

FINAL REPORT:

Military Circle / Military Highway Urban Development Area Vision for the Future

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INTRODUCTION

OIPI Grant

The Virginia Office of Intermodal Planning and Investment (OIPI) funds grants for localities throughout the state to plan for Urban Development Areas (UDA) in order to better coordinate future land use planning and transportation planning for targeted growth areas in Virginia. The grant awarded to the city of Norfolk was intended to help plan an Urban Development Area under state code under OIPI's Urban Development Area Technical Assistance grant program for the Military Circle/Military Highway Urban Development Area. This provided Norfolk with the opportunity to create a long-term vision for an area that the city would like to see revitalize through long term redevelopment and growth in the coming years. This report summarizes the 12-month planning process undertaken by the City and the technical assistance consulting team of Renaissance Planning and Michael Baker International in the development of a long term vision for the redevelopment of this area.

Discussion of UDAs

Under Virginia's state code, UDAs are designated growth areas in a locality's comprehensive plan that provide for walkable places, a mixture of uses, and travel choices. The city had already designated the Military Circle/Military Highway area as an Urban Development Area in its comprehensive plan, PlaNorfolk2030. However, the award of this UDA Grant to the city of Norfolk has presented an opportunity to develop a vision for this important area that is not only a key focus for future redevelopment and revitalization for the city, but is also being considered for potential future extension of the Tide light rail system by Hampton Roads Transit.

Existing Plans & Policies

There have been a number of planning efforts relating to the Military Circle and Military Highway area in the past few years. The Comprehensive Plan for the Military Highway Corridor District, City of Norfolk, Virginia, dated September 18, 2006 (The "Military Highway Plan") established a plan for the entire Military Highway Corridor that focused primarily on roadway operational improvements and beautification proposals within the right of way.

In 2012, the city obtained assistance from the Urban Land Institute to convene a Technical Assistance Panel (TAP) on September 17-18, 2012. This resulted in a TAP report titled "The Future of the Military Highway Corridor." This study focused in greater detail on the area around the Military Circle mall in particular and proposed a revitalization strategy focused on revitalizing the mall through a revised retail strategy including creating a "lifestyle center" and adding multifamily housing around the mall.

Also of significance to the future of this area, Hampton Roads Transit undertook the Naval Station Norfolk Transit Extension Study, completed in May 2015. This major study explored the potential for light rail extension to the Naval Station via two potential routes; one to the west going from downtown northward to the Naval Station, and one to the east going through the Military Circle and JANAF mall areas and generally following the Military Highway corridor northward.

Finally, as mentioned above, [PlanNorfolk2030](#), the General Plan of the City of Norfolk, adopted by City Council March 26, 2013 established the overall policy direction for the revitalization of this area, as well as confirming the designation of the adopted Urban Development Area.

BACKGROUND & ANALYSIS

Market Assessment

As part of the analysis of this area, a general market assessment was conducted that is described in full in the Appendices section. A few of the key points from that assessment are listed below. For a full explanation of these trends and the sources for data and projections, see the full market assessment in the Appendices sections

Growth

After showing decline in past periods, Norfolk has recently experienced considerable residential growth, averaging about 500 to 1,000 annual net new housing units per year in the past few years according to city staff's review of building permit data. Regionally, population projections show that long term population growth will be moderate, but higher than in the previous 20 years.

Prosperity

Income projections also show anticipated growth trends in both personal and household income in the market area. In the combined market area, households earning over \$75,000 per year are forecasted to go from 36% to 53% of the total. Projections also call for long term employment growth to be faster than population growth, but slower than the previous 20 years. Projections for the future industry mix reflect long term stability, except for a forecasted increase in Education & Health Services and a decrease in Government (including military) employment.

Demographic Change

The current demographics of the immediate area around Military Circle is reasonably similar to the wider market area, and the regional market area, with only a few significant differences. The primary market area is diverse, with multiple consumer markets to target. For the future, near term projections show an increase in affluent households, especially empty nesters and family-age households in the surrounding area.

From the standpoint of the whole nation, two groups dominate the population growth in the coming two decades, the millennials (20 to 30 year olds) and the baby boomers (50, 60 and 70 year olds). In particular, millennials will be the dominant workforce in the next decades, making up 75% of the workforce by 2025. As for transportation and lifestyle preferences of these groups, opinion surveys have shown that 77% of Active Boomers (1946-64) and 81% of Millennials (1983-01) say affordable & convenient transportation alternatives to the car are at least somewhat important in deciding where to live and work. A growing and aging population dominated by Millennials and baby boomers has created a demand for 5-minute walkable centers with a mixture of uses that provide alternatives to the car.

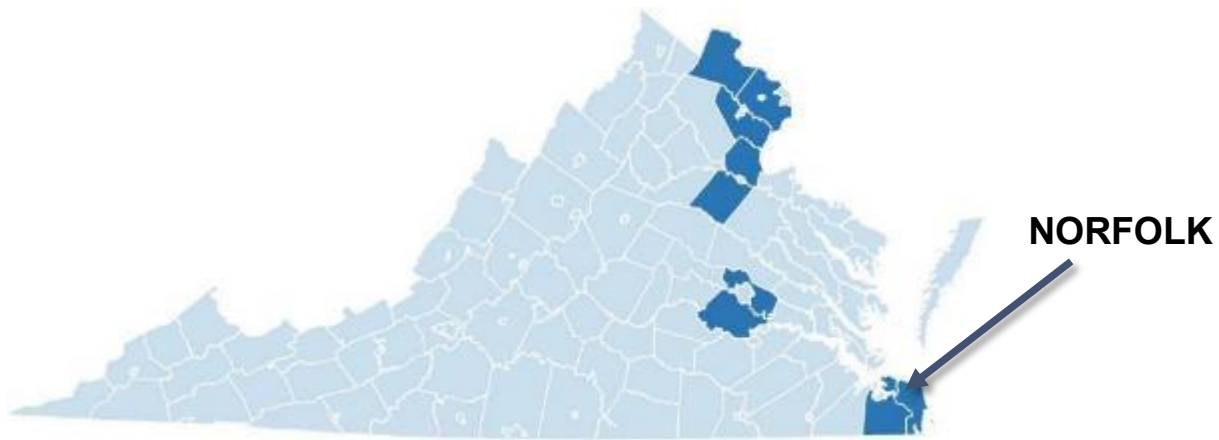


Figure 1: Largest proportion of Millennial population in 2040

(Weldon Cooper Projections)

Long-Term Resilience

Norfolk's long-term resilience in the wake of recurrent coastal flooding has been a major policy direction in the city in recent years, leading to the emerging Vision 2100 policy initiative for long term resilient adaptations to the changing flood levels anticipated in the coming century. The city's long term resilience depends partly on smart growth practices that protect both public infrastructure investments and future private development by concentrating new development in areas relatively protected from recurrent coastal flooding. With a long term vision for potential private and public investment such as being considered for the Military Highway and Military Circle area, it is particularly important to recognize the fortunate location of this area on the spine of relatively high ground of regional significance (see map below).



Figure 2: Long Term Resilience

(Source: *Sea Level Rise Maps for Virginia*, <http://maps.risingsea.net/Virginia.html>)

The blue cross on this map indicates the project site, which is located on a spine of high ground in the region, illustrated by the blue arrow. Lighter areas on the map are higher ground that is projected to be safer from recurrent flooding.

Transportation Context

Today's Regional Crossroads

In many ways, the Military Highway and Military Circle area has been something of a regional Crossroads for many decades. The intersection of two Major Boulevards -- Military Highway and Virginia Beach Boulevard -- created a transportation and economic crossroads here in the mid 20th century that led to the growth of much of the early retail development in the region, such as the JANAF mall. With the advent of interstate linkages from I-64 and I-264 in the 1970s and 80s, the area was further strengthened as a Regional Crossroads, with some of the best regional accessibility in Hampton Roads, including high speed connections to Virginia Beach, Chesapeake and the Peninsula.

Tomorrow's Transit Crossroads?

With the possibility of a future Eastern alignment of light rail extending from the existing Tide line to the naval base, Military Circle and its surrounding area could one day become the transit transportation crossroads for and a catalyst for future multimodal development for many decades to come. Light Rail presents the opportunity to transform this area through transit-oriented and transit-adjacent development around potential station areas. This mixed-use land use pattern of compact and pedestrian- and bicycle-friendly development offers significant opportunities for economic development and increased land values. But even if light rail does not come to this area, or is delayed, transit-oriented development and associated design principles are fundamentally the right planning principles to bring a higher quality of life and greater economic prosperity to this area.



Figure 3: Regional transportation context

This figure shows the location of the study area in its regional context. The site serves as the “old” crossroads of regional highways (blue), the “new” crossroads of Interstates (purple) and the potential “future” crossroads of transit (dotted orange).

Planned transportation improvements

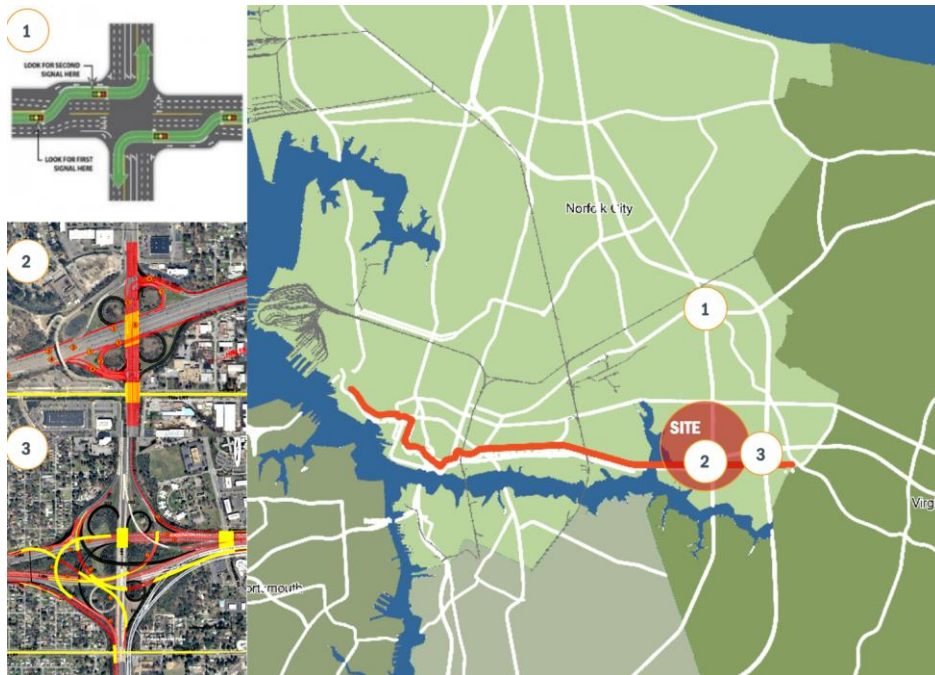


Figure 4: Planned transportation improvements

Several planned or potential transportation improvements in the vicinity of the Military Highway and Military Circle area will improve transportation in the area, and are shown in the graphic above. The impending transformation of the Military Highway / Northampton Blvd. Intersection just to the north of the study area (number 1 on the map above) will install a continuous flow intersection that will bring relief to a significant transportation bottleneck on Military Highway. In addition, planned improvements to the two major interchanges near this area, the I-64 / Military Highway Interchange and the I-264 / I-64 Interchange (numbers 2 and 3 on the map above) call for streamlining of the ramp systems to reduce congestion and safety and improve operations. In addition, the I-64 / Military Highway Interchange could potentially remove one or more of the cloverleaf ramps at the interchange, thereby providing potentially more land for light rail overpasses at the interchange.

Existing Conditions Mapping

Mapping inventory

As part of the assessment of existing conditions, the study team analyzed and mapped a number of existing features of the study area, as summarized in the maps below:

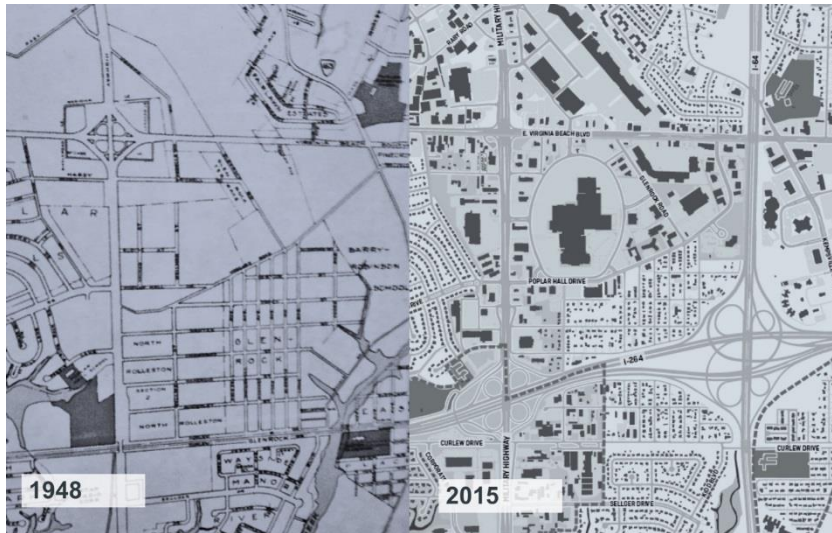


Figure 5: Military Circle Area Yesterday & Today

The map above shows the same area in the post war era and today, highlighting the significant amount of change in transportation and development that has occurred.

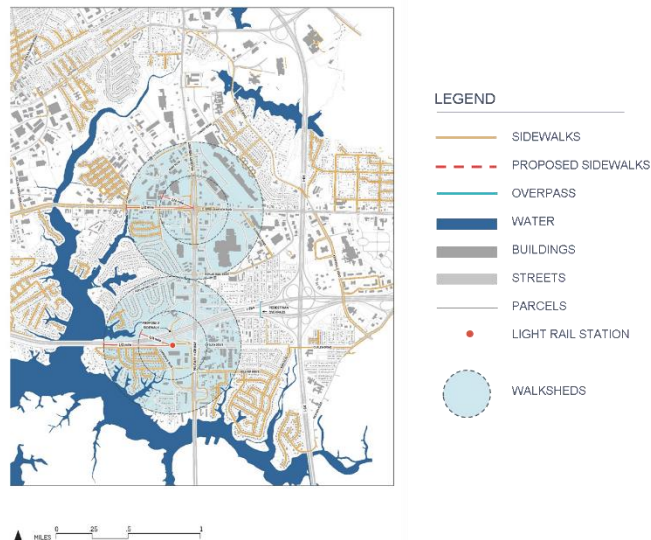


Figure 6: Five and 10 minute "walksheds"

This map illustrates walksheds in the study area. The inner blue circle indicates a distance that can be walked in approximately five minutes. The outer circle represents the distance from the center that can be covered with approximately 10 minutes of walking.

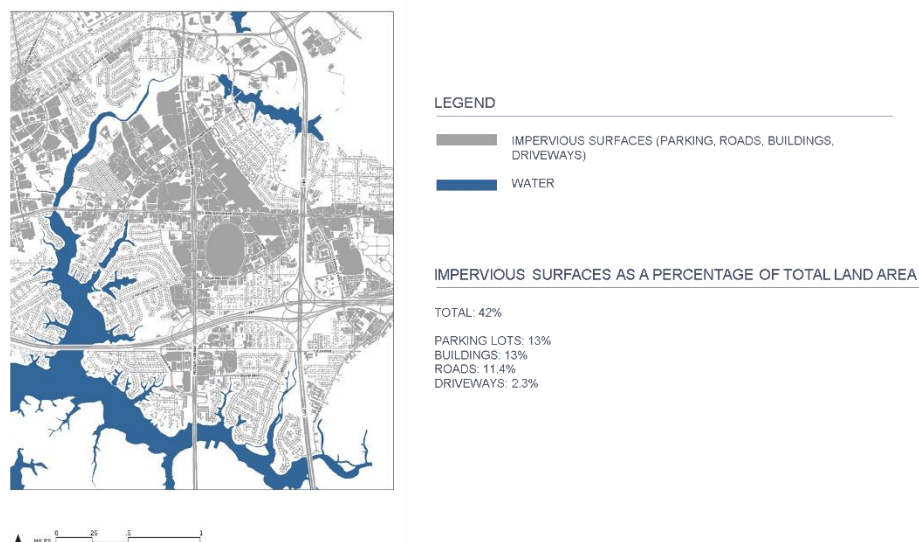


Figure 7: Impervious surfaces

This map illustrates impervious surfaces in the study area. It shows the significant portion of the study area (42%) that is currently in asphalt, buildings or other impervious surfaces.

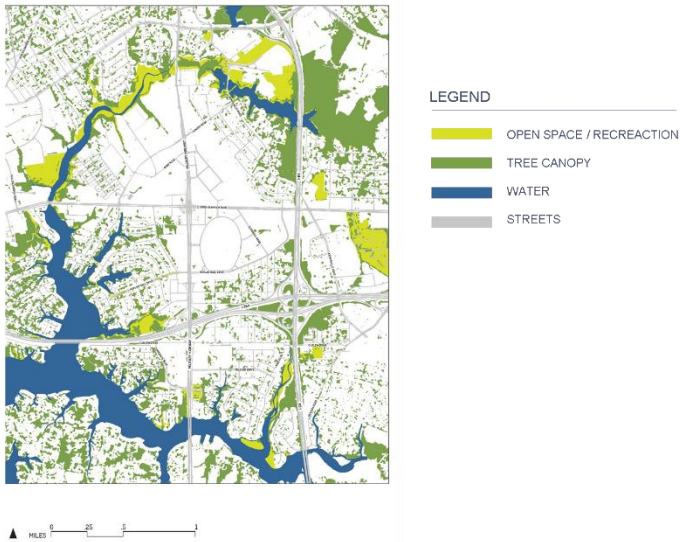


Figure 8: Open space and tree canopy

This map illustrates open space and tree canopy in the study area. The area of the two malls in particular are lacking in both open space and tree canopy currently.

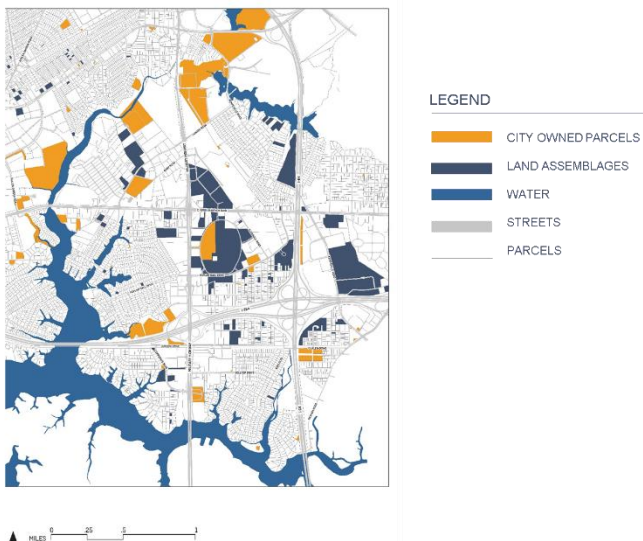


Figure 9: Parcel ownership

This map shows patterns of parcel ownership in the study area, highlighting in particular the parcels under city ownership and the larger areas of land assemblage under single ownership.

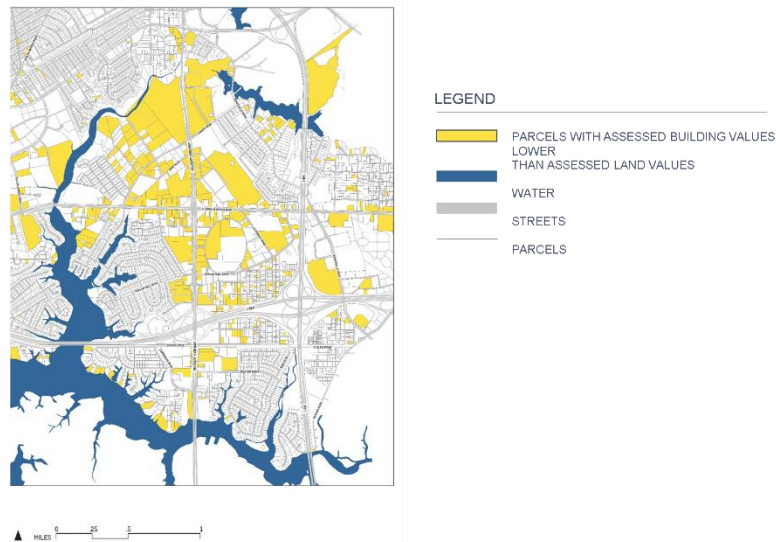


Figure 10: Parcel valuation

This map shows illustrates patterns of land valuation in the study area. In particular, it shows parcels where the assessed building values are lower than the assessed land values, which can be one indication of redevelopment potential for a property.

PROCESS

A Vision Built on Public Input

Varieties of Input

In a year-long planning process, the vision for the Military Circle/Military Highway area was built from the ground up with extensive outreach and citizen and stakeholder involvement. The five core areas for involvement are shown below and included input from an advisory committee composed of property owners, business owners and residents in the area, as well as specific outreach to civic leagues, two well publicized citizen involvement meetings and work sessions and briefings with the city Planning Commission and Council.



Figure 11: Key groups that provided input into the vision process

In September of 2015, the city staff and consulting team conducted a visioning kickoff meeting with the general public, which was attended by over 100 people from the city of Norfolk and surrounding areas. With feedback from the public and guidance from the advisory committee and planning staff, the consulting team conducted a study area analysis, and generated alternatives for potential rail alignment, and land use patterns for new development. In February, 2016, over 80 members of the public reviewed and provided feedback for the Draft Vision for the project, which was then incorporated into a refined and detailed Final Vision for the area.

The full list of meetings, interviews and outreach opportunities during the 12-month planning process is listed below:

Table 1. Public and stakeholder engagement activities during the planning process

Date	Engagement Activity
July 13-14, 2015	Consultant team interviews civic leagues and development community
December 7-8, 2015	Consultant team interviews with city staff and stakeholders
September 15, 2015	Public Meeting at Calvary Revival Church
October 28, 2015	Advisory Committee meeting and city staff/stakeholder meetings
February 29, 2015	Public Meeting at Calvary Revival Church
March 1, 2015	Advisory Committee meeting and city staff/stakeholder meetings
June 14-15, 2016	Advisory Committee meeting and city staff/stakeholder meetings

Project Goals

Through interactive exercises during the September 2015 public meeting, and through affirmation with the Advisory Committee, a series of clear project and process goals were developed for the study. Project goals included increasing security, revitalizing the surrounding area, building for resilience, unifying the area, and attracting Economic Development. Process goals included don't sit on the Shelf, be transparent, be sustainable, and be inclusive.

Table 2: Project goals

PROCESS GOALS	PROJECT GOALS
BE TRANSPARENT	REVITALIZE SURROUNDING AREA
BE INCLUSIVE	CONNECT & UNIFY THE AREA
BE SUSTAINABLE	INCREASE SAFETY & SECURITY
DON'T SIT ON A SHELF	ATTRACT ECONOMIC DEVELOPMENT
	BUILD FOR RESILIENCE



Figure 12: September 28, 2015 public meeting



Figure 13: March 1st Public Meeting – Review Draft Vision



Figure 14: Word cloud of feedback received from September 15, 2015 public meeting

ALTERNATIVES & PRELIMINARY DESIGN DEVELOPMENT

Project Goals & Potential Light Rail Alignments

Based on the input received from the public, Advisory Committee and city stakeholders, the project team analyzed the potential light rail alignments through the study area (based on the HRT Naval Station Norfolk Transit Extension or NSN Study) in the context of the identified project goals. The NSN study identified three potential alignments for light rail extensions that would go through the study area with the goal of a “one seat” ride from the East/West Tide route to the Naval Base. These included:

- Split off from the existing Tide alignment at or near the Curlew Dr. Station to follow Military Hwy. (6 & 7a from NSN Study)
- Split off from the existing Tide alignment at or near Newtown Rd. Station to follow Kempsville Rd. (7b from NSN Study)

From these three alternatives in the NSN study, the project team developed a set of 4 initial alternative plans for potential light rail extensions that would best meet the project goals.



Figure 15. Potential eastern alignments for light rail from the HRT NSN study (2014)

Initial Light Rail Alignment Alternatives

The four alternative plans for potential light rail extension are summarized below with the key features of each outlined and shown in the following map illustration:

A.1

Pull off at Curlew Dr. Station & align directly along Military Hwy.

- Bridges over I-264 & Virginia Beach Blvd.
- Light rail alignment would go along Military Hwy. next to roadway
- Potential stations at Mall and Lowery Rd.

A.2

Pull off at Curlew Dr. Station & create new alignment parallel to Military Hwy.

- Bridges over I-264 & Virginia Beach Blvd.
- Light rail alignment would go east of Military Hwy. to create a new internal "Transit Boulevard"
- Potential stations at Mall and Lake Taylor Hospital/JANAF

B.1

Pull off at Newtown Rd. Station & align directly along Kempsville Rd, then along Va. Beach Blvd. and north through JANAF

- Widen existing underpasses at I-264 and I-64 to accommodate Light rail
- Light rail alignment would generally go along each roadway to one side
- Potential stations at Sentara Hospital and Lake Taylor Hospital/JANAF

B.2

Pull off at Newtown Rd. Station & align directly along Kempsville Rd, then head west through Mall and north through JANAF

- Bridges over I-64 & Va. Beach Blvd.
- Widen existing underpass at I-264
- Light rail alignment would pull off Kempsville Rd. to create new internal Transit Boulevard
- Potential Stations at Sentara Hospital Mall and Lake Taylor Hospital/JANAF

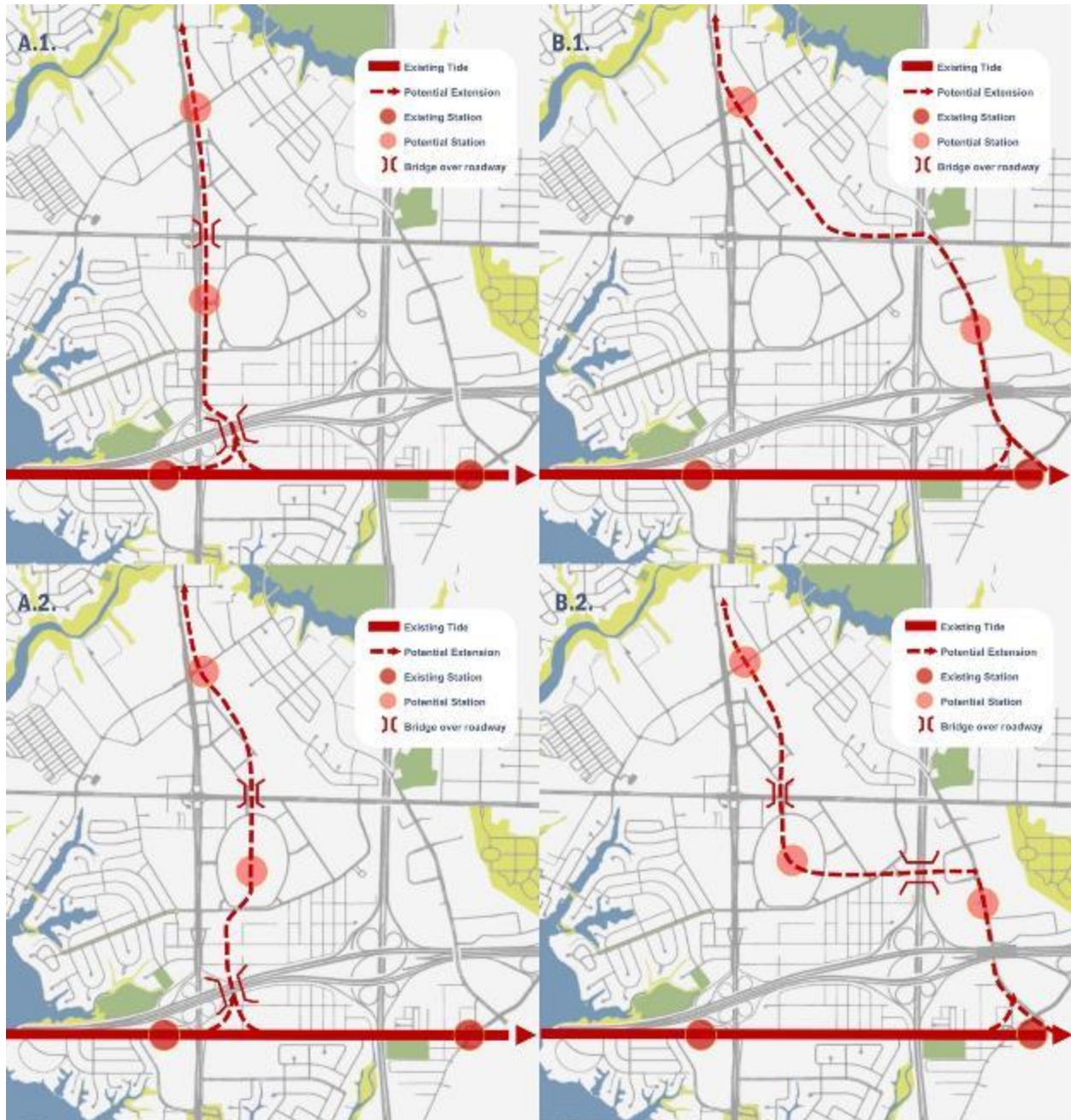


Figure 16: Summary maps of initial 4 alternatives for potential light rail extension

Refined Light Rail and Land Use Alternatives

After a thorough review of the initial four light rail extension alternatives with the Advisory Committee and city Planning Commission, the project team refined the options down to two basic light rail alignment alternatives. Based on these two alternatives (A2 and B2), future land use concepts were developed for

each alignment to maximize the potential for revitalization and new Transit Oriented Development (TOD) associated with the new light rail extension.

Both of the new refined alternatives were based on a basic principles deriving from the project goals identified by the public and Advisory Committee, including:

- Catalyzing economic development through TOD opportunities
- Connecting & unifying the area
- Revitalizing Mall & JANAF development cores

Because of this, both alternatives showed a new “transit boulevard” alignment for the future light rail that is not aligned along the major 6-10 lane arterial highways (Military Highway and Virginia Beach Boulevard) in favor of a new right of way that is pulled away from the arterials and that has greater flexibility to design a walkable environment around a narrower and lower speed street that can become the focus of new TOD communities.

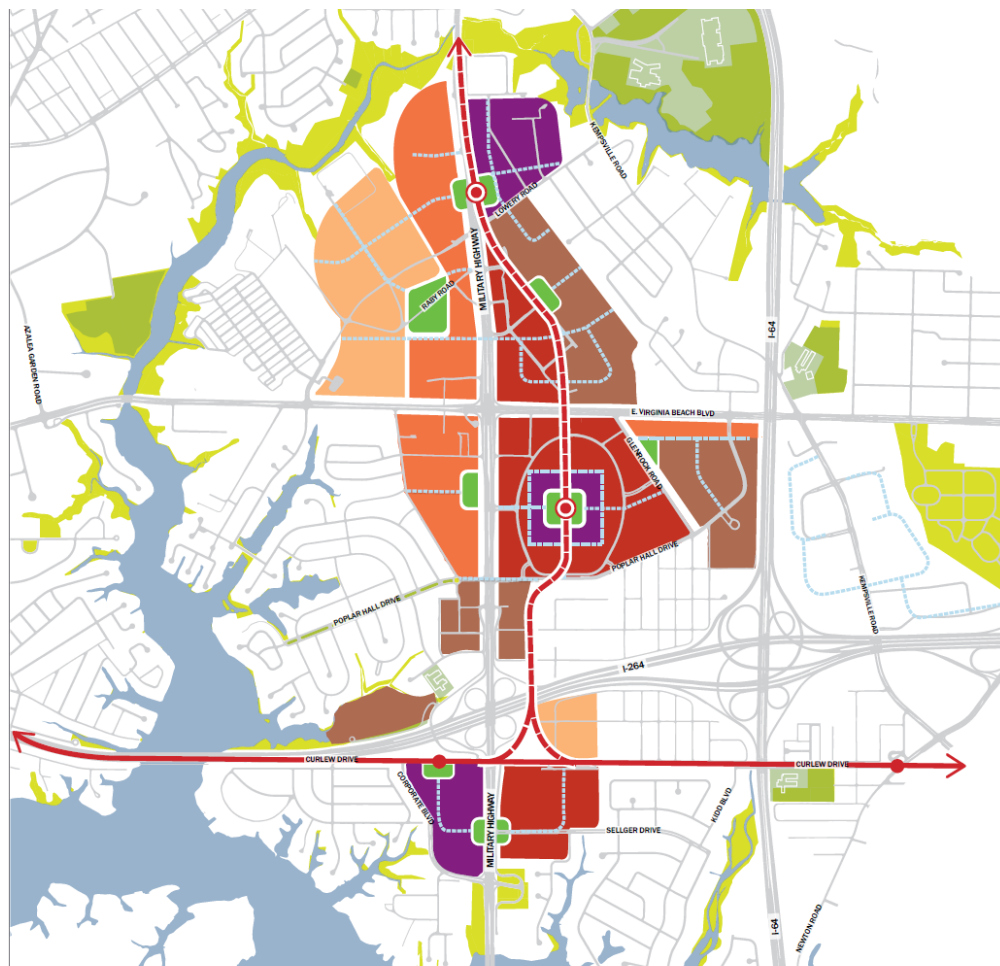


Figure 17: Alternative A2 with associated future land uses

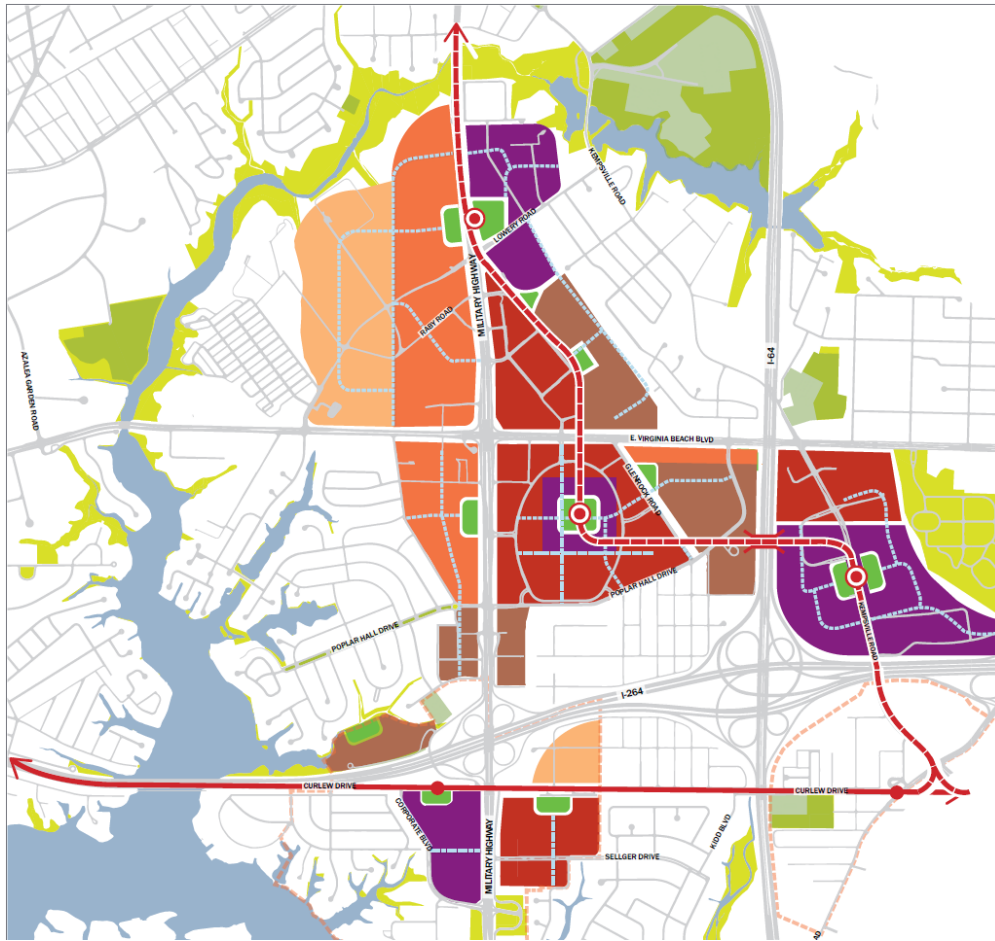







Figure 18: Alternative B2 with associated future land uses

Future Land Uses for the Refined Alternatives

A series of five future land use types were developed as the basis for the future land use plans for each alternative. Three of the future land uses were based on a concept of mixed use, calling for a mixture of land uses centered around a “focus” of a predominant land use type, such as residential or office/institutional.

Table 3. Future land use types for the alternatives

	TOD MIXED USE/OFFICE/INST. FOCUS
	TOD MIXED USE/RESIDENTIAL FOCUS
	CORRIDOR MIXED USE/RETAIL & RESID. FOCUS
	HIGH DENSITY RESIDENTIAL
	LIVE/WORK FLEX

Future land use types

The chief features and land use parameters of each land use type are listed below:

TOD Mixed-Use: Office / Institutional Focus

- Located in the closest proximity to transit.
- Often anchored by a core institutional use (hospital / civic center, etc.)
- Intended to become activity centers.
- Highest density designation.
- Encourages urban-style development, including active ground floor uses with commercial or office space on the upper floors.

TOD Mixed-Use: Residential Focus

- Located within close walking distance to transit and park spaces.
- High density neighborhoods with many urban amenities.
- Encourages urban-style development including active ground floor uses with apartments or condominiums on the upper floors.
- Residential densities may exceed 45 units per acre if a specific level of affordable housing is provided.

Corridor Mixed-Use: Retail / Residential Focus

- Located along major corridors.
- Typically allows either all retail or ground floor retail with residential above
- These properties are typically farther from the transit station and have less of an urban character compared to TOD Mixed-Use.
- Mixed uses are encouraged either within the same building or on the same site, but they are not required.

High Density Residential

- Intended to be the most intensely developed residential zone.
- The buildings are urban in their character, located near the street (with entrances oriented to them), and within walking distance to transit.

- Parking is kept out of sight, with most intended as tuck-under or structured.
- Residential densities may reach 45 units per acre and additional density may be permitted when affordable housing is provided.
- Commercial uses typically not included. Uses could include apartments and condominiums.

Live-Work Flex

- Encourages ground floor business activity with residential units on the upper floors.
- Depending on the environment, residential uses may be required, with non-residential uses optional.
- Residential densities typically moderate with townhouse-type density
- Development could include a mix of uses or residential only development such as row houses, apartments, or condominiums.

Examples of Station Area TOD

In addition to developing the basic land use types for the alternatives, the project team analyzed examples of the types of mixed use Transit Oriented Development envisioned for the cores station areas. Some of the examples of existing TOD that could serve as models for this study area are shown below.



Figure 19: 7th St. Station – Charlotte, NC

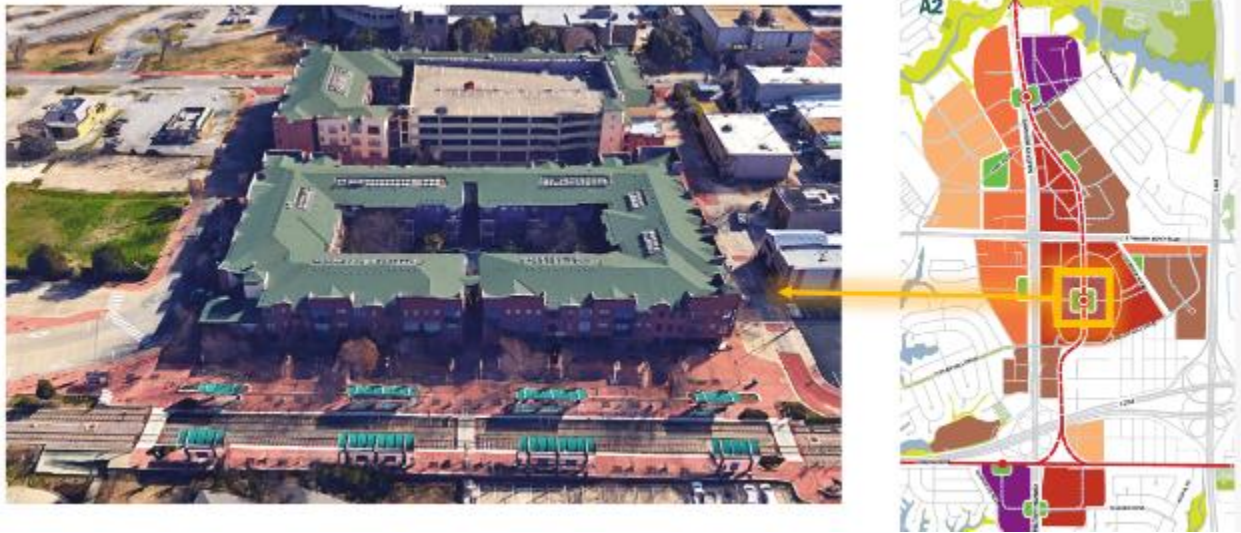


Figure 20: Plano TX – Downtown station



Figure 21: San Jose CA – First & San Carlos development

Potential Phasing of Alternatives

In addition, each land use alternative was considered from the perspective of potential long term phasing of development. The phasing sequence for each alternative is shown below in three basic stages:

- Near term – early development phase before light rail is developed but showing redevelopment around future station areas in anticipation of planned light rail
- Mid term – development phase soon after the installation of light rail showing additional station area development and the consolidation of true TOD nodes at each station

- **Buildout** – final development phase showing redevelopment and infill of the whole study area once light rail and associated TOD have reached a mature stage

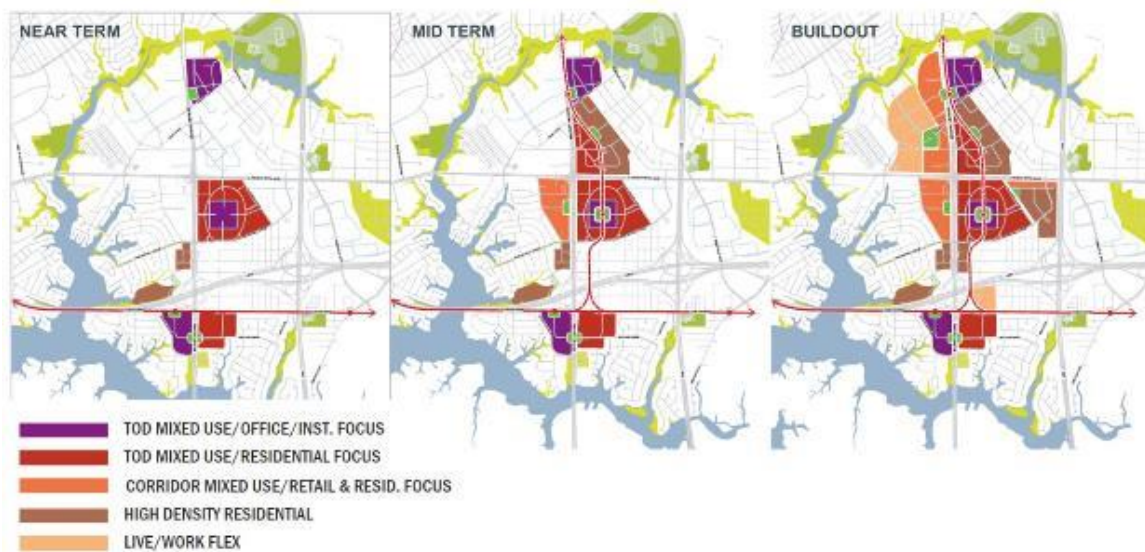


Figure 22: Alternative A2 Potential Phasing

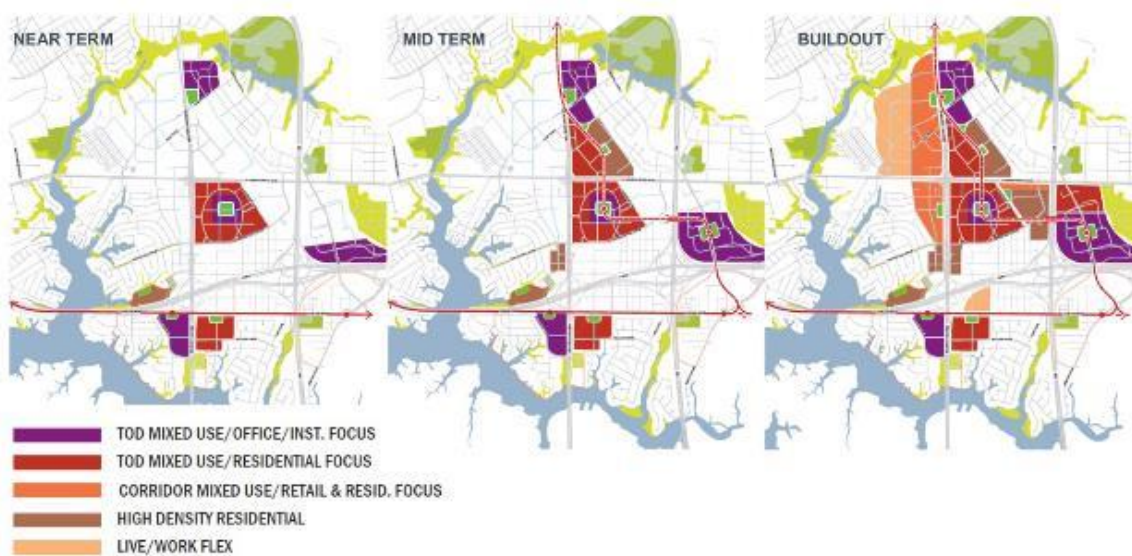


Figure 23: Alternative B2 Potential Phasing

Buildout Comparisons for the Alternatives

In addition, each of the two refined alternatives (A2 and B2) were considered in terms of their ultimate buildout potential. The tables below show the land area by land use type for each alternative and the potential buildout in terms of dwelling units and floor area under each alternative scenario.

Table 4. Comparison of land areas by future land use type for alternatives A2 and B2

	Alt A2	Alt B2
Land Use Type	Acres	Acres
Corridor Mixed Use/Retail & Res Focus	127.2	175.1
High Density Residential	152.9	125.8
Live/Work Flex	106.8	102.8
New Parks/Civic Space	32.8	32.6
TOD Mixed Use/Office/Inst. Focus	86.9	200.4
TOD Mixed Use/Residential Focus	167.6	216.2
TOTAL	674.2	852.9

Table 5. Potential buildout scenarios for alternatives A2 and B2

ALTERNATIVE A2	Acres	Dwelling Units	Retail Space	Office Space	Institutional Space
Land Use Type					
Corridor Mixed Use/Retail & Res Focus	127.2	382	1,108,220	55,422	0
High Density Residential	152.9	3,824	133,249	0	0
Live/Work Flex	106.8	854	93,010	232,573	0
New Parks/Civic Space	32.8	0	0	0	0
TOD Mixed Use/Office/Inst. Focus	86.9	174	75,709	1,514,498	757,249
TOD Mixed Use/Residential Focus	167.6	2,514	292,011	73,018	0
TOTAL	674.2	7,747	1,702,200	1,875,512	757,249

ALTERNATIVE B2	Acres	Dwelling Units	Retail Space	Office Space	Institutional Space
Land Use Type					
Corridor Mixed Use/Retail & Res Focus	175.1	525	1,525,840	76,308	0
High Density Residential	125.8	3,144	109,557	0	0
Live/Work Flex	102.8	823	89,577	223,990	0
New Parks/Civic Space	32.6	0	0	0	0
TOD Mixed Use/Office/Inst. Focus	200.4	401	174,553	3,491,779	1,745,890
TOD Mixed Use/Residential Focus	216.2	3,243	376,736	94,203	0
TOTAL	852.9	8,136	2,276,263	3,886,280	1,745,890

Transportation Considerations

As part of the consideration of the long term vision for this area, some exploration of future options for Military Highway and Virginia Beach Boulevard was conducted. The transformation of this area into a denser urban center with walkable neighborhoods is a challenging one considering that the area is bisected by two major multi lane and relatively high speed arterials. As part of this exploration, an initial analysis was conducted of potential 'excess capacity' on these highways, summarized below. While this is a cursory analysis and doesn't take into account intersection capacity and operational analysis, it suggests that this

issue may be worth exploring further in future studies since there appears to be through capacity using basic industry standards for capacity by number of lanes and actual trip counts on the highways.

Table 6. Potential capacity analysis on Military Highway and Virginia Beach Boulevard

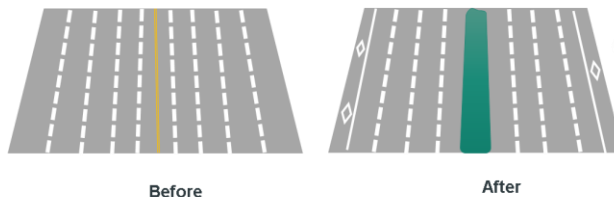
	CAPACITY GUIDELINES FOR 6 LANES	AVG. TRIPS FOR SEGMENTS WITHIN STUDY AREA	POTENTIAL EXCESS CAPACITY*
MILITARY HIGHWAY	58,400	45,800	22%
VIRGINIA BEACH BLVD	58,400	30,087	48%

*NOTE – does not account for constraints on roadway capacity resulting from intersection capacity & operations

At 6 lanes, both Military Highway and Virginia Beach Blvd are potentially over capacity.

However, driveways and intersection dynamics reduce the capacity

Portions of these roads go up to 8, 10, or even 12 lanes



A Road Diet? (example only)

Source: Florida Department of Transportation Systems [Planning Office](http://www.dot.state.fl.us/planning/systems/sm/los/default.shtm)
www.dot.state.fl.us/planning/systems/sm/los/default.shtm

Potential Alternatives for the Military Highway and Virginia Beach Boulevard Intersection

In addition, conceptual alternatives were explored for the future of the Military Highway and Virginia Beach Boulevard intersection. The intersection is currently a grade separated urban single point interchange. However, the alternatives below show some concepts for the reconfiguration of that intersection to allow for at-grade options that would fit more appropriately with the vision of this area for a more walkable urban center. However, it should be noted that these ideas were not taken beyond a concept stage and would need further analysis to determine the feasibility of each.

Existing grade separated (Single Point) intersection



Figure 24: Existing Military Highway and Virginia Beach Boulevard intersection



Figure 25: Aerial view of existing Military Highway and Virginia Beach Boulevard intersection

Intersection Option A

Option A considers the conversion of the existing Military Highway and Virginia Beach Boulevard intersection to an at-grade signalized intersection with internal “Quadrant Intersection” system of loops

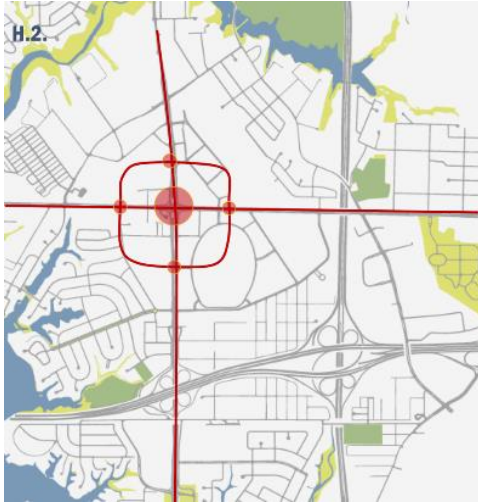


Figure 26: Intersection Option A - “Quadrant Intersection” with system of loop streets



Figure 27: Intersection Option A example - Rt. 319, Tallahassee, FL

Intersection Option B

Option B considers the conversion of the existing Military Highway and Virginia Beach Boulevard intersection into a “one-way couplet” that splits each highway into pairs of One Way streets that create developable site where the former intersection was.



Figure 28: Intersection Option B - One Way Couplets



Figure 29: Intersection Option A example - San Elijo Hills, CA

Developable Land Analysis

Prior to the development of the final vision for the study area, an analysis was conducted of the developable land area based on land ownership and assessed values. This led to the identification of the primary “bays” or future neighborhoods that were created in the final vision plan. The map below shows the areas that were considered as having redevelopment potential (colored areas on the map) according to the following criteria for consideration as having redevelopment potential:

Criteria for selection:

Table 7. Criteria for consideration of redevelopment potential in the Land Analysis

Criteria for selection:
City owned land OR:
Large assemblage in single ownership OR:
Potential redevelopment in 20+ years AND:
Outside of single family residential areas

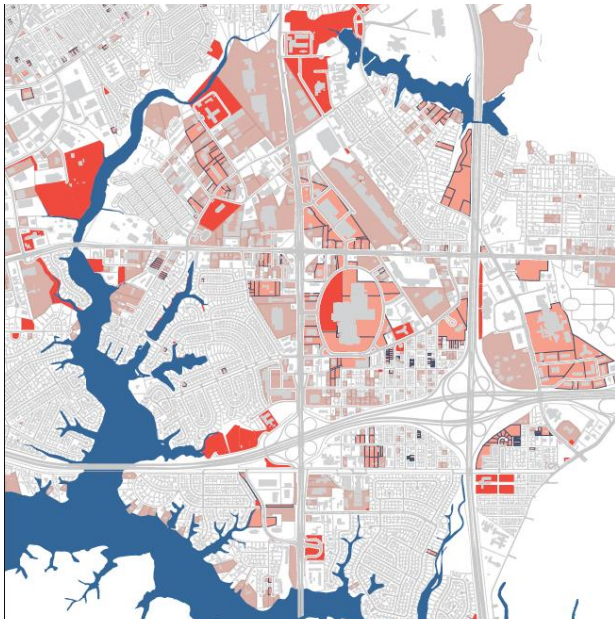


Figure 30: Land Analysis showing land with redevelopment potential (colored areas on the map)

Based on the parcel-by-parcel evaluation of redevelopment potential, the following land bays were identified as the areas that would be considered for exploration in the Final Vision to create a vision for their redevelopment buildout potential.

- A. Curlew Drive Station Area
- B. Curlew Drive Industrial Area
- C. Mall Area
- D. JANAF Area
- E. Raby Rd. Area
- F. Best Square Area

G. Sentara Hospital Area

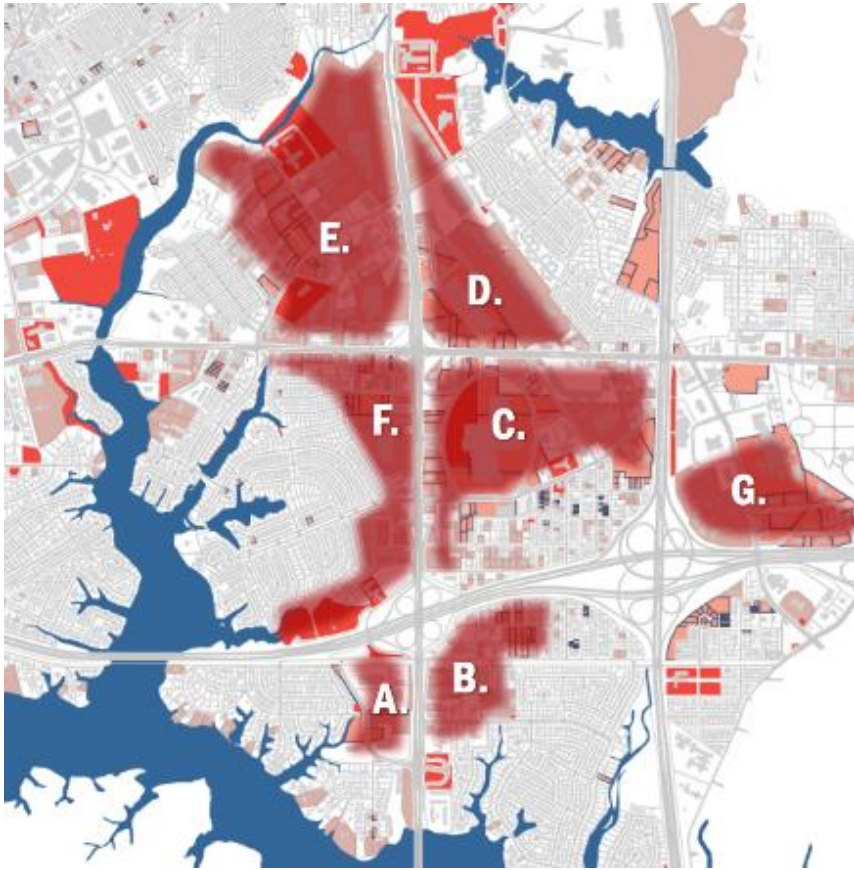


Figure 31: Land Bays considered for the Final Vision plan

VISION FOR THE FUTURE

Final Vision Plan

Based on the input received from the public, stakeholders and Advisory Committee on the Draft Vision Plan, the project team developed the Final Vision Plan as summarized in the following section. In working with the Advisory Committee, the general layout of alternative B2 was chosen to carry forward into the Final Vision Plan. The only change from alternative B2 recommended was moving the northernmost station area from Lowery Road to the center of the JANAF shopping center to serve as a catalyst for the eventual future redevelopment of that shopping center.

The Final Vision Plan developed the future land uses and future light rail transit alignment from alternative B2 into a series of urban streets, blocks, buildings and open spaces to create a long term vision for the transformation of this area into a series of walkable urban neighborhoods anchored by the new transit boulevard and station areas as shown on the plan. The purpose of this Vision Plan is not to suggest detailed or specific development proposals for any one site or property in this area but to inspire residents, property owners and city leaders with an aspirational vision of what this whole area might someday become with the right combination of public and private investment over time. While it's important to remember that such a plan relies on private investment following the public investment in infrastructure, and does not dictate specific changes to property, this vision is a representation of what the future of Military Circle and Military Highway could look like in coming decades. It is also anticipated that the final Vision Plan will be adopted into the city's policy documents and will serve as a reference and guide for both public and private investments in the future.

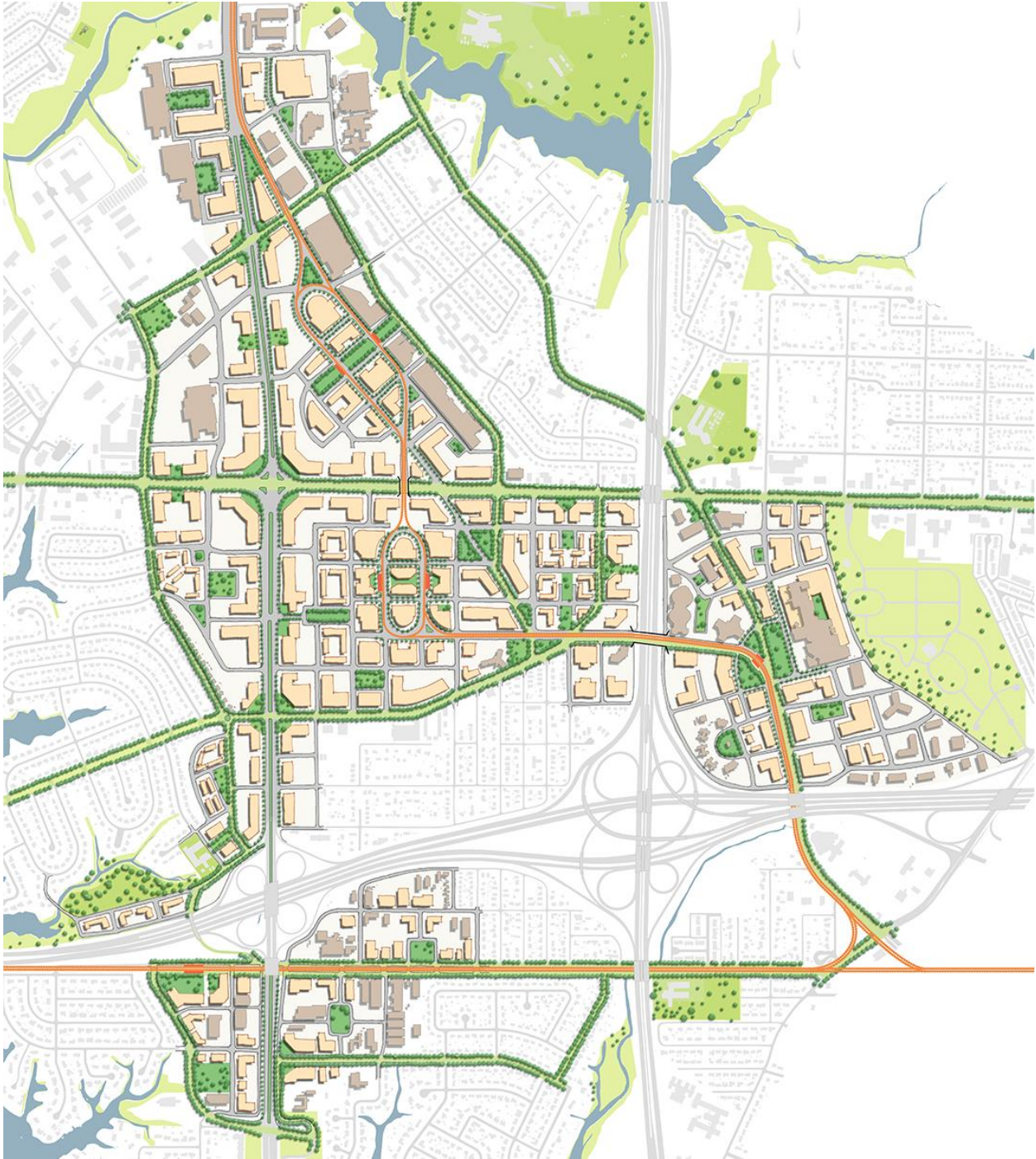


Figure 32: Final Vision Plan

In addition, the Final Vision Plan was further detailed out with examples of the proposed development types in each sub area. The following graphic shows the Vision Plan with associated image examples of proposed development character.

MILITARY CIRCLE/MILITARY HIGHWAY URBAN DEVELOPMENT AREA

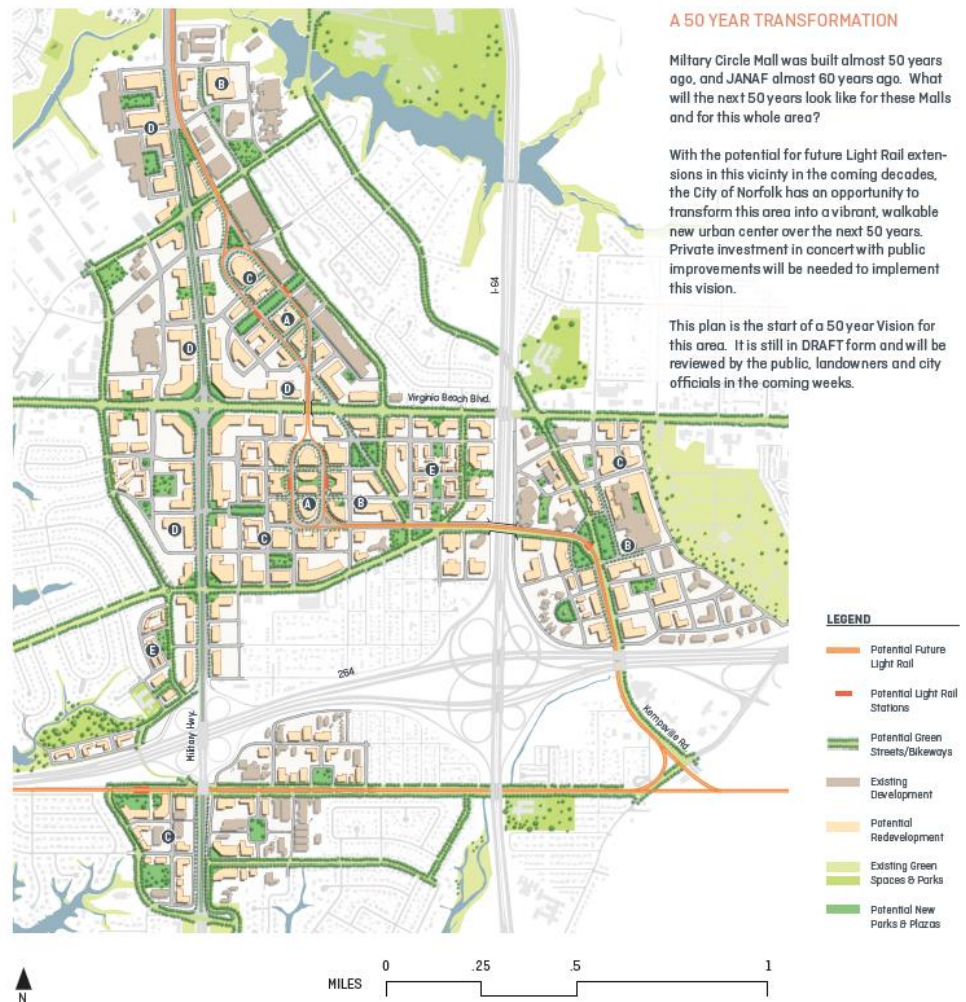


Figure 33: Vision Plan with image examples of development types

Descriptions of Sub Areas in the Vision Plan

The overall Vision Plan can be broken down into 4 sub areas, Military Circle, JANAF, Kempsville Road and Curlew Drive. The following images and descriptions summarize the design concepts embodied in the Vision Plan for each of these areas.

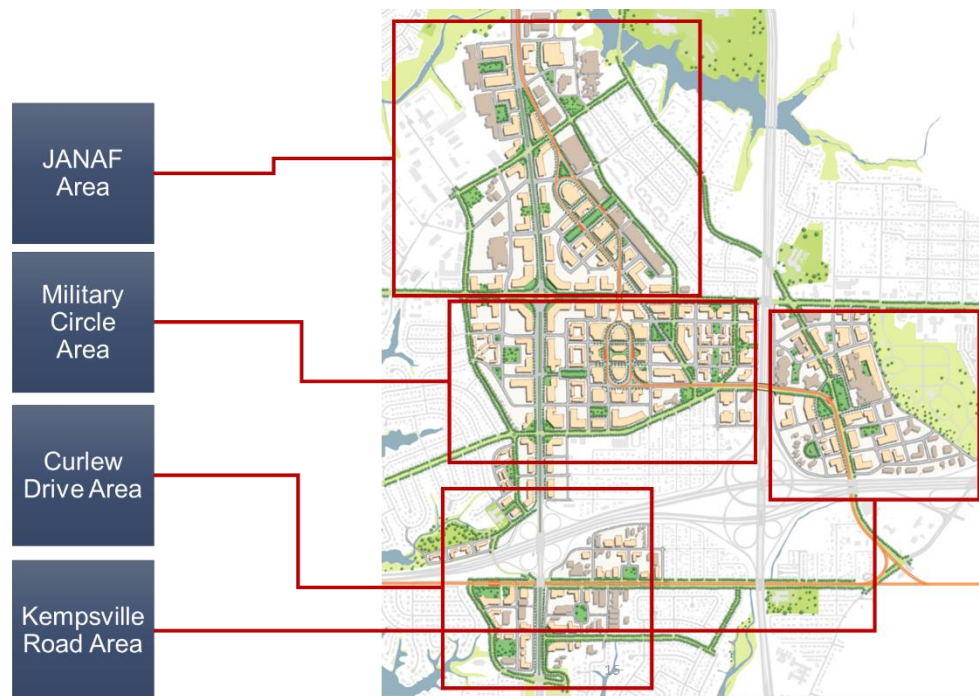


Figure 34: Sub Areas of the Vision Plan

Kempsville Road Area

The Kempsville Road area to the east is where the Sentara Leigh Hospital is located. The Vision Plan shows the potential for the gradual transformation of the hospital into an urban hospital complex, where patients and staff could one day take light rail trains to the front door in a landscaped plaza and station area. It also shows mixed elderly housing or medical Suites near the hospital, and existing office and institutional uses becoming denser and more walkable in the future. It also shows a more multimodal Kempsville Road in the future, newly landscaped with light rail along the western side. This vision also explores the potential that the 264 underpass could potentially be expanded to make room for light rail. In addition to light rail, this concept shows a dedicated pedestrian and bike trail using the same underpass.

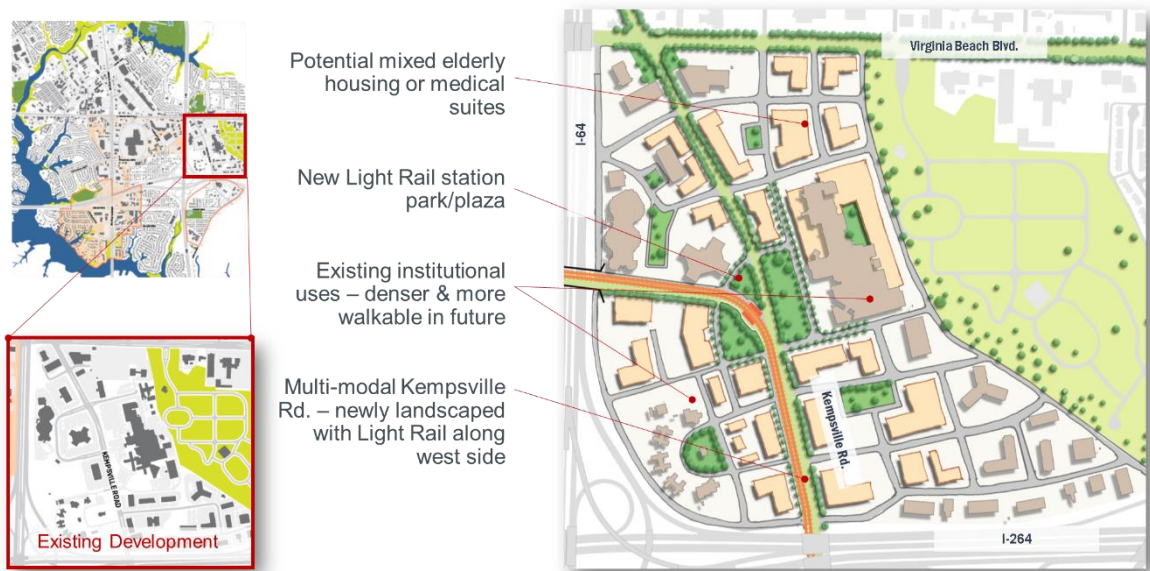


Figure 35: Vision Plan in the Kempsville Road area

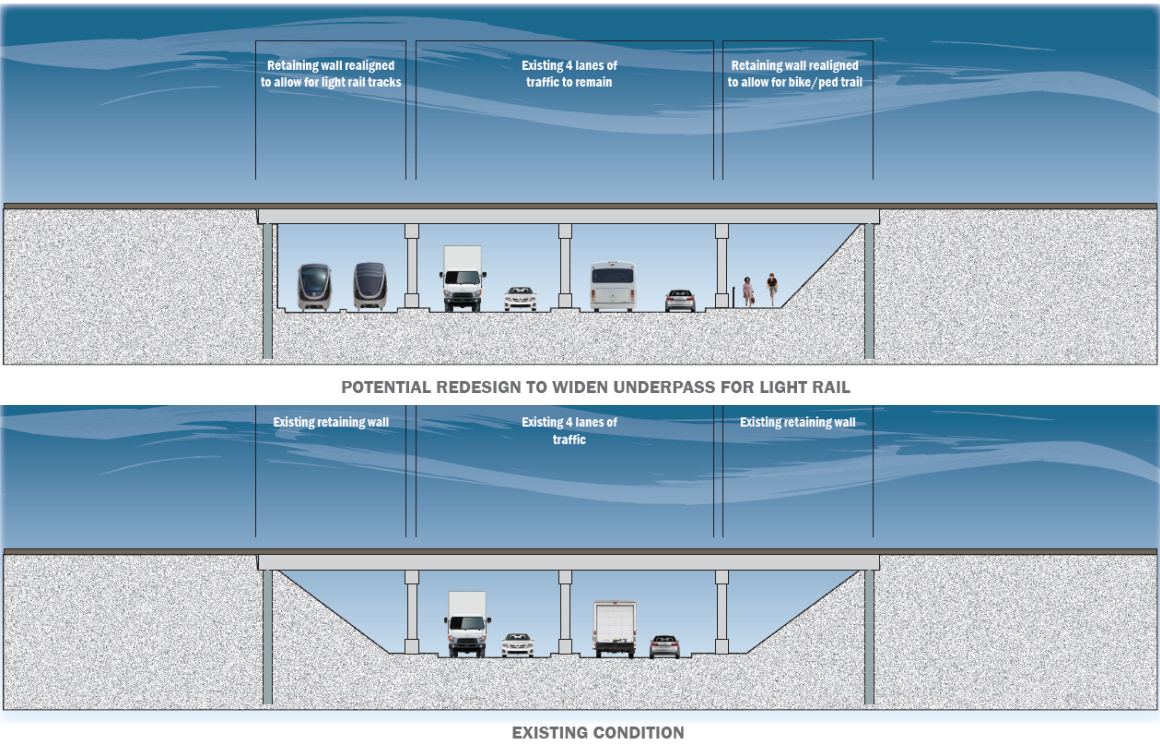


Figure 36: Potential Kempsville Road underpass widening concept

Military Circle Area

The vision for the Military Circle mall area, showing a completely redeveloped high density urban mixed use neighborhood may take a long time to be fully realized but an important cornerstone of the future vision for this area can be laid with this new plan. The vision for the Military Circle area in the center of the study area shows a long term transformation with corridor retail and residential uses along the highways, a dense urban center with office and institutional redevelopment at the light rail stations, and extensive pocket parks and plazas, with residential mixed-use in high-density neighborhoods at the edges. A small transit loop or “one-way couplet” offers the opportunity for narrower transit boulevards by splitting the northbound and southbound tracks, as well as a circulator train to travel between Military Circle and JANAF during off-peak hours.

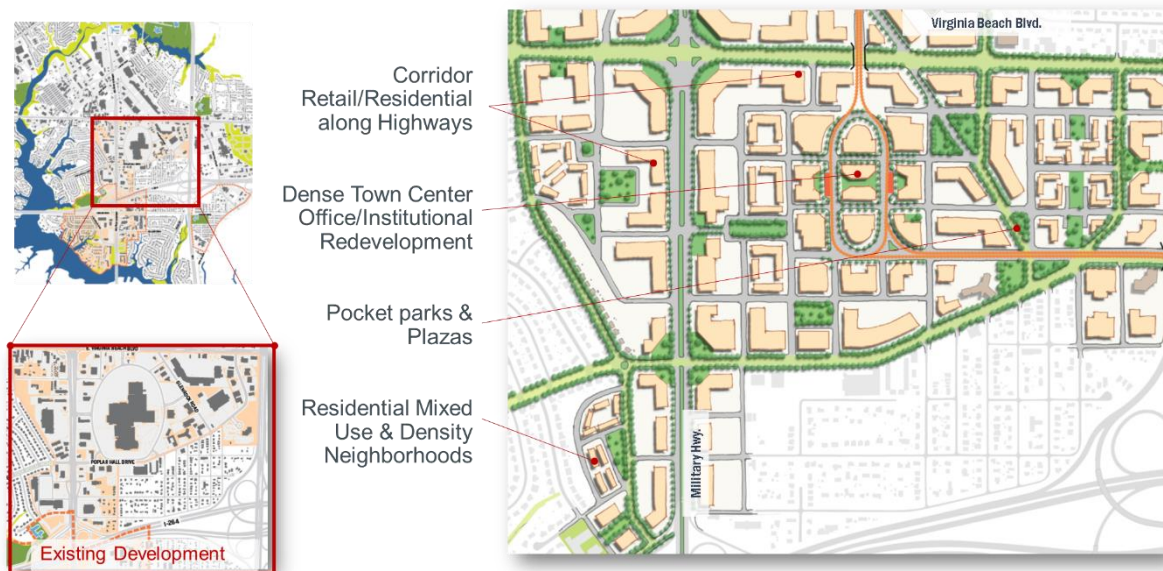


Figure 37: Vision Plan in the Military Circle area

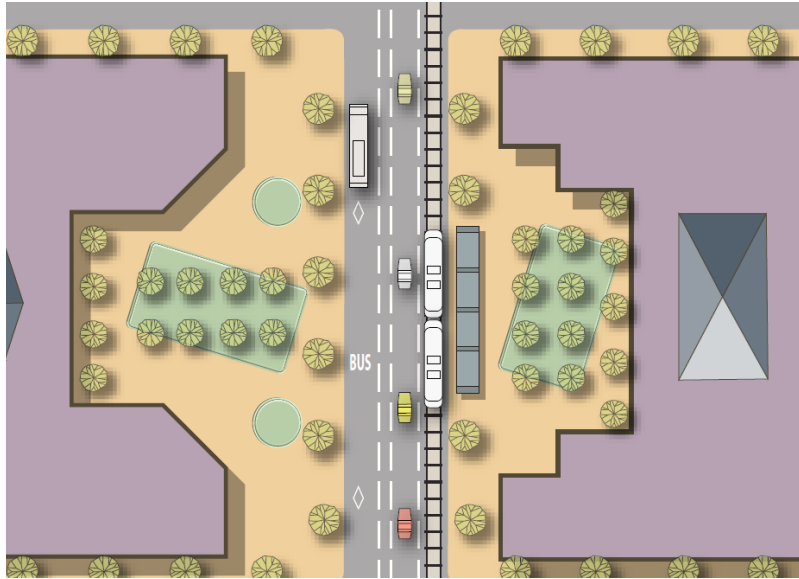


Figure 38: Concept plan for the Military Circle station area

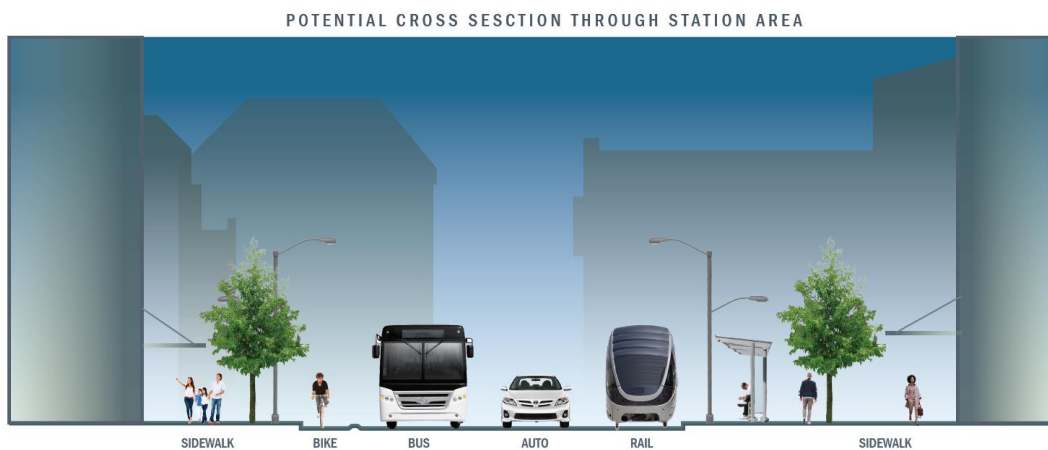


Figure 39: Conceptual cross section through the Military Circle station area

JANAF Area

The Vision Plan for the JANAF area to the north shows a design concept that converts the existing JANAF center and some of the existing big-box retail to mixed-use Lifestyle centers. Mixed office and residential are shown along the new Transit Boulevard, and a new urban center is created at the station area, with a similar transit couplet with the potential for an off-peak circulator traveling South to the Military Circle area.

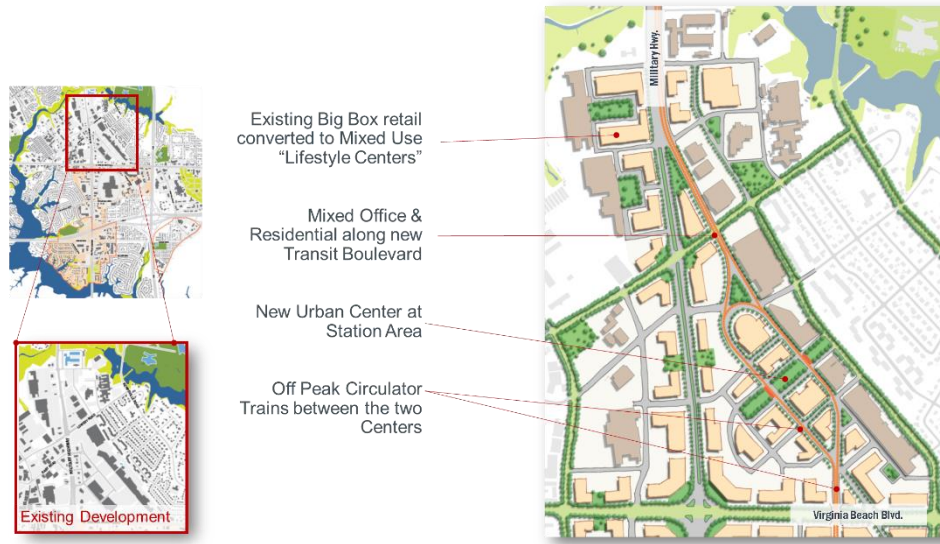


Figure 40: Vision Plan in the JANAF area

Curlew Drive Area (Military Circle Station)

The vision for the Curlew Drive station area to the south builds on the existing light rail and station area to show extensive new development filling in vacant land and redeveloping older development in the future. It shows Corridor retail and residential along the highways, office and institutional redevelopment to the southeast, and pocket parks and plazas throughout.



Figure 41: Vision Plan in the Curlew Drive area

IMPLEMENTATION

Phased Buildout Approach

It is important to remember that Vision for an area of this size and complexity will require a phased approach. This 40-50 year build-out plan will take time to realize, and changes to the land use and development pattern can be expected over a number of decades. While the Vision Plan shows a full buildout, the factors that determine the timing of that buildout will include factors that are especially hard to predict, such as the timing of public infrastructure investments, particularly the investment in light rail, and the economic and market climate for private development in the coming decades.

Potential Phasing Approach for the Redevelopment of Military Circle

The Vision Plan explored the potential for a phased and gradual implementation in the Military Circle Mall Area. This plan, starting with the present condition, explores five potential stages of redevelopment of this specific site. The area is currently comprised of the mall with three former anchor stores that are now closed. The city has purchased the former JC Penney anchor store and is in the process of converting it into office space which will bring hundreds of new jobs to the area.

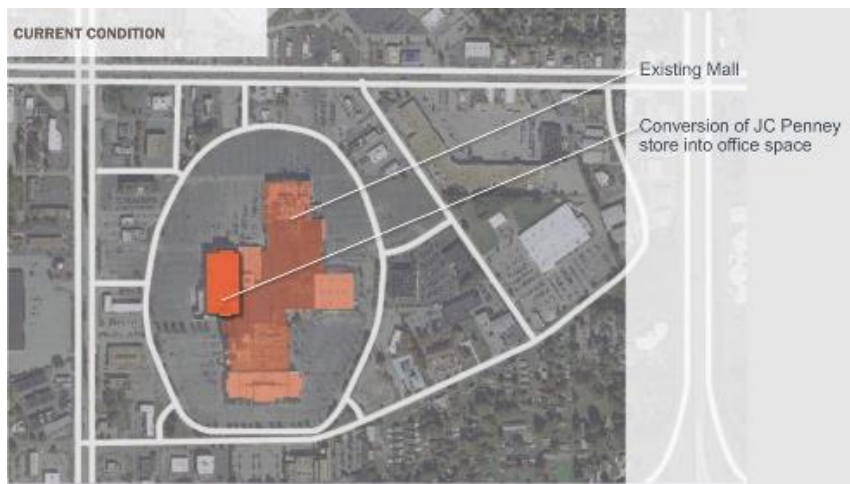


Figure 42: Military circle current condition

Military Circle Stage One

Stage One of the plan builds on the recent work that the city has undertaken in repurposing the Penney's store and calls for working with potential developers and prospective tenants on the future conversion of the other two anchor stores – Sears and Macy's. It also shows the first steps of developing a road system and open space for the future urban center.

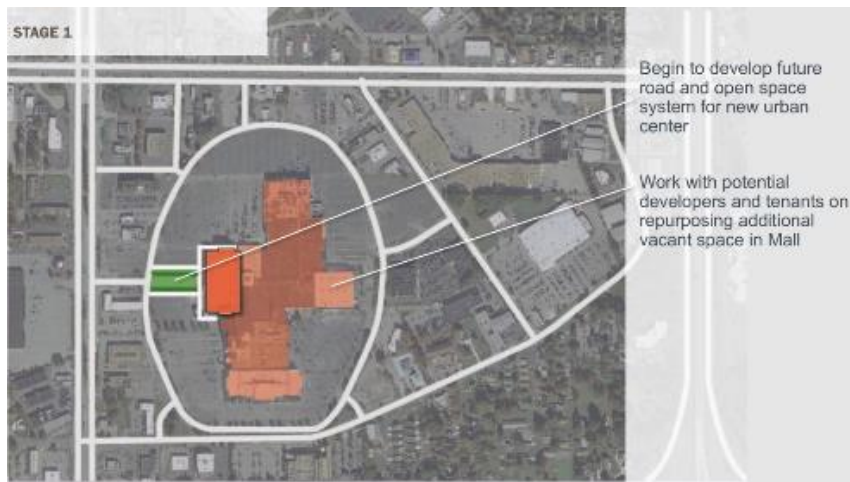


Figure 43: Military Circle Stage 1

Military Circle Stage Two

In Stage Two, additional anchor stores are repurposed for flexible office space or institutional use. New entrances are oriented to the outside to prepare the mall to allow greater visibility and flexibility for redevelopment of the interior of the mall. In all stages, the future vision plan is kept in consideration and the road system and open space system are developed as space leases up according to the ultimate plan for new streets, blocks and open spaces

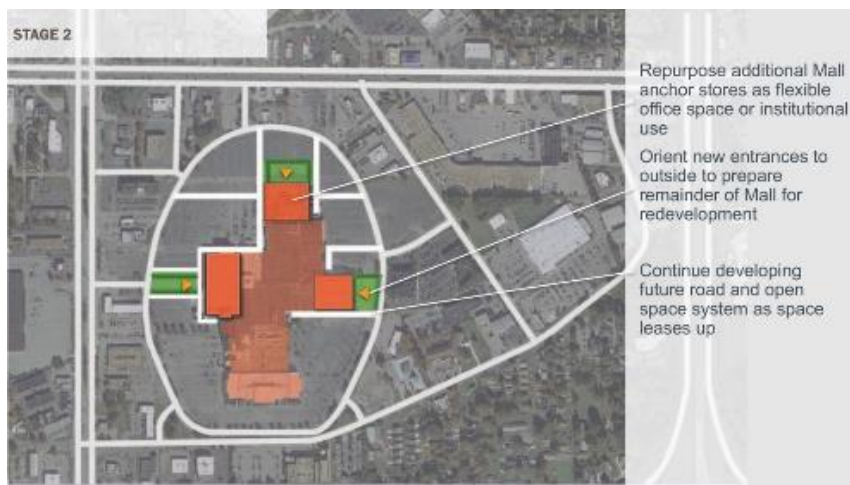


Figure 44: Military Circle stage 2

Military Circle Stage Three

Stage Three shows the additional anchor stores repurposed and allows the demolition and repurposing of the interior of the Mall and its conversion to temporary open space or surface parking areas. This allows a campus of new office uses to be organized around the gradually emerging future street grid. Additionally, new, high density office space can start to be developed at this stage for potential transfer of existing tenants

from the repurposed Mall anchor stores, thus avoiding the displacement of existing businesses from the area.

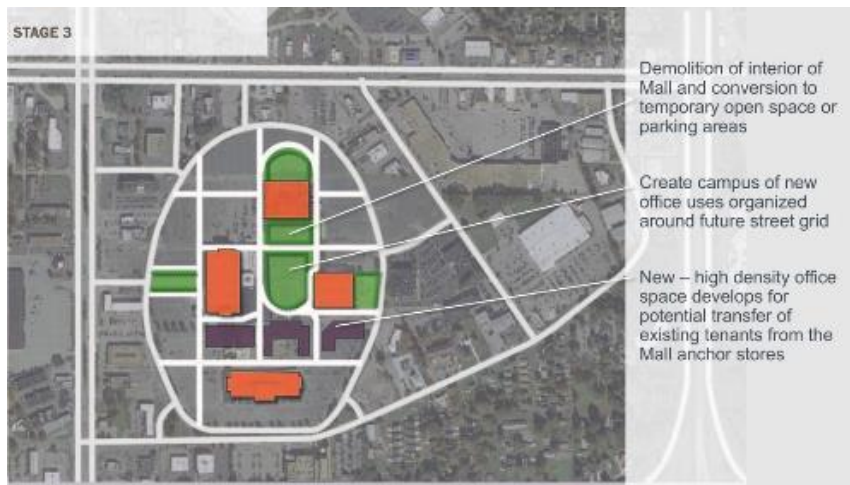


Figure 45: Military Circle stage 3

Military Circle Stage Four

Stage Four shows the gradual demolition of former Mall anchor stores as land values in the area rise, and new development of high density mixed office and residential buildings within the already established future roadway and urban block system. It also shows the preservation of right of ways for future light rail.



Figure 46: Military Circle stage 4

Military Circle Stage Five

Finally, in Stage Five, light rail is built in the right of way that has been maintained and begins to catalyze high density, mixed-use development and walkable streets in a vibrant new urban neighborhood according to the Vision.

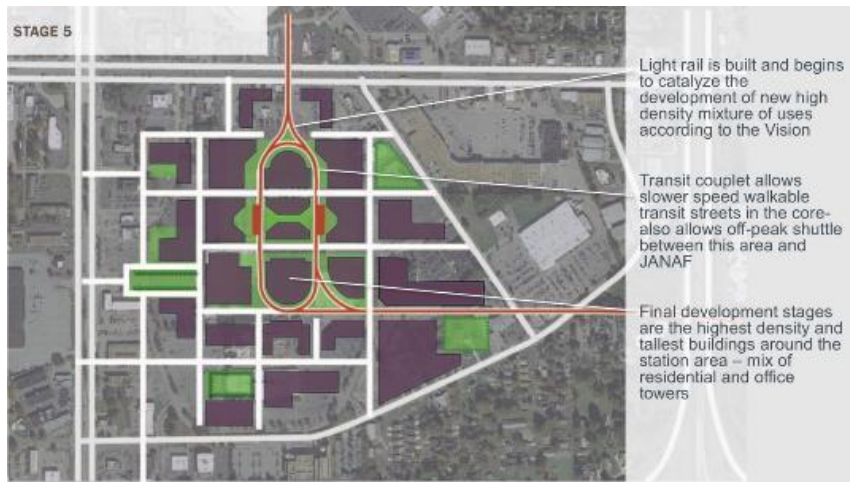


Figure 47: Military Circle stage 5

Implementation Plan

In addition to the potential phasing of one area within the Vision Plan, the project team also developed a more detailed overall Implementation Plan to help guide public and private actions toward the gradual realization of the vision for this area.

The Implementation Plan describes the actions and possible interrelations associated with the planning, design and implementation of (1) the extension of the 7.4 mile Tide Light Rail Guideway System (“LRT Extension”) to Naval Station Norfolk, and (2) the redevelopment of Military Circle as a node along the LRT alignment. Both initiatives strongly influence one another, with redevelopment potential guiding the final determination of LRT alignment and project development process, while LRT conversely shapes the overall phasing and build-out at Military Circle.

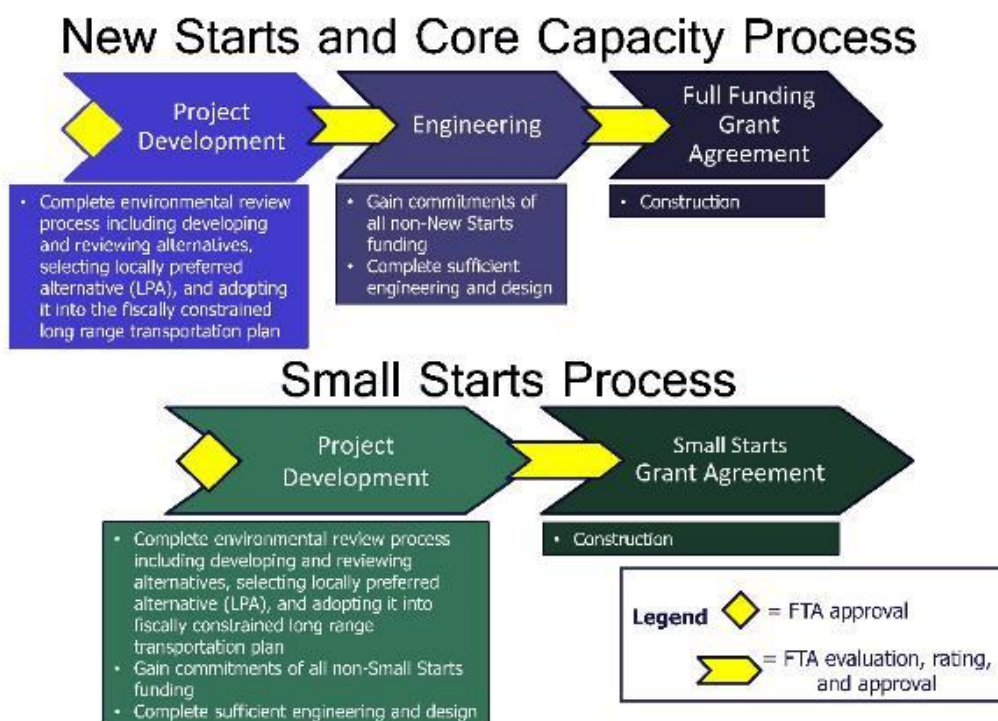
The task of steering the LRT extension from the initial planning stages to a fully operational system, utilizing federal funding and processes, historically requires from six to twelve years. Cost for light rail projects varies and can typically runs from an average of \$35 million per mile to up to \$200 million per mile, depending site conditions and the amount of tunneling and elevated structures required. Due to the significant capital costs, many communities choose to pursue federal funding through the Federal Transit Administration’s (FTA) New Starts or Small Starts programs. The Capital Investment Program: New Starts, Small Starts, and Core Capacity Improvements is the federal government’s primary financial resource for supporting locally planned, implemented, and operated transit guideway capital investments (see Exhibit 1).

To be eligible, project sponsors must request entry into the New Starts program. Once approval is received, all projects seeking funding from the program must be evaluated and rated based on project justification and local financial commitment criteria. This project development and evaluation process is a multi-year, multi-phased process that has a significant impact on the overall implementation schedule for the project. Additionally, securing a minimum of 20 percent non-federal funding and navigating through various state and federal requirements, including community and private sector commitments, land easements and

acquisitions, is imperative to advance the LRT project, reach key decisions, and maintain support from implementing agencies.

Other options for funding are (1) State and regional funding, or (2) public-private sector partnership (P3) where the private entities own and/or operate the rail. These types of partnerships can compress project timeframes due to lack of federal financial requirements and commitments, however, the interest on the debt service increase the overall costs by 2 to 3 times when compared to a FTA funded project. Choosing a funding strategy at this point in the planning process is critical, as it will drastically change the course for project implementation. Project sponsors should closely assess and weigh the long-term benefits of any funding strategy. Also, securing a long-term source of available funds for the capital match and continued operation and maintenance of the transit system is also required.

Table 8: Federal Transit Administration Fixed Guideway Capital Investment Grant Overview



Approx. \$2.3 Billion annually available FY16-FY20			
Projects with Public Private Partnerships will be streamlined.			
NEW STARTS		SMALL STARTS	
Total Project Cost, or	Over \$300M	Total Project Cost, or	Less than \$300M
Max. Federal \$ request:	Over \$100M	Max. Federal \$ request:	Less than \$100M
Max. CIG Funding	60%	Max. CIG Funding	80%
Max. Total Fed. Funding	80%	Max. Total Fed. Funding	80%

After the project has received approval to enter into the federal New Starts process or a public-private partnership has been forged, more detailed technical analyses are required to assess the actual costs and to document the mobility and economic benefits of the project. These studies should address the final alignment, technological specifications, operational needs, station locations and designs, land use, environmental and economic benefits, and provide detailed capital and operations costs. Most importantly, the project development process should demonstrate local community support and a strong financial commitment. The culmination of this phase results in a locally preferred alternative that is adopted by the region's municipal policy boards. The project sponsor can then request entry into the FTA's engineering

phase of the New Starts process. At the conclusion of engineering, negotiations may commence with FTA on a full funding grant agreement for New Starts.

It is important to define the roles and responsibilities of each agency and stakeholder involved in ensuring the implementation of the project. A well-defined project management plan, identifying the overall project sponsor agency and the supporting agency roles and responsibilities, sets clear expectations during the life of the project and allows for a seamless transfer between project phases. In many cases, the City of Norfolk with HRT may conduct the concept and feasibility, project development, and environmental studies. However, as the project advances into design and construction, HRT or the City, will likely assume the role of project sponsor.

Coordination of the LRT Extension

Throughout the planning, design, engineering and implementation of the LRT Extension, close coordination among public agencies, from local municipalities, transit agencies, the State and Federal Government, will be critical to the success of either initiative. The key roles and responsibilities for assuring compatible and complimentary timelines for an LRT extension and Military bringing the LRT Extension into fruition include the following:

City of Norfolk (“City”) - is a joint partner with HRT in developing a Draft Environmental Impact Statement (DEIS) for the Naval Station Norfolk LRT extension. The City will be a key stakeholder in the decisions regarding planning, design and implementation of the LRT project. The City will be responsible for engaging and leading the redevelopment effort of Military Circle, and coordinating any potential LRT alignment with the future build-out. The City would also assist in assembling a portion of the local match contribution required for federal funding.

Hampton Roads Transit (HRT) - will initiate the DEIS for the LRT extension, and be the principal point of coordination regarding federal requirements adherence. HRT, in partnership with the City and HRTPO will assess the impacts of the alignment as part of the overall transit system, with insight into operational impacts, future ridership, and land-use compatibility for the LRT extension.

Hampton Roads Transit Planning Organization (HRTPO) – provides overarching guidance and input into the project, ranging from travel pattern analysis, forecasting, and air quality conformity. HRTPO would be able to channel additional and eligible federal funding from other programs (i.e. Congestion Mitigation and Air Quality) to meet necessary commitments. Ultimately, HRTPO maintains the LRT project in the Long Range Transportation Plan (LRTP) and Transportation Improvement Plan (TIP).

State of Virginia - Department of Transportation (VDOT) will be responsible for review of any LRT impacts to State right-of-ways and highway overpasses. They will also work with private developers in accordance with traffic impact analysis regulations. The Department of Rail and Transportation (DRPT) will be responsible for providing planning oversight, assisting in the review/determination of the LRT preferred alternative screening, and possible contribution of state funding as applied to planning, design and/or construction management of the project.

Federal Transit Authority (FTA) – is responsible for the evaluation, ranking and funding of transit projects that are seeking Federal funds, which also includes environmental analysis and review of alternatives per the National Environmental Protection Act (NEPA) and compliance to Federal standards.

Critical Path

While the LRT extension and on-going redevelopment of Military Circle proceed at a different pace, both initiatives remain interlocked at key milestones during the LRT planning process as it relates to the possibility of the alignment (and type of guideway system) that could traverse through Military Circle. Therefore the “Critical Path” that can be envisaged, guides the implementation of the LRT Extension while impacting the phasing strategy, development pattern of Military Circle that may require the City of Norfolk (“City”) to take actions on key policy decisions that affect its outcome.

The Critical Path for City involvement has been organized into three phases with the following milestones that roughly correspond with the New Starts steps presented in Exhibit 1:

PHASE 1: LEGITIMIZE THE PROJECT: Supports the Military Circle alignment determination in the DEIS development, with supporting policy to solidify the Locally Preferred Alternative (LPA) determination.

PHASE 2: FACILITATE DESIGN: Consists of the supporting analysis and local technical details to advance the design, engineering and approval of the LRT extension. Full funding commitments for the non-federal share of project costs need to be in place at the conclusion of this phase.

PHASE 3: IMPLEMENTATION: Involves the construction of the LRT extension and the on-going operations of the system. In this phase, easements, land acquisitions and right-of-way improvements may also be involved. This phase extends beyond LRT opening day as the Military Circle redevelopment plan progresses to full build-out.

The DEIS will evaluate the environmental, transportation, social, and economic impacts associated with the LRT extension, and describe alternatives, including a No-Build Alternative, a National Environmental Protection Act (NEPA) Preferred Alternative, and several Project Element Alternatives within a public outreach process. LRT systems are focused on a regional scale and a preferred alignment will be evaluated within this context. Establishing the LRT project Purpose and Need is the first step in the planning process, tying commuter travel patterns and anticipated growth to illustrate a need for connecting high ridership and housing areas to employment centers and major destinations which may/may not validate alignments alternatives, including the alignment through Military Circle.

During the development of the DEIS, a Market Study could be undertaken to evaluate potential land use and development feasibility along the Military Highway corridor (with and without the LRT extension through Military Circle) to inform what policies and incentives a Specific Plan and/or Overlay District could articulate within a framework for new development, parks and open space over the next 10 to 20 years.

There are two milestones that directly affect the redevelopment of Military Circle: (1) the adoption of a LPA and, (2) the 30-percent Design and Preliminary Engineering.

Milestone: Adoption of an LPA

The LPA defines the alignment and termini, transit mode, general station locations, and design objectives for the transit project. While the LPA outlines the general corridor configuration, it does not determine a specific design. The design will be determined during the Design and Engineering Phase of the Critical Path.

More importantly, the LPA legitimizes an alignment that could traverse through Military Circle. A Specific Plan for Military Circle can now be initiated since there is a sense of certainty with an adopted alignment, that a plan can propose specific development block parcels with new roadways that can accommodate a LRT alignment. The Specific Plan should also look at a number of options, including a lengthier period of time due to funding not being all in-place, in which the extension takes longer than expected, and an option where there is no alignment through Military Circle.

A Specific Plan could describe the orderly revitalization and vision of Military Circle with a strategy of how development could be phased over the next 10 and 20 years. The Specific Plan could identify what right-of-way improvements are needed to support a phasing strategy that gradually repurposes portions of the existing Mall in a way that preserves area for the future LRT alignment, while accommodating new structures when market demand is available. In addition, a Specific Plan can designate parks and open space, employ “complete streets” elements that balances new roadways with equal priority between vehicles, pedestrians and bicyclists. The Specific Plan could also propose Zoning Ordinance amendments as a way to incentivize development and certain land uses.

While a Specific Plan can articulate critical right-of-way improvements to support future development, a Funding Plan can identify strategies to finance those improvements over the course of the build-out. A number of strategies could be articulated in a Funding Plan. For example, the Funding Plan could propose a project boundary over the parcels that comprise of the redevelopment of Military Circle as a Special Service District that utilizes Tax Increment Financing (TIF). TIF is the ability to capture and use most of the increased local property tax revenues from new development (within the boundary) for a defined period of time to implement public right-of-way infrastructure improvements to support the on-going build-out of Military Circle. Legal findings and approvals from various public agencies, including the State of Virginia, would be required to establish Military Circle as a TIF District, which could take an extended period of time due to the political ramifications. A TIF District could be an attractive incentive to attract development by offering a long-term financing mechanism for infrastructure improvements that increases as more development is realized, gradually fulfilling the vision of Military Circle.

The full build-out of Military Circle will be complicated and will take time and long-term commitments. The City has several options to ensure that the complex assemblage of parcels and orderly phasing of new development promotes the highest and best use of land, starting with the redevelopment of the Mall, with the gradual phasing of new development, while anticipating the arrival of a LRT alignment within its configuration.

There are several strategies that the City could pursue. One option, the City could assist in a public-private venture with the formation of a Development Corporation composed of key property owners, businesses, stakeholders, technical and financial advisors, and representatives from the City. The City owns a key

parcel of land within the Mall, and has a direct financial stake and leverage in the redevelopment of the entire site. More importantly, the City's financial stake provides a sense of certainty and minimizes the perception of risk. This Development Corporation would serve as the driving force between the City and property owners for assemblage of land, the orderly redevelopment of the Mall and gradual new development for the entire site, while gaining commitments of prospective businesses and investors. This entity could also identify support infrastructure needs to help generate the private investments.

Another option is to have a third-party entity take the lead in managing the development of Military Circle. In this scenario, the City could issue a Request for Qualifications and Proposals (RFQ/P) for Master Developer(s) with the City as partner. Various selection criteria could be identified in the selection criteria, the most critical of having experience in multiple block developments, starting with the repurposing of failing mall structures, with the ability to hold and land bank property over a long period of time until the market demand is available to turn a lot into a development. Experience in construction typologies associated with high density mixed-use development, especially with addressing parking, both financially and by design, transitioning from surface parking and determining how to make encapsulated or structured parking financially feasible, could be written into the experience criteria. The selection could include one or multiple developers with financial partners for the assemblage of parcels and long-term build-out. The Specific Plan could be provided as an attachment to the RFP to serve as guidance for creating a Master Development and Phasing Plan. The RFP could ask for a Development Plan that could include block configurations with/without the LRT alignment, multiple land use scenarios, coupling office, hotel, commercial and residential in various configurations based on market feasibility of current and future demand.

The trigger for initiating such a RFQ/P is not entirely dependent on the adoption of a LPA, since the RFQ/P could take a phased approach, by focusing on the redevelopment of the Mall at first and then expanding to the whole site once a LPA and Specific Plan are adopted.

Milestone: 30-Percent Design and Preliminary Engineering

When the LPA is affirmed through a formal Record of Decision and progresses to a Final Environmental Impact Study (FEIS) will all commentary, re-adoption of LRTP and programming of the TIP, to prioritize the transportation funding priorities for the region can proceed and allow the project to move forward to a more detailed corridor analysis. At this point, transportation strategies and alternatives are analyzed within the local land use framework and compared to determine the most appropriate solution for connecting regions, neighborhoods, or destinations. Stakeholders are engaged to make critical decisions such as alignments, transit technologies, right-of-way needs, connecting modes and routes, capital and operational needs, order of magnitude costs, implementation schedule, and how each scenario will be funded. Station locations and surrounding transit oriented land use plans should also be considered at this point to enhance the viability of the system. At its conclusion, a detailed corridor and feasibility study should provide enough information to advance to the next phase of project development and assist in determining whether to pursue public or private sector funding or a combination of both in building and maintaining the project. The 30-percent Design and Preliminary Engineering is a critical milestone because it further solidifies the physical reality of the alignment, including station locations and type of guideway alignment, and more importantly, the nature of its funding and whether it will traverse through Military Circle. At this milestone, a detailed analysis

of traffic impacts based on the alignment, as well as analysis of current and future utilities, infrastructure and storm water can be undertaken to identify specific right-of-way improvements.

Military Circle Redevelopment Phasing

Development in Military Circle, from the type of construction and amount of density, may increase once LRT extension is a real project. Currently, the most effective approach is what the City is currently undertaken with the repurposing of the existing portions of the Mall. As demand for housing increases in the City and region, marketing efforts could be directed to promote Military Circle as a smart place to invest, based on the realities of sea-level rise, and that it is higher ground, it is the obvious place to build for the future.

The first phases of redevelopment should prioritize blocks adjacent to the future (adopted and funded) alignment while focusing on organizing Military Circle into smaller and more intimate development street blocks by initiating a new roadway grid system that ties back to Virginia Beach Blvd and Military Highway. The City will need to decide whether it wants to control new roadways within Military Circle by right-of-way easements for public travel and whether it wants to own the property underlying the right-of-way.

As Military Circle redevelops, a particular outcome will be the gradual conversion of asphalt parking lots to mixed-use development, resulting in a loss of surface parking. Developing structured parking, either encapsulated within the development or below grade is not financially feasible from the standpoint that there is no market or demand for the resultant price point for such construction typology. New mixed-use development that is defined by several stories of residential over commercial will most likely have its parking located at-grade, but tucked into or enclosed within the development footprint. However, this development pattern is not sustainable over the long term, from both a smart use of land perspective and the desire to have compact mixed-use development.

The City will need to have a strategy in-place that gradually guides development from surface parking, to enclosed surface parking, to encapsulated parking wrapped by active use development at the sides and above. The market will primarily drive this trajectory, based on demand, which must be great enough to force a shift in construction typology, and facilitated by whether Military Circle is a desirable location in where people want to work and live.

The City has several strategies that it could pursue that have been applied in other municipalities, most notable, at Virginia Beach Town Center, in which the City of Virginia Beach constructed above grade parking structures in partnership with a hotel developer and an office developer, splitting costs to provide public parking and parking intended for private use. In both scenarios, the City utilized TIF to pay for their portion of the garage.

Development partnership opportunities

As part of the build out of Military Circle, the City could initiate a RFQ/P for a development partner to finance and build a shared-use parking structure as part of a larger development. Once a development team is selected, the City would enter into an Agreement with the developer or and third party operators, to share the costs of constructing an above grade parking structure that could serve as the base of a high-rise structure that supports commercial at the ground level and residential uses above, in order to achieve

greater density and demand for housing in this area. A shared parking agreement could stipulate the type of development, number of units and commercial area to reach financial feasibility for all parties. Timing of when this type of scenario could be initiated will be critical in that there would have to be a foreseeable demand for this type of housing product in this area in order for the RFP to succeed in bringing in a developer(s) with the financial capacity, experience and qualifications to be successful in this type of endeavor.

In another option, the City could engage HRT to develop a park and ride parking structure, adjacent to the alignment, by a joint use agreement between HRT, the City and private developers that stipulates parking for transit, residential and commercial uses. The agreement could even involve multiple development sites for off-setting the costs for a structured parking garage. In addition, residential parking in some of the private developments could be rented during the day to increase the pool of parking that could additionally offset the costs of the private development. There could be an opportunity to have the LRT station be designed as part of private development that is attached to public parking structure.

The following chart describes the overall implementation process proposed with a critical path showing the interaction of the Military Circle area redevelopment with the potential light rail extension.

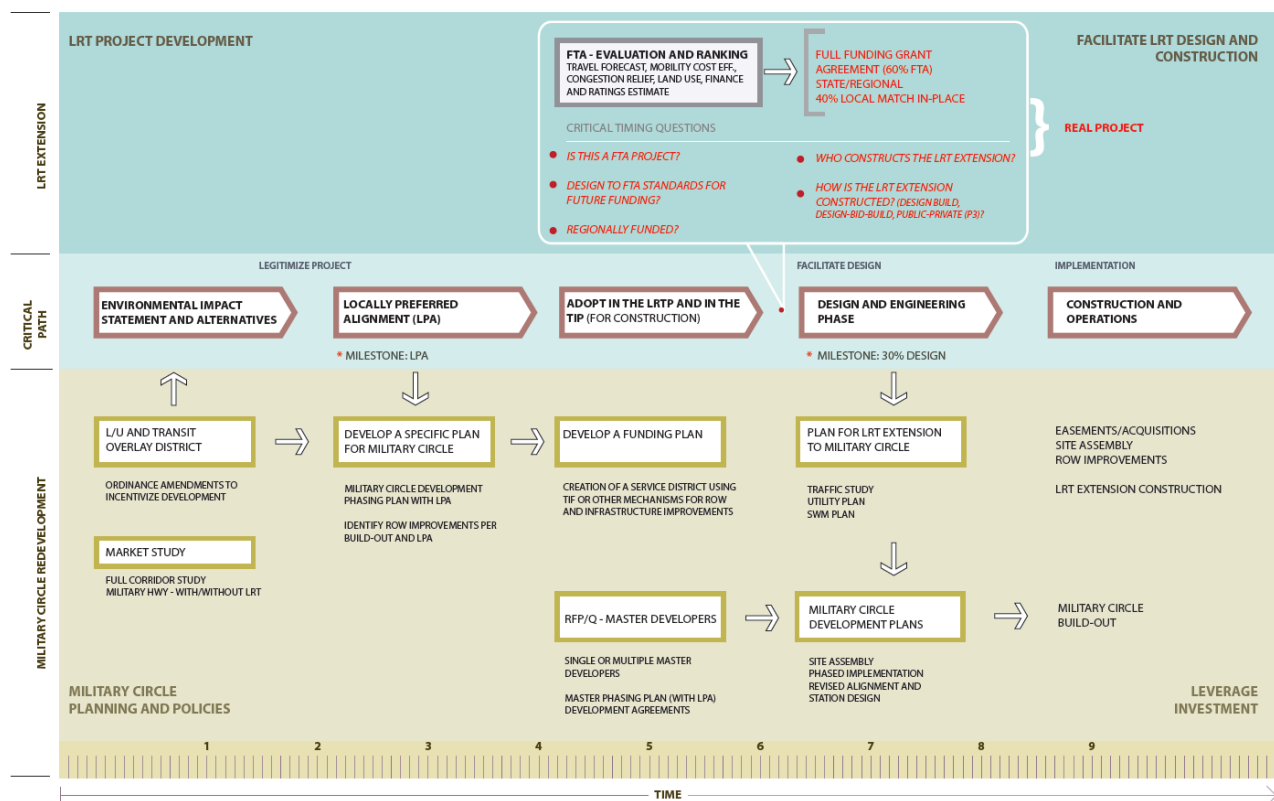


Figure 48: Implementation diagram

Mall Conversion Case Study

There are examples of successful mall conversions across the nation that we can learn from, including trends of high-tech firms such as Google and Rackspace converting malls into corporate campuses.

Perhaps the best case study to consider as an example for this project is the recently completed Belmar project in Colorado. Located in the city of Lakewood, Colorado - about 9 miles west of Denver - the project involved the redevelopment of the failing 104 acre “Villa Italia” mall. The site was redeveloped into a 22-block urban center with retail, office, apartments, and homes in a relatively short time in the 2000’s. A single developer purchased the mall in 2002 and created a \$750 million master plan. By 2009 phase 1 had been completed. The site now generates 4 times the tax revenue per year than the old mall did. While Lakewood is a different context than Norfolk, it is an example of how successful a mall conversion can become in a relatively short time. It is also notable that this project doesn’t have light rail in immediate proximity but offers a free bus shuttle to the nearest light rail station about 1 mile away.



Lakewood - city of 150,000 located 9 mi. west of Denver had a failing “Villa Italia” mall.

104 ac. Mall redeveloped into 22 block urban center with:

- 900,000 square feet of retail space,
- 269,000 feet of office space,
- 1,300 apartments and for-sale homes.

(PHASE 1)

Figure 49: Belmar case study

Potential Buildout and Value Capture Analysis

As part of the analysis of the Vision Plan, the project team also calculated a potential buildout of the Vision Plan. The plan explored two potential buildout projections: a high and low scenario. While it is not possible to predict when full buildout of the vision might occur, this analysis looked at the redevelopment potential at full buildout. The low buildout scenario assumes densities and development intensity that could occur if light rail doesn’t come to the area. The high buildout scenario assumes higher densities and intensities if light rail is extended to the area.

Under the low buildout scenario, the number of residential dwelling units would increase by approximately 2,500. Non-residential square footage would increase by 5.8 million square feet.

Under the high buildout scenario, the number of residential dwelling units would increase by approximately 5,700. Non-residential square footage would more than double, increasing by approximately 8.9 million square feet.

Table 9: Potential buildout scenarios for the Vision Plan

LOW SCENARIO		
	EXISTING	FUTURE
RESIDENTIAL	463 du	3,015 du
NON-RESIDENTIAL	7.7 Mil sf	13.6 Mil sf

HIGH SCENARIO		
	EXISTING	FUTURE
RESIDENTIAL	463 du	6,226 du
NON-RESIDENTIAL	7.7 Mil sf	16.6 Mil sf

Based on the potential buildout analysis, a potential Value Capture of the total value of real estate at buildout was also calculated. Total Value Capture from the Vision Plan was calculated based on both the low and high scenarios. Value Capture is just a calculation of the value of new real estate that could result from full buildout using present day dollars. The result shows that the Vision Plan could potentially result in approximately 1.3 to 2.4 billion dollars in new development, in net present value at full buildout.

Table 10: Potential Value Capture scenarios for the Vision Plan**PROCESS:**

- Calculate market value of existing property in the study area from City assessments
- Calculate the market value of potential new development (High & Low Scenarios) – using comparables from City and surrounding areas
- Subtract value of new development from value of existing development - use present value for all calculations

RESULT:

Total Value Capture from Vision Plan:

LOW Scenario

\$1.26 billion

HIGH Scenario

\$2.37 billion

Conclusion

A 50 YEAR TRANSFORMATION

Military Circle Mall was built almost 50 years ago, and JANAF almost 60 years ago. What will the next 50 years look like for these Malls and for this whole area? With the potential for future Light Rail extensions in this vicinity in the coming decades, the City of Norfolk has an opportunity to transform this area into a vibrant, walkable new urban center over the next 50 years. Private investment in concert with public improvements will be needed to implement this vision. The Vision Plan summarized in this report is the start of a 50-year Vision for transformation of this area. As a potential blueprint for that transformation, it is hoped that this plan will have a lasting impact on the Military Circle / Military Highway area for decades to come.

As a final expression of the aspirational vision for transformative change, the project team developed a three-dimensional computer model of what the area around the future potential Military Circle station could become. The images below show this potential transformation – from a one story, single use suburban mall into a vibrant, dense multi-story center with mixed uses, walkable streets, a light rail system that connects one to the surrounding region and a revived and bright new economic future for the area.



Figure 50: Visualization of the future of the Military Circle area

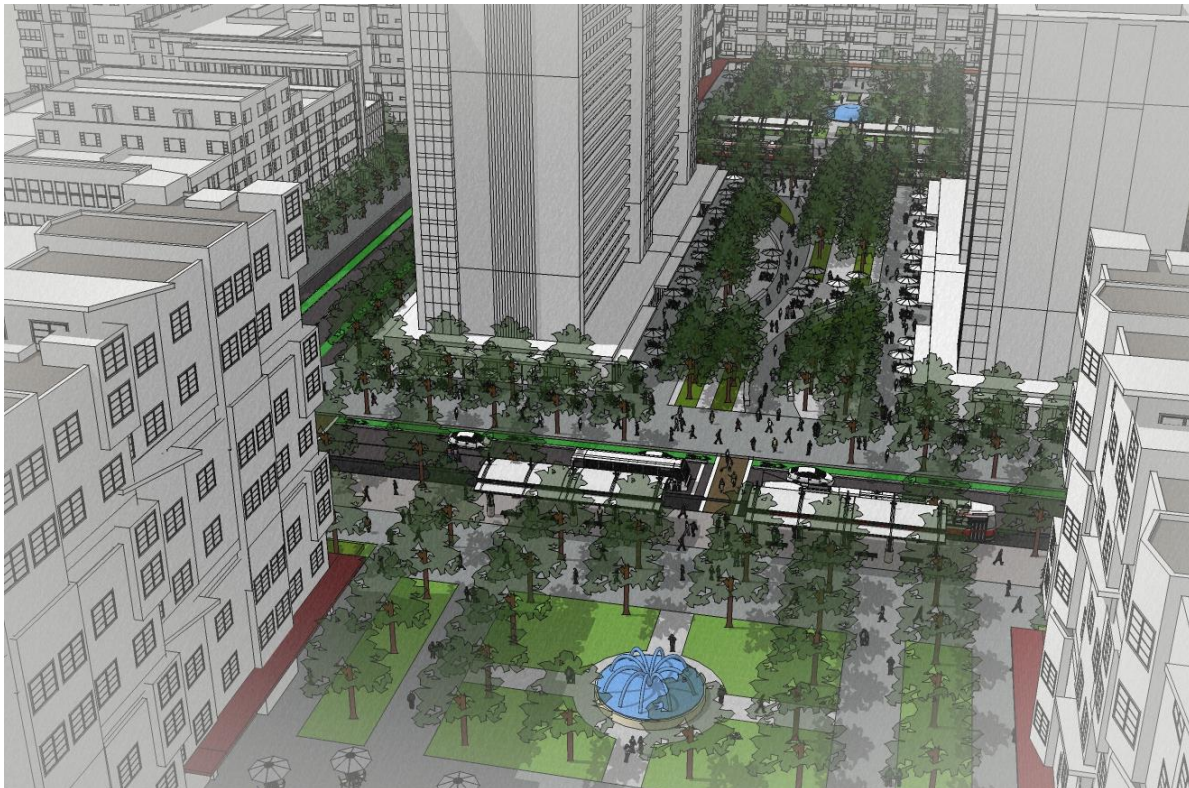


Figure 51: Visualization of the future of the Military Circle station area

APPENDICES

Market Assessment

DEMOGRAPHIC PROFILE AND TRENDS

A Regionally Prominent Site

The UDA/Military Circle mall site has:

- A central location with high accessibility to the regional workforce and employment base
- A large site – 80+ acres – in an infill location with interstate highway access
- A 40-year history as a regional destination
- Potential LRT stop on new NSN line that can enhance accessibility and create TOD opportunities, positioning it as the transit crossroads of the region

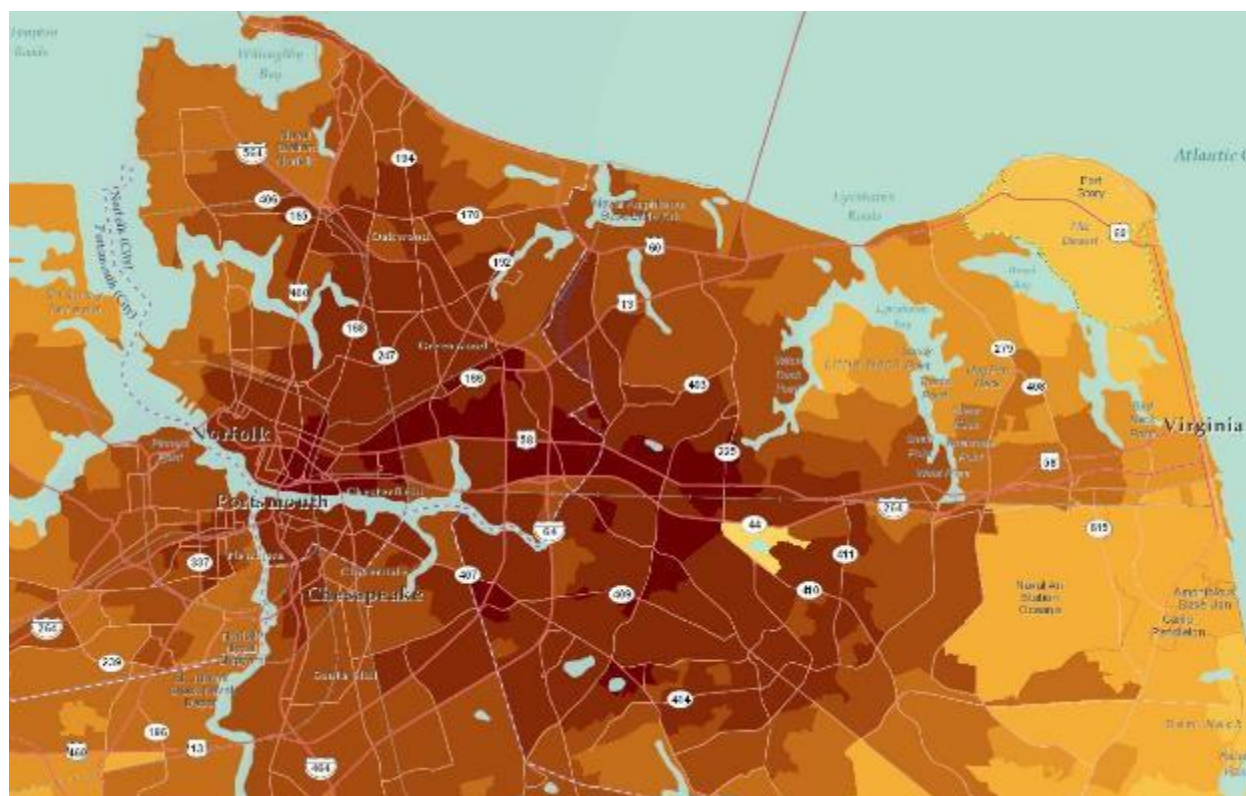


Figure 52: Index of accessibility by auto to working-age population

(Source: US EPA, Smart Location Database)

Two Time Frames and Three Levels of Geography

The regional prominence of the site means its market reach can extend to a large area. Primary Southside cities of Norfolk, Virginia Beach, Portsmouth, and Chesapeake were selected as the *long term trends* area, which roughly encompasses the 30-minute drive time below. Three telescoping drive time areas were selected as *near term profile and trends* areas:

- 7 minutes: local neighborhood
- 15 minutes: primary trade area
- 30 minutes: regional market area

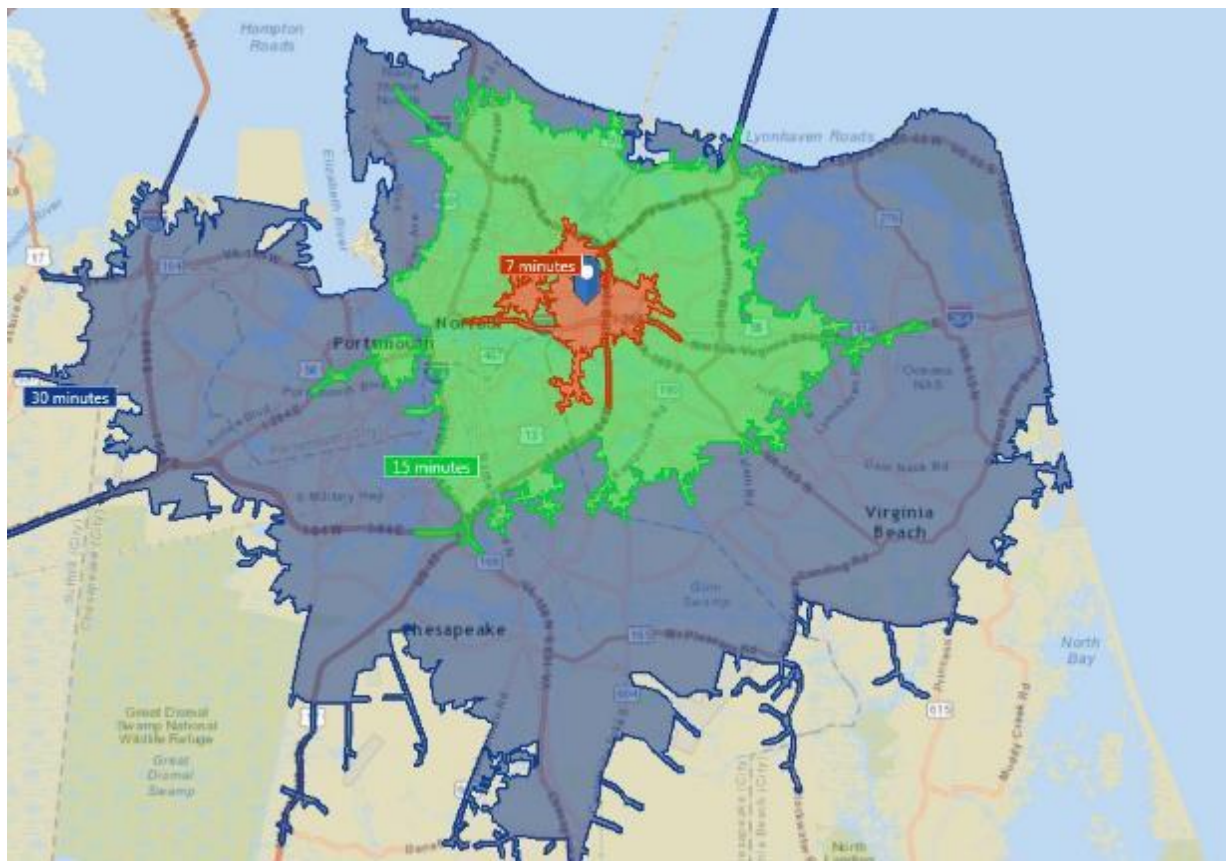


Figure 53: Drive time areas

(Source: ESRI Business Analyst)

Long Term Population Trends

The 20-year population growth forecast is 0.7% per year, or 9,700 people, compared to 0.4% from 1995 to 2015. The total 20-year forecasted growth is 145,000 new residents. Annual average forecasted growth by city (and growth in the previous 20 years) by city breaks down as follows:

- Norfolk: -0.2% (previously 0.01%)
- Virginia Beach: 0.7% (previously 0.4%)
- Portsmouth: -0.4% (previously -0.4%)
- Chesapeake: 1.6% (previously 1.3%)

In all cities the share of 20- to 34-year-olds is forecasted to decrease, though Norfolk's share is notably larger than that of other cities. Overall, the market area is losing young adults (20-34) and adding seniors (75+).

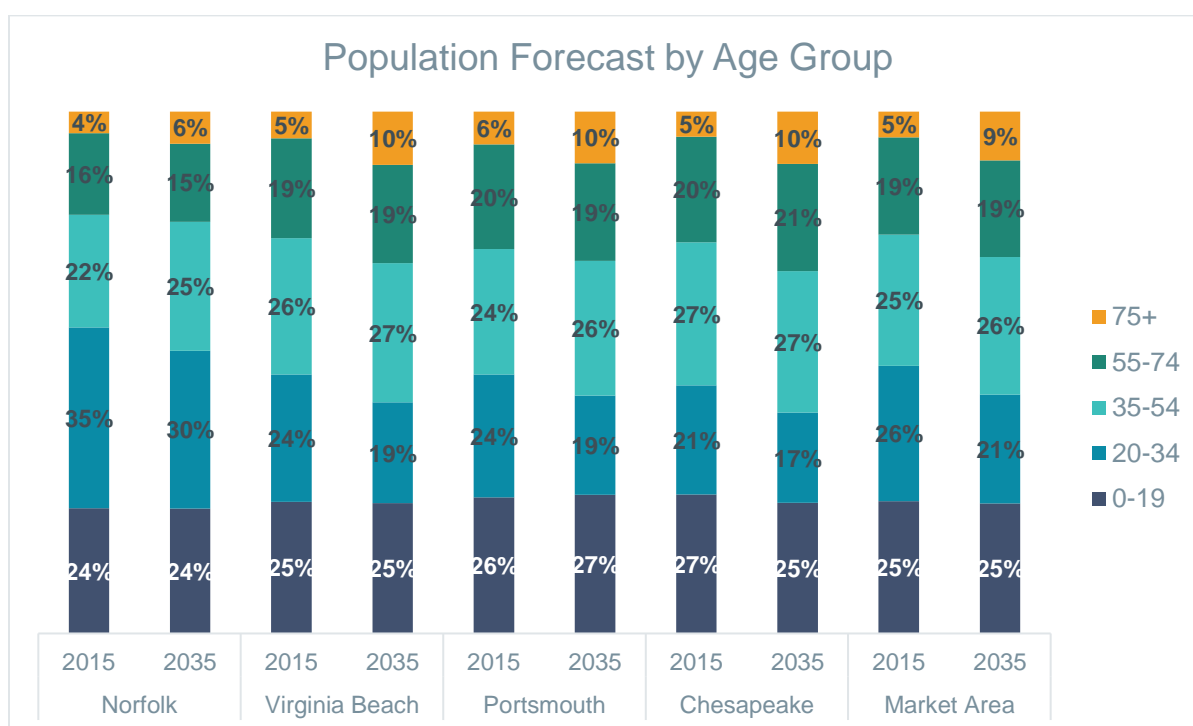


Figure 54: Population forecast by age group

(Source: Woods & Poole Economics)

Long Term Income Trends

Norfolk and Portsmouth have different income profiles from Virginia Beach and Chesapeake – including a larger share of lower-income households – but that share is forecasted to decrease. In all cities, the income group increasing its share the most is \$100,000 and above. In the combined market area, households earning over \$75,000 per year are forecasted to rise from 36% to 53% of the total.

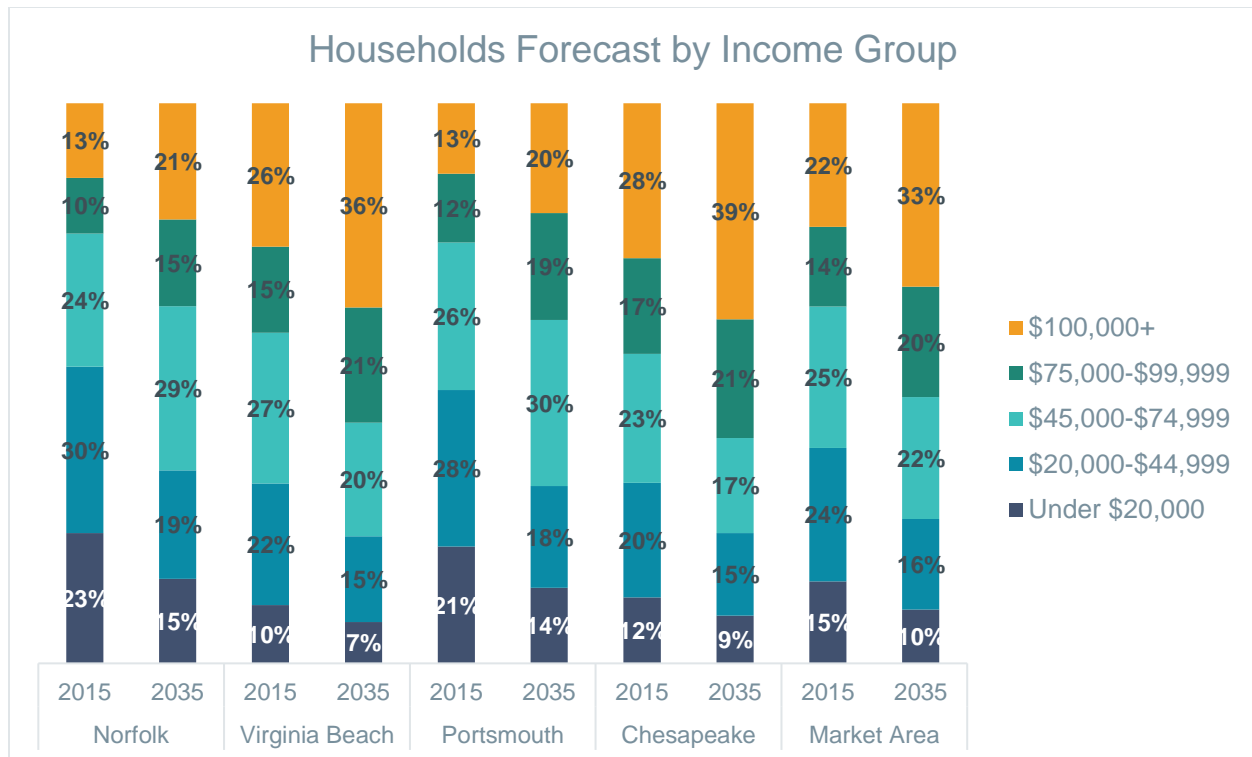


Figure 55: Households forecast by income group

(Source: Woods & Poole Economics; income brackets are in constant year 2009 dollars)

Long Term Employment Trends

Employment is forecasted to grow faster than population at 1.2% per year, or 8,600 jobs, compared to 1.8% per year from 1995 to 2015. The total 20-year forecasted growth is 172,000 new jobs. Annual average forecasted growth by city (and growth in the previous 20 years) by city breaks down as follows:

- Norfolk: 0.4% (previously -0.3%)
- Virginia Beach: 1.5% (previously 2.8%)
- Portsmouth: 0.4% (previously 1.3%)
- Chesapeake: 1.9% (previously 4.3%)

In the combined market area, only Education & Health Services is forecasted to significantly increase its share of total employment, with Government decreasing. Education & Health Services is Norfolk's second-largest sector and is forecast to increase by 2.6 percentage points.

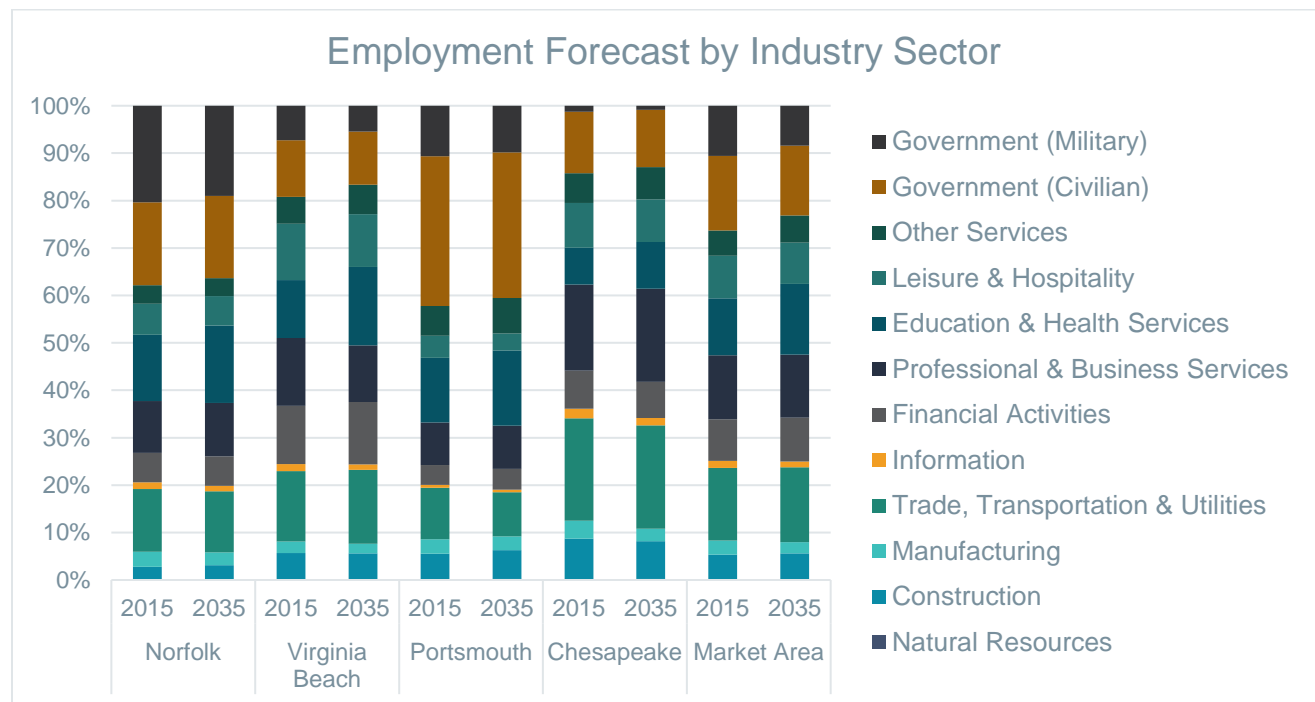


Figure 56: Employment forecast by industry sector

(Source: Woods & Poole Economics)

Current Profile and Comparison

The three comparison areas are the 7-, 15-, and 30-minute drive times – the local neighborhood, the primary trade area, and the regional market area, respectively. The differences in most variables across the comparison areas are not dramatic, but compared to the two larger areas, the local neighborhood around the UDA has:

- More seniors (65+)
- Lower incomes and home values (especially compared to the region)
- Older homes
- Higher unemployment rate (compared to the region)
- More workers taking transit
- More rental housing (compared to the region)
- Fewer adults with college degrees

Table 11: Comparison of areas for market analysis

	Local Neighborhood	Primary Trade Area	Regional Market Area
Total Population	19,006	398,176	1,030,817
Median Age	36.2	35.0	34.6
Population Age 20-34	24.3%	24.2%	24.8%
Population Age 65+	15.0%	13.2%	12.2%
Total Households	7,397	156,037	385,261
Average Household Size	2.52	2.50	2.55
Median Household Income	\$44,186	\$47,425	\$53,677
Median Home Value	\$217,087	\$231,341	\$258,561
Median Year Structure Built	1967	1973	1978
Median Year Householder Moved into Unit	2003	2004	2004
Unemployment Rate	6.7%	6.9%	5.7%
Workers Taking Public Transportation to Work	4.0%	2.6%	1.7%
Renter Occupied Housing Units	49%	47%	42%

Owner Occupied Housing Units	51%	53%	59%
Households with Income Below Poverty Level	11.3%	13.5%	11.2%
Adult Pop. With Bachelor's Degree or Higher	22.9%	26.3%	30.2%

Table 1: Demographic Profiles of Comparison Areas (Source: ESRI Business Analyst)

Near Term Household Growth

The near term forecast for household growth parallels the long term forecast, with decrease in lower-income households and increase in higher-income households. Decreases in lower-income households under 55 tend to cancel out increases in higher-income ones, producing a low or negative net increase among that age group. The forecast shows strong growth in families (ages 35-54) with incomes above \$75,000 and empty nesters (ages 55-74) with incomes above \$50,000. Higher-income Millennials (under 35) and families ages (35-54) replace lower-income ones. Most income groups will see a net increase in retirees (age 75+).

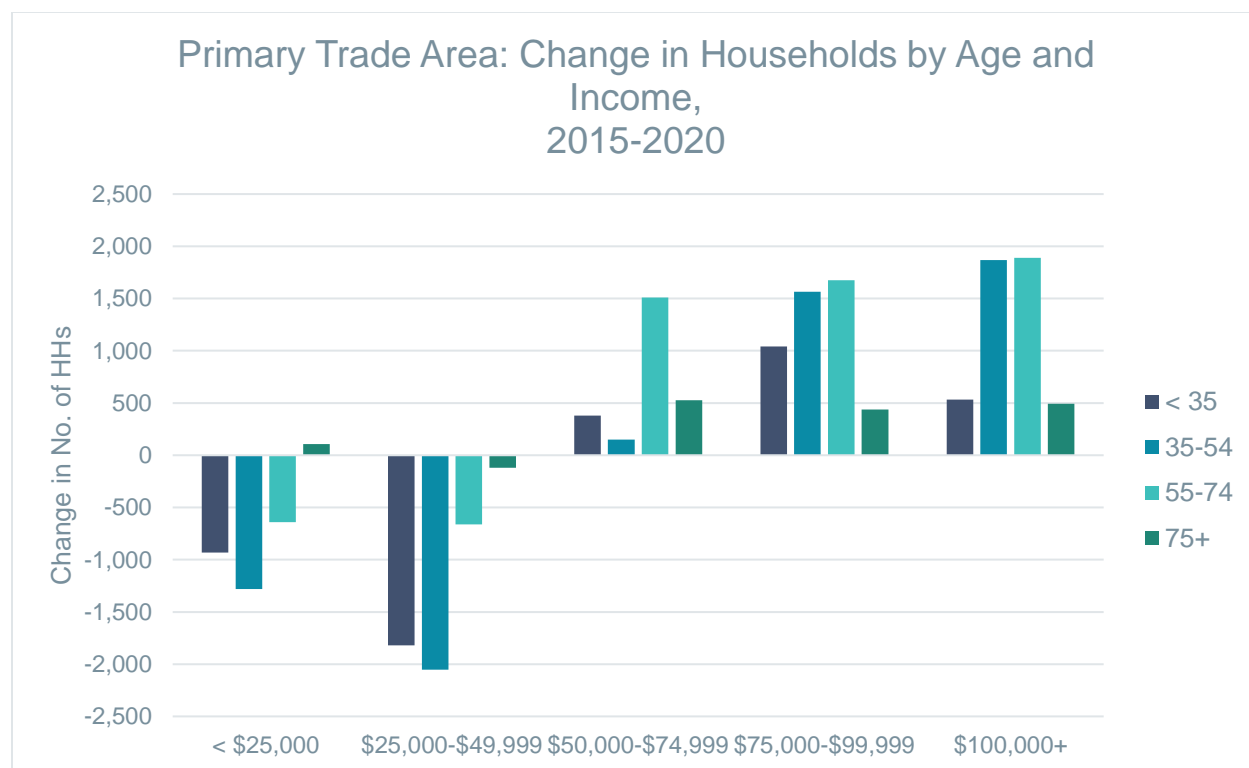


Figure 57: Primary trade area: change in households by age and income, 2015-2020

(Source: ESRI Business Analyst)

Consumer Segmentation

The primary market area is very diverse in terms of consumer segmentation, with the top 5 largest segments (at left in Table 2) making up only 47% of the total households, and the top 10 only 70%. Top segments range from established older households, to young professionals, to lower income Latino families. New development can tap into multiple overlapping markets.

Table 12: Consumer Segmentation

Tapestry Segment		Pct of PMA	Segment Description
Parks and Rec		15.0%	These practical suburbanites have achieved the dream of home ownership. They have purchased homes that are within their means. Their homes are older, and townhomes and duplexes are not uncommon. Many of these families are two-income married couples approaching retirement age; they are comfortable in their jobs and their homes, budget wisely, but do not plan on retiring anytime soon or moving. Neighborhoods are well established, as are the amenities and programs that supported their children through school and college. The appeal of these kid-friendly neighborhoods is now attracting a new generation of young couples.
Bright Young Professionals		10.6%	A large market, primarily located in urban outskirts of large metropolitan areas. These communities are home to young, educated, working professionals. One out of three householders is under the age of 35. Slightly more diverse couples dominate this market, with more renters than homeowners. More than two-fifths of the households live in single-family homes; over a third live in 5+ unit buildings. Labor force participation is high, generally white-collar work, with a mix of food service and part-time jobs (among the college students). Median household income, median home value, and average rent are close to the US values.
Young and Restless		9.0%	Well-educated young workers, some of whom are still completing their education, are employed in professional/technical occupations, as well as sales and office/administrative support roles. This market ranks in the top 5 for renters, movers, college enrollment, and labor force participation rate. Almost 1 in 5 residents move each year. Close to half of all householders are under the age of 35, the majority living alone or in shared nonfamily dwellings. Median household income is still below the US. Young and Restless consumers are diverse, favoring densely populated neighborhoods in large metropolitan areas.

Front Porches	7.5%	This market blends household types, with more young families with children or single households than average. This group is also more diverse than the US. Half of householders are renters, and many of the homes are older townhomes or duplexes. Residents enjoy their automobiles and like cars that are fun to drive. Income and net worth are well below the US average, and many families have taken out loans to make ends meet.
Metro Fusion	5.1%	This is a young, diverse market. Many residents do not speak English fluently and have moved into their homes recently. They are highly mobile and over three quarters of households are occupied by renters. Many households have young children; a quarter are single-parent families. The majority of residents live in midsize apartment buildings. Metro Fusion is a hard-working market with residents that are dedicated to climbing the ladders of their professional and social lives. This is particularly difficult for the single parents due to median incomes that are 35% lower than the US level.

(Source: ESRI Business Analyst – Tapestry Consumer Segmentation)

Key Takeaways

Several themes regarding demographics emerge.

- The UDA is a regionally prominent, highly accessible location.
- Long term population growth will be moderate, but higher than the previous 20 years
 - Growth occurs primarily in Chesapeake, with some in Virginia Beach, while Norfolk's population is slightly decreasing.
 - The share of 20- to 34-year-olds will decrease, but Norfolk has the highest share of this age group among the cities.
- The regional market area is becoming more affluent, and Norfolk is starting with a larger share of lower-income households.
- Long term employment growth will be faster than population growth but slower than employment growth of the previous 20 years.
 - Growth is primarily in Chesapeake and Virginia Beach but much slower than the previous 20 years, while Norfolk is holding steady and growing slowly.
 - The industry mix is mostly stable, except for an increase in Education & Health Services and a decrease in Government (including military).
- The current demographics of the local neighborhood, primary market area, and regional market area are reasonably similar, with only a few significant differences.
- Near term projections show an increase in affluent households, especially empty nesters and family-age households.
- The primary market area is diverse, with multiple consumer markets to target.

RETAIL ANALYSIS

Regional Market Conditions

The Military Highway/JANAF area is one of the largest submarkets in the Southside region, second only to Greenbrier. Even with the Military Circle mall's troubles, vacancy in the submarket is still low. However, average rent is much lower – \$14 PSF versus \$20 PSF in Greenbrier – and is among the lowest in the Southside. Recent market trends include:

- Major increase in grocery store development
- New outlet mall planned for Lake Wright
- Virginia Beach Town Center adds premium retail tenants to complement restaurants
- Kmart, Sears, and JC Penney closing local stores
- Total Southside vacancy rate is a healthy 6.3%
- Significant amount of new development in the pipeline

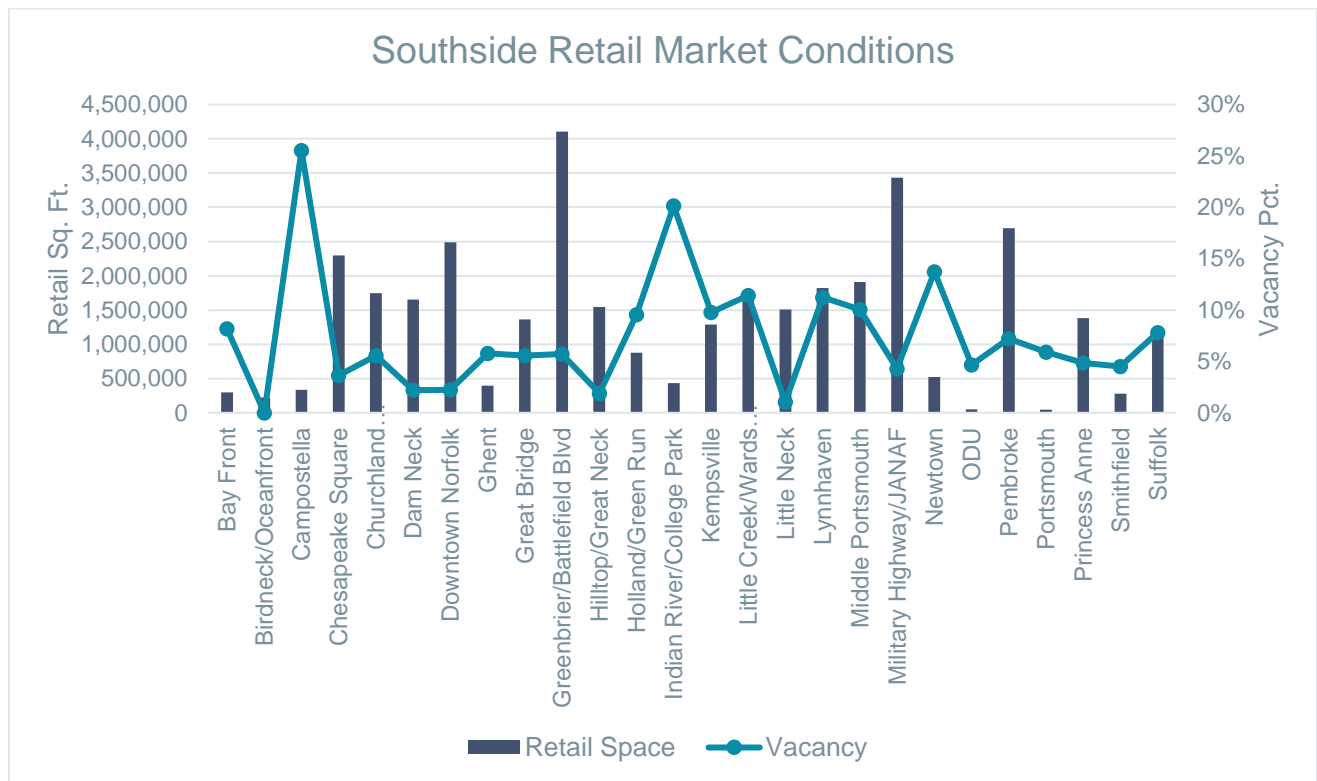


Figure 58: Southside retail market conditions

(Source: Old Dominion University 2015 Hampton Roads Real Estate Market Review)

Long Term Retail Sales Trends

The long term trend for the Southside is higher retail sales per capita, but some categories are forecasted to decrease or not to grow:

- Books & Music: continuing to lose business to online retailers
- Clothing & Accessories: increased competition from online and big box retailers
- Food & Beverage: continuing to lose business to supercenters (i.e. General Merchandise stores)

Furniture, general merchandise, dining out, and health/personal care are forecasted to be particularly strong. The retail real estate marketplace is consolidating down to the best or “A” locations – “B” and “C” sites are being vacated.

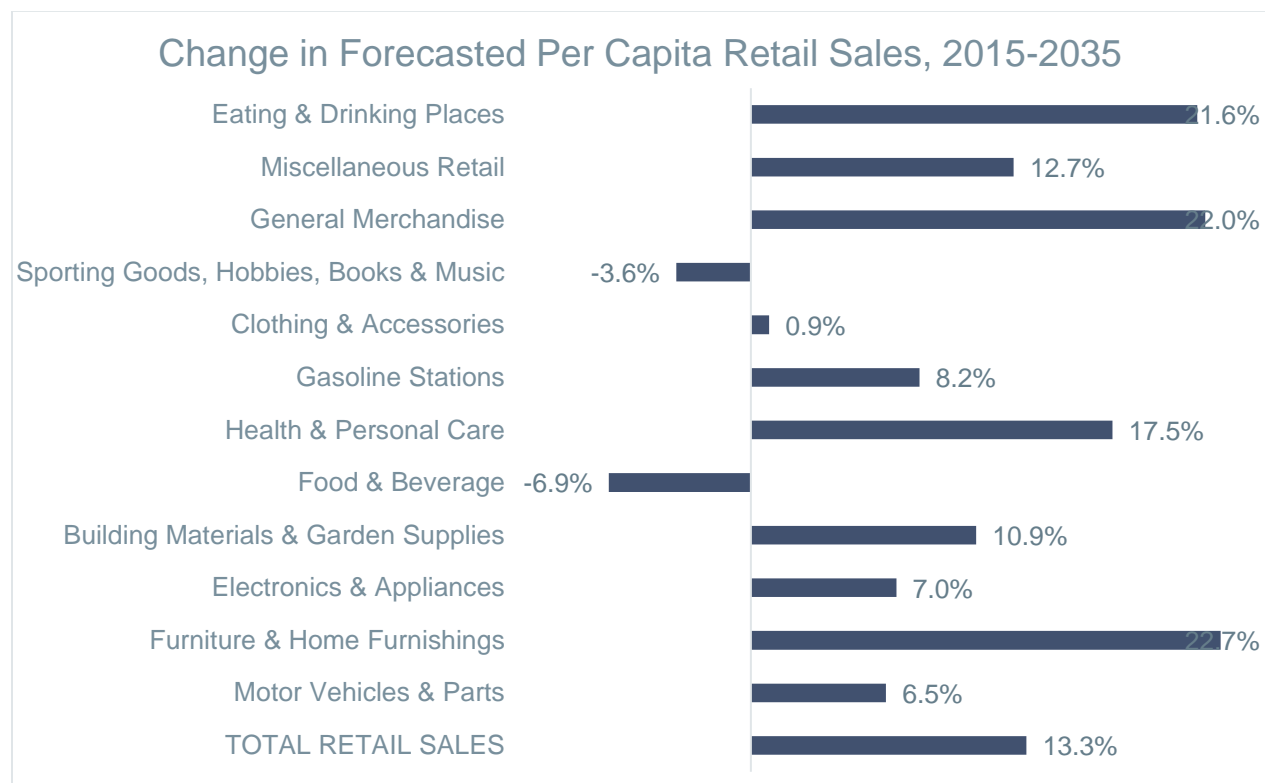


Figure 59: Change in forecasted per capita retail sales, 2015-2035

(Source: Woods & Poole Economics)

Competitive Retail Environment

The primary market area is well-served by major shopping centers, with 16 centers containing 935 stores and 8.1 million square feet of retail space. The smallest center has 192,000 square feet, and besides the Gallery at Military Circle, 4 have over 800,000 square feet each. Major stores within 1 mile of the site include Office Depot, BJ's Wholesale Club, Lowe's, Sports Authority, TJ Maxx, Home Depot, Target, Food Lion,

and PetsMart, and many more stores can be found within a few miles, including Walmart, Target, Dick's Sporting Goods, Sears, Kohl's, Stein Mart, Pep Boys, Farm Fresh, and multiple chain restaurants. Most of the successful retail lies north of Virginia Beach Boulevard, and the ULI report notes difficult auto access to Military Highway properties after exiting from I-264 due to speed and volume of traffic as well as poor signage of entrances.

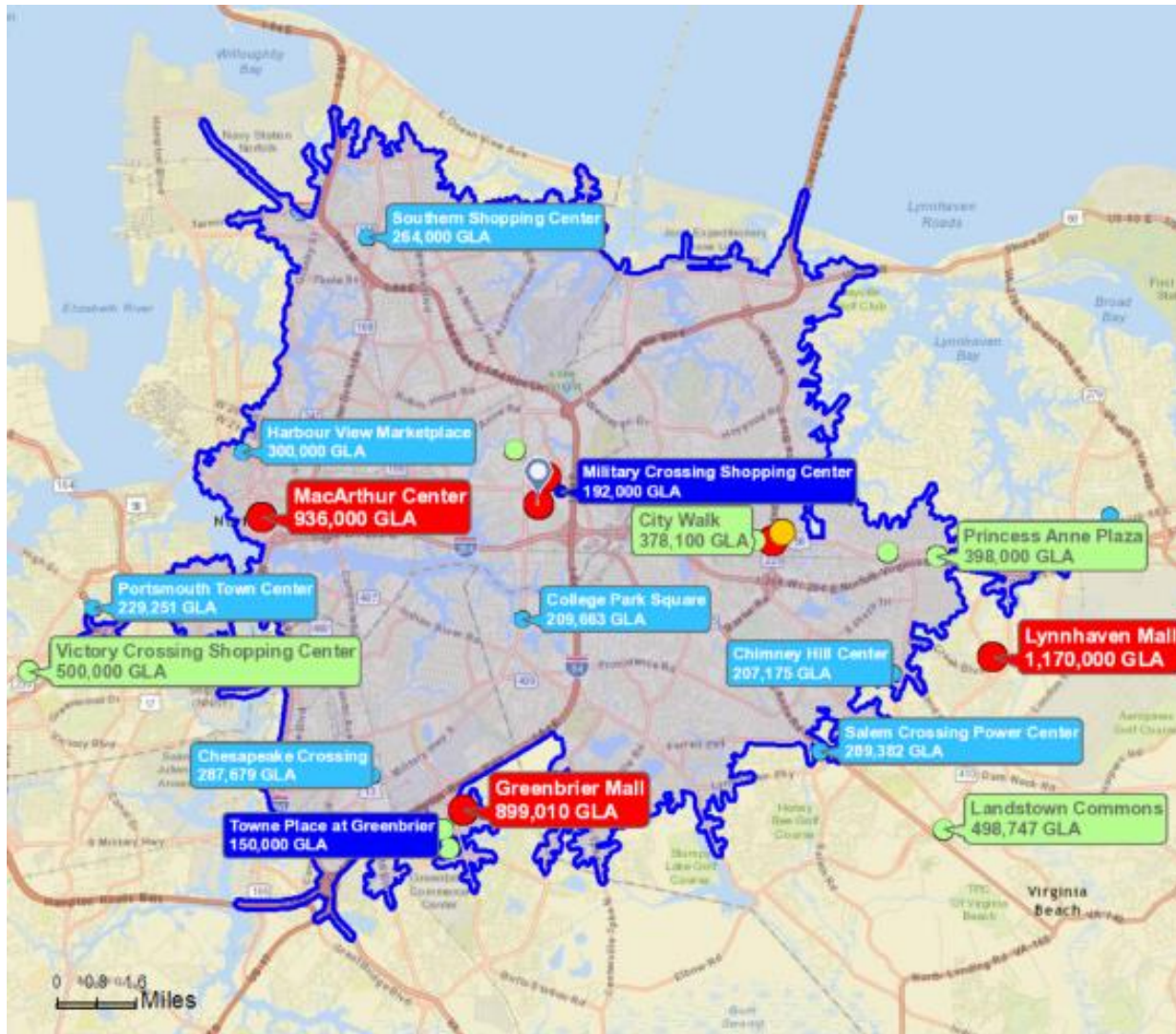


Figure 60: Major shopping centers in the primary market area

(Source: ESRI Business Analyst)

Table 13: Major Shopping Centers in the Primary Market Area

Name	Miles from Site	Year Opened	Retail Sq. Ft.	Stores	Anchors
The Gallery at Military Circle	0.03 NE	1970	963,000	130	Cinemark, Macy's
Military Crossing Shopping Center	0.43 NE	1988	192,000	19	Ollie's Bargain Outlet, Office Depot, Hibachi Grill/Supreme Buffet
JANAF Shopping Yard	0.49 NE	1959	883,239	105	BJ's Wholesale Club, The Sports Authority, T.J. Maxx, Conway Stores
Broad Creek Shopping Center	1.00 NW	1998	360,000	25	Home Depot, Target, Food Lion, PetSmart
College Park Square	1.87 SW	1975	209,663	41	Roses, Food Lion, Goodwill Industries
The Town Center of Virginia Beach	3.87 SE	2004	832,500	50	Dick's Sporting Goods
Pembroke Mall	4.01 SE	1966	654,000	100	Target, Sears, Kohl's, Stein Mart
MacArthur Center	4.51 SW	1999	936,000	128	Dillard's, Nordstrom
Harbour View Marketplace	4.91 NW	2008	300,000	24	Harris Teeter, Regal Cinemas
Greenbrier Mall	5.11 SW	1981	899,010	110	Sears Roebuck and Co, Dillard's, Macy's, JC Penney

Chesapeake Crossing	5.16 SW	1987	287,679	27	Home Emporium, Kaplan College, Big Lots
Southern Shopping Center	5.19 NW	1956	264,000	54	Food Lion, Peebles
Crossways Shopping Center	5.51 SW	1990	350,938	50	Value City Furniture, DSW, Ross Dress For Less, T.J. Maxx
Birchwood Shopping Center	5.76 SE	1983	358,000	28	BJ's Wholesale Club, Burlington Coat Factory, Original Mattress Factory, Food Lion
Chimney Hill Center	6.40 SE	1981	207,175	26	Big Lots, Farm Fresh
Princess Anne Plaza	6.56 SE	1950	398,000	18	Sam's Club, Harris Teeter
TOTALS			8,095,204	935	

(Source: Directory of Major Malls)

Retail Leakage Analysis

A *retail leakage analysis*, which compares the spending potential from households with the sales recorded by merchants in each retail category, was performed for the 3 drive time areas. A “gap” means there is more spending potential than sales that is “leaking” out of the area and could thus be captured by new development that is more conveniently located within the area. A “surplus” means there are more sales than spending potential, so stores are “importing” sales beyond what local households can support.

The 7-minute drive area results are as follows:

- No gaps except for gasoline stations
- The 7-minute drive area is the typical trade area size for grocery stores and drugstores, but the surpluses for these categories are fairly large, indicating that the market is saturated

The 15-minute drive area results are as follows:

- Significant gaps for home improvement stores and wine/liquor stores
- This is the typical trade area size for most big box stores and community shopping centers

The 30-minute drive area results are as follows:

- Major gap for grocery stores, supporting the recent regional market trend of increased development
- Substantial gaps for department stores, drugstores, home improvement, and furniture
- Significant gaps for wine/liquor stores and jewelry stores
- This trade area is too large for the UDA site, but the analysis shows the opportunities in the regional market area for capturing surplus sales

Key Takeaways

Several themes regarding the retail environment emerge.

- The UDA is part of a major retail submarket, but it is underperforming because of the Military Circle mall's troubles.
- The regional retail market is healthy and expanding, but major blocks of vacant space exist whose best use may no longer be retail.
- Long term sales trends support continued retail development, but only in the strongest locations.
- The retail environment around the UDA is highly competitive, with a full complement of stores and 16 major shopping centers.
- Auto accessibility into the UDA retail properties from Military Highway can be difficult due to traffic patterns and poor visibility.
- Leakage analysis finds opportunities for new development in the regional market area, but few at the UDA location.

OFFICE ANALYSIS

Regional Market Conditions

Military Circle is one of the smallest submarkets in the Southside region, its vacancy rate is among the highest, and its average Class A asking rent is one of the lowest. Downtown Norfolk and Chesapeake/Greenbrier are the dominant locations for office space, along with the Pembroke/CBD area. Recent market trends include:

- Stable vacancy rate (at 15.7%) and small negative net absorption
- Limited demand but minimal new construction and pipeline
- Tenants looking for value in suburban space with lower operating/parking costs
- Downtown Norfolk is still valued, but its recovery is lagging behind the suburbs
- Office tenants have reduced space needs thanks to technology and changing work practices

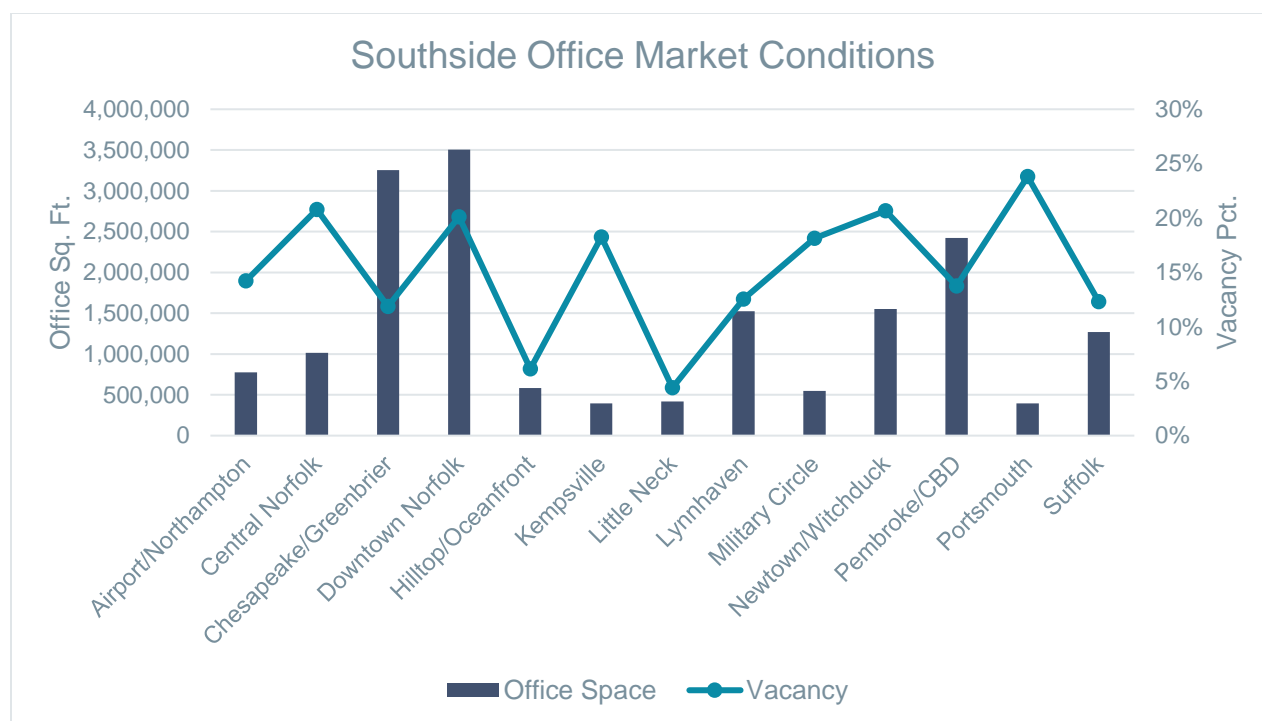


Figure 61: Southside office market conditions

(Source: Old Dominion University 2015 Hampton Roads Real Estate Market Review)

Class A Office Geography

Besides regional CBDs, Class A office space often clusters near concentrations of executive housing, defined here as the “Affluent Estates” Tapestry Lifemode Group (a cluster of similar consumer segments). The three office submarkets mapped below are the only three in the Southside region with more than 1 million square feet of Class A space. Greenbrier, especially, is very close to the bulk of affluent households in the region, but Pembroke/CBD is also close to a cluster. The Military Circle submarket is third from last in the Southside in amount of Class A space, with only around 350,000 square feet. Its regional accessibility means that executive housing areas can be reached reasonably well, but the other established submarkets are intervening opportunities that would be more convenient.

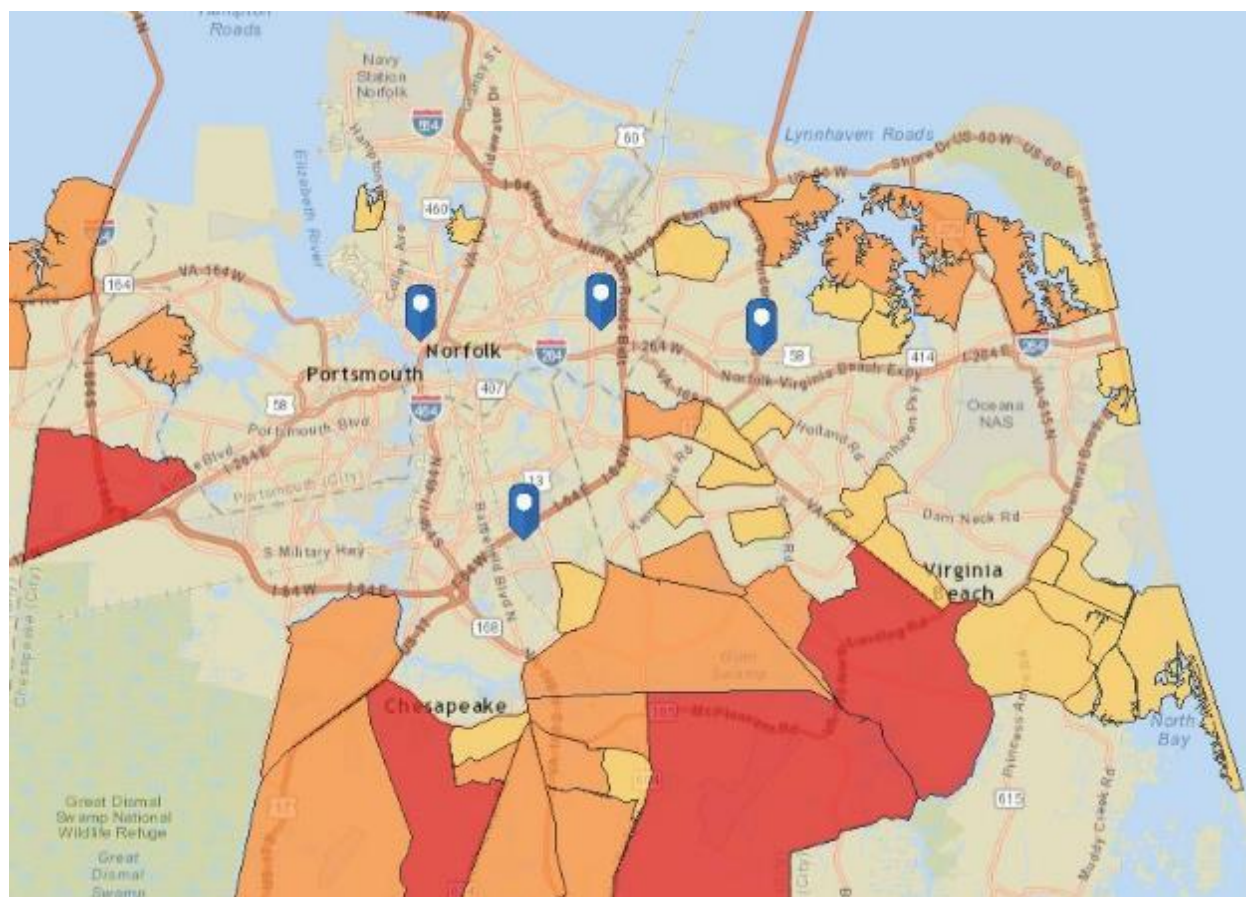


Figure 62: Major Class A office submarkets and concentrations of Affluent Estates households

(Source: ESRI Business Analyst)

Medical Office Geography

Medical office space tends to cluster near hospitals and in more-accessible locations. The UDA is near one of the major concentrations of healthcare businesses in the region, as Sentara Leigh Hospital is just to the east on the other side of I-64. Downtown Norfolk and Greenbrier are also major medical clusters, alongside their Class A office space clusters.

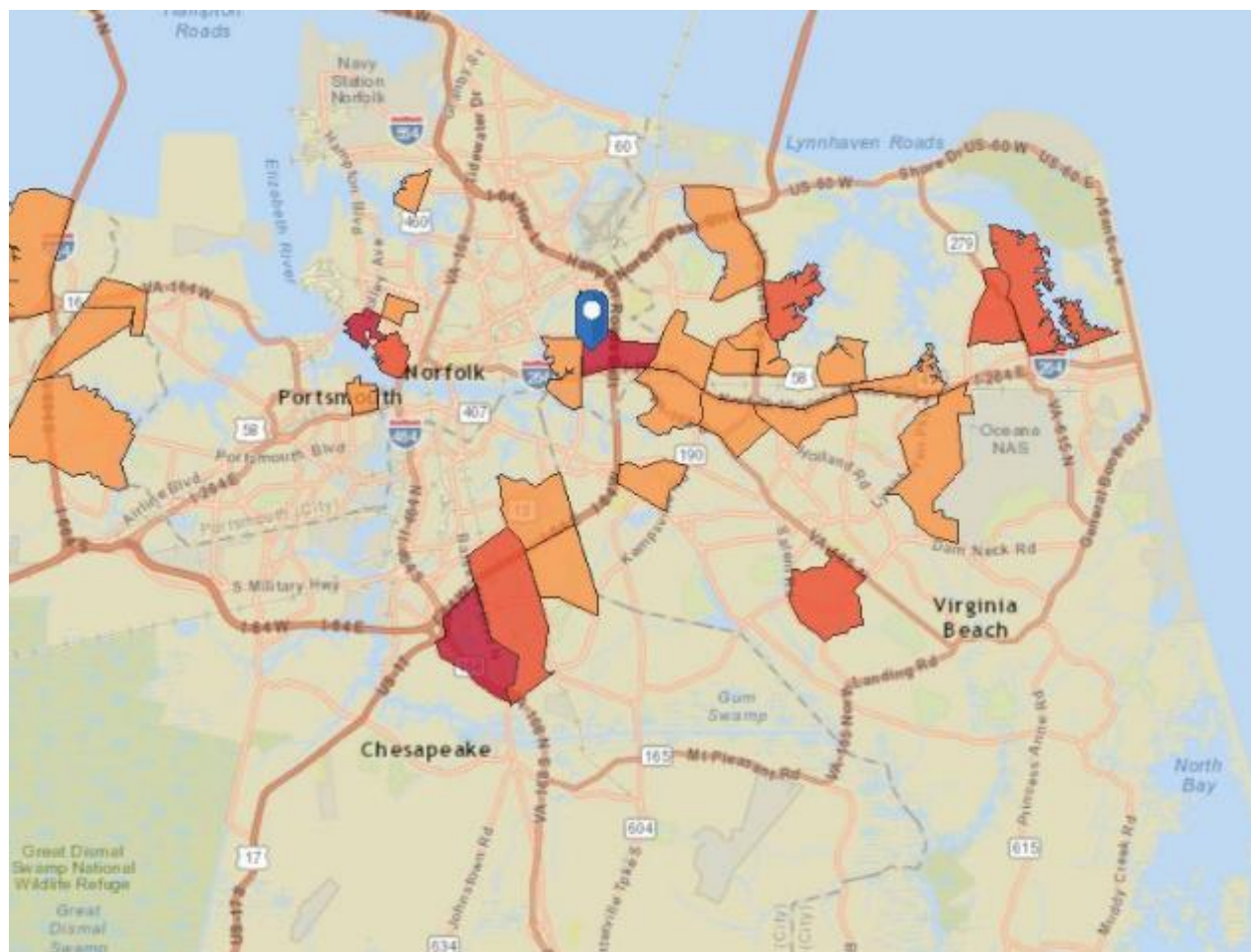


Figure 63: Concentrations of healthcare businesses

(Source: ESRI Business Analyst)

Office Space Demand

Office space demand is estimated using growth in office-using employment and an assumption of square feet per worker. Office-using sectors primarily consist of professional services, financial activities, and information, and they also include some healthcare and civilian federal government employment as well as small amounts from other industries. State and local government is assumed to own its office space (as opposed to leasing), and the military is not included in estimates of office space demand. The most office-using employment is forecasted to occur in Virginia Beach and Chesapeake. Nearly half of the new office space in Norfolk is forecasted to house healthcare businesses.

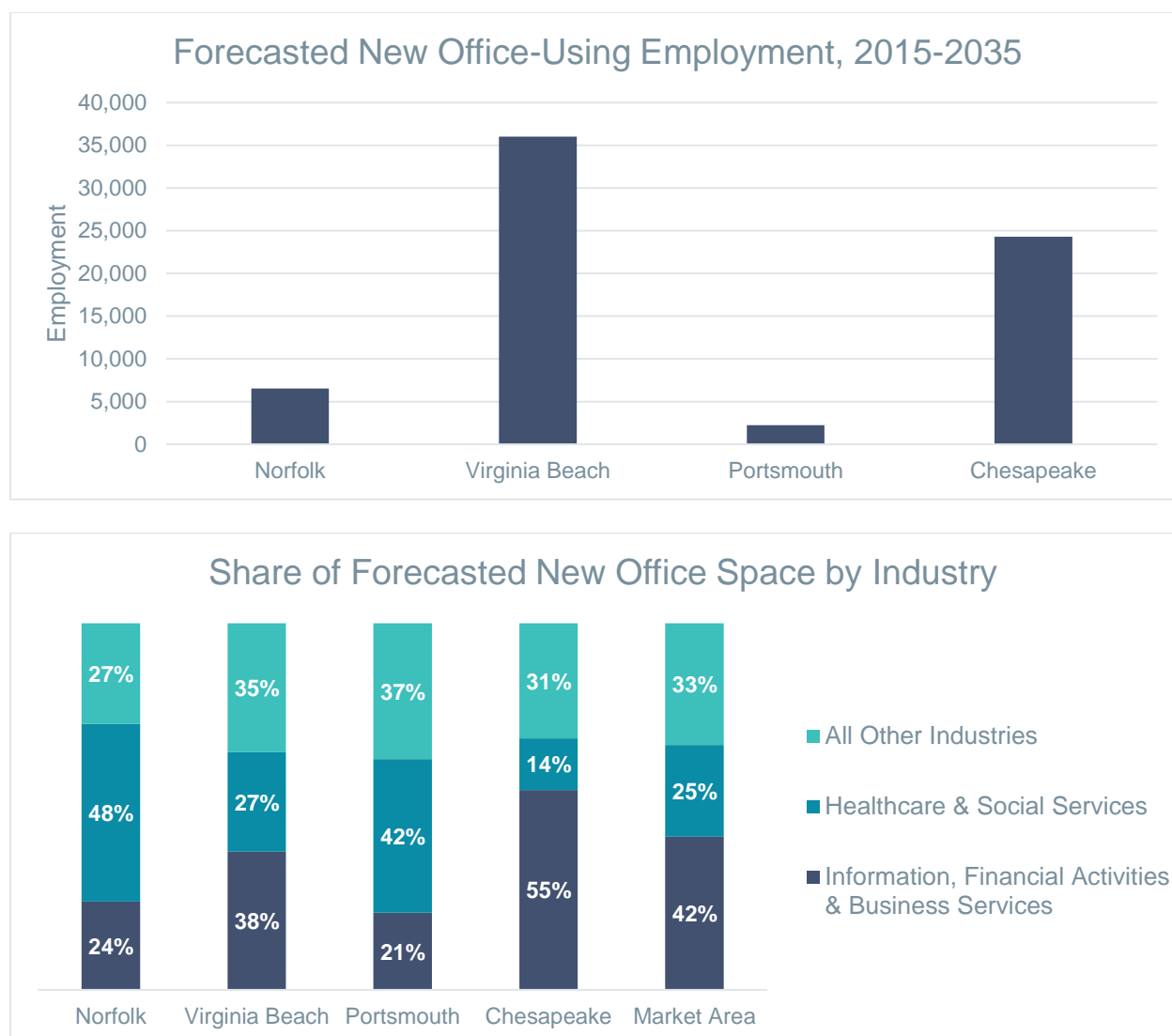


Figure 64: Forecasted new office-using employment and share of forecasted new office space by industry

(Source: Woods & Poole Economics, Renaissance Planning)

Demand Projections

The Norfolk demand projection translates to an average of 100,000 new square feet per year over the next 20 years, with half of that consisting of medical office space. Given the UDA's proximity to Virginia Beach, some of its demand might be attracted to the site if the conditions were right. Assuming the site could capture 30 to 40% of annual Norfolk demand, that would amount to 15,000 to 20,000 square feet of general office space and 15,000 to 20,000 square feet of medical office space per year.

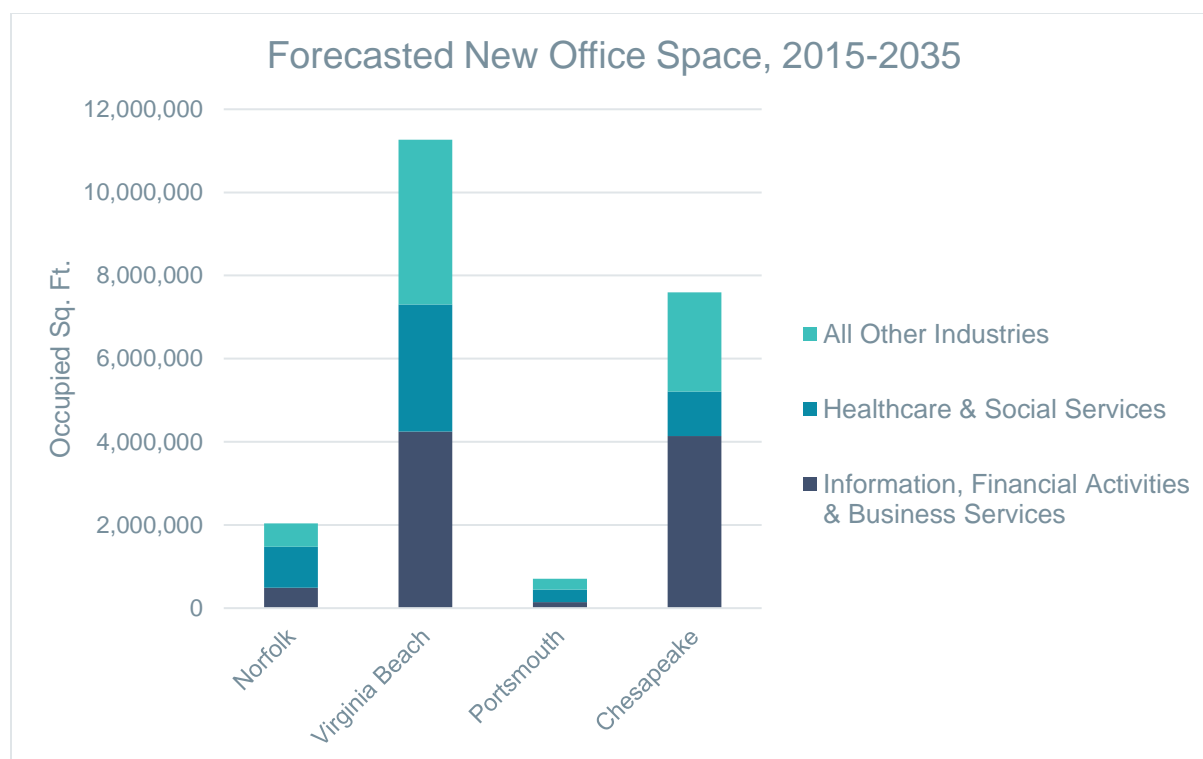


Figure 65: Forecasted new office space, 2015-2035

(Source: Woods & Poole Economics, Renaissance Planning)

Key Takeaways

Several themes regarding office space emerge.

- The Military Highway area is not a major office submarket. Downtown Norfolk, Greenbrier, and Pembroke dominate, especially in terms of Class A space.
- The regional market is stable but still recovering from the recession, and not much growth is occurring. Tenants are looking for value, and their space needs are decreasing.
- The UDA seems like an unlikely location for a new Class A office cluster, even if one could emerge in the current market.
- Medical office space could be a significant opportunity for the UDA given its proximity to Sentara Leigh Hospital and regional accessibility.
- Demand is likely to be modest on an annual basis, unless a major user (i.e. a “wild card”) can be recruited.

RESIDENTIAL ANALYSIS

Building Permit Trends

Permit issuance in the combined market area has nearly recovered to its 20-year average. Chesapeake was the primary growth center prior to the housing bust and seems to be trying to recover its position, but it saw a significant decline in 2014. Virginia Beach has tracked the market area total fairly closely, while Portsmouth has mostly remained well below it. Norfolk is the only one of the four cities whose 3-year average ratio remains above its 20-year average.

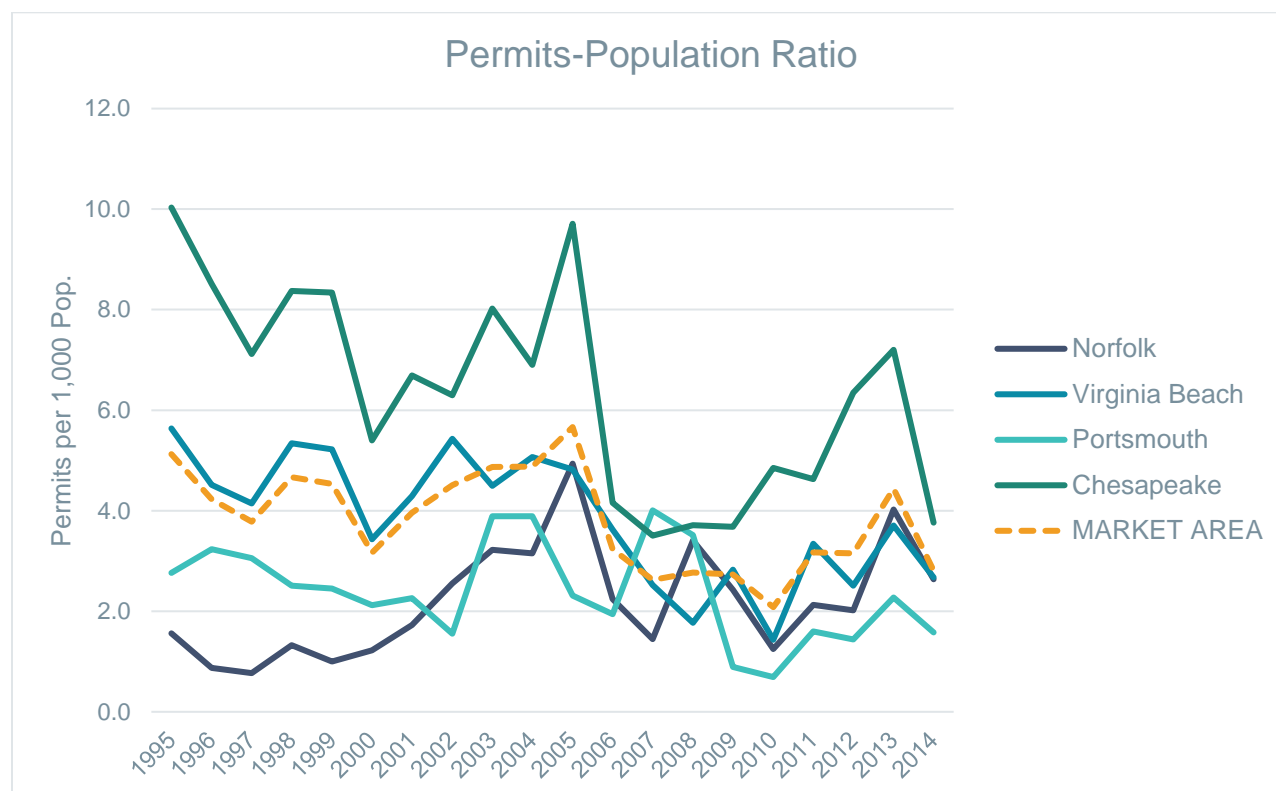


Figure 66: Permits-to-population ratio

(Source: U.S. Census Bureau, U.S. Bureau of Economic Analysis, Renaissance Planning)

Building permits for single-family residences exhibited the following trends:

- While they have recovered from their recession lows, Chesapeake and Virginia Beach still remain below their previous levels.
- Portsmouth has returned to its long term average of around 200 permits per year.
- Norfolk has been steadily rising since the housing bust and currently sits near its 20-year high.

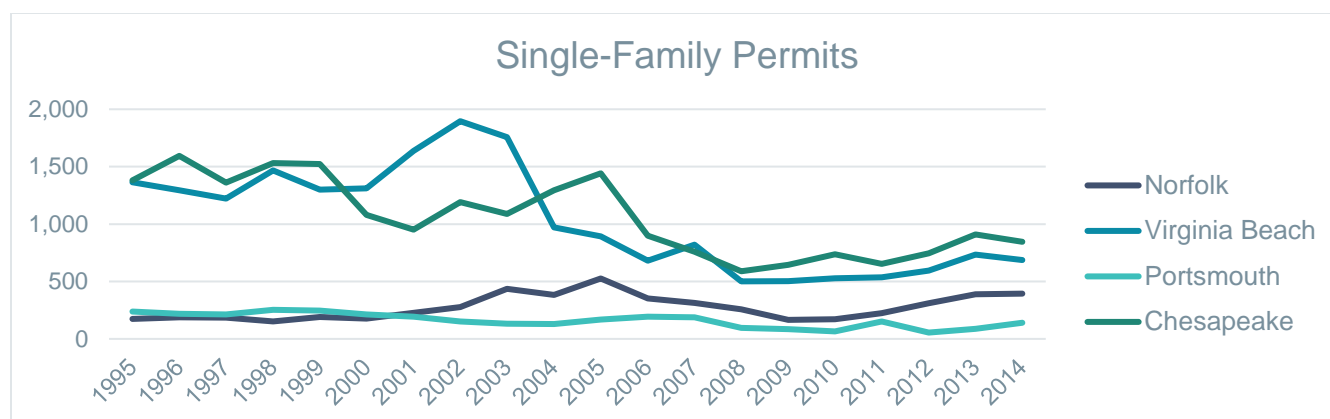


Figure 67: Single-family permits

(Source: U.S. Census Bureau)

Building permits for multifamily residences exhibited the following trends:

- Virginia Beach has seen development spikes on a regular basis.
- Chesapeake has seen a strong increase after the recession.
- Portsmouth has seen minimal development.
- Norfolk has seen a few strong years but has not yet exhibited a consistent trend.

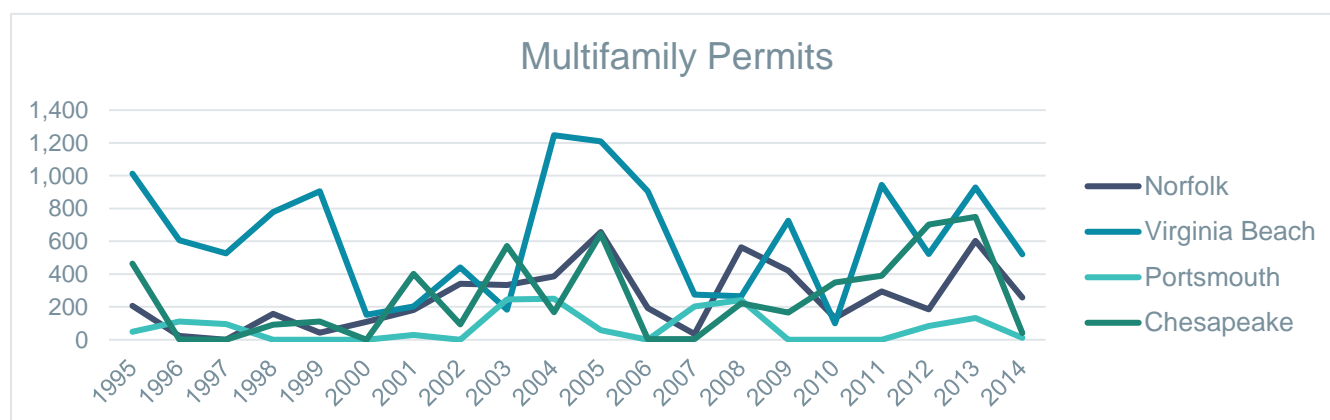


Figure 68: Multifamily permits

(Source: U.S. Census Bureau)

Recent Market Trends

Market trends for single-family housing include the following:

Detached homes remain the preferred housing typology in the region, comprising 76% of permits and 72% of new construction closings in 2014.

Builders and lenders remain skeptical about the strength of the market recovery due to concerns about rising interest rates, land costs, labor costs, and federal military funding.

- Despite signs of a slowdown in 2014, considerable unmet demand remains.

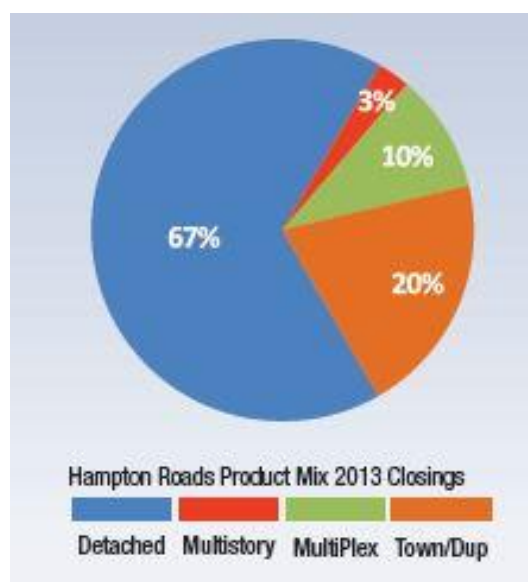


Figure 69: Hampton Roads product mix based on 2013 closings

(Source: Old Dominion University 2015 Hampton Roads Real Estate Market Review)

Market trends for multifamily housing include the following:

- No permits for elevator condo buildings have been issued in the region since 2007, and the average price for new multistory condos has decreased.
- The rental apartment market has been stable over the past 5 years, with a healthy occupancy rate of 94%. Virginia Beach has 26% of the Hampton Roads region's apartment units, Norfolk has 14%, Chesapeake has 12%, and Portsmouth has 8%.
- New apartment construction has been active in recent years but has slowed somewhat in 2014 as developers assessed the level of demand in relation to the current pipeline.
 - 2,500 units are expected to come online in the Hampton Roads region in the next 18 months, and another 3,000 units are in planning stages.
 - Absorption has been running at record high levels over the past two years, with Virginia Beach and Chesapeake accounting for half of the Hampton Roads region's absorption.
 - Norfolk is the most active area for new apartment development with 13 projects underway or in planning stages.

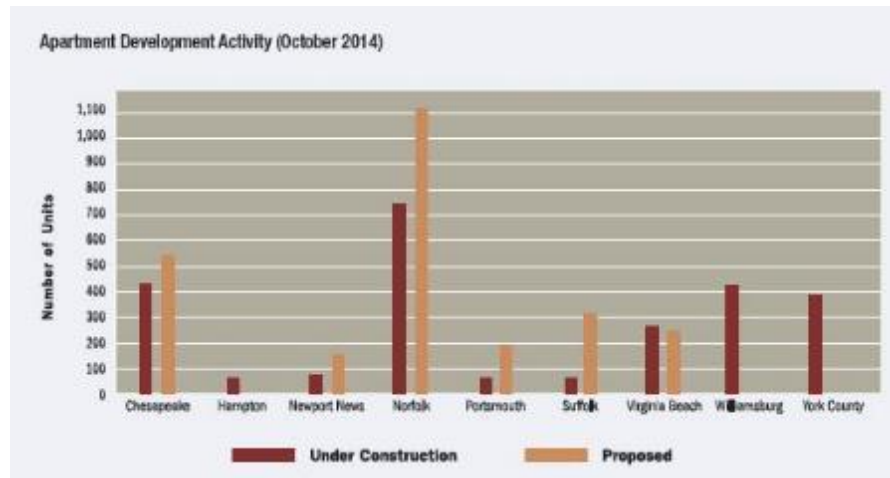


Figure 70: Apartment development activity, October 2014

(Source: Old Dominion University 2015 Hampton Roads Real Estate Market Review)

Norfolk Residential Development

Since the advent of light rail in the area, more than 1,040 new apartment units and approximately 200,000 square feet of retail have been developed along the transit line.

Downtown developments include the following:



▲ \$17 million conversion of historic Union Mission into 136 apartments.



▲ Conversion of former Trader office building into 135 apartments.



▲ Project includes two new \$12 million apartment buildings: 401 Granby with 65 units and 2,100 SF of retail, and 416 Boush with 71 units and pool/fitness center. Delivery 2014.



▲ \$13 million investment. Former hotel/office building redeveloped as mixed-use with 79 apartments/two retail spaces. Completion expected in 2014. Former Madison building.



▲ Formerly Franklin Condos, now owned and marketed by Marathon Development. 19 residential condos for sale beginning January 2014.

Source: City of Norfolk, 2014 Investment Report

Developments outside of downtown include the following:



1500 MONTICELLO

▲ Five story mixed use building with 207 apartment units and 10,131 sf retail space.



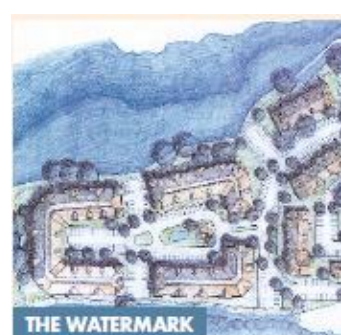
BANKS AT BERKLEY

▲ Project features 50 apartments and ground floor medical office supportive of neighborhood needs on 2.8 acre site at the Berkley Shopping Center.



THE CROSSINGS AT CAMPOSTELLA STATION

▲ \$20 million, 156 apartments and 25 single-family homes to be constructed at former lumberyard site by the Franklin Johnston Group.



THE WATERMARK

▲ Proposed condo/townhouse development, with 372 units. Located near Granby High off of Newport Avenue.



EAST BEACH MARINA APTS

▲ \$25 million 136-unit apartment community with waterfront board-walk. Delivery 2014.



ELEMENT AT GHENT

▲ New \$26 million project with 164 luxury apartments.



FORT TAR LOFTS

▲ Conversion of historic auto dealership into thirteen apartments, located on Monticello Avenue just north of the new Downtown Arts and Design District.



EAST BEACH PHASE 7

▲ The final phase of East Beach consists of 38,000 sf of retail and commercial space, as well as a mixture of 80 townhomes, single family homes, cottages and carriage houses.



OCEAN VIEW APARTMENTS

▲ \$40 million project at the site of the former Ramada Inn. Will contain over 200 apartments and neighborhood retail.



POINTE EAST AT HARBOR WALK

▲ \$25 million project with 80 homes in East Ocean View's Harbor Walk Community.



PROMENADE POINTE

▲ \$30 million 187-unit luxury apartment community on Wayne Creek. Now leasing.



THE POINTE AT PICKETT FARM

▲ \$35 million, 300-unit apartment community in Crown Point area off Virginia Beach Boulevard.

Source: City of Norfolk, 2014 Investment Report

Foundations of Housing Demand

Alone among the four market area cities, in Norfolk the 20- to 34-year-old age group is forecasted to remain the largest over the next 15 years. It decreases in size as the Millennial generation ages; some will stay in Norfolk and some will move elsewhere. Nationally, the Millennial generation is larger than the Baby Boomers and will have a similar impact on the market. Current Millennials do not make up as large a share of the adult population in the other cities –in contrast, family age persons (35 to 54) are the largest group. Empty nesters (55 to 74) actually decrease slightly over time in Norfolk, while they increase in the other cities.

In a recent Urban Land Institute survey of millennials, only 13% actually lived in or near downtown, while 35% lived in other city neighborhoods and 13% lived in dense, older suburbs. Not all (or even most) Millennials are looking for downtown, “high-rise” living, but they do tend to value walkability and mixed-use neighborhoods.

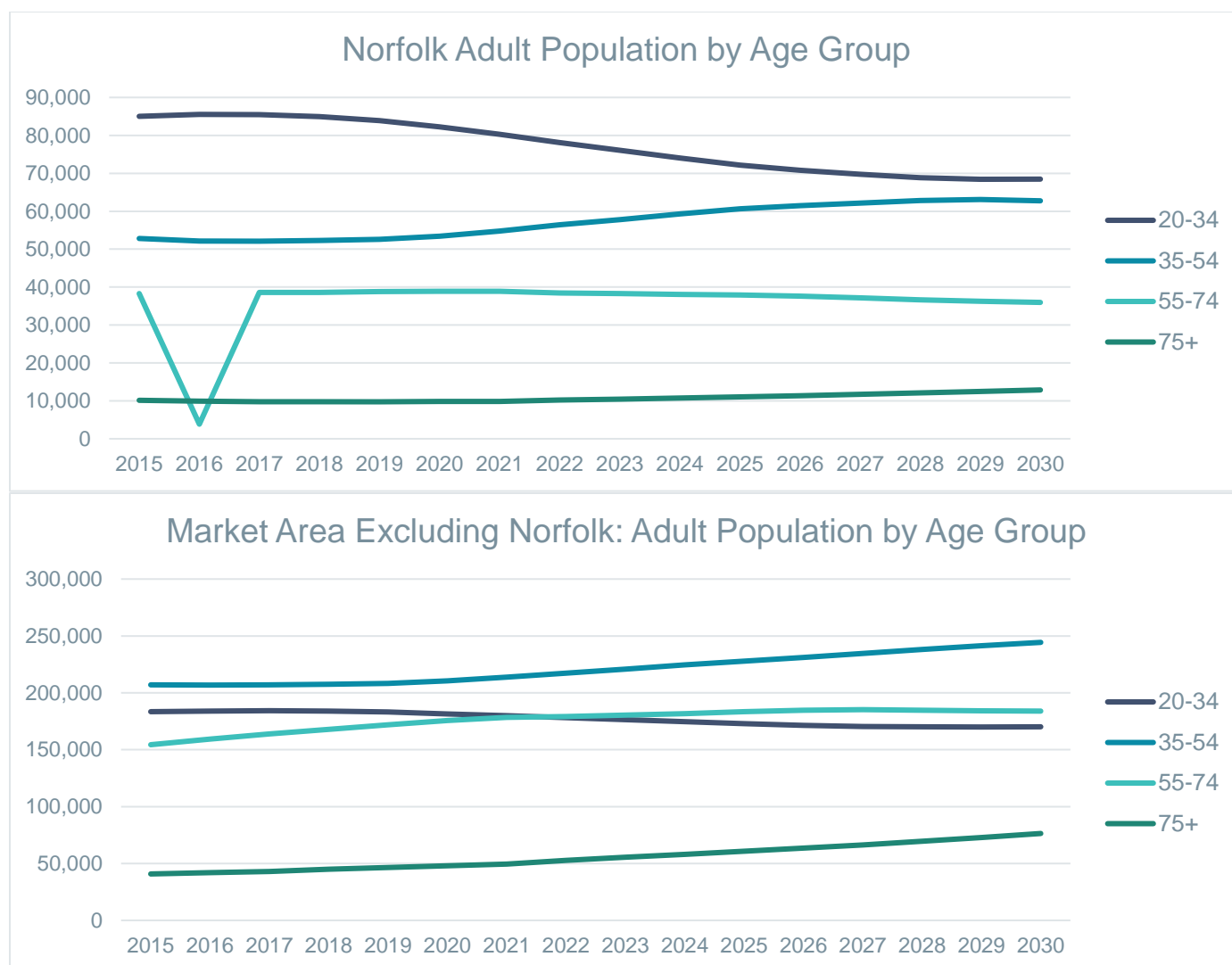


Figure 71: Adult population by age group in Norfolk and in the market area excluding Norfolk

(Source: Woods & Poole Economics)

Demand Projections

See Table 4 for projections of annual new construction residential demand by housing type in Norfolk and the UDA.

Table 14: Demand projections by housing type (Source: Renaissance Planning)

Product Type	Norfolk Total	UDA Capture	Capture Percentage
Single-Family Detached	200	50	25%

Single-Family Attached	45	15	33%
Condominium	20	0	0%
Rental Apartment	230	76	33%
TOTAL ANNUAL DEMAND	495	141	

Estimates were based on:

- Growth in households that are income-qualified for buying new homes and/or renting new apartments
- Annual turnover of owner and renter households and their propensity to buy or rent the homes they move into
- Product type preferences of moving households (detached, attached, or multifamily)
- Propensity for choosing new construction units
- An assumption that some units will be purchased by investors

Once the total Norfolk demand was estimated, capture rates were applied to project demand in the UDA by product type. Note that single-family demand can cross over between product types depending on product availability and the attractiveness of the location (for example, buying a large attached unit instead of a detached home). Rental apartment development may actually occur in increments of units larger than annual demand, given typical project sizes and lease-up periods.

Key Takeaways

Several themes regarding residential space emerge.

- The regional new construction market has nearly recovered.
- Norfolk permit trends include the following:
 - Recent activity trends above the long term average, and Norfolk is the only one of the four market area cities to exhibit such a trend.
 - Single-family permits are on a steady upward trend.
 - Multifamily permits are showing recent strength, led by downtown revitalization.
- The regional single-family market is somewhat fragile, but the multifamily market is stable and healthy. Norfolk leads the region in apartment development.
- The region shows minimal condominium development or demand.
- Twenty- to 34-year-olds comprise the largest age group in Norfolk and are forecasted to remain so even as the Millennial generation ages. Millennials (and young people in general) tend to prefer denser, walkable, mixed-use places to live.
- Demand for nearly 500 units per year is projected in Norfolk, and the UDA can potentially capture 140 of those units per year.

REDEVELOPMENT POTENTIAL

Summary of Product Analysis Findings

Product analysis for retail space found the following:

- The local market is highly competitive, but the UDA is not performing well.
- New development in the pipeline will make the UDA increasingly irrelevant for most shoppers.
- The retail industry in general is exiting marginal and less competitive locations.
- The UDA's long term future as a major retail center seems doubtful.

Product analysis for office space found the following:

- Most office space, especially Class A, is concentrated in the two CBDs and the Greenbrier area plus a few other suburban locations.
- Downtown Norfolk is valued but not growing right now.
- The UDA is not on the radar as a significant Class A office location.
- Hospital proximity and employment growth could make medical office space an opportunity for the UDA.

Product analysis for residential space found the following:

- Norfolk is a fairly strong urban/inner ring residential market right now.
- Growth has been solid for both for-sale single-family and rental apartments.
- Norfolk has and will retain a substantial young-adult population, which suggests that the “urban” market will continue to grow.

Table 15: Estimated demand capture by product type

Product Type	Estimated Annual Demand Capture
Retail	Only small increments of space supporting other development types
Office	15,000-20,000 sq. ft. of general office 15,000-20,000 sq. ft. of medical office
Residential	50 single-family detached units 15 single-family attached units 76 rental apartments

(Source: Renaissance Planning)

ULI Panel Recommendations

The ULI panel recommends tearing down the Military Circle mall, but its retail-oriented vision seems unlikely given the planned outlet mall nearby at Lake Wright and the current challenges of this location. The UDA needs a new, non-mall transportation and roadway network, finer-grained parcel layout, and human-scale amenities. Other panel recommendations can enhance the area's redevelopment potential:

- Slow vehicular traffic and improve pedestrian accessibility
- Improve vehicular accessibility and retail visibility
- Develop an architectural standard for the area
- Evaluate increased zoning density and shared parking
- Relocate above ground utilities
- Include open-air green space within development
- Work with Costco to find a suitable relocation site

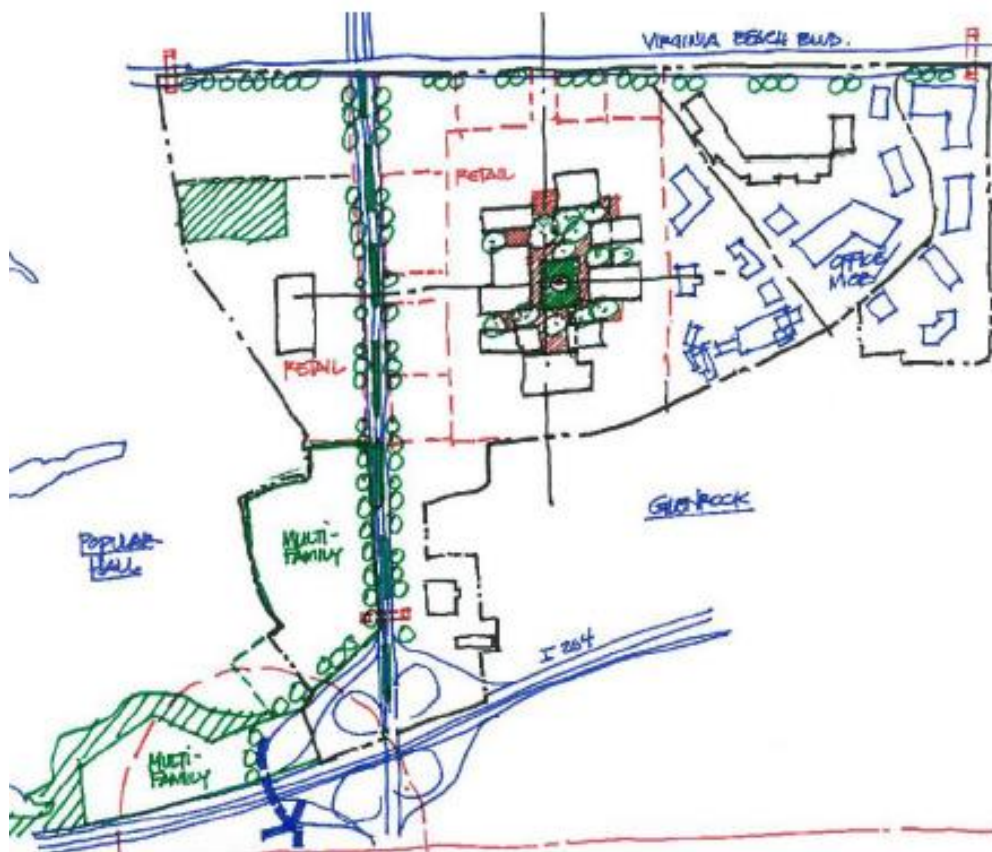


Figure 72: ULI Panel diagram

(Source: ULI Hampton Roads, Technical Assistance Panel Report)

Top Opportunity

The existing LRT station is too far from the heart of the UDA to have a major influence on its redevelopment. A potential new transit extension could connect the UDA directly to Naval Station Norfolk as well as to Downtown Norfolk via the Tide LRT, providing a premium transit connection to the city's (if not the region's) two largest employment centers.

Transit access and walkability are increasingly important and desirable features for homes, workplaces, and shopping areas, and given the built-up character of the city, the UDA could be the only place where large-scale TOD is possible. The new multimodal accessibility to these two activity centers could help spur the land use transformation of the UDA and Military Circle mall from retail to office and/or residential.

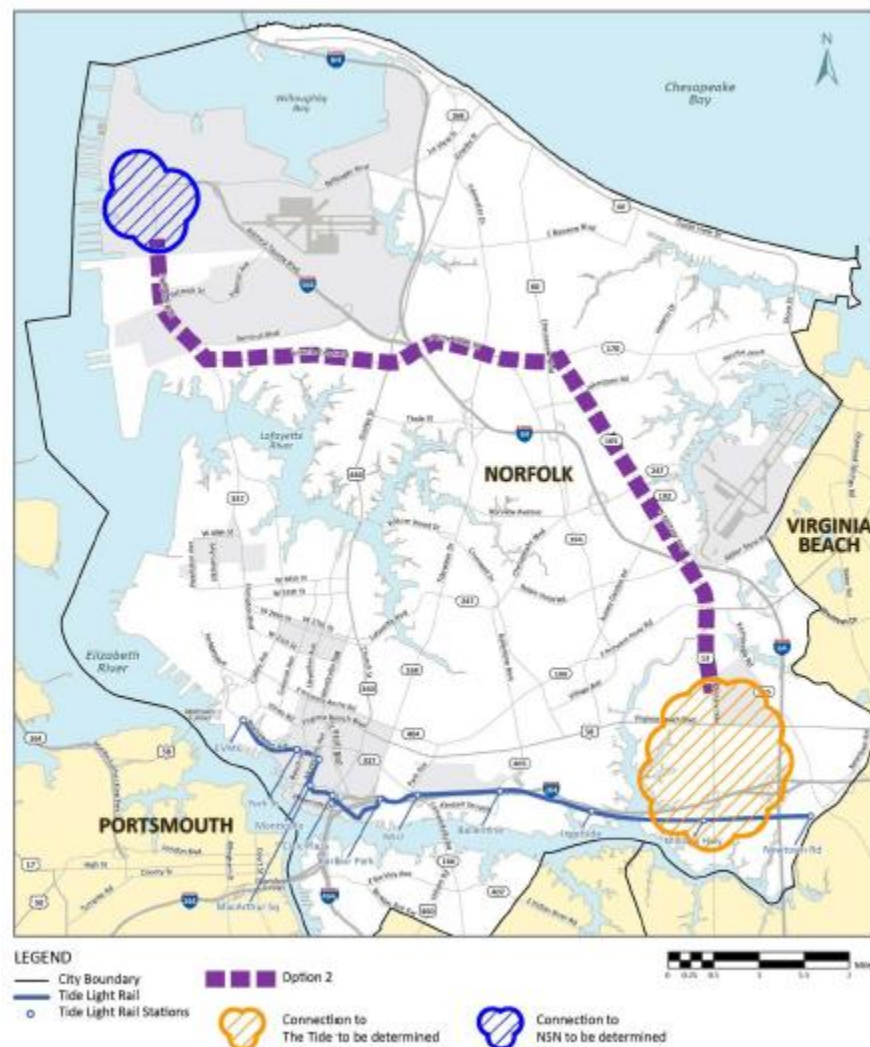


Figure 73: Top opportunity: potential LRT connection

(Source: Naval Station Norfolk Transit Extension Study)

Significant Preferences for Walking and Transit

A number of sources have documented preferences for walking and transit among Millennials as well as Americans more generally. A 2014 Rockefeller Foundation survey found that 66% of Millennials deem high-quality transportation one of the top three criteria they would weigh when deciding where to live. Fifty-four percent of Millennials would consider moving to another city if it had more and better options for getting around, while 80% believe it is important to have a wide range of options. Forty-six percent of Millennial vehicle owners would seriously consider giving up their car if they could count on a range of transportation options. In addition, a 2015 survey by the National Association of Realtors found that 48% of respondents prefer to live in communities containing houses with small yards but within easy walking distance of the community's amenities, as opposed to living in communities with houses with large yards in which they have to drive to all amenities. While 60% of adults surveyed live in detached, single-family homes, 25% of those respondents said they would rather live in an attached home and have greater walkability. When choosing a new home, 79% of Millennials consider being within easy walking distance of places important. Finally, a 2015 Urban Land Institute survey found that 52% of Americans agree that they would like to live in a place where they do not need to use a car very often, with the share rising to 63% among Millennials. Meanwhile, 54% of Americans say shopping and entertainment in their communities are too far away to walk. Seven in ten Millennials say they are very or somewhat likely to move in the next 5 years, and 72% of all respondents anticipating a move expect to be homeowners in the next 5 years.

Development Program Recommendations

Based on a 5-year buildout time and the annual demand projects and site capture assumptions previously described, the following development quantities are recommended:

- For-sale residential: 325 single-family units (detached or attached)
- Rental apartments: 380 units, most likely in two complexes
- Office: up to 75,000 to 100,000 square feet of general space and 75,000 to 100,000 square feet of medical office space, most likely spread across 4 or 5 buildings. A parcel/building for a "wild card" major office user could be added if space permits and recruitment seems possible.
- Retail: potentially the scale and tenant mix of a neighborhood shopping center
 - Anchored by a grocery store and/or a chain drugstore
 - Supporting tenants could include restaurants, wine/liquor store, salons, dry cleaners, insurance agents, other services
 - Potentially more restaurant space if there is a major office component of the redevelopment program

Configuration of the site should take several key factors into consideration. The key to commercial development potential is control of the outlots due to their arterial road frontage. New retail and the relocation of the Costco along Virginia Beach Boulevard should be considered, as should office and apartment space along Military Highway. Finally, the street grid from the Glenrock neighborhood should extend into the Southern portion of the site.

Potential Branding Strategies

As part of the development of this plan, the project team also worked with the public and Advisory Committee on potential branding approaches to this area. A number of conceptual names and logos for the area were considered but none were fully finalized. At the direction of the Advisory Committee, it was

decided that ultimate branding of the area should be left to future efforts and could be the subject of design competitions or contests.



Figure 74: Branding ideas for the area developed during the planning process

Other deliverables from the process

In addition to this report and the associated maps and graphics, two other deliverables were completed as part of this project. The first is a four minute [YouTube video](#) that explains the overall project generally and includes video clips from the public meetings. the second is a more detailed [Narrated Powerpoint](#) that gives more detail both on the planning process and the Vision Plan in detail. It is anticipated that both of these products will be posted to the project website for public review.