-06		13-15	3	4
Captain D's		2,021		Aug-06		12-15	3	3
Suntrust Bank		2,200		Aug-06		12-14	3	4
Valvoline		1,668						
Chipotle		1,800		Oct-12		12-15	3	3
Starbucks		1,750		Jan-09		12-15	3	4
Hobby Lobby		50,000	0	Nov-20		13-15	5	4

Leasing Activity

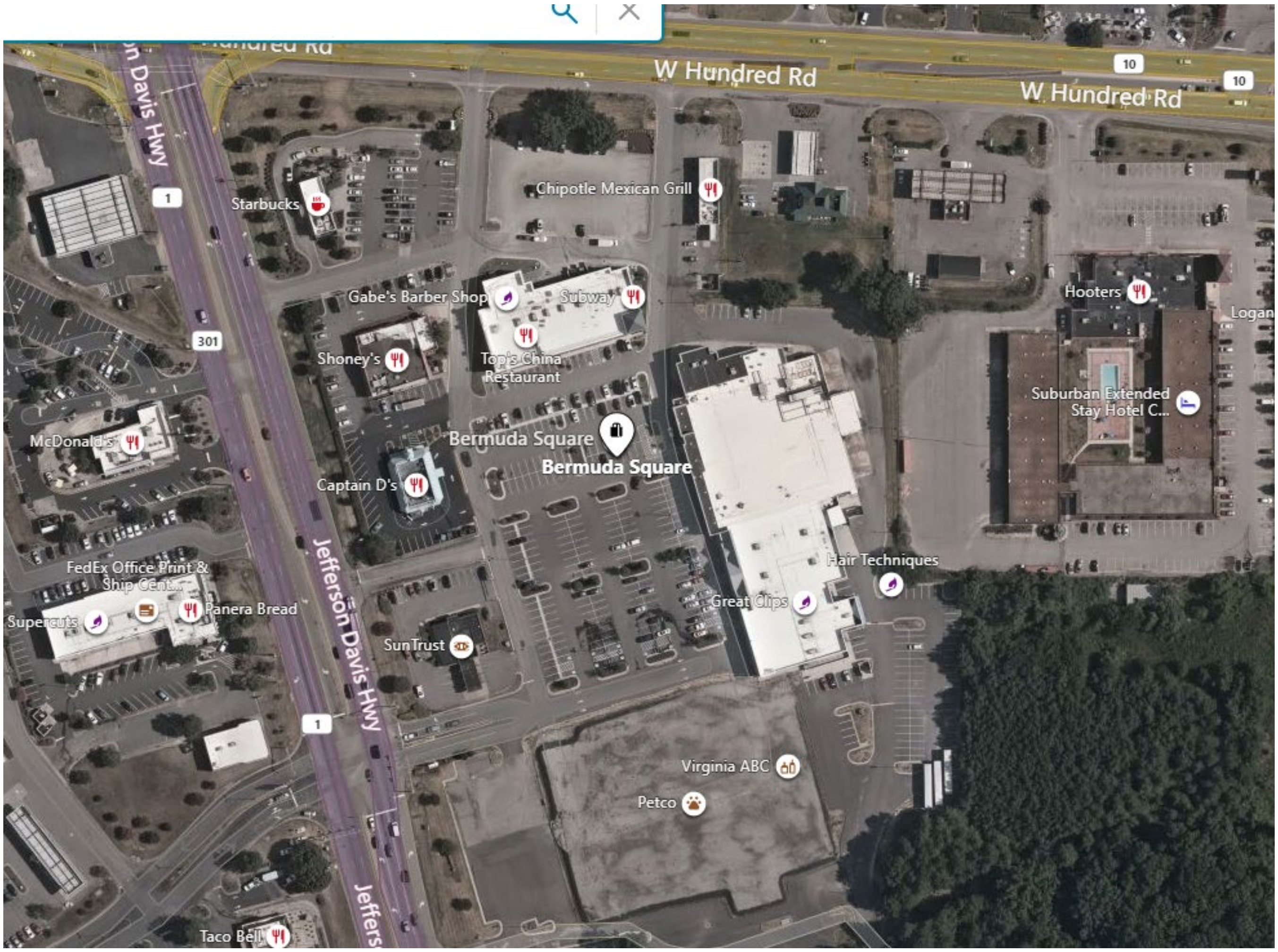
Most of the in-line leases were signed in May 2017. The anchor spaces were leased this year.

Configuration

When complete, the stores will form a square around a central parking lot.

Neighborhood

The area around Bermuda Square is either commercial or undeveloped. With the exception of a mobile home park located 0.5 miles to the north, residential development is non-existent in the surrounding neighborhood.



Analysis

Bermuda Square is not a candidate for a total conversion to residential because it was recently purchased by an experienced developer who has added two new anchor tenants.

It's not a candidate for a mixed use project because there is no retail space that is not functioning.

Target Center Analysis: Chippenham Square

General Information

Chippenham Square is a 184,300 square foot neighborhood center on a 15.4-acre site on the southwest corner of Midlothian Turnpike and Granite Spring Road. Boulders Parkway dead ends into Midlothian at the entrance to the property.

The center was purchased in July 2007 for $6,400,000.

The main building is in average condition and the stand-alone building is in fair condition. The property is well maintained

Tenants

The center is anchored by an 85,000 square foot Foremost Sales store which offers low priced clothing and general merchandise. This is their only outlet and they have operated here since 2010.

A 28,000 square foot New Grand Mart is a secondary anchor. This is a regional supermarket operation with stores in Virginia and Maryland. It started in 2013, opened at Chippenham Square in 2015 and renewed the lease in 2018.

The other tenants are local and generally suited to the market around the center.

1	Description	Address	GLA
	Main Building	7415 Midlothian Turnpike	169,074

Tenants	Store Type	Occupied SF	Vacant	Start Date	Exp Date	Rent	Condition	Viability
Foremost Sales	Anchor; clothes & general merch	85,018		Jun-10			3	2
New Grand Mart	Supermarket	28,000		May-18			3	3
Nail Rap	Salon	1,600		Jul-09			3	2
Salon Universal	Salon	2,280		Aug-08			3	2
Lopez Furniture		6,800		Jun-18		$11.64	3	2
K-Bakery		3,200		Apr-18	Apr-21	$12.00 asking	3	2
Quality Cuts & Styles		1,600					3	2
Rent-A-Center		4,000		Apr-06			3	3
RVA Flea		6,300					3	2
Island Flavas	Restaurant	5,000		May-18			3	2
RVA Wireless		1,650		Jan-18			3	3
Haejung Park	Event Center	3,200		Feb-19		$12.00 asking	3	2
El Vacquero		3,240		Apr-18		$12.00 asking	3	2
Dolce Salon		5,100		Jan-18		$12.00 asking	3	2
FuWah Chinese Restaurant	Restaurant	1,696		Jul-09			3	2
Church		3,100					3	2
USA flowers		4,000		Apr-11			3	2
Asher Comprehensive	Training	3,290		Oct-17	Sep-20		3	3

2	Description	Address	GLA
	Stand Alone Building	7477 Midlothian Turnpike	15,250

Tenants	Store Type	Occupied SF	Vacant	Start Date	Exp Date	Rent	Condition	Viability
Vicky's Nails	Salon	1,300		Dec-18			2	2
The Hair Place	Salon	1,300					2	2
Greater Inspiration	Church	2,600		Feb-19			2	2
The Hidden Spot		10,050		Sep-16			2	2

Leasing Activity

Most of the inline shop leases, including New Grand Mart, were signed or renewed in 2018 and early 2019.

Asking rent has been $12.00 per foot since 2018.

Configuration
The site is a rectangle separated from Midlothian Parkway by outparcels including Waffle House, Bojangles, and Goodyear.

On the west side the site is separated from Turner Road by an office building and convenience retail.

Neighborhood

Residential development in the immediate vicinity of the center is sparse, with the exception of a multifamily property to the north of the center across Midlothian Turnpike, and a mobile home park to the northwest of the site.

Conclusion

Chippenham Square is a functioning retail center and is currently not appropriate for redevelopment. The anchor tenant sits in the middle of the south side so mixed use is also not an option.

The owner has successfully leased space to tenants serving the neighborhood. However, if Foremost Sales closed, this center should be reevaluated.

Target Center Analysis: Meadowbrook Plaza

General Information
Meadowbrook Plaza is a 193,100 square foot neighborhood center on a 16.8-acre site, adjacent to Chippenham Parkway on the northwest corner of Hopkins Road and Bonniebank Road.

The property, which includes all the outparcels, was purchased in May 2019 for $10,000,000. The new owner is upgrading facades on the inline shops, and is actively leasing the property.

Tenants

The center is anchored by a 41,000 square foot Walmart Neighborhood market. The other large inline tenant is Gold's Gym, which is being bought out of bankruptcy by a European fitness company, and should be a more viable tenant.

Current vacancy in the inline shops plus Walmart is 45%

The outparcels are strong national tenants and only one of the sites is vacant.

1	Description	Address	GLA	Site Acres
	In Line Shops	5760 Hopkins Road	123,332	10.4

Tenants	Store Type	Occupied SF	Vacant	Start Date	Exp Date	Rent	Condition	Viability
Golds Gym	Fitness	27,979		Feb-17			3	2
DaVita Kidney Care	Health Care	6,783		Nov-17			3	4
Prologistix	Personal Services	4,277		Apr-20			3	3
ABC	Liquor	3,750		Nov-14	Oct-24	$ 17.50	3	4
Pizza Hut	Fast Food	2,497		May-06			3	4
I & A Tax	Office	1,085		Nov-18			3	3
Barber Shop	Service	2,432						
Vacant Shops		0	74,529					

2	Description	Address	GLA	Site Acres
	Stand Alone	5700 Hopkins Road	41,179	3.76

Tenants	Store Type	Occupied SF	Vacant	Start Date	Exp Date	Rent	Condition	Viability
Walmart Market	Supermarket	41,179		Mar-15	Feb-35		3	4

3	Description	Address	GLA	Site Acres
	Outparcels		28,591	2.6

Tenants	Store Type	Occupied SF	Vacant	Start Date	Exp Date	Rent	Condition	Viability
Vacant			7,242				3	2
Not Available	Office	2,432					2	-
Hancock's Service Center	Gas Station	1,967		Sep-17			2	4
Wendy's	Fast Food	3,830		Mar-07			2	4
Firestone	Auto Repair	4,625		Jul-18			2	4
Wells Fargo	Bank	2,995		Aug-06			2	4
Not Available	Office	5,500					4	-

Leasing Activity

No new leases have been signed since the new owner began the rehabilitation work.

Configuration

Meadowbrook is built on a 19.5-acre triangular site.

Walmart, Gold's Gym and the outparcel buildings are located in the corners of the triangle, and all the vacant space is between Walmart and Gold's.

Neighborhood

The center is settled amidst numerous single-family neighborhoods, with many of the surround homes built prior to 1979. As a result, multifamily development would likely not fit the current character of the neighborhood.

Analysis

Meadowbrook Plaza is not a candidate for a total conversion to residential because of the strength of Walmart, and the investment in a major renovation currently underway.

It is not a candidate for a mixed-use project because the site's configuration would not support a residential development without significant demolition of functioning retail space.

Target Center Analysis: Oxbridge Square

General Information
Oxbridge Square is a 116,300 square foot property on a 12.1-acre site on the southeast corner of Hull Street Road and Courthouse Road.

The property was acquired in January 2020 for $10,250,000 or $88.18 per square foot.
It is in good condition and well maintained.

Tenants
The center is anchored by Big Lots and has several other national tenants including Youfit Health Club, Starbucks, Oreck Vacuum, and Subway.
Current vacancy is only 5.2%.

Outparcels, under different ownership, include Exxon, Shoney's, Popeyes, and Captain D's.

Leasing Activity
S.L. Nusbaum is actively marketing the property. The most recent lease was signed in January.

Description	Address	GLA	Acres
Neighbood Center	9901 Hull Street Rd.	116,300	12.1

Tenants	Store Type	Occupied SF	Vacant	Start Date	Exp Date	Rent	Condition	Viability
Hibachi & Sushi		1,014		Sep-18			3	3
RE-Bath		1,014		Oct-10			3	3
Cleaners Shoe Repair		675		Feb-19			3	2
Healthy Habits		675		Nov-19			3	3
Great Clips		1,350		Feb-13			3	3
Oreck Vacuum		675		Oct-19			3	3
Vacant			675				3	
Subway		1,980		Nov-05			3	4
You Fit Health Club	anchor	19,520		Aug-14			3	4
Your Expectations		2,080		Feb-20			3	3
Vocelli Pizza'		1,443		Mar-10			3	3
American Karate Center		3,760		May-19		$ 8.50	3	2
Vacant			1,137				3	
Victoria Nails		1,100		Jan-80			3	2
Your Town Treassures		6,400		Aug-18			3	2
One Main Financial		2,000		Dec-19			3	4
Vacant			2,625				3	
Southern Taste Diner		2,625		Apr-18			3	2
ABC Store		4,000		Jun-13			3	4
Premier Dance Company		2,400		Dec-13			3	2
Big Lots	anchor	36,912		Nov-18			3	4
Richmond Acquarium		3,600		Aug-19		$ 12.89	3	3
Vacant			1,600				3	
Starbucks		2,000		Feb-07			3	4
Victory Lane Auto Sales		15,000		Aug-18			3	3

Configuration

The Oxbridge Square center is L shaped on the south and east sides of the site. The outparcels complete the square on the west and north. The best tenants are distributed throughout the center.

Neighborhood
The developed area south of Oxbridge Square is all single-family houses. On the east side, across Oxbridge Road, there is a Motel and two small office buildings.

Analysis

Oxbridge square is not a candidate for either type of redevelopment because it is a fully occupied with tenants well suited to this market. The new owner is actively managing the property.

Target Center Analysis: Rockwood Plaza

General Information
Rockwood Plaza is a 39,000 square foot neighborhood center on a 5.2-acre site on the northeast corner of Courthouse Road and Hull Street Road. The shops that front on Hull Street Road are not part of the property.

The center was purchased in September 2018 for $3,700,000 or $95.45 PSF.
The "L" shaped building is in average condition and the property is well maintained

Tenants

The center has no anchor and is 35% vacant. The largest tenant, Town Police Supply has been at this center since it opened., but the other tenants are local with low viability scores.

Leasing Activity

Two major tenants, Baker's Kitchen and Wolfgang's Gym both left in the past year.
Recent leases have been with weak local tenants. Retail asking rent is $8.00-$10.00 PSF.

Description		GLA	Acres
Total Center	Neighborhood Retail	38,954	5.23

Description	Address	GLA	
Total Cemter	3510-3555 Courthouse Road	38,954	

Tenants	Store Type	Occupied SF	Vacant	Start Date	Exp Date	Rent	Condition	Viability
Jazzercise		1,200					3	4
Mattress By Appt		1,200		Jan-20			3	3
Scrap U	hobby, toys	2,293		Nov-19			3	3
Simply Ballroom	dance studio	5,623		Feb-07			3	3
Town Police Supply	gun store	7,790		Sep-95			3	3
Antioch Christian Church	church	3,509		Jun-18			3	4
Integration		1,400					3	4
Quilt Shop		2400					3	4
Vacant	3551		8,046					
Vacant	3501		1429					
Vacant	3505		2669					
Vacant	3551		1395					

Configuration

Rockwood Plaza is "L" shaped with access from Hull Street Road westbound and Courthouse Road northbound. The site is behind the retail properties that front on Hull Street Road. Inferior access and visibility limit its potential as a retail center.

Neighborhood
The center is bordered on the north and east by Rockwood Park, a major recreational facility. There is no residential property adjacent to it.

Conclusion

Rockwood Plaza is not a viable retail center. The current owners are managing and leasing the property, and their investment is not large. However, if it continues to perform poorly, a sale is a possibility.
It is a candidate for total redevelopment as a small housing project because it is surrounded by Rockwood Park and is nonadjacent to Hull Street Road.

Target Center Analysis: Rockwood Square

General Information
Rockwood Square is a 54,000 square foot center on a 10-acre site on the southwest corner of Hull Street Road and Courthouse Road.
There are five developed outparcels between the parking lot and Hull Street Road that are under different ownership.

The center was purchased by AREA Properties, LLC in Kensington Maryland in June 2012 for $4 million ($75 PSF).

The center is well maintained, but only 50% occupied by Class C tenants. There is no anchor tenant. AREA has plans to add three stand-alone buildings on the existing site, but there is no construction activity.

Tenants
The center was anchored by Best Buy which relocated to the Oxbridge center directly across Courthouse Road to the east.
The largest retail tenant is Terry's Small Engine Repair which has lease space since June 2013. Their expiration date is not known.
The other viable tenants are Alliance Family Practice (1,875 SF) and All-American Insurers (400 SF). Remaining leases are weak local tenants.

Description	Address	GLA	Acres
Shopping Center	10161-10187 Hul	53,780	10.01

Tenants	Store Type	Occupied SF	Vacant	Start Date	Exp Date	Rent	Condition	Viability
Kindred Church		8,450		Dec-19			2	1
Terry's Small Engine Repair		6,358		Jun-13			2	3
The A.R.T.S.		3,750		Mar-16	Mar-21		2	2
Alliance Family Practice	Medical	1,875		Aug-18	Aug-23		2	3
Tea With Kip		500		Sep-18			2	2
Dynamic Hair Designs		500		Nov-11			2	2
Guiseppe's Pizza		1,875		Apr-07			2	2
All American Insurers	Office	400		Apr-07			2	3
Southern Nails		500		Apr-07			2	2
A Beautiful Beginning	Child Care	2,807		Dec-09			2	2
Vacant Anchor			25,600					
Vacant			1,165					
TOTAL		27,015	26,765	49.8%				

Leasing Activity
The most recent lease was Kindred Church, signed in October 2019.

Configuration
It is possible to convert this site to residential use.
The site is clearly separated from the outparcels, and there is access from both Hull Street Road and Courthouse Road.

Neighborhood

Hull Street Road to the west of the property has many fast-food restaurants, low end shopping centers, and small industrial/repair operations.
There is a viable shopping center across Courthouse Road, anchored by a Big Lots
and a Food Lion anchored center at Genito Road, about a mile west of Rockwood Square.
The property on the western boundary is a golf driving range.
There is a large multifamily development adjacent to the south side of the center. The surrounding neighborhoods contain a mix of multifamily developments—some of whom are low-income housing tax credit properties—and single-family homes. Any additional multifamily would be consistent the surrounding neighborhood characteristics.

Conclusion

Rockwood Square is a candidate for full redevelopment because of its vacancy, low quality tenants, configuration, and neighborhood characteristics.

Target Center Analysis: Spring Rock Green

General Information
Spring Rock Green is a 253,300 square foot Power Center on a 47.2-acre site at the intersection of Midlothian Turnpike and the exit from Chippenham Parkway.

The property was purchased by the Bond Companies in 2008 for $17,000,000, or $67.11 per square foot.

The owner is proposing to build an office building on the site of the former 65,000 square foot anchor store. Virginia College has recently vacated a 62,000 square foot space on the west side of the center.

Tenants

The center currently has three major tenants, Dollar Tree, Conn's Home Plus, and YouFit Health Club. There are only two in-line stores.

There is also vacant one level office/service space behind Spaces F to G on the site map below.

The outparcels, which are under separate ownership, are mostly national tenants.

Description	GLA	Site Acres
Power Center	253,330	47.2

Tenants	Store Type	Occupied SF	Vacant	Start Date	Exp Date	Rent	Condition	Viability
Virginia College	School	0	61,954	Jul-12			2	1
Conn's Home Plus	Appliances	40,000		Sep-18		$10 asking	2	3
YouFit Health Club	Fitness	20,000		Feb-15			2	2
5.11 Tactical	Shoes	8,684		Jun-18		$15 asking	3	3
Rainbow	Womens' Clothes	5,548		Aug-09			2	2
Dollar Tree		20,872					2	4
Vacant			9,610				2	
Vacant			8,622				2	
Vacant			12,500				2	
Vacant Anchor			65,540				1	

Outparcels (different ownership)

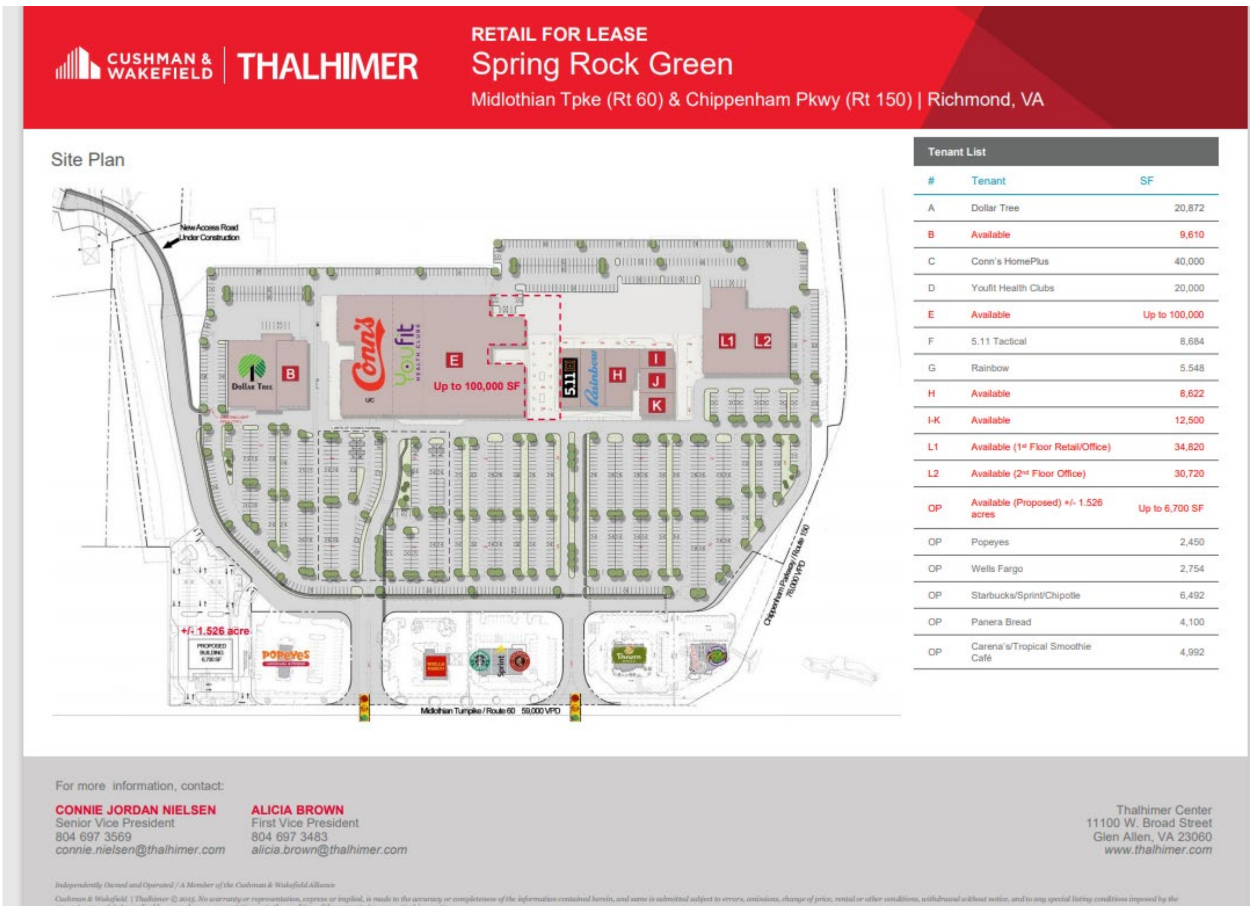
Tenants	Store Type	Occupied SF	Vacant	Start Date	Exp Date	Rent	Condition	Viability
Tropical Smoothie		Aug-13		Oct-18			4	3
Starbucks/Chipotle		Oct-17		Dec-13			4	4
Wells Fargo		Jul-07		Jul-15			4	4
Panera Bread		Mar-11		Jul-15			4	4
Popeye's		Sep-06		Jul-15			3	3
Carena's Jamaican Grill		Jul-06					4	3
Available			6,700					

Leasing Activity
There have been no new leases at the center since 2018

Configuration

The center can be divided into two sections, east and west of the entrance road between the Panera and Chipotle outparcels.

The three large stores are in the west section and only two in-line shops are in the east section. If 5.11 Tactical and Rainbow were relocated to part of the vacant Virginia College space, about 40% of the site would be available for redevelopment.



CUSHMAN & WAKEFIELD | THALHIMER

RETAIL FOR LEASE

Spring Rock Green

Midlothian Tpke (Rt 60) & Chippenham Pkwy (Rt 150) | Richmond, VA

Site Plan

Tenant List

#	Tenant	SF
A	Dollar Tree	20,872
B	Available	9,610
C	Conn's HomePlus	40,000
D	Youfit Health Clubs	20,000
E	Available	Up to 100,000
F	5.11 Tactical	8,684
G	Rainbow	5.548
H	Available	8,622
I-K	Available	12,500
L1	Available (1st Floor Retail/Office)	34,820
L2	Available (2nd Floor Office)	30,720
OP	Available (Proposed) +/- 1.526 acres	Up to 6,700 SF
OP	Popeyes	2,450
OP	Wells Fargo	2,754
OP	Starbucks/Sprint/Chipotle	6,492
OP	Panera Bread	4,100
OP	Carena's/Tropical Smoothie Café	4,992

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Neighborhood
There is a multi-family residential development on the north side of the site. It is screened from the property by a deep, wooded buffer. Newer, market-rate multifamily development is also located directly across Midlothian Turnpike.

Analysis

Assuming that the three existing large tenants remain, the west section of the site is a functioning retail property and Spring Rock Green is not a candidate for full redevelopment.

However, it is a candidate for mixed use development. The two tenants in the east section could be moved to the west section, creating a 157,000 square foot retail center with an acceptable parking ratio.

This would leave 35%-40% of the 47-acre site for a residential project. This appears to be large enough to be buffered from the outparcels on the south side and the retail center on its west side.