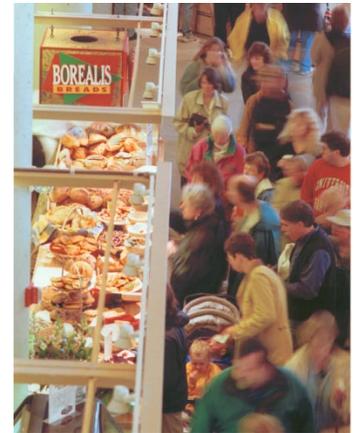


Charlottesville Market District Feasibility Study



Prepared for: City of Charlottesville

July 8, 2013

Table of Contents

Introduction	3
Consultant team	3
Methods.....	4
Market Study	5
Comparable market districts	5
Existing competition	8
Farmers’ markets	8
Supermarkets and specialty food stores.....	9
Customer demand	10
JPC customer survey.....	10
Visitation and sales estimate.....	12
Parking demand	13
Trade areas	14
Sales potential	18
Supply analysis	21
Regional farmers.....	21
City Market vendor analysis	23
Vendor input	28
Site analysis	31
Site options.....	33
Demand for development on Water Street parking lot.....	34
Residential real estate	34
Multifamily residential.....	35
Downtown commercial properties.....	37
Market study conclusions	38
Concept Plan.....	40
Development principles	40
Development scenarios and public space standards	40
Concept Scenario 1: Improve City Market at current site	40
Concept Scenario 2: Move City Market to Garrett and First Streets.....	47
Vendor comments	55
Operations model	55
Schedule of operations.....	55
Signage and branding.....	59
Management requirements.....	59
Water Street parking lot development potential	61
Zoning and Comprehensive Plan	61
Massing study	62
Redevelopment scenarios.....	64
Implementation Strategy	69
City Market development cost estimate.....	69
Sources of funds.....	69
Roles and partnerships	70
Operations pro forma	70

Scenario 1: Water Street Parking Lot	71
Scenario 2: Garrett Street.....	73
Conclusion and Next Steps.....	76
Next steps.....	77
Appendix A. Advisory Committee.....	78
Appendix B. Interviews.....	79
Appendix C. Land Comparables	80

Introduction

In November 2012, the City of Charlottesville retained Market Ventures, Inc. (“MVI”) to assess the viability of creating a “market district” at the site of City Market, an open-air farmers’ and crafts market in downtown Charlottesville that the City has operated since 1973. The very popular City Market, which is run by the City Department of Parks and Recreation, has moved several times during its existence and is currently held on Saturdays from April through December on the city-owned Water Street parking lot and the adjacent First Street.

This economic feasibility study follows the work of a citizen task force, appointed by City Council, to evaluate potential permanent sites for City Market throughout Charlottesville. After a six month review process, the task force recommended the current site as the preferred location for a permanent home and suggested that the City pursue the development of a market district to include the current site and the surrounding two block area. The task force envisioned the creation of a multi-use public plaza that would serve as home to the Market, as well as other public uses, such as outdoor dining and event space. The site would also include the development of a significant amount of building space for office, retail and residential uses.

The City Council did not take a position on the task force’s recommendation but rather decided to retain an experienced team of farmers’ market planners and designers to test the feasibility of such a market district. As described in the City’s request for proposals, the three goals of the economic feasibility study are to:

- Determine the viability of a market district at this location to serve the city and surrounding area.
- Develop a concept plan within the context of the Water Street corridor that includes but is not limited to: development principles, the appropriate size and operating model (i.e. square footage, and hours/days of operation), viable mixture of land uses, public improvements, appropriate physical scale, and contextual urban design standards needed to develop a market district.
- Develop an implementation plan that establishes appropriate public/private partnerships, developer selection process, priority phasing, and timetable.

This report addresses these goals and provides recommendations to City Council that can enhance City Market while realizing the economic development potential of the city-owned Water Street parking lot.

Consultant team

The consultant team was led by Ted Spitzer, President of Market Ventures, Inc. MVI is a specialty urban planning and economic development firm that assists public, non-profit, and for-profit clients with planning, creating, and managing innovative food-based projects and programs, including food hubs, public markets and farmers’ markets. Information about MVI can be found at www.marketventuresinc.com.

The team included Hugh Boyd, FAIA, Senior Associate of MVI and a specialist in farmers’ market design, and members of two Charlottesville-based firms: John Schmidt, ASLA,

and Mark Lieberth, ASLA, LEED AP, of Land Planning & Design Associates and Frank Stoner of Milestone Partners, a real estate advisory firm.

Chris Engel, Economic Development Director of the City of Charlottesville, coordinated the study and chaired the Steering Committee. The Steering Committee, which met four times during the study to review the research and development concepts and offer feedback and insights, included city officials, City Market vendors, representatives of Market Central and City Market District Alliance, and adjacent property owners. A list of Steering Committee members is found in Appendix A.

Methods

Principle research methods included:

- Review of relevant reports, including the JPC customer survey, and relevant zoning
- Key informant interviews. A list of the 32 people interviewed, including Market vendors, independent food retailers, public officials, educators, and representatives of various nonprofit organizations, is found in Appendix B.
- Research on market districts around the country
- Focus groups of potential facility users
- Open public meeting March 11, 2013 and written feedback forms
- Survey of City Market vendors
- Site inspections of the Water Street parking lot and adjacent sites and of City Market in operation on Saturday, October 13, 2012
- Tour of regional food offerings
- Secondary data analysis
- Police, Fire and Traffic Departments review
- Pro forma analysis

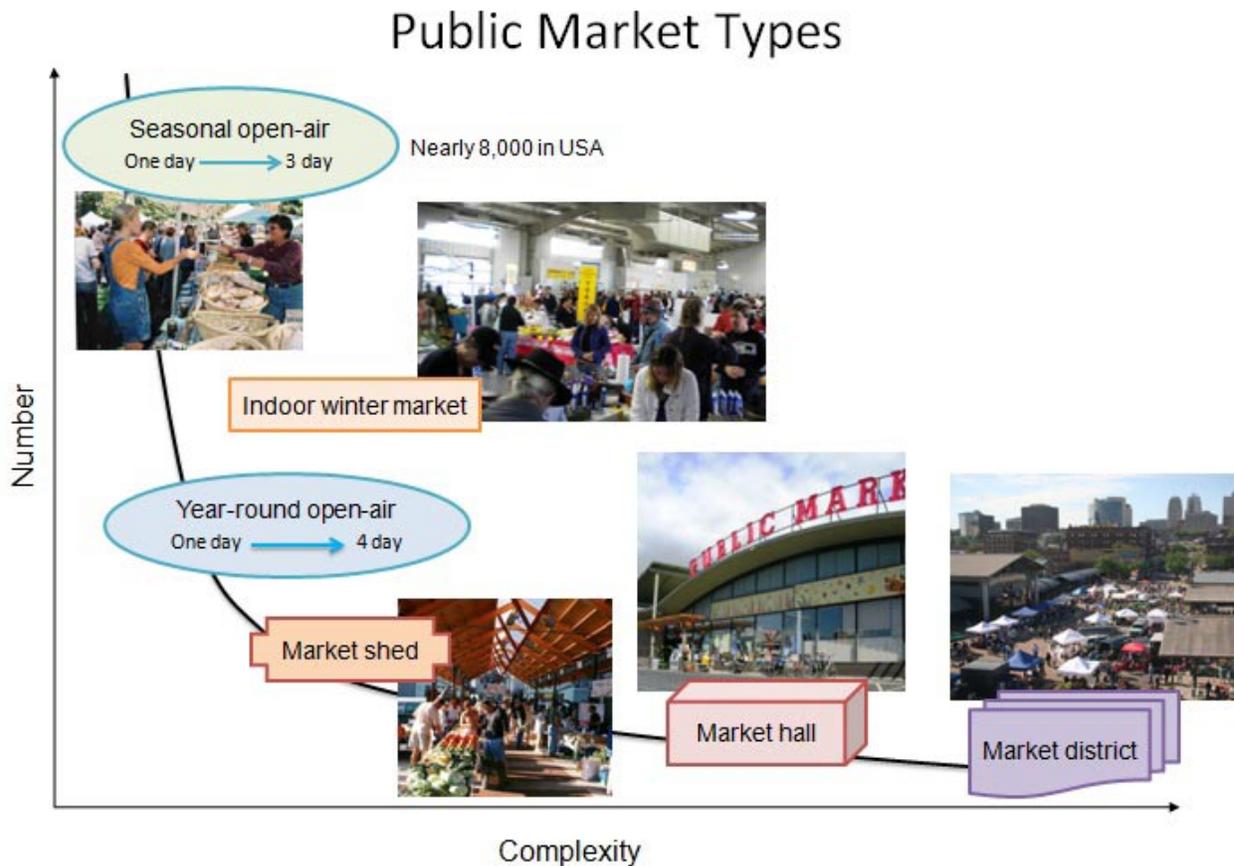
This report includes the research findings, analysis, and recommendations.

Market Study

Comparable market districts

It is important to locate City Market within the context of the country’s farmers’ markets, public markets, and market districts. MVI drew on its 25 year experience working with and researching public markets across the country to identify successful markets and market districts in similarly sized communities.

The following chart shows different types of markets along two axes: complexity and number. The least complex and most numerous type of market is the open-air farmers’ market. USDA has identified nearly 8,000 farmers’ markets in the USA, most of which are seasonal, open-air operations that have minimal or no infrastructure and which operate one to three days per week. A subset of these open-air markets operates year-round. Today City Market fits clearly within the seasonal, open-air farmers’ market archetype. Many communities both larger and smaller than Charlottesville have open-air farmers’ markets.



One of the biggest trends among farmers’ markets has been the addition of indoor “**winter markets.**” These are generally simple indoor operations that allow farmers and other vendors to set up temporarily inside of buildings for the winter months, selling from tables as

they do outdoors. USDA reports a 52% increase to nearly 1,900 winter markets now in operation.

Some outdoor farmers' markets have added permanent **market sheds**, which provide weather protection for both vendors and customers and create a more permanent home for the farmers' market, in part by providing a consistent reminder of the farmers' market on days when it is not operating. Cities with approximately the same population as Charlottesville have added these shed structures, affirming the importance of the farmers' market in their communities and signaling their permanence. These include the Bellingham Farmers' Market in Bellingham, Washington (population 204,000), which opened in 1993 and which constructed the shed facility in 2006 (photos, right). Morgantown, West Virginia (population 132,000) built a farmers' market shed in 2012. The Morgantown Farmers' Market is run by the nonprofit Morgantown Farmers' Market Growers' Association.

The **indoor public market** is a major step up in terms of complexity and, compared to the number of outdoor farmers' markets, there have been few new public market buildings constructed recently. Indoor public markets typically have a carefully curated mix of fresh and prepared foods, and are expensive to develop and operate because of extensive refrigeration, display, cooking, and storage infrastructure plus high health code standards. Indoor public markets are generally open daily and require sophisticated, dedicated management.

Market districts are the most evolved form of public markets and the number of market districts around the country is very limited. While there is no "standard form," key attributes of a market district typically include:

- Multiple city blocks
- Multiple interconnected functions/types of businesses and programs
- Multiday (often daily) operation
- Indoor and outdoor market functions
- Branded place
- Dedicated, sophisticated management

Bellingham, Washington

The City of Bellingham built and owns a 8,200 sf shed facility which it leases to the farmers' market on Saturdays and rents to others for events. The shed was constructed from salvaged bridge beams. The market has 110 stalls and 140 total vendors, and attracts 1,500 customers per week.

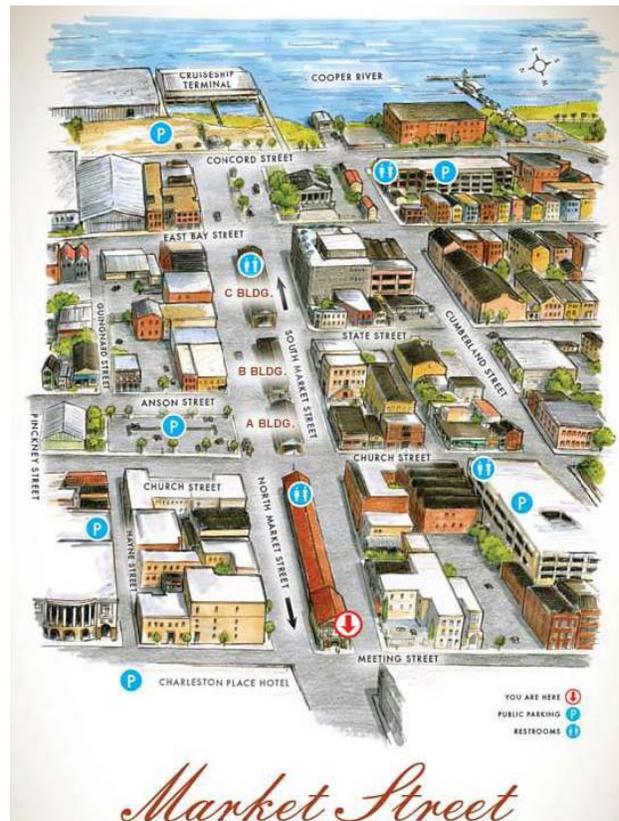


The Charlottesville MSA (metropolitan statistical area), which includes Albemarle, Fluvanna, Greene and Nelson Counties plus the independent City of Charlottesville, had an estimated population of 203,882 in 2011, ranking the area 208th out of the country's 366 MSAs. No city of comparable size has a true market district.

The next smallest city with something similar is Ann Arbor, Michigan (population 348,000, or 1.7 times larger than Charlottesville). Established in 1919, the City of Ann Arbor operates a year-round Saturday farmers' market and a Wednesday market in season under a shed structure in the Kerrytown neighborhood adjacent to downtown. The farmers' market shed and parking lot is next to Kerrytown Shops, a private development that includes about five independent specialty food stores, several craft shops, and restaurants. Kerrytown Shops is of similar scale to Main Street Market in Charlottesville. A half block away is Zingerman's Deli, a nationally renowned specialty food store and sandwich shop. While there are banners in the neighborhood around the farmers' market that describe the area as the "historic market district" (photo, right), it does not meet the definition of a market district (there is no dedicated district management, for example). The city's farmers' market manager does not consider the area a market district.



Among the smallest US cities with a true market district is Charleston, South Carolina (population 682,000), 3.3 times larger than Charlottesville. This market has operated since 1804 and includes four historic buildings at the center of a major downtown street plus numerous shops and restaurants in the surrounding blocks (see map, right). The market operates daily and includes nearly 300 vendors and artisans. The City of Charleston recently transferred oversight and management of Charleston City Market to a private developer who is a significant property owner in the area.



Two of the country's most successful market districts are located in medium-sized cities – Rochester, New York (population 1.04 million) and Kansas City, Missouri (population 1.78 million). These market districts have clear boundaries, unified management, and a mix of indoor and outdoor selling spaces. Both are historic: Rochester Public Market began in 1905 and Kansas City Market started in 1857.

Rochester Public Market is owned and operated by the City of Rochester through its Department

of Parks and Recreation, while City Market is owned by the city but managed by a private real estate management firm.

Branding the area around Charlottesville City Market as a “market district” would imply some type of market activity every day throughout the year. As a one day per week, seasonal, outdoor farmers’ market, City Market is currently far removed from what can be considered a market district. This does not detract from the Market’s success or value as a great farmers’ market, just raises questions about whether the appropriate next step for City Market is to call itself a market district, particularly because there are no US cities of similar size as precedent.

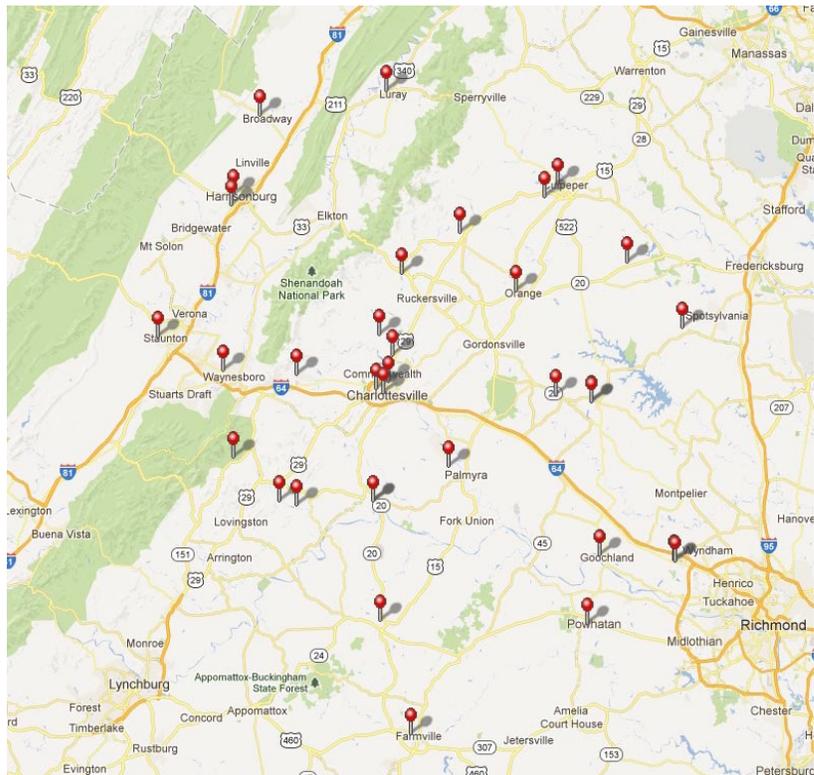
Conversations with advocates for City Market suggest that the idea of creating a market district was embraced as a way to secure a permanent home for the Market, not because they seek daily market activity in downtown Charlottesville. The market district is a means to an end, a way to end the uncertainty about whether the Market will continue to operate. Based on the experience of other farmers’ markets around the country and the results of the market research, there are numerous ways that City Market can develop and improve besides trying to create a market district if the preconditions are not present. The question of permanence can be resolved in other ways, as well.

Existing competition

Farmers’ markets

According to USDA, there are 34 farmers’ markets operating within 50 miles of Charlottesville and 11 farmers’ markets within a 20 mile radius (three of which are operated in Charlottesville by Parks and Rec, although one has since been halted). As the map to the right shows, these farmers’ markets appear evenly spread out throughout the region, yet the density of farmers’ markets around Charlottesville is twice as high within the 20 mile radius as the 50 mile radius.¹

The farmers interviewed stated that City Market is by far the best farmers’ market in the region in terms of gross sales. The farmers interviewed expressed interest in seeing some modest improvements to City Market, not a major re-



¹ <http://search.ams.usda.gov/farmersmarkets/default.aspx#>

conceptualization of the Market. Their principal concern is continuing to have a viable place downtown for City Market to continue to operate in the open-air. Some noted that rents in Charlottesville are substantially higher than other farmers' markets because City Market charges six percent of gross sales. This can be a large number for a high grossing vendor, making rent much higher than at farmers' markets that charge a fixed fee.

Supermarkets and specialty food stores

Charlottesville has a large and growing number of full-line supermarkets. According to the 2007 Economic Census, there were 111 food and beverage stores in the Charlottesville MSA with sales of \$480 million (data from 2012 Economic Census has not yet been made available). The market is dominated by 85 grocery stores (defined as supermarkets and convenience stores) with sales of \$452 million, which represented 94.2% of all food and beverage sales in the region. By comparison, the Economic Census counted only 8 specialty food stores and 18 beer/wine/liquor stores, which represented the other 5.8% of sales.

Five years earlier, the 2002 Economic Census counted 80 grocery stores with sales of \$341 million. Between 2002 and 2007, the number of grocery stores therefore increased 6% while sales increased 32%. The 2002 Economic Census did not even report the number of specialty food stores (the Census Bureau does this when it believes the number is too small to maintain anonymity).

More recent tax receipt data from the City of Charlottesville and Albemarle County (a subset of the MSA) show that the number of food and beverage sellers within this smaller area has grown from 124 to 143 as of the third quarters of 2010 and 2012, respectively. Sales in the past four quarters equaled \$413 million, a 6.5% increase over the previous four quarters' sales of \$388 million.

Whole Foods Market recently relocated from a site in Albemarle County to a new store within Charlottesville on Hydraulic Road, three miles from City Market. Trader Joe's is also located on Hydraulic Road, a few blocks west of Whole Foods. These two stores, with their focus on local foods (Whole Foods) and specialty food products (Trader Joe's), represent significant competition to a market district. Wegman's, an upscale supermarket, has announced plans to locate in Charlottesville. This store will present additional strong competition.

As noted above, Charlottesville has a small number of specialty food stores. Several of them are clustered in Main Street Market, a private development at 418 West Main Street in Charlottesville that shares many attributes of a public market. The 12 stores are small, independently owned and operated, and largely focus on locally produced fresh and prepared foods, including fresh meat, seafood, baked goods, cheeses, spices, coffee, chocolates, and prepared foods. Business owners interviewed noted that many customers shop at City Market on Saturday mornings and then come to Main Street Market afterwards. Since Charlottesville is already a small community to host a multi-vendor food market, it is unlikely that the community can support a second locus of independent specialty food stores, particularly one so nearby.

The businesses facing the City Market's current location include a mix of restaurants, performing arts venues, retail shops, and services. The restaurants include South Street Brewery, Mono Loco, Bang!, Miyako, and Flat. Most of these are not open Saturday morning, when the Market operates. The Water Street parking lot is one block from the Downtown Mall, which has

a large concentration of restaurants, coffee shops, entertainment and specialty retail.

Customer demand

Demand analysis looks at who is currently shopping at City Market and who might purchase from a market district in Charlottesville. The purpose of the demand analysis is to determine likely buyers at a market district and to identify the factors that will either encourage or discourage them from becoming regular shoppers there. Where possible, the demand analysis seeks to quantify the magnitude of potential demand.

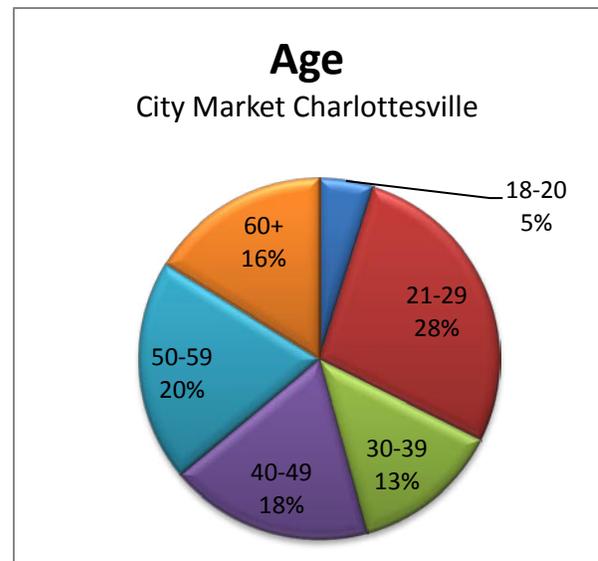
According to research that MVI has conducted at other farmers' markets and public markets around the country, markets attract a wide range of shoppers in terms of age, ethnicity, and income level. In general, families buy more fresh food than individuals or people living in unrelated households, and people with higher income levels (\$75,000 and above) are more frequent shoppers and spend more than people with lower incomes. Education level is an important indicator of interest in high quality and local foods – people with higher levels of educational attainment are generally better customers. The highest spending customer is typically a 40 to 55 year old, higher income woman.

What is unusual about public markets, however, is their ability to appeal to both the highest income shoppers and lower income shoppers. While high income shoppers might be drawn by unique products and superior quality, lower income and elderly shoppers appreciate the ability to purchase smaller quantities, the ability to negotiate with empowered owners, ethnic specialties, and competitive prices. The downtown location of many public markets makes them accessible to lower income households living in the inner city. Many markets have programs to lower the cost of products for low income families, encouraging the use of SNAP (food stamps), WIC farmers' market coupons, and "Double Bucks" to make local fresh food more affordable. Market Central has partnered with City Market to provide a market token program that allows food stamp recipients to convert their electronic benefits into tokens that can be spent for fresh food at the Market.

JPC customer survey

In 2011, a team of students from UVA, through the Jefferson Public Citizen (JPC) program, designed and implemented a customer survey at City Market. The team conducted 261 surveys at the Market over a seven week period from July through September, using a systematic selection process (asking every seventh person who walked by their table to take the survey). Another 146 surveys were completed on-line. The team also counted customers at the Market.²

The demographic profile of City Market



² JPC Journal 2012, Jefferson Public Citizens Program, University of Virginia, pp. 86-91, http://www.virginia.edu/jpc/docs/2012-JPC_Journal.pdf

patrons interviewed at the Market has the following qualities:

- white (82%)
- female (71%)
- young (46% between the ages of 18 and 39)
- wealthy (57% report household earnings at \$75,000 or more)
- highly educated (86% report a bachelors degree or higher)

These customers are also very loyal to the Market: 32% reported shopping at the Market every Saturday throughout the season and 50% said they visit at least three times a month.

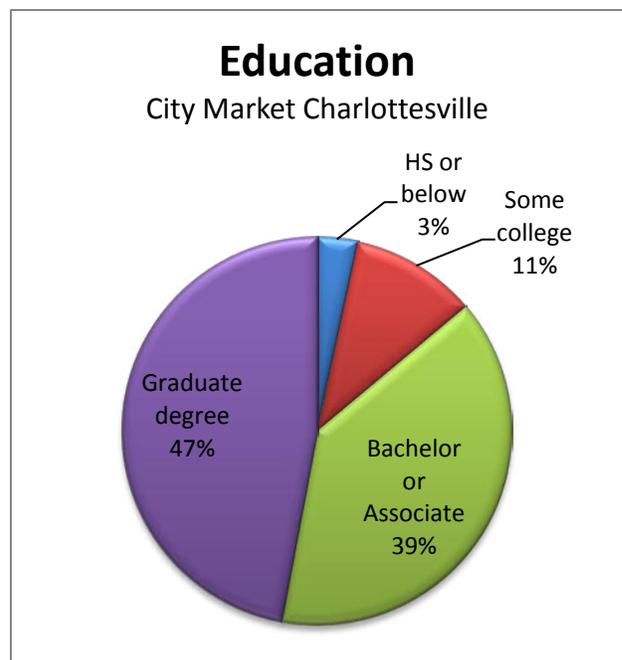
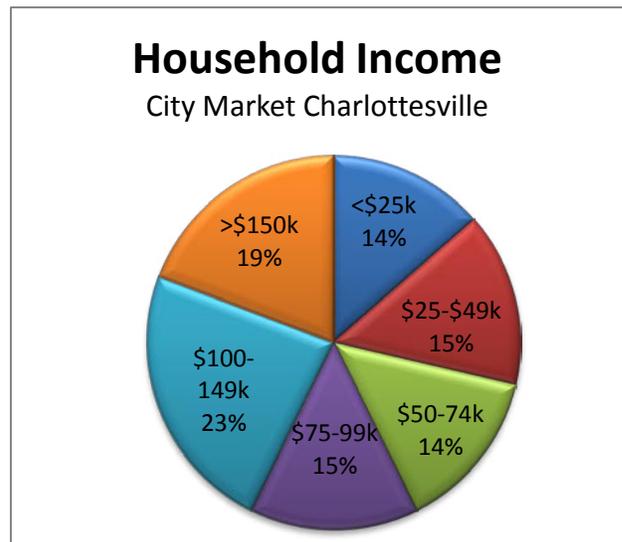
City Market is currently serving a fairly small percentage of lower income households. 14% of the survey respondents reported total household income of \$25,000 or less, while 19% reported household income of \$150,000 or more. Key informants noted that the Market does not attract many nearby residents who live in subsidized housing despite their close proximity.

The educational attainment by City Market customers is extraordinary: 47% of customers have graduate degrees and 39% have a bachelor or associate degree. Only 3% of customers reported having a high school degree or less.

Respondents predominately come to the Market by car: 73% reported that they drove to the Market or rode with a friend. 18% walk while only 3% reported taking a bus and 7% rode a bike.

Respondents reported a wide range of amounts spent at the Market. The survey asked “How much money do you spend in an average visit?” and provided ranges for the respondents. The most common answer was \$21-30, with the range from less than \$5 to more than \$100. The median response appears to be about \$25 and the average is likely significantly higher because the higher spending customers will skew the average upwards.

Respondents were asked which months they visit City Market. About 70% of the respondents said they begin coming in April and



the percentage grows each month until August when it reaches 91%, and then declines to 53% in November.

Several questions address the reasons why area residents shop at City Market. In part it is for the **social experience**: 70% report coming to the Market with someone else, while 54% often see friends or acquaintances at the Market (89% sometimes or often). This is very different from the typical solitary trip to the supermarket. Customers spend a long time at the Market: 53% spend one hour or more, again reflecting the Market's social qualities.



Visits are also related to the Market's location in downtown. A very large percentage (75%) of respondents sometimes or often combine visiting the Market with other activities in downtown Charlottesville (shopping, restaurants, sightseeing). When asked directly why they go to the Market, the following answers received either a 4 or 5 on a 5 point scale of importance:

- To support the local economy (94%)
- To purchase fresh food (93%)
- To know where their food comes from (77%)
- To enjoy the atmosphere (71%)

In planning for any changes to City Market, it is critical to keep in mind the reasons why shoppers visit the Market and maintain (and potentially enhance) those qualities.

Visitation and sales estimate

The student researchers counted 5,050 Market shoppers on average in the months of July through September. In order to approximate the average number of customers throughout the entire market season, the average number of customers who said they came to the Market in July through September (121) was divided by the number who reported coming in each of the eight months (e.g., 100 in April) and then multiplied by 5,050. This provided an average monthly attendance for each month. The average of all eight months is 4,479 customers per market day.

Market vendors are required to report their sales at the end of each Market day and pay 6% of their sales. In FY2012, this equaled \$1.78 million in sales.

Since vendors self report their sales and must pay the fee on the reported income, it is possible that actual sales are higher. If customers spend \$25 on average, there are 4,479 people each Saturday throughout the 30 Saturday season, and 80% of them are buyers, then gross sales

at the Market would equal \$2.7 million, well above the \$1.8 million in sales reported by vendors.

Parking demand

These data can be used to estimate parking demand at the Market. The average group size visiting the Market appears to be slightly above two: 30% reported coming alone to the Market, 64% came with 1-2 people, and 6% came with 3 or more (this calculation uses 2.2, a number recorded at other farmers' markets using a more precise methodology). As described above, approximately 4,479 people visit the Market as a daily average. Finally, the survey found that most people visited the Market for one hour during the Market's five hours of operation (between 7 am and noon). During an average hour, the 73% of customers who drive generate demand for 297 parking spaces. During the peak month (August), the parking demand can be estimated at 354 parking spaces.

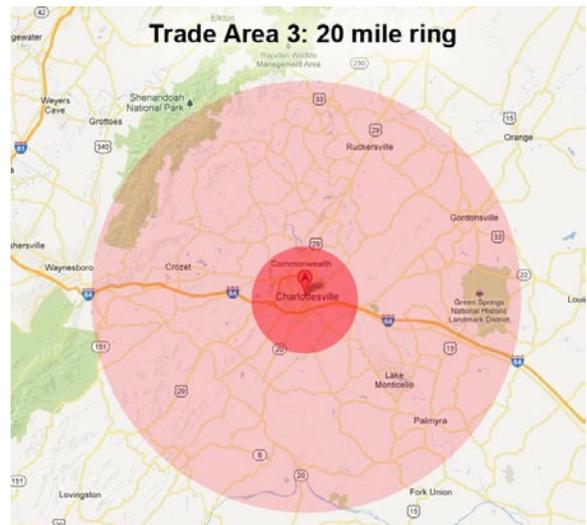
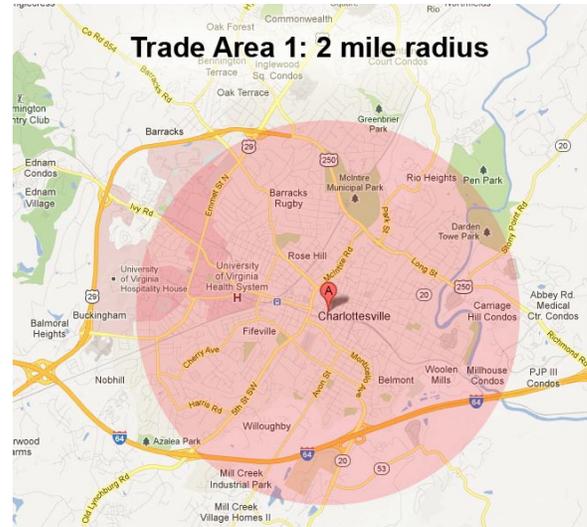
Trade areas

Trade area analysis is used to understand the demographic qualities of people living within reasonable proximity of City Market and to explore the potential for attracting more shoppers to the Market.

Three separate trade areas were defined for a market district, using the Market's current location as the center point: a two mile ring, the band between two and five miles, and the band between five and twenty miles (see maps). The two mile ring is approximately equivalent to a five minute drive to the Market, while the two to five mile band is approximately a five to fifteen minute drive.

- 1. Residents of a 2 mile ring around the site.** This ring includes the downtown area and adjacent neighborhoods. The site can be considered easily accessible for residents in this trade area: some will be able to walk to the market and for others it will be a short drive, bike ride, or bus trip. There is significant competition within this area for fresh foods, including Whole Foods Market and Main Street Market.
- 2. The band between the 2 mile ring and a 5 mile ring.** This band encompasses the City of Charlottesville. The market district will generally be convenient to residents and workers in this area. There are many grocery stores in this trade area.
- 3. The area between the 5 mile ring and a 20 mile ring.** This band represents the greater Charlottesville area. Based on our research at numerous public markets, this represents the typical extended catchment area for a large downtown market. There are other farmers' markets operating within this zone. City Market is not convenient to residents of this area; rather, it is a destination that draws them past other places to buy fresh foods.

In addition to these trade areas, the demand



analysis also includes estimates of potential patronage by tourists (defined as anyone who lives outside the 20 mile ring).

Demographic data about the three trade areas were acquired from Nielsen, a national market research data company. The acquired data include 2010 U.S. Census information, estimates developed by Nielsen for 2013 based on the 2010 Census, and projections for 2018.

Data about the three trade areas are summarized in the chart below. Each band is independent – only the “total” section aggregates the three bands:

	2 mile ring	2-5 m band	5-20 mile band	Total	USA
Population 2010 census	46,451	42,022	106,689	195,162	
Population 2013 estimate	47,680	43,386	110,846	201,912	
Population 2018 projection	49,813	45,645	117,611	213,069	
Population change 2010-2013 (%)	2.6%	3.2%	3.9%	3.5%	2.0%
Population change 2013-2018 (%)	4.5%	5.2%	6.1%	5.5%	3.3%
Population change 2013-2018	2,133	2,259	6,765	11,157	
Racial diversity (% non-white)	29.8%	30.6%	14.6%		28.5%
Percent Hispanic 2013	5.6%	10.4%	3.5%		17.3%
Households 2013	18,004	18,219	42,202	78,425	
Average household size	2.27	2.26	2.59	2.57	2.55
Median age	27.2	35.3	42.5		37.5
Average household income 2013	\$62,181	\$82,449	\$85,979		\$69,637
Median household income 2013	\$43,955	\$54,426	\$64,885		
Average household income 2018 est	\$69,420	\$87,903	\$90,707		\$71,917
Change HH income 2013-2018	11.6%	6.6%	5.5%		3.3%
Household income >\$75,000/yr	4,878	6,367	17,687	28,932	
Household income >\$75,000/yr (%)	27.1%	34.9%	41.9%	36.9%	
Household income <\$15,000/yr (%)	20.2%	12.7%	8.7%		
Family households	40.9%	54.8%	74.0%		66.4%
Age 35-64	27.3%	34.4%	43.8%		
No Vehicles	11.2%	7.2%	3.5%		
Bachelor's Degree	21.5%	25.4%	20.8%		17.7%
Master's, Professional or Doctorate	25.3%	26.7%	15.4%		10.4%

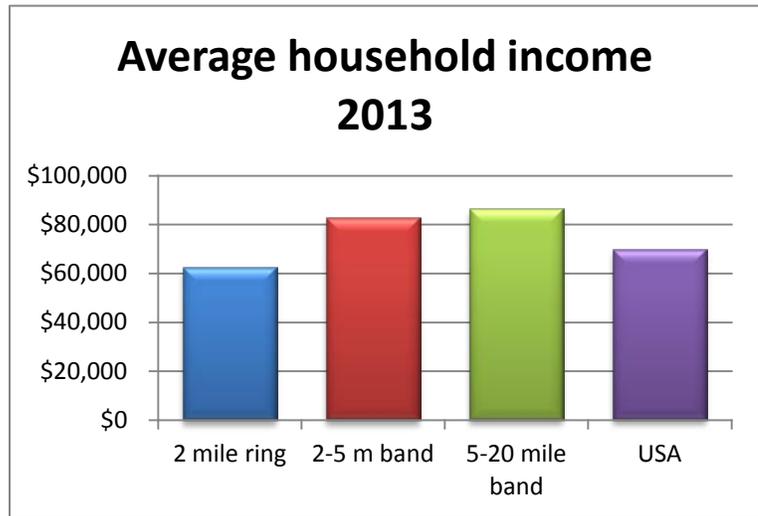
Trade Area 1: 2 Mile Ring

2013 population for the 2 mile ring is estimated at 47,680 people, which represents a 2.6% increase from the 2010 Census count of 46,451. The population is expected to increase by 2,133 people, or 4.5%, by 2018, to 49,813 people. By comparison, the population of the United States is expected to grow 3.3% between 2013 and 2018. The other two trade areas are also increasing in population at an even faster rate.

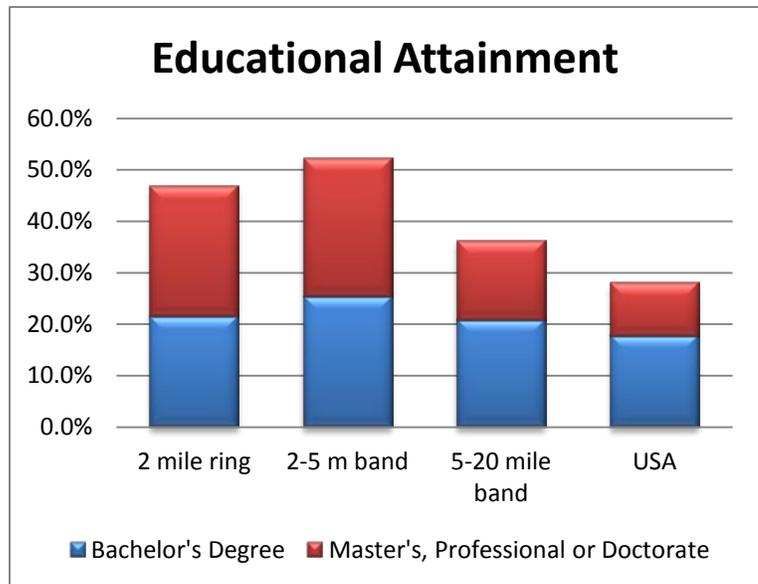
The trade area is estimated to have 18,004 households in 2013, with an average household size of 2.27 people, which is below the national average of 2.55. Only 40.9% of these households are families, compared to a national average of 66.4%. Typically, small household size and small percentage of families would suggest lower than average purchases at a public market.

The median age of the population, at 27.2, is far below the national median of 37.5. Only 27.3% of the population is in the targeted age range of 35 to 64.

Household incomes in this area are lower than both the other trade areas and the national average, although this is driven in large part by the small household sizes. By 2018, it is projected that average household incomes will still be below the national average yet the difference is shrinking. Average household income in this trade area is \$62,181 compared to \$82,449 in the second area and \$85,979 in the third area. At the same time, 20.2% of households have income less than \$15,000 per year.



Educational attainment is well above the national average: nearly 22% of those 25 years or older have a bachelor’s degree, while 25.3% hold a master’s professional, or doctorate degree. The second trade area has even higher educational attainment while the third area has less. The chart labeled “Educational Attainment” clearly demonstrates the high levels of educational attainment in the three trade areas. Educational attainment has been shown to have a strong correlation with higher spending for quality food, so this demographic quality is very positive.



The population in this trade area is fairly diverse. Nearly 30% of residents identified themselves as non-white compared to 28.5% for the country. Only 5.6% of the population identified as Hispanic. In communities with large populations of recent immigrants, these residents can be frequent public market shoppers because of their familiarity with market trade in their countries of origin, assuming the market offers products that appeal to this group of

consumers and prices are within their means.

Trade Area 2: Area between 2 mile ring and 5 mile ring

Although the band between 2 and 5 miles has more than five times the land mass as the two mile ring, this area contained only 42,022 people in 2010. The population is expected to grow to 45,645 people by 2018, a 5.2% growth between 2013 and 2018.

This area is divided into 18,219 households, with an average household size of 2.26, about the same as the first trade area (2.27) and well below the national average of 2.55. This population is substantially older than the first trade area with a median age of 35.3 and still below the national average of 37.5. The percentage of family households (54.8%) is also below the national average of 66.4%.

Average household income in this area is quite high at \$82,449. This is projected to rise 6.6% by 2018, double the national increase of 3.3%. Nearly 35% of the households have income of more than \$75,000.

Educational attainment in this trade area is the highest of the three trade areas and far exceeds national averages.

Overall, residents of the second trade area are likely to be strong market shoppers yet the population is small. High educational attainment is important here, as is high per capita income.

Trade Area 3: Area between 5 mile ring and 20 mile ring

The 5 – 20 mile band contains only 110,846 people divided into 42,202 households in a land mass that is nearly 18 times bigger than the second trade area. According to Nielsen, the population in this area will experience a 6.1% increase to 117,611 people by 2018.

Families make up a large portion (74%) of the households, surpassing both the other two trade areas and the national rate of 66.4%. Average household size is 2.59, slightly above the national average of 2.55. The median age is 42.5, the oldest of the three trade areas and well above the national average of 37.5. 43.8% of residents are within the desired 35-64 age band.

Average household income in the third trade area is \$85,979, which is the highest of the three trade areas and well above the national average of \$69,637. A large percentage (42%) of the households has income of more than \$75,000, while less than 9% has income below \$15,000.

Educational attainment in this trade area is lower than the other two trade areas but still above the national figures.

The residents of the third trade area offer a strong target for the market district, yet this area has a small population. Because of the distance and the proximity of many more convenient places nearby for them to buy food, coming to the market would likely need to be an intentional destination. Saturdays and Sundays are therefore the most likely times they will come to the market.

Tourists

Tourists can make up a significant percentage of a public market's clientele, depending on its location. Tourists are often attracted to markets because they are unique places, offering a

window into the culture of the region where they are located. As Americans have become more interested in food and cuisine, they are searching out public markets when they travel. Tourists are often well educated and higher income, and willing to spend significantly at a market. Key informants noted that City Market is a destination for visitors coming to Charlottesville.

Tourists are generally more interested in buying prepared foods and craft items than fresh foods. Some fresh food vendors in public markets have found creative ways to sell to tourists, such as the fish merchants at Pike Place Market, but this requires a sophisticated shipping operation.

Sales potential

Based on the demographic profile of area residents and typical expenditure patterns as determined by the Bureau of Labor Statistics’ Consumer Expenditure Survey, Nielsen estimates the retail sales potential for consumer goods. Using their estimated per capita expenditures for various food items, Nielsen creates a Food Purchasing Index that compares local expected purchases to national averages on the household level. In any category, a score of 100 means that households within the defined trade area are expected to buy exactly the same as the national household average. If households in the targeted trade area are expected to purchase less of a particular product, the index will be less than 100. Conversely, if they are expected to buy more of a certain item, the index will be more than 100. For example, if the average household in the trade area is expected to buy \$1,200 worth of baked goods per year and the national average is \$1,000 per household, then the index would be 120.

For each trade area, the estimated food purchasing index for 2013 is:

	2 mile ring	2-5 mile band	5-20 mile band
Food at Home - overall	108	93	108
Food away from Home - overall	131	109	111
<i>Market categories</i>			
Baked goods	104	97	108
Dairy	103	90	103
Meat	108	94	106
Poultry	112	91	98
Prepared foods	114	93	108
Produce - fresh	109	101	111
Seafood - fresh	126	115	127
Specialty food (jams, jellies)	107	99	113
Sweets	97	87	102
Beverages - nonalcoholic	120	96	107
Beer	150	101	97
Wine	146	143	144

For all but one category, the food purchasing index is above 100 in the first trade area. Beer and wine are particularly high. Food away from home (dining out) is also very high. The numbers generally drop off in the second trade area but are high in the third area.

These findings suggest that residents in the first and third trade areas are likely strong users of the market. Importantly, the region has many people with high educational attainment and many have high household incomes. The flip side is the population is small so there are fewer mouths to feed.

The chart below shows Nielsen estimates for aggregate annual food and beverage expenditures divided between the types of products typically found in fresh food markets, in thousands of dollars. The growing population and income in all three trade areas is reflected in the increasing sales in each category between 2013 and 2018:

2 mile ring	2013 Estimate	2018 Projection	Change \$	Change %
Market categories	(000s)	(000s)	(000s)	
Baked goods	\$10,143	\$11,068	\$925	9.1%
Dairy	\$11,294	\$12,207	\$913	8.1%
Meat	\$15,171	\$16,174	\$1,003	6.6%
Poultry	\$6,950	\$7,374	\$424	6.1%
Prepared foods	\$5,275	\$5,687	\$412	7.8%
Produce - fresh	\$10,462	\$11,256	\$794	7.6%
Seafood - fresh	\$1,524	\$1,641	\$117	7.7%
Specialty food	\$7,326	\$7,943	\$617	8.4%
Sweets	\$4,269	\$4,721	\$452	10.6%
Coffee/Tea	\$2,662	\$2,898	\$236	8.9%
Wine/Beer	\$19,262	\$20,660	\$1,398	7.3%
Total	\$94,338	\$101,629	\$7,291	7.7%
All Food/Alcohol at Home	\$135,566	\$146,147	\$10,581	7.8%

2-5 mile band	2013 Estimate	2018 Projection	Change \$	Change %
Market categories	(000s)	(000s)	(000s)	
Baked goods	\$9,495	\$10,362	\$867	9.1%
Dairy	\$9,980	\$10,725	\$745	7.5%
Meat	\$13,334	\$14,366	\$1,032	7.7%
Poultry	\$5,757	\$6,226	\$469	8.1%
Prepared foods	\$4,474	\$4,838	\$364	8.1%
Produce - fresh	\$9,833	\$10,613	\$780	7.9%
Seafood - fresh	\$1,410	\$1,523	\$113	8.0%
Specialty food	\$6,475	\$6,998	\$523	8.1%
Sweets	\$3,880	\$4,259	\$379	9.8%
Coffee/Tea	\$2,515	\$2,733	\$218	8.7%
Wine/Beer	\$14,720	\$15,963	\$1,243	8.4%
Total	\$81,873	\$88,606	\$6,733	8.2%
All Food/Alcohol at Home	\$116,781	\$125,873	\$9,092	7.8%

5-20 mile band	2013 Estimate	2018 Projection	Change \$	Change %
Market categories	(000s)	(000s)	(000s)	
Baked goods	\$24,681	\$26,932	\$2,251	9.1%
Dairy	\$26,444	\$28,866	\$2,422	9.2%
Meat	\$35,026	\$38,019	\$2,993	8.5%
Poultry	\$14,292	\$15,421	\$1,129	7.9%
Prepared foods	\$11,297	\$12,374	\$1,077	9.5%
Produce - fresh	\$25,077	\$27,351	\$2,274	9.1%
Seafood - fresh	\$3,598	\$3,919	\$321	8.9%
Specialty food	\$17,362	\$18,998	\$1,636	9.4%
Sweets	\$10,572	\$11,616	\$1,044	9.9%
Coffee/Tea	\$6,831	\$7,461	\$630	9.2%
Wine/Beer	\$33,355	\$36,598	\$3,243	9.7%
Total	\$208,535	\$227,555	\$19,020	9.1%
All Food/Alcohol at Home	\$296,350	\$323,071	\$26,721	9.0%
Total Fresh/Specialty Food (3 Trade Areas)	\$384,746	\$417,790	\$33,044	8.6%
All Food/Alcohol at Home	\$548,697	\$595,091	\$46,394	8.5%

Combined, the three trade areas are expected to see an increase of \$33 million in demand for fresh and specialty foods over the next five years, an 8.6% increase.

Since City Market has been experiencing growing sales over the past ten years, it is likely that Market vendors can capture additional sales since demand for food is growing, there is increasing interest in locally grown products, and the Market is very popular. This trend will be enhanced if the Market can continue to expand its product offering and improve the customer experience, as well as consider additional days of operation.

Can a market district capture a significant quantity of food sales? Perhaps, but it means the district will be competing with existing retailers such as Whole Foods Market, the specialty food businesses at Main Street Market and elsewhere in the region, and numerous other supermarkets. Most important, the arrival of Wegman's will add significant new competition to the region and will likely absorb most of the projected new demand.

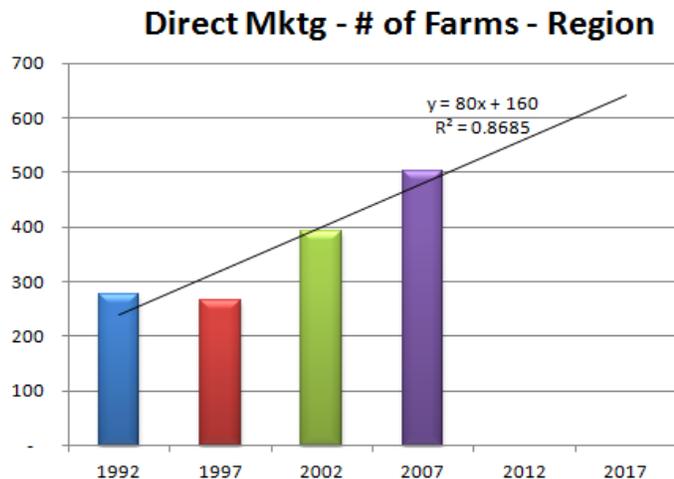
whole:

Market value of ag products sold (\$1,000)	Virginia		Region	
2007	\$	2,906,188	\$	1,156,186
2002	\$	2,360,911	\$	899,020
Change (2002-2007)		23.1%		28.6%
Average per farm 2007	\$	61,334	\$	86,001
Average per farm 2002	\$	49,593	\$	63,413
Change (2002-2007)		23.7%		35.6%

Since fresh vegetables constitute a large percentage of products sold at a farmers’ market, it is also interesting to see the changes in land used for vegetables both in the region and Virginia. There have been large increases in the number of farms but much smaller change in the acreage. In fact, there was a slight decrease in acres for the region despite a 58% growth in the number of farms, resulting in many more but smaller farms with vegetable production, exactly the type most likely to sell directly to consumers at a farmers’ market.

Land used for vegetables	Virginia	Region
Number of farms 2007	1,616	294
Number of farms 2002	1,195	186
Acres 2007	26,265	1,141
Acres 2002	23,203	1,150
Change # farms (2002-2007)	35.2%	58.1%
Change Acres (2002-2007)	13.2%	-0.8%

In 1992, USDA began tracking **direct marketing**, which it defines as “agricultural products sold directly to individuals for human consumption.” Direct marketing channels typically include farmers’ markets, U-pick operations, farm stands, and community supported agriculture (CSAs). Many farmers who engage in direct marketing are the type of small, retail oriented farmers who participate in farmers’ markets. 503 farmers in the 15 county region reported doing some direct



marketing in 2007, up from 392 farmers in 2002 and 278 in 1997. The chart entitled “Direct Mktg - # of Farms - Region” shows the consistent increase in the number of farms in the region who participate in direct marketing. Based on the linear trend line within the graph, there will be **137 additional farmers** in the region engaged in direct marketing by 2017. The trend line fits the data reasonably well but with only four data points its predictive power is limited. The growth of farmers’ markets in the region suggests that future growth is expected. Conversely, this trend could be curtailed without new opportunities to help farmers efficiently market their products year round and more days per week.

In addition to the growth in the number of farmers doing direct marketing, there has also been significant increases in direct marketing sales. In 2007, farmers in the region reported direct marketing sales of \$4.5 million. Based on recent trends, this number should increase to \$6.2 million by 2017.

Based on these trends, there is an increasing pool of farmers who are likely to be interested in selling opportunities at City Market, in part because of the Market’s reputation as the most successful farmers’ market in the region.

City Market vendor analysis

City Market vendors are classified as “farm”, “food” and “crafts.” The City has set a target of 50% farmer, 30% food and 20% crafts. This target can be analyzed on three dimensions: number of vendors, number of stalls, and sales.

In terms of the number of different *vendors*, the City vendor database lists 102 reserved vendors and 208 non-reserved ones. Reserved vendors are those who have been accepted into the Market for the entire season and typically sell each week. Non-reserved vendors fill in spaces as stalls become available. Farmers represent 46 of the 102 (45%) reserved vendors, while 24% are food and 31% are crafts. According to this metric, the number of farmers is slightly under the targeted 50%. The non-reserved database includes 50 vendors classified as farm, 46 as food, and 112 as crafts, providing a broad pool of vendors to draw from when space is available.

# Vendors	Reserved	Non-reserved	Total
Farm	46	50	96
Food	24	46	70
Crafts	32	112	144
Total	102	208	310

# Vendors	Reserved	Non-reserved	Total
Farm	45%	24%	31%
Food	24%	22%	23%
Crafts	31%	54%	46%
Total	33%	67%	100%

As the chart below shows, there are 115 stalls within City Market. Most of these (108 of 115) are utilized by reserved vendors, while seven stalls are kept for non-reserved vendors. For the 108 reserved stalls in 2012, 60% of stalls were utilized by farmers and about 20% each by food and crafts. According to this metric, farmers well exceed the 50% target:

2012 Stalls	Reserved	Non-reserved	Total
Farm	65		
Food	21		
Crafts	22		
Total	108	7	115

2012 Stalls	Reserved	Non-reserved	Total
Farm	60%		
Food	19%		
Crafts	20%		
Total	94%	6%	100%

Finally, we can examine reported sales among the three groups. In 2010, farmers represented 59% of sales for reserved vendors, compared to 29% for food and only 12% for

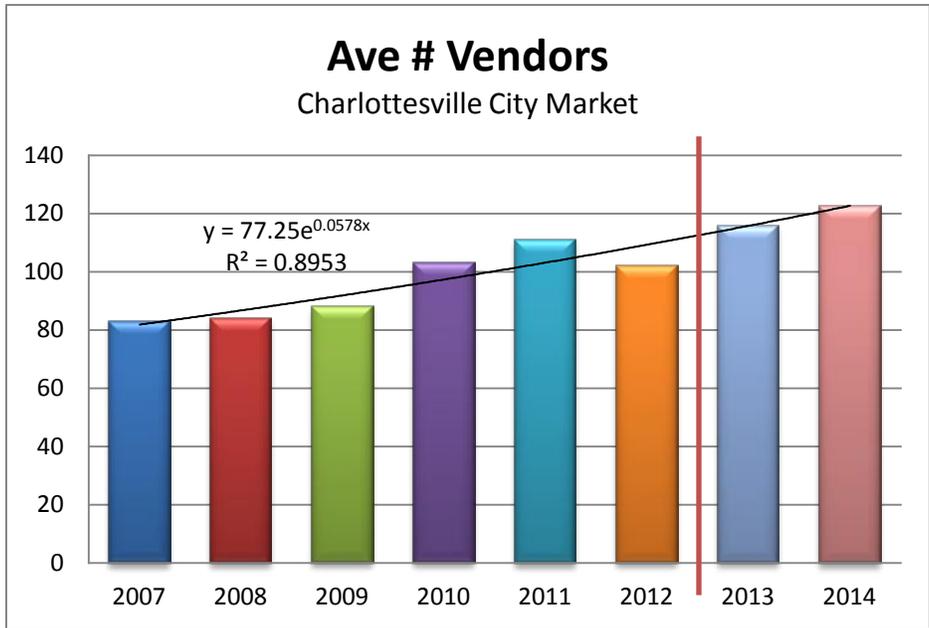
crafts. This puts the farmers well above the 50% metric:

2010 Sales	Reserved	Non-reserved	Total
Farm	\$ 800,201		
Food	\$ 396,268		
Crafts	\$ 167,969		
Total	\$ 1,364,438	\$ 119,218	\$ 1,483,656

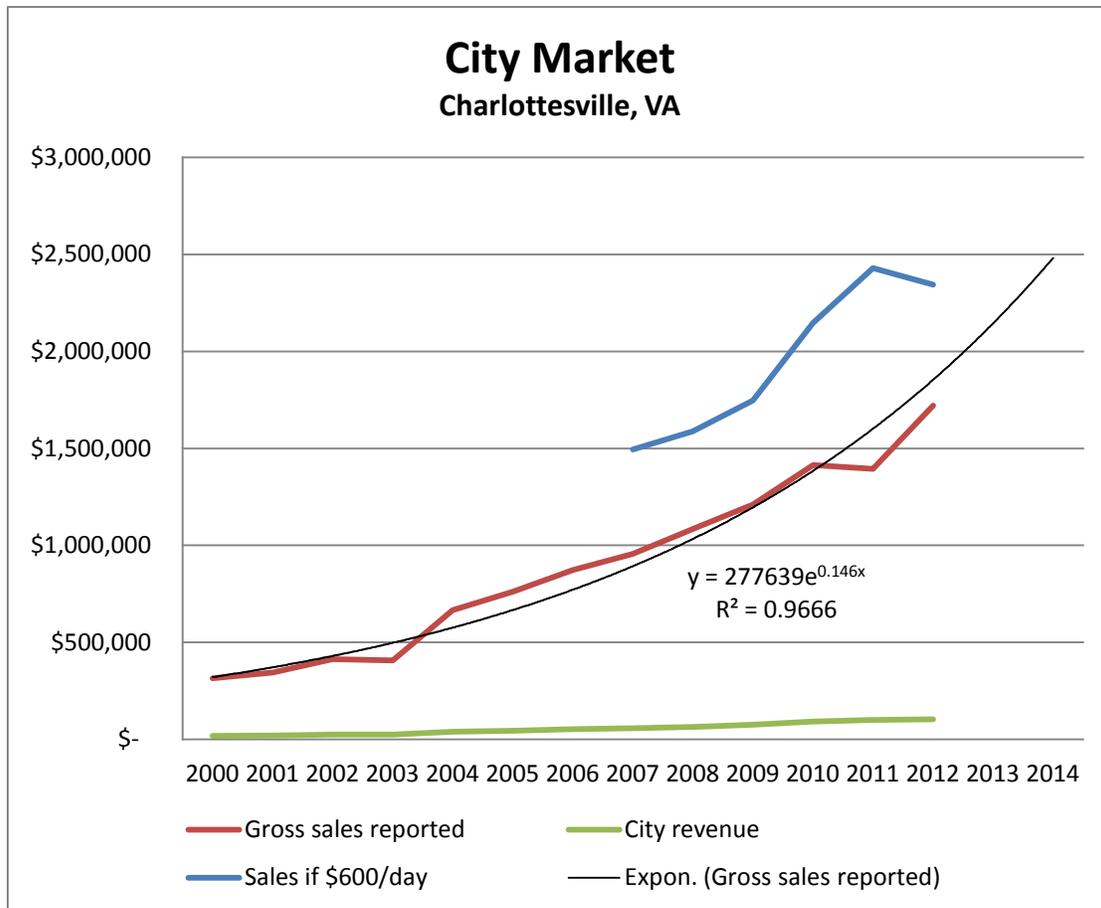
2010 Sales	Reserved	Non-reserved	Total
Farm	59%		
Food	29%		
Crafts	12%		
Total	92%	8%	100%

City Market has experienced consistent annual growth in the average number of vendors over the past ten years, and the Market is reaching its maximum capacity at the current site. The chart below, “Ave # Vendors,” shows the average number of vendors selling at City Market each year from 2007 until 2012. 2012 showed the first drop in average attendance since data collection began in 2007 as management decided not to squeeze vendors into any available space, whether it was a designated vendor stall or not.

Based on the data over the six year period, the geometric trend line suggests that the “natural” growth in average vendor attendance will reach over 120 vendors per day by 2014 (assuming there is adequate room to house them). Based on the size of the waiting list, the number of vendors could increase more rapidly although care should be taken to increase the number of vendors gradually (and with increasing marketing efforts to attract customers) so average sales do not deteriorate.



The chart below shows reported sales by Market vendors since 2000. Again, this shows steady growth in almost every year, with a flattening in 2011 but a strong rebound in 2012. An exponential trend line (which tracks actual sales quite closely) would predict that sales would reach \$2.5 million within two years from the current \$1.8 million level.



There is reason to expect that actual market sales are higher than reported sales since vendors have a financial incentive to under-report. The blue line shows what sales would be if vendors averaged \$600 per day in sales in 2007 and increased 5% each year (actual reported sales have increased 8% per year over the past six years). Average daily sales is multiplied by the average number of vendors participating in the Market in each of the five years for which there is participation data and the number of market days per year (30). This method estimates actual sales in 2012 at \$2.3 million.

Another method to estimate sales is based on reported customer purchases. The JPC survey found that customers average about \$25 per visit. Assuming there are, on average, 4,479 customers per week over the 30 week season and 80% are purchasers (the customer count likely included children), gross sales can be estimated at \$2.69 million.

Regardless of the method, sales at City Market are substantial and very important to the farmers and other vendors who participate. They represent significant economic activity for the local economy. Although sales at City Market are a small fraction of the total amount spent on fresh food in the region, sales are growing and can be expected to expand more if the Market can grow.

Vendor input

During the market research phase, the MVI team conducted a focus group of farmers to hear their ideas and concerns about the market district concept. Vendors also participated in the public meeting and provided input via a web based survey. A full report on the web survey was provided to the City separately.

The principal ideas mentioned by the focus group vendors included:

- Keep City Market in the center city
- Provide a shaded seating area
- Provide flush toilets and hand washing
- Have vendors' vehicles on-site, if possible, or easily accessible if not
- Provide a cover over the sales area because bad weather greatly impacts sales
- Offer year round operation
- Create wider aisles to reduce crowding
- Make spaces 10' wide so the vendors can use standard tents
- Keep the Market seasonal and like a festival/fun event, not an everyday activity

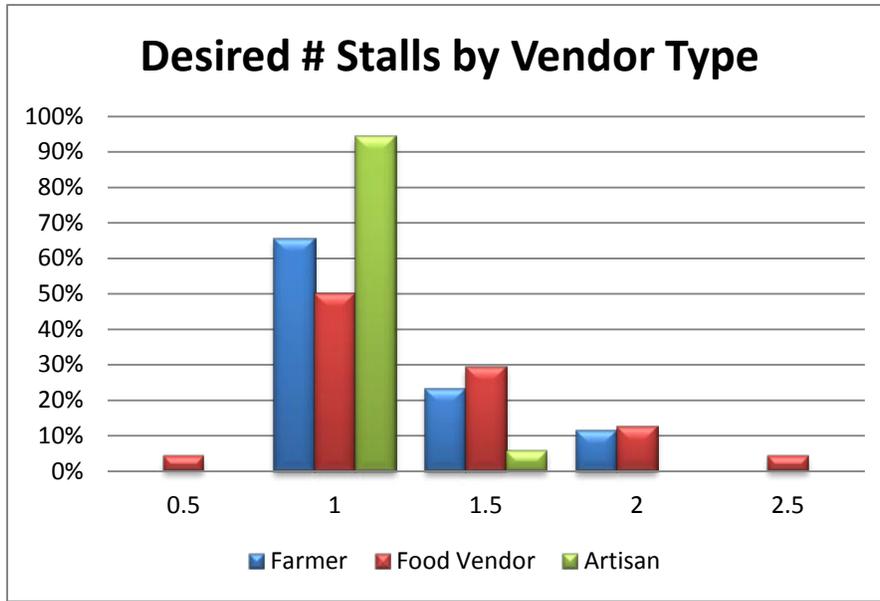
Concerns mentioned by the vendors included the possibility have seeing higher rental rates and change in their operations. The farmers did not advocate for a market district.

The vendors noted that their sales are much higher in the Market's current location than when it was located on the Downtown Mall. They don't want the Market spread out on sidewalks, but rather clustered as it is today. They mentioned concern that adding retail food shops might take away from market.

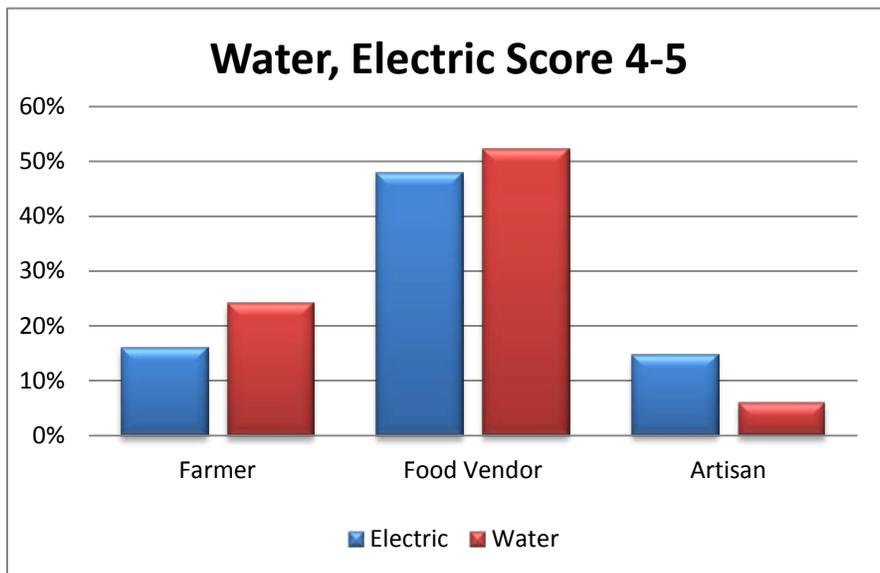
The farmers stated that craft vendors are very different from fresh food vendors. The craft vendors want to operate more months and to stay open later on market days. Despite the differences, these farmers said they prefer that all the vendor types stay intermingled rather than separated, as is common at some other farmers' markets.

The vendor survey was emailed to 366 vendors and 92 surveys were completed. A description of the survey methodology and a sample survey instrument is found in the separate report. The survey was completed by 31 farmers, 26 food vendors, and 35 artisans. The survey included 47 reserved vendors and 45 non-reserved.

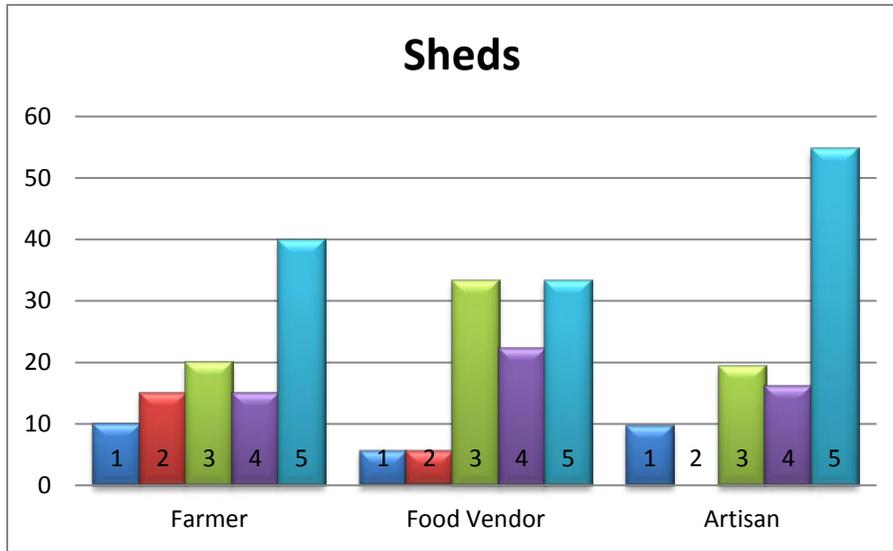
Vendors were asked how many stalls they would ideally like if the stalls are 10' wide. Most want one stall, with some farmers and food vendors preferring more:



Vendors were asked if water and electricity were available for a small fee, how likely were they to utilize it. On a five point, those answering four or five were mainly the food vendors, with a smaller percentage of farmers and artisans. This result suggests that only some of the spaces at the Market need to offer water and electricity:



Vendors were asked about adding fixed sheds to City Market to provide weather protection and simplify set-up. All types of vendors showed favor for this idea, with particularly strong support among the artisans:



The vendors' reactions to the proposed development scenarios are discussed below.

Site analysis

City Market takes place on the Water Street parking lot and adjacent First Street between Water and South, one block south of the Downtown Mall, which is the core of downtown. The city-owned property encompasses 0.82 acres and currently includes 102 parking spaces and a building on the east side that is used for the City Market office and vehicle and equipment storage for the Department of Parks and Recreation.

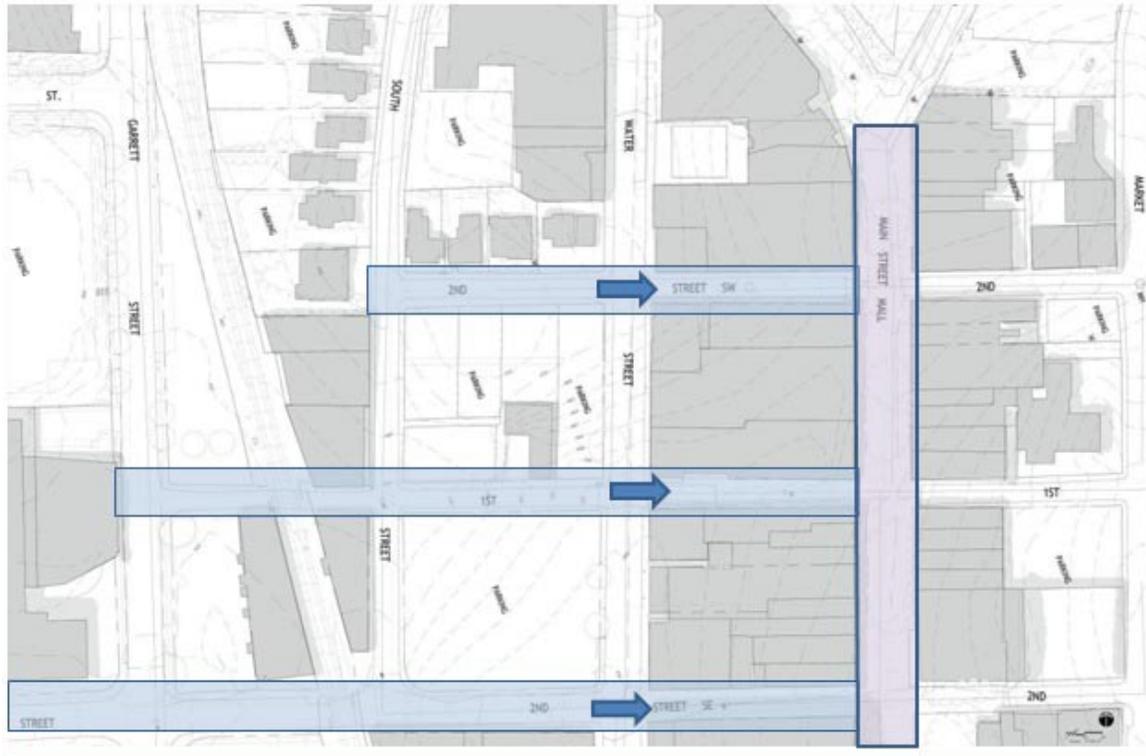


The site is adjacent to two private parcels: a 0.16 acre parcel owned by East South Partners and used as private parking and the 0.96 acre parcel owned by Charlottesville Parking Corporation (CPC) on the next block and used as public parking with a toll booth. The blocks surrounding the Water Street parking lot include a mix of restaurants, retail, arts, and service businesses, as well as the 1,100 space municipal Water Street Parking Garage, managed for the city by CPC.

The site has easy connectivity to the Downtown Mall. Since many Market customers say

they shop at downtown businesses as part of their visit to the Market, it is important to maintain and ideally enhance this connection. The following map shows the pedestrian linkages between City Market and the Downtown Mall on 2nd Street SW, 1st Street South, and 2nd Street SE:

Site Analysis: Connections to Downtown Mall



City Market's success can be attributed in part to its open-air, downtown location, its proximity to both surface and structured parking, and the fact that the Market has been at the same site for more than 20 years. At the same time, the site has numerous shortcomings. These include:

- A steep slope in the site's northeast corner, limiting accessibility for people in wheelchairs or who have trouble walking, and creating a potentially dangerous slip and fall environment
- Stalls with only 8' stall width and some even smaller
- Significant crowding
- No shade or sitting areas, while the site becomes very hot during the summer
- No water or permanent bathrooms (portable toilets are used on market days)
- Limited electricity
- No room for expansion

Based on the vendors' input, the Market's growth trajectory, and best practices, the desired site conditions include:

- Maintaining close proximity to the Downtown Mall, parking, and connection to adjacent neighborhoods
- Providing flat selling spaces that are wide enough to accommodate 10' wide tents as well as vendors' vehicles
- Providing adequate room for at least 130-140 vendors to allow for growth (40 vendors call weekly looking for space) and wider customer circulation areas to reduce congestion
- Offering site amenities such as electricity, water, and bathrooms with running water
- Providing shaded seating areas and special event/education space
- Creating a clustered eating area where vendors who sell prepared foods can stay longer

These desired site conditions became the basis for proposing two redevelopment scenarios for City Market, discussed below.

Site options

The MVI team explored the potential for incorporating the two private surface lots into a single development parcel to allow for creation of a single large development opportunity that would include City Market, as has been envisioned in the past (and formed the basis for the 2007 design competition for these three lots). The owners of both properties rejected the notion of selling their properties at anywhere near their assessed value (\$417,000 for the small lot and \$2,207,700 for the CPC lot) and were not interested in seeing City Market expand. Since a goal of the study is to create a plan that can be implemented in the near future, the MVI team (after conferring with the client) decided to focus the planning on the city-owned property and a nearby property that could be secured for the Market.

The team also explored the potential for shifting the Market from the parking lot to the adjacent public right-of-way. At present, City Market utilizes part of First Street, which is closed on market days. While it might be possible to also close and utilize Second Street, it is not possible to close Water or South Streets because of the volume of traffic and therefore these streets would be insufficient to host the entire market.

Based on the recommendation of a Steering Committee member, the team looked at the possibility of locating City Market on West Main Street near the Main Street Market. This idea was rejected by City police, fire, and traffic because of traffic volumes on that street, including buses and delivery trucks.

The team looked at relocating City Market to another downtown site. The only suitable site includes the triangular property at the corner of Garrett and First Streets, along with the public right of way around it. This site became the basis for the team's second site scenario, described below.

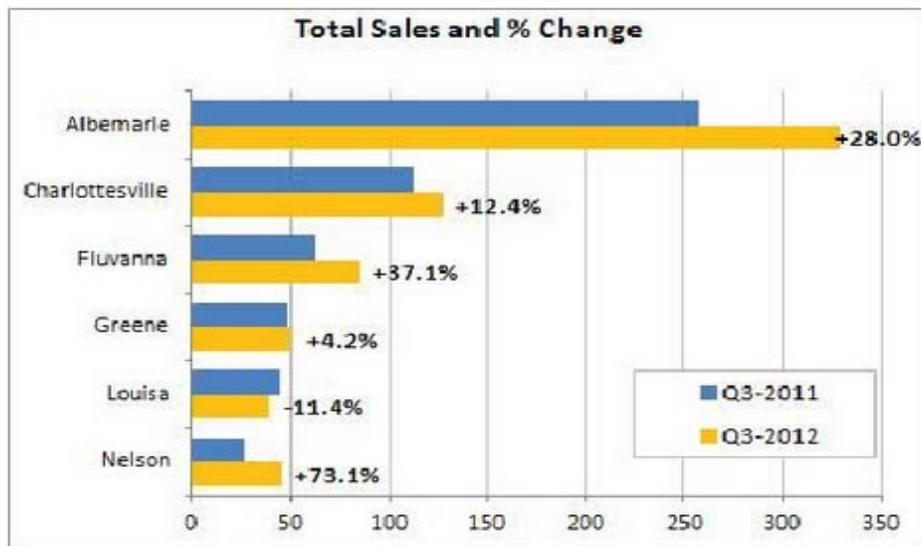
Demand for development on Water Street parking lot

The MVI team explored the potential to create a multistory, mixed use development on the Water Street parking lot.

Residential real estate

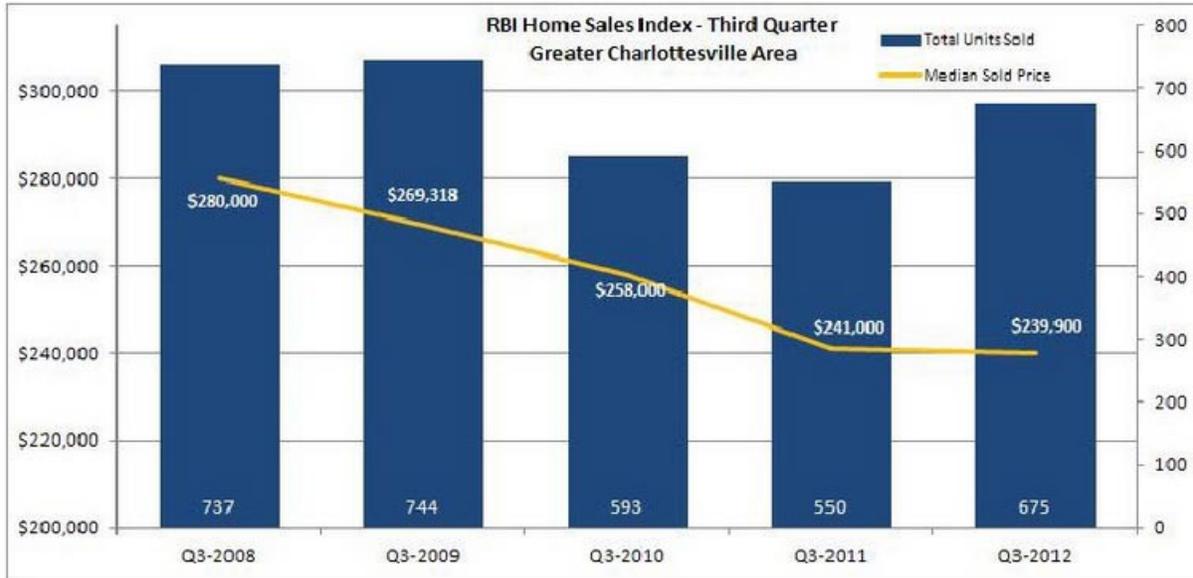
While Charlottesville has not been immune to the Great Recession, a number of factors have limited the negative impact on the region. These include the growth of UVA, which added about 100 students per year over the past seven years and which plans to add 300 students per year between 2013 and 2017. The unemployment rate has been consistently better in Charlottesville than the country as a whole.

Recently, residential real estate has been becoming more active. As the graph labeled “Total Sales and % Change” shows, residential real estate rebounded strongly in the third quarter of 2012 over 2011, with a 28% increase in Albemarle County and a 12% increase in Charlottesville.



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Data Source: CAAR MLS. Statistics calculated October 4, 2012.

While sales are up, prices have leveled off but can be expected to increase as conditions continue to improve:



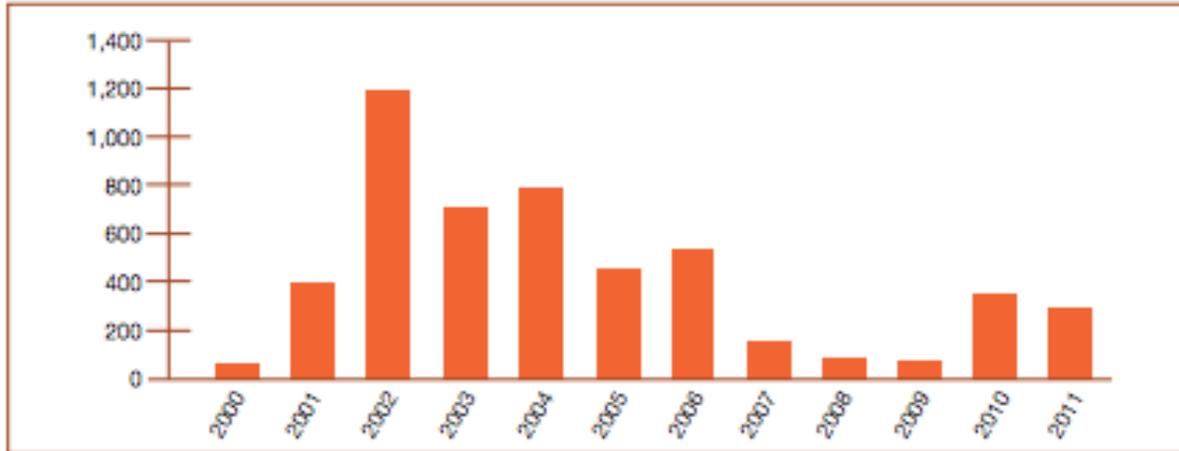
In summary:

- Residential sales activity remains below pre-recession levels but shows signs of improvement. 2012 year-end sales will be higher than in 2011.
- Prices have stabilized and have even started to rise. Values in the region have fallen 15-25% over the last 4 years but well located properties near downtown have held their values during the recession and continue to trade at the highest values per square foot in the region.
- New home sales dropped by over 60% from pre-recession levels and have not recovered but there are positive signs. There have been 270 sales through October, 20 more than last year. Annual totals are likely to be 350 to 360, down from 800-1,000 during the mid-2000s.

Multifamily residential

The number of multifamily building permits issues has risen well above the depths of the recession but still lags the boom years of the early 2000s:

Figure 9. Multifamily Building Permits Issued in the Central Charlottesville Submarket, 2000 to 2011

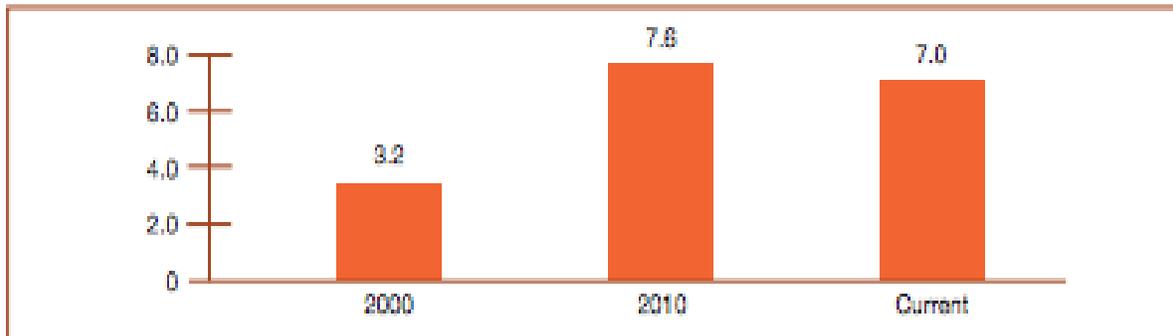


Notes: Includes all multifamily units in structures with two or more units. Includes data through July 2011.

Source: U.S. Census Bureau, Building Permits Survey

Vacancy rates have dropped but are still above earlier levels:

Figure 8. Rental Vacancy Rates in the Central Charlottesville Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

There are a number of multifamily projects in the pipeline, which should absorb all of the expected demand for the next few years:

Unit Pipeline 2011-2014		
1. The Reserve at Belvedere	294	Summer 2012
2. Arden Place	260	Fall 2011
3. Stonefield Commons	252	Winter 2013
4. Millmont Arlington	300	Fall 2013
5. West Main	219	Fall 2014
6. Coal Tower	300	2014-15
Total	1,625	
Total new apartments per year	400+	
Stabilized new rental demand	375-400	

In summary:

- Apartment vacancies have trended downward over the past 24 months but new supply is likely to drive vacancies up over the next 2-3 years. Rental rates in downtown have remained stable and range from \$1.40 to \$1.90 per sq. ft. for desirable properties.
- The condominium market was hit harder during the recession than other property types. Demand remains soft, despite low interest rates and lots of entry level product.
- Condo sales in the city have dropped 40% from their pre-recession levels. Prices per square foot have fallen from an average of \$211/sf in 2004-06 to \$196/sf in 2010-2012.
- Despite the continued softness in this market, values for well located condos in the downtown market have actually risen, on average from \$304 per sq. ft. to \$333 since the mid-2000s.

Downtown commercial properties

The following chart shows available office properties in the downtown as of December 2012:

	Property Address	Property Type	Property Sub-type	Total Space	Rental Rate	Space Count
1	1100 East High St	Office	Medical Office	3,189 SF	\$22 /SF/Yr	1
2	1 Ridge Street	Office	Office Building	25,000 SF	\$24 /SF/Yr	1
3	603 Rivanna Ave	Office	Creative/Loft	2,500 SF	\$14 /SF/Yr	1
4	1011 East Jefferson	Office	Medical Office	4,131 SF	\$22.95 - 22.95 /SF/Yr	2
5	218 West Main St.	Office	Office Building	6,820 SF	\$3 - 17 /SF/Yr	4
6	1101 East Jefferson Street	Office	Medical Office	1,119 SF	\$22.95 /SF/Yr	1
7	609 East Market Street	Office	Creative/Loft	1,328 SF	\$14.01 /SF/Yr	1
8	600 E Water St	Office	Institutional/Governmental	2,000 SF	\$19.20 /SF/Yr	1
9	925 East Jefferson Street	Office	Office Building	5,035 SF	\$13.50 /SF/Yr	2

In summary:

- Demand for commercial office and retail in region remains modest but leasing activity has picked up in the last 12 months.
- Lease rates for Class A Office range from \$16-\$24 per square foot and have been generally flat for the last 4 years. Large lease deals in the downtown area over the past three years have been at the lower end of the range.
- Retail lease rates in downtown range from \$14 to \$22 per square foot.
- Leases on new commercial space will need to average \$22 or more to attract private investment dollars.

Market study conclusions

1. There is no national precedent for a city as small as Charlottesville to have a market district.
2. Charlottesville has a small but growing population which has excellent demographics for an expanded market, including high incomes and very high levels of educational attainment. At the same time, there is substantial and growing competition from high quality supermarkets and specialty grocers, plus the city has an indoor market already (Main Street Market). An effort to create a cluster of specialty food stores around City Market will likely reduce business for existing independent specialty food vendors.
3. Virginia and the region around Charlottesville have an increasing number of small farmers that are utilizing direct marketing. Since City Market is known as the most successful farmers' market in the region, there will likely be continued demand by food producers and other vendors to participate in the Market.

4. City Market has grown consistently over the past decade and has the potential to expand in terms of physical size, operating schedule, and to add an indoor winter market.
5. The current site is suboptimal: it is crowded, has no room for expansion, has challenging topography, and few site amenities.
6. The current site has reached capacity, even without other development on the same property, so a “multi-use public plaza” on the site would not be large enough to accommodate the Market and have adequate space for commercial or residential uses.
7. The current location does not make sense to brand as a market district because (1) there is not enough daily activity to be a successful market district, (2) trying to add daily food retail would undermine other small food retailers in the city (including Main Street Market) and would face enormous competition from current and new supermarkets; and (3) the site is too close to the downtown mall to brand as a separate district. Calling the current site a market district would cause confusion and not fulfill the promise of what a market district is.
8. Previous design efforts to create a development plan for the entire two block region had (1) unrealistic expectations about multilevel underground parking (which is economically unfeasible), (2) assumed all three properties could be developed jointly, which is not the case because the private property owners are not willing participants, and (3) provided an inadequate solution for housing the City Market.
9. The area around Garrett Street and First Street offer a good option for relocating City Market.
10. Market research on the potential for creating a multi-use development on the Water Street parking lot shows that Charlottesville is emerging from the trough of the Great Recession with improved development indicators for downtown housing and commercial space. There are a number of projects in the pipeline which will fulfill demand for the next one to two years.

The research findings and these conclusions led the MVI team to determine that there are two viable options for creating a permanent home for City Market and addressing its major shortcomings:

1. Improve City Market at its current location through reconstruction of the parking lot (although this would foreclose the opportunity to develop the property).
2. Move City Market to a nearby location with room for expansion and better site qualities, and pursue a mixed-use development on the Water Street parking lot.

The Concept Plan section of this report that follows presents these two options.

Concept Plan

Development principles

Based on the project's goals as well as the research and analysis, the following principles are suggested to guide the development of City Market:

1. Keep City Market in downtown Charlottesville
2. Build on the success of the current weekly outdoor producer-only market
3. Maintain an open-air, distinctly different shopping experience from supermarkets
4. Accommodate phased growth of City Market
5. Create a dynamic downtown place that attracts the region's residents and visitors
6. Promote healthy lifestyles and a sustainable community
7. Add site amenities, including bathrooms, electricity, water, places to sit, shade
8. Maximize development potential of the city's parking lot with a realistic development scenario that can move forward in the near term

Development scenarios and public space standards

After exploring various site options, the MVI team identified two locations that could address the development principles: the Market's current site and the area south of the railroad track at First Street South and Garrett Street, with potential expansion up First Street.

Concept Scenario 1: Improve City Market at current site

- Concept
 - Remove city-owned building that houses the Market office and equipment for the Department of Parks and Recreation.
 - Create a public space and City Market gateway with a grassy plaza at the sloped corner of Water and 1st Streets to provide customer seating, public bathrooms, ADA accessibility, and a performance space
 - Grade, repave, and add trees to the parking lot while widening parking spaces to fit 10' wide vendor tents. Integrate trees and green infrastructure such as bio-retention planting measures (planting zones providing treatment of storm water run-off) into the parking lot.
 - Add electricity and water to more areas of the Market (about 20% of the spaces).
 - Potentially add fixed shed structures that would protect vendors and customers during inclement weather and facilitate set-up and break down by obviating the need for vendor tents.
- Schematic design: The following schematic site plan shows the proposed layout at the

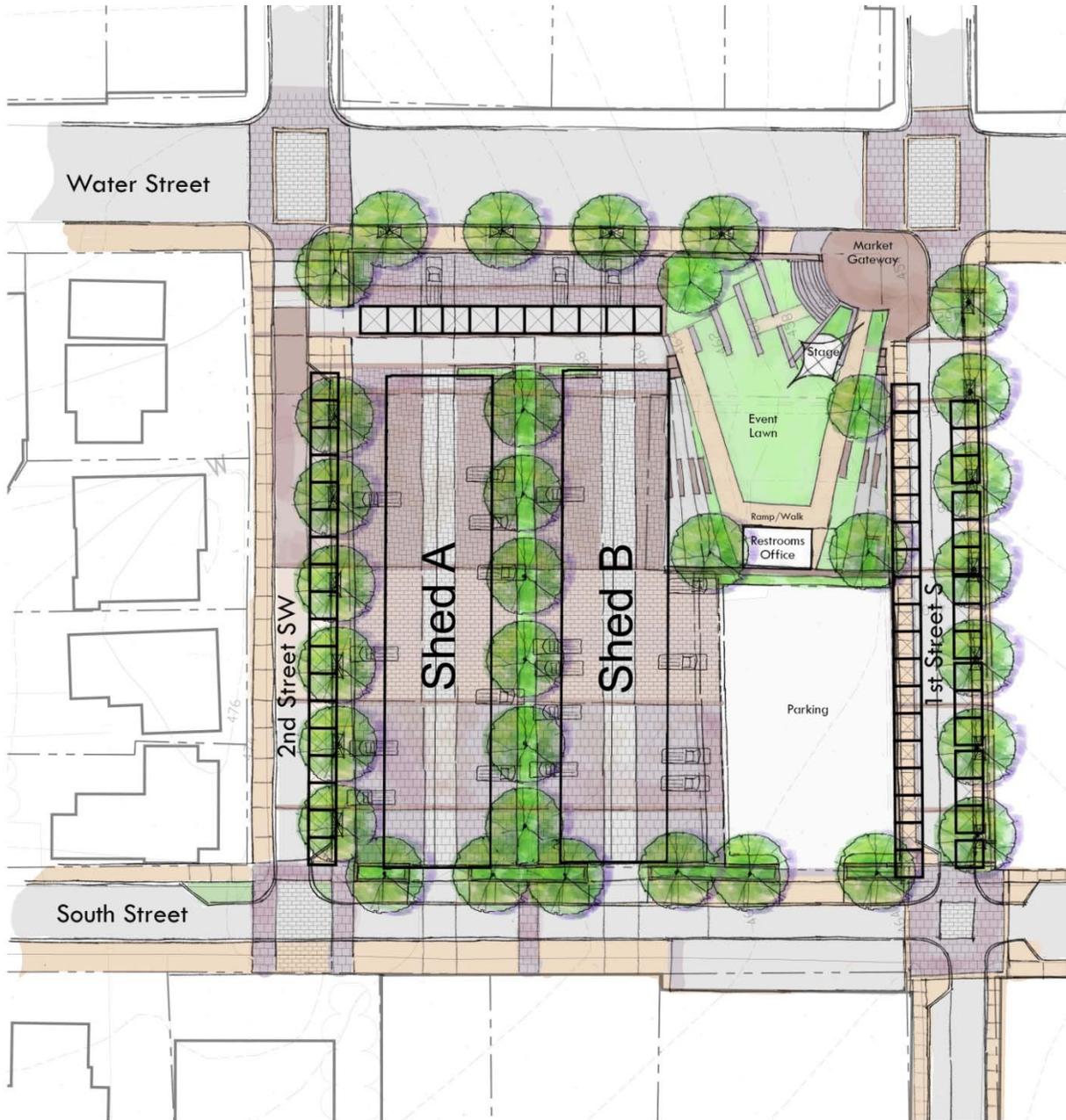
current site:



Charlottesville Market District

Existing Site - Charlottesville, Virginia

Two permanent market sheds could be added that cover the selling areas:



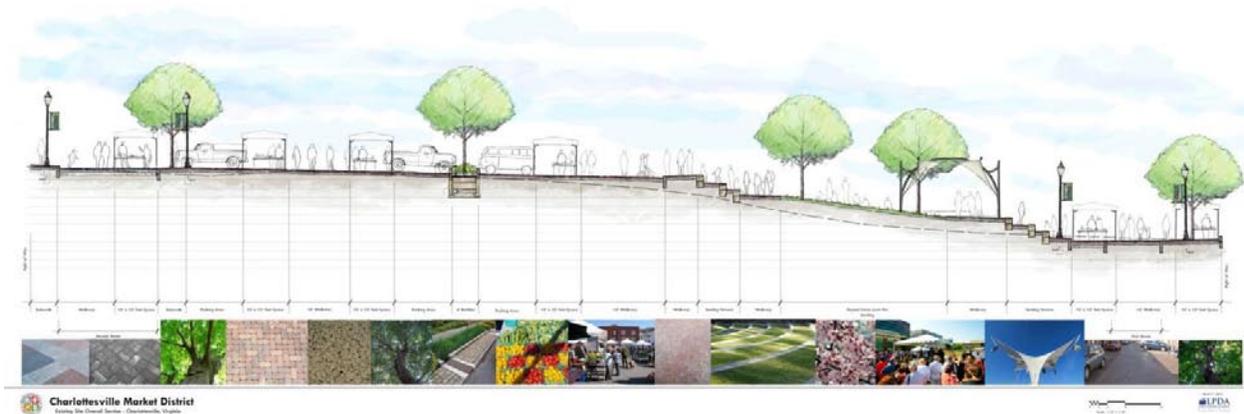
Charlottesville Market District

Existing Site - Charlottesville, Virginia

When City Market is not in operation, the site will function as a parking lot with green infrastructure and a small public park. The following chart shows the changes to both vendor stalls and parking spaces on both Market and non-Market days. The number of vendor spaces increases substantially although fewer vendors have access to their vehicle within the Market. Parking is reduced from 134 to 106 spaces.

City Market configuration	Water Street Parking Lot	
	Existing	Improved
Vendor stalls - total	103	135
Vendor stalls w/ parking	82	76
Percent w/ parking	80%	56%
Non-market days		
Parking - lot	102	76
Parking - street	32	30
Parking - total	134	106

The following conceptual section drawing demonstrates the challenges of the site’s topography and illustrates recommendations for the design approach, material selections, and construction methods:



- Design approach/public space standards
 1. 2nd Street between Water and South Streets has been designed as a “shared street” or “woonerf” in order to serve pedestrians and motorists while also providing functionality for Market vendors on one side of the roadway. Proposed public space standards include:
 - a. Flush curb on the east side of 2nd Street, with material contrast between the roadway and sidewalk.

- b. Flush tree pits and energy efficient street lighting that reinforces the edge of the flush curb and sidewalk transition.
 - c. Contrasting roadway paving material and impervious pavers for sidewalks, plus tinted concrete flush curbs
2. Greening of the Water Street parking lot
- a. Regrade and redevelop the existing parking lot to accommodate green bands of planting including shade trees and bio-retention planting features.
 - b. Configure parking spaces to accommodate improved market vendor configuration (10 feet wide).
 - c. Materials include impervious paving, shade trees, planting zones and pedestrian scale energy efficient lighting.
3. Market gateway and public space development
- a. Reconfigure the corner of Water and 1st Street to provide permanent public infrastructure with performance opportunities.
 - b. Utilize the approximately twelve feet of vertical grade change to introduce low seat walls and steps or terraces that define the edges of the public space, thereby providing a functional and accessible transition across this critical corner.
 - c. Broad stairs and an accessible ramp to welcome the public at the corner and define the location for a stage.
 - d. Public restrooms utilizing sustainable design and a market office at the center transition of the public space, behind the stage.
 - e. Materials include tinted and faced concrete walls, tinted concrete stairs and ramps, impervious paving with shade structure, shade trees, turf area, planting zones and pedestrian scale energy efficient lighting.
4. 1st Street as “shared street” or “woonerf”
- a. Redevelopment of 1st Street between Water and South Streets, with the same character as 2nd Street improvements, to serve pedestrians and motorists while also providing functionality on both sides of the roadway for market vendors. 1st Street would serve as the critical pedestrian link from the Downtown Mall, the Water Street lot, and Garrett Street to the south.
 - b. Provide a flush curb on both sides of 1st Street, with material contrast between roadway and sidewalk.
 - c. Flush tree pits along with street lighting to reinforce the edge of the flush curbs and sidewalk transitions.
 - d. Materials include contrasting roadway paving material and impervious pavers for sidewalks, plus tinted concrete flush curbs and pedestrian scale energy efficient lighting.

Finally, these “Sketch-up” drawings give a 3-D sense of the revised City Market:



Charlottesville Market District

Existing Site Renderings- Charlottesville, Virginia



- Benefits of Scenario 1
 - Consistency of operation
 - Know this has been a successful location
 - Maintains open-air atmosphere
 - Near parking garage and Downtown Mall
 - Addresses site shortcomings: stall size, seating areas, electricity, water, bathrooms, ADA accessibility

- Challenges
 - No opportunity for development on this site
 - Minimal opportunity for City Market expansion
 - No new revenue source to pay for site improvements
 - Topography – large grade changes remain
 - Challenge to relocate Market during the construction period, which will likely take a full market season
 - Too close to Mall to make a separately branded district

Concept Scenario 2: Move City Market to Garrett and First Streets

- Concept
 - Lease or purchase triangular lot at Garrett and First (Charles Lewis property) and create flat selling area and grassy seating area
 - Improve the site with storm water drainage and an integrated green wall that separates the site from the railroad, plus shade trees and green infrastructure such as bio-retention planting measures. Add electricity and water
 - Utilize Garrett Street (between 2nd and Gleason Streets) and 1st St. (between Garrett and RR tracks) for outdoor market on Saturday mornings. Park vendor vehicles between the existing trees on the south side of Garrett Street. The design accommodates vehicular access for The Gleason residents.
 - Lease the edge of the parking lot on the north side of Garrett between 1st and 2nd Streets to create a double loaded vending corridor on that block. This lease would be for only those times that City Market operates and therefore initially only needed for Saturday mornings.
 - Create a product pick-up zone in three edge locations
 - Parking provided at the nearby Water Street Garage, on existing surface parking lots, and on streets including Monticello Avenue
 - Expansion capability up 1st Street to Water Street

The following schematic site plan shows the proposed layout at the Garrett Street site:



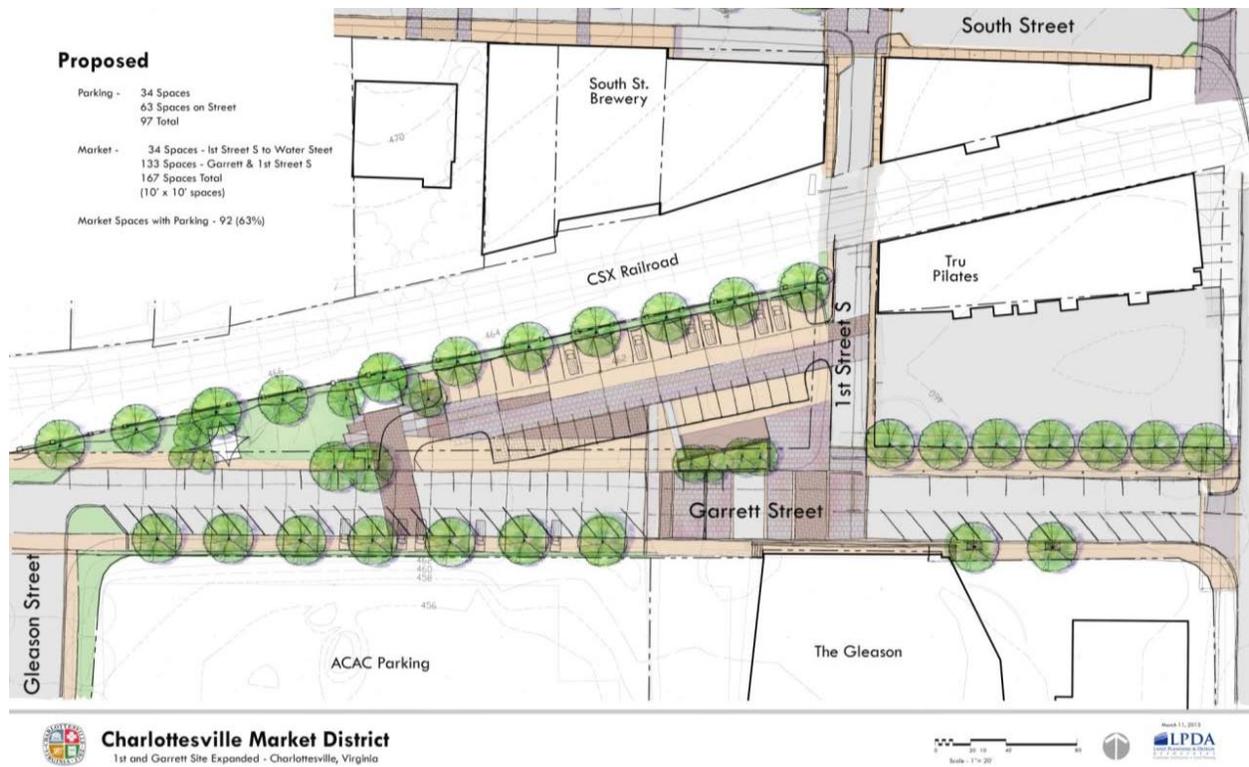
This site allows numerous options for layout and can grow over time. One scenario is to match the current number of stalls (105) although make them wider. If the Market is configured with 105 stalls on Garrett Street then 90% of the vendors can have their vehicle adjacent to their space, compared with 80% who their vehicles at their stall today. Alternatively, the space can be designed to accommodate a larger number of vendors.

	Garrett Street Site		
	S. of RR comp	S. of RR max	N. of RR
City Market configuration			
Vendor stalls - total	105	148	34
Vendor stalls w/ parking	95	91	0
Percent w/ parking	90%	61%	0%
Non-market days			
Parking - lot	34	34	
Parking - street	63	63	
Parking - total	97	97	

The following schematic site plan shows the layout with 105 stalls:



When the Market does not operate, the triangular site could be used for metered or leased parking, and the neighborhood would gain the grassy zone at the site's western edge as a small park:



Unlike the Water Street site, this area is essentially flat - much better for the Market. Current problems with flooding will be addressed with site work during the construction period.

The following section shows the site topography and suggestions for materials for each section:



- Design approach/public space standards

1. Railroad Edge. A physical barrier is critical along the railroad right-of-way for safety and sound control.

- a. Masonry wall with “green wall” (live plants) panels incorporated into the wall rhythm.
- b. Tree pits at regular spacing along the wall will enhance the green wall feature and provide shade.
- c. Proposed materials include tinted and faced block and brick, precast stone, column treatments, living wall systems and tree pits with understory plantings.

2. Parking and vendor area

- a. The paved and striped central lot area will serve vendors and market activity while also providing parking during non-market periods.
- b. A grass lawn and performance space is proposed at the west end of the lot.
- c. Public restrooms utilizing sustainable design and a market office are adjacent to the lawn area.
- d. Materials include contrasting paving material in the travelway with impervious pavers for pedestrian areas, tinted and faced concrete walls and ramps, impervious paving with shade structure, shade trees, turf area, planting zones, biorention planting measures and pedestrian scale energy-efficient lighting

3. Reconfigure First and Garrett Streets to serve pedestrians and motorists while also providing functionality on both sides of the roadway for Market vendors and reinforcing First Street as a critical pedestrian link between the Downtown Mall and Garrett Street.

- a. Unique paver treatment at the intersection of First and Garrett to announce the central area of the Market
- b. Flush curb on the north side of Garrett Street
- c. Flush tree pits on the north side of Garrett Street along with street lighting to reinforce the edge of the flush curbs and sidewalk transitions
- d. Materials include contrasting impervious pavers for sidewalks, tinted concrete flush and raised curbs, and pedestrian scale energy efficient lighting
- e. Preserve the existing shade trees on the south side of Garrett Street and integrate into the new sidewalk and planting area

Perspective drawings of City Market on Garrett Street include:







- **Benefits**

- Keeps City Market in downtown, one block from existing site and two blocks from Downtown Mall
- Room for City Market to grow
- Flat, shaded green environment, with living wall/sound and safety barrier for the railroad tracks and integrated bioretention plantings
- Close to Water Street parking garage and surface parking on Monticello Avenue
- Allows development of Water Street parking lot and increased property tax revenues and job creation
- Portion of land sale proceeds of Water Street parking lot could pay for City Market site improvements
- Existing food businesses along Garrett Street creates market district opportunity

- **Challenges**

- Adjacent to railroad track. CSX typically runs one low-speed train through downtown on Saturday mornings, which takes about 10 minutes. The intersection has been recently upgraded and has pedestrian railroad crossing arms. While the train causes some disruption, perhaps there is a way to celebrate the train's passing by having a discount sale or some other activity that takes place whenever the train rambles by, making it an exciting part of the Market experience rather than a nuisance.

- Requires City Market to move (although minimal distance)
- Street closing (although one way, limited use)
- Cost of site improvements and leases
- Property owner wants to lease the triangular property, not to sell, but would consider a land swap. Requires agreement with the owner of the parking lot between 1st and 2nd Streets to use the parking spaces on the north side of Garrett Street.

Vendor comments

As part of the on-line vendor survey, current City Market vendors were asked to share their impressions of each plan, highlighting the elements that work and identifying the problems, if any, with each approach.

The vendors made predominately positive comments about the first scenario, with particular mention of the shade, bathrooms, and seating. Several called the plan beautiful.

Concerns mentioned include: not all vendors having access to their vehicles, loss of parking, challenges with set up and tear-down because one fewer entrance into the parking lot, inability to add more vendor spaces, expense of construction, and First Street vendors being cut off from the rest of the market.

The vendors expressed a wider mix of comments about the Garrett Street plan. Some vendors thought it as good or better, while more expressed concerns or a negative reaction.

Positive comments included the expanded size of the market, the availability of more vendor spaces, the larger individual spaces for farmers, the site's flat topography, locating the Market in an underutilized area of downtown, the lower cost to construct, and better east/west orientation for sun control.

Negatives comments included the presence of the train (unsafe, loud, creates barrier), inadequate customer parking, customer flow, too spread out/broken up, stigma of area, further from Mall, change, potential loss of customers, too large, spaces without parking, closing streets to traffic, and feeling like the market is less permanent because it's on the street.

Operations model

The MVI team is asked to recommend an operating model for the market district, including days and hours of operation, key programmatic elements, management requirements, and branding approaches and opportunities.

Schedule of operations

The market research showed potential consumer demand for an expanded operating schedule, particularly for a year-round operation. Since customers come from a fairly wide geographic area and many come to spend time at the Market and socialize, Sunday is the most advantageous next day to capture more customers and to offer the most convenient parking.

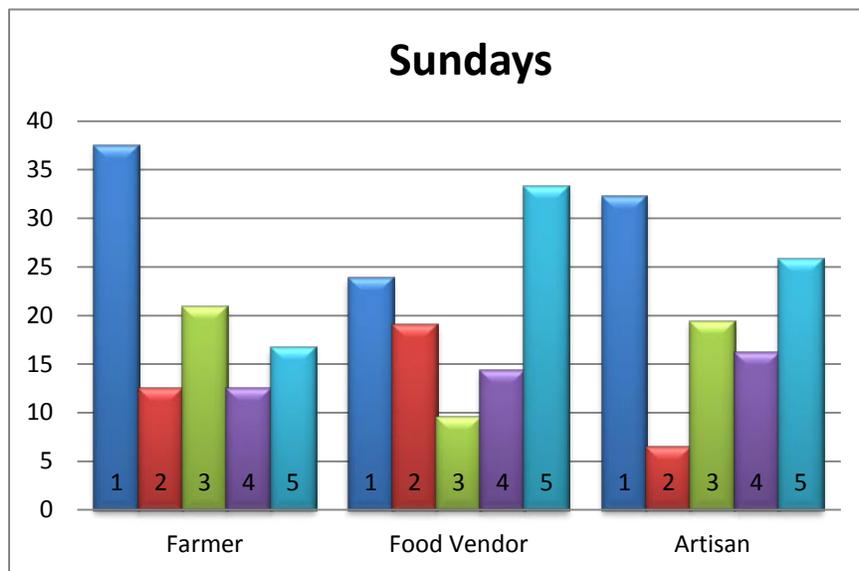
Vendors were asked a series of questions about operations, including about having Sunday hours, an indoor winter market, outdoor winter hours, and operating one weekday

evening. Many vendors showed strong support for the winter market and there were mixed responses to winter hours and operating on a weekday. If winter or weekday hours are contemplated, there will likely be fewer vendors than on Saturdays but still enough to create a viable market.

The following charts show the vendors’ responses to these ideas. Respondents were asked to respond on a scale from 1 to 5, from “1 Not at all likely” to “5 Very likely”:

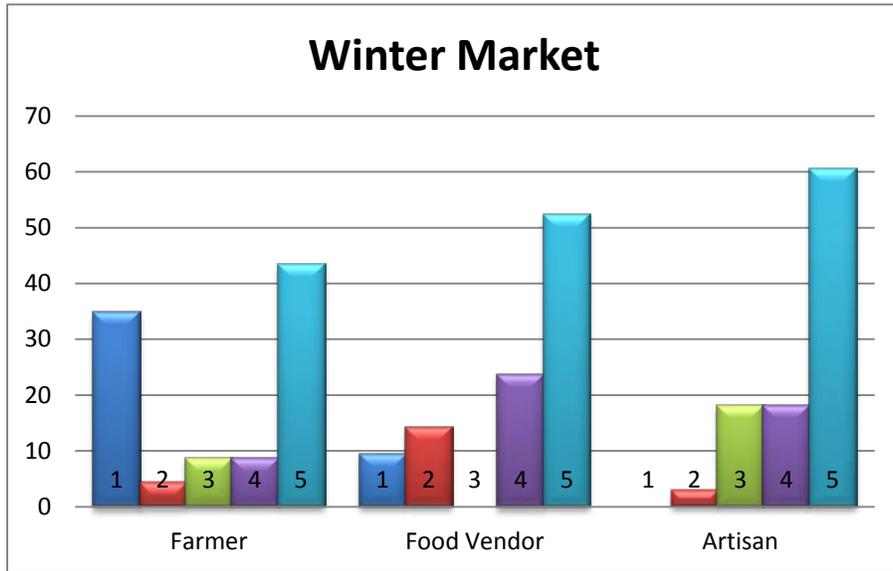
There was a mixed response to Sunday operation. The majority of farmers opposed the idea while the food vendors and artisans were more mixed:

If City Market added a Sunday operation during the regular season (April through October), how likely are you to sell then? (N=76)

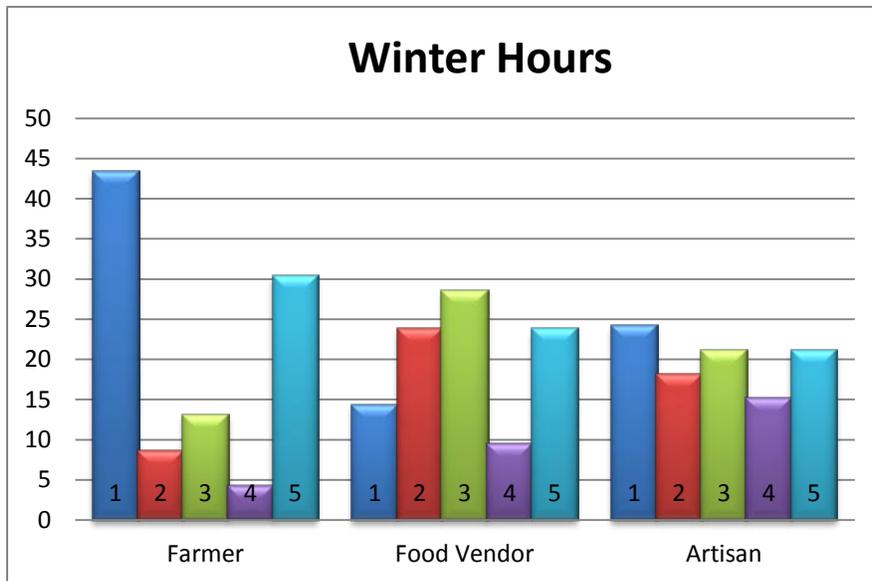


By contrast, many of the vendors showed strong interest in having an indoor Winter Market, while fewer were interested in being open during the winter outside:

If City Market offered an indoor, winter market location elsewhere in the city between November and March, how likely are you to sell there? (N=77)

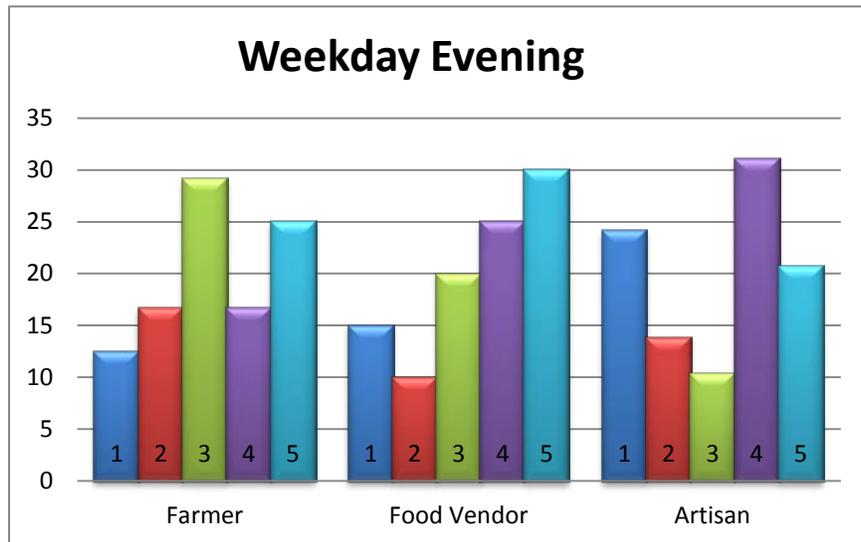


If City Market continued to operate in the open-air on Saturdays from January through March, how likely are you to sell then? (N=77)



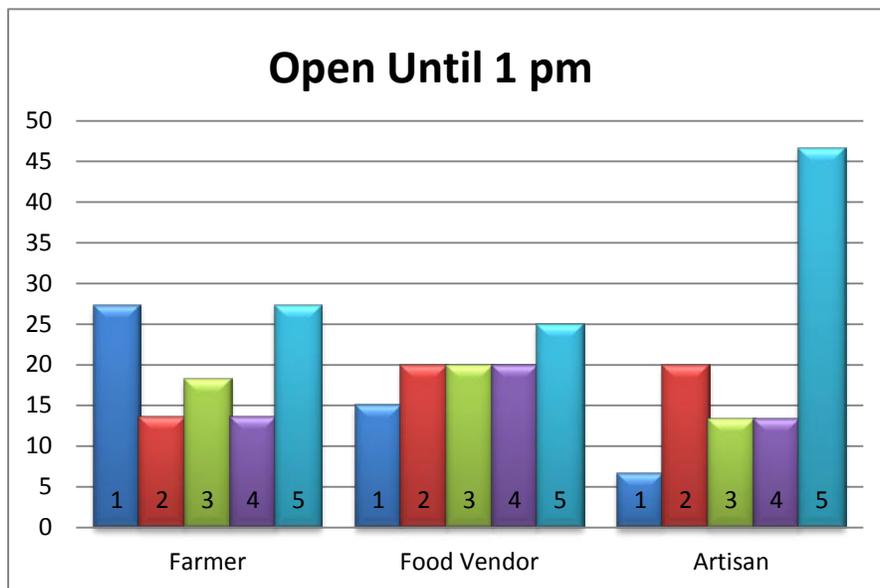
Finally, there were more vendors who wanted to be open on a weekday evening than not:

If City Market added a weekday evening operation (approximately 4 pm to 8 pm) during the regular season, how likely are you to sell then? (N=73)



Vendors were asked if they would like the Market to stay open until 1 pm, rather than close at noon. The farmers were evenly split on this idea, while the food vendors and artisans expressed more support. Some artisans requested that the Market not open until 8 am and stay open until 1 pm.

City Market currently stops operating at 12:00 pm during the regular season. Would you prefer to have the Market operate one hour longer, until 1 pm? (N=72)



Regardless of the site, redeveloping City Market offers a good opportunity to adjust operating hours. Based on the city's objectives, vendor feedback, and the market research, we recommend extending the Market's closing time until 1 pm. We also recommend clustering the prepared food vendors into one area so they can stay longer, if desired. This is done successfully at other similar markets, such as the Boulder Farmers' Market.

We recommend expanding to a weekday evening and creating a winter market, ideally in a building near the outdoor site.

Signage and branding

Either site offers the opportunity to improve signage and branding elements, including banners around the periphery that identify the site as the City Market. The schematic design concepts include signature design features, such as fabric shade structures and the seating areas, which provide the opportunity to brand the area.

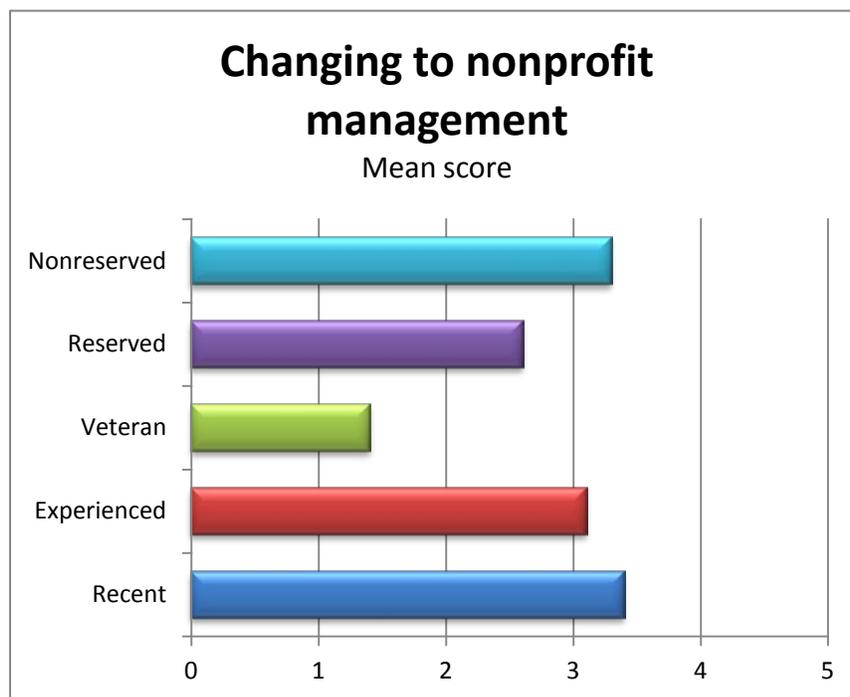
The Garrett Street site offers the opportunity to brand the area as a market district, although this should not occur until the City Market is open multiple days per week. A "market district" should have consistent market activity. Until this happens, it is best to create signage that identifies this area as the home to City Market and test additional days and hours.

Management requirements

Since the proposed changes to City Market are incremental, they do not require substantial changes in management. Rather, the Market will need the capacity to operate additional days with more vendors over time. Since the Department of Parks and Recreation has experience operating farmers' markets at multiple sites on several days, this should present no difficulty.

In the vendor survey, vendors were asked their opinion about changing to a nonprofit management structure. The largest group (42%) said they did not know. Among those who expressed an opinion, 30% were opposed to change and 12% embraced change. Non-reserved vendors more strongly favored change compared to reserved vendors, and veteran vendors were less inclined to change than more recent participants. The following chart shows the mean scores from the five point scale between non-reserved and reserved vendors (top two bars), and between recent, experienced, and veteran vendors (bottom three bars). Mean scores over three suggest being more in favor:

Assuming that rent levels stay the same, what is your opinion about changing to a nonprofit sponsorship and management structure? (N=76)



When asked why they gave these answers, those opposed to changing the management structure generally had a “if it’s not broke, don’t fix it” attitude. They spoke highly of current management. Those in favor of change suggested there could be more community buy-in and support with a nonprofit organization, and a nonprofit could raise more resources for the Market.

If the Market moves to the Garrett Street site and grows substantially larger over time, management capacity will need to grow as well. This is also true if additional days of the week are added or if the Market finds an indoor, winter location. The plaza spaces on both plans offer the opportunity for more programming, such as musical performances and educational activities.

Critical market management tasks include:

- Vendor recruitment and database management
- Policy development (fees, rules and regs)
- Farm inspections
- Craft juries
- Vendor orientation and training
- Marketing
- Educational programming and community outreach
- Site management (stall assignment, rules enforcement, fee collection, financial accounting, security, customer service, maintenance)

- Vendor relationship development (such as the Vendor Advisory Committee)
- Partnership development

Water Street parking lot development potential

If City Market moves to the Garrett Street location, the Water Street parking lot can be redeveloped into a multi-story, mixed use facility. The City has long expressed interest in seeing this area develop since it is among the last large development opportunities in the downtown area. In 2000, a Commercial Corridor Study recommended that this and the adjacent private lot be developed with a mix of residential, office and retail uses over underground parking.

To assess the development potential and assess the property's potential sale value, the MVI team reviewed the city's Comprehensive Plan and zoning code as well as the 2007 design competition for this block. City staff and council members provided input. As presented above in the Market Study section, the MVI team studied current market conditions for land, residential, multifamily and commercial properties in the city to determine past and potential future potential demand and pricing for downtown properties.

Zoning and Comprehensive Plan

The Water Street District in the zoning code allows for up to 43 residential dwelling units per acre and up to 70 feet of total building height by right. A special use permit could allow building height to 101 feet.³

Unlike the 2001 Comprehensive Plan, which offered a detailed urban design vision for the Water Street parking lot and adjacent lots, the 2007 Comprehensive Plan directs the city to “develop plans and process to move ahead with development of City Lot and coordinate with adjacent CPC lot development on Water Street,” as well as “Finalize a long term solution to the location of the City Farmers’ Market” (Chapter 11 Implementation, page 263).

The number of parking spaces included as part of the development will greatly influence the scale of the project (the amount of leasable square footage), which in turn determines the value of the parcel. Based on the team's experience with similar projects in Charlottesville, the cost of construction makes it infeasible to develop parking more than one story below the highest grades on the site. This stands in contrast to the winning 2007 design competition, which showed 2-3 levels of underground parking that spanned all of the properties.

The 2007 Plan references downtown parking in Chapter 5:

As development continues to increase and intensify in the Downtown area, convenient and adequate parking is a primary concern of visitors, businesses and citizens. Charlottesville promotes a walkable multi-modal community, but realizes that cars and driving will always remain a portion of that equation. The entire downtown is part of a parking exempt district, meaning that developers are not required by the Zoning Ordinance to build parking. Reality dictates that new developments will provide parking within a reasonable distance; however with private development, public parking is often replaced with private parking.

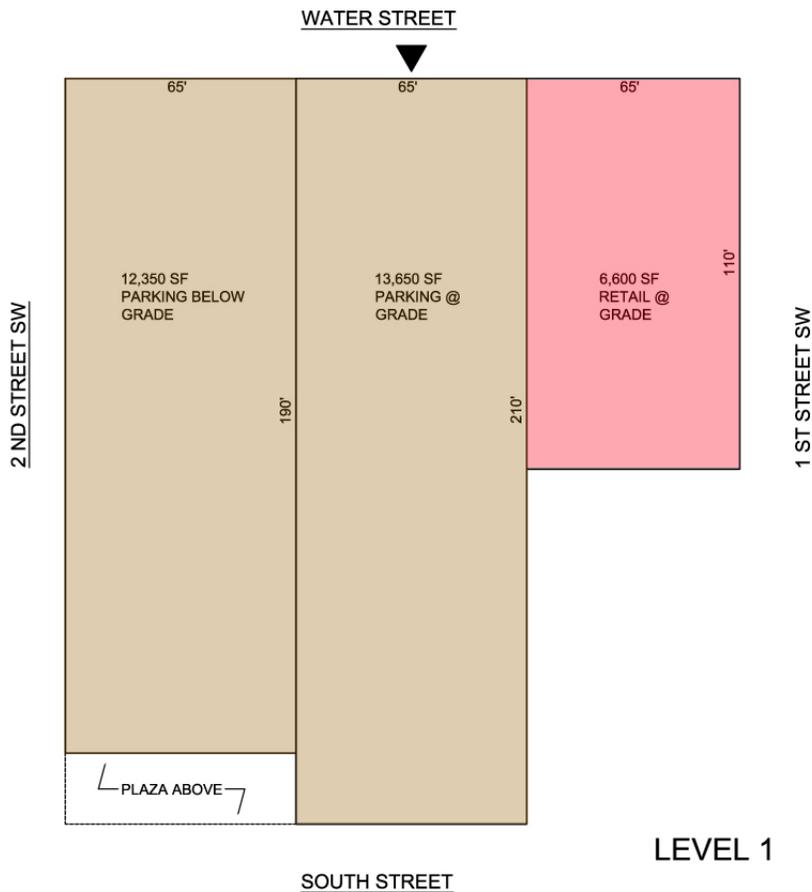
³ http://library.municode.com/HTML/12078/level4/CO_CH34ZO_ARTVIMIUSCODI_DIV11REATSTDIWS.html

Although the current zoning ordinance does not require parking for a development in the Urban Core Parking Zone (unless such development requires a special use permit for residential density above that allowed by right), the project team was directed to accommodate as much parking on site as possible, particularly because the Water Street Garage is nearing capacity. The City’s standard parking requirement is one parking space for every 500 gross square feet of commercial office area and one parking space for each residential unit. For each development scenario, the parking requirement using these standards was calculated.

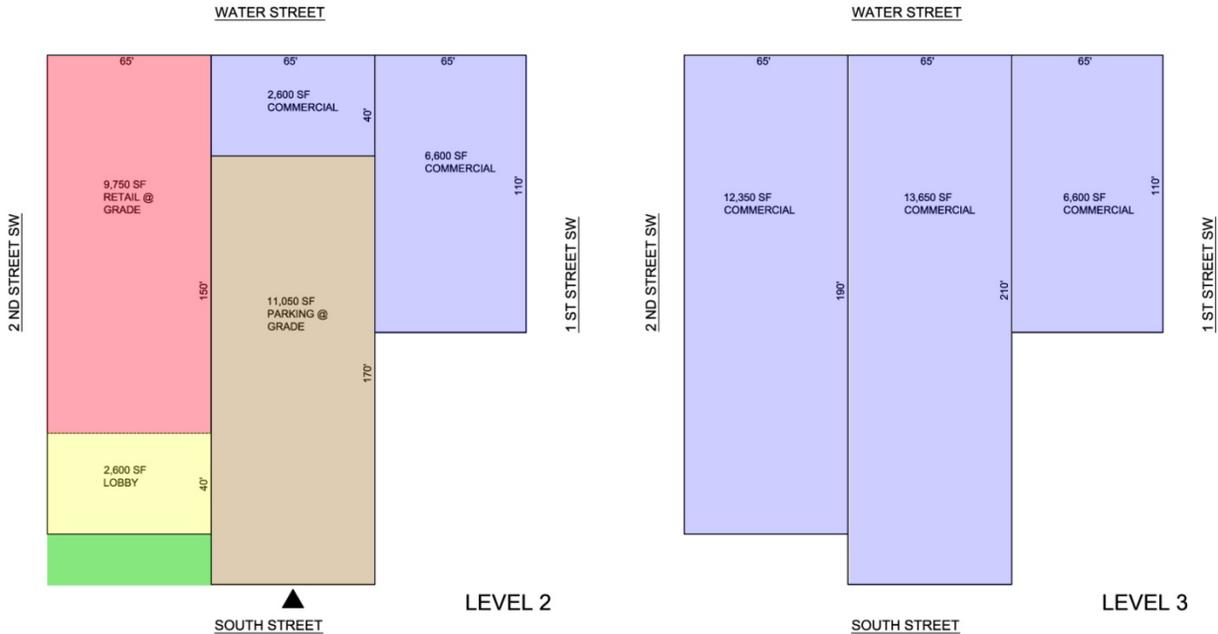
Massing study

The following schematic drawings demonstrate the massing potential on the site and a suggested development approach. The site is divided into three rectangles, each with a 65 foot width. This helps ensure that the block is not monolithic in design. Taking advantage of the significant slope, underground parking is provided in the two westerly bays, with car access from Water Street (indicated by the triangle). Along with parking on Level 2 (accessed from South Street), the site can accommodate between 95 and 105 spaces of structured, on-site parking.

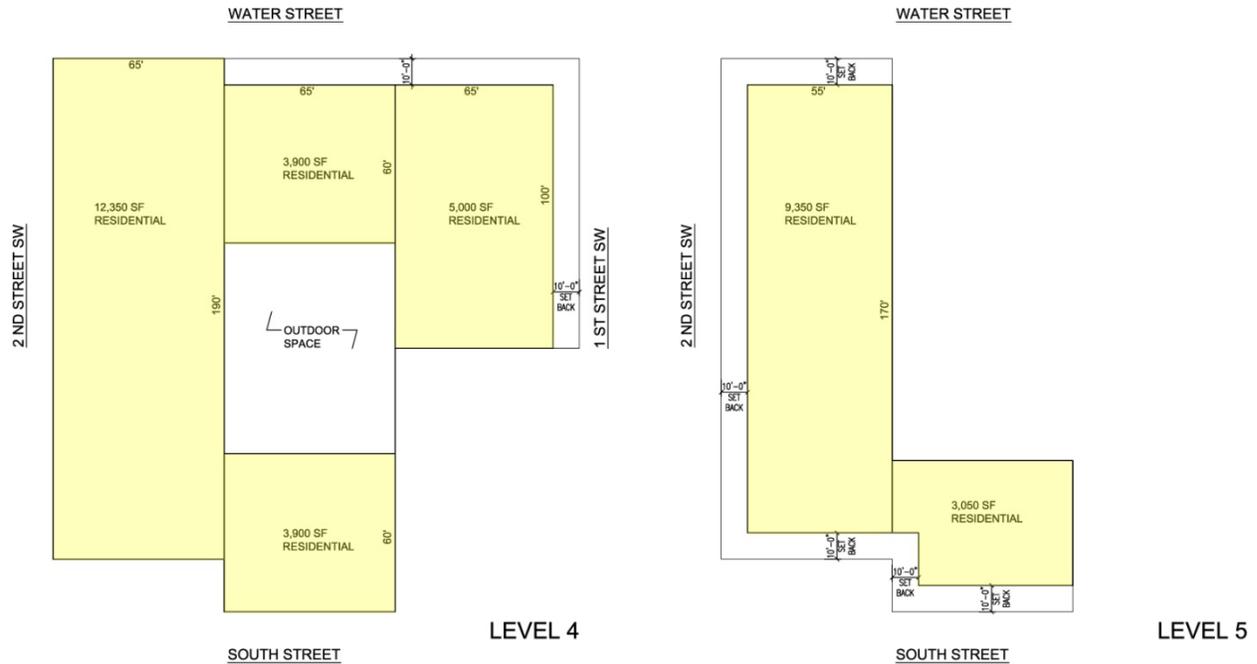
A retail corridor on Level 1 is recommended along First Street to help link the Garrett Street district to the Downtown Mall.



Level two includes a separate parking deck on the central rectangle with access from South Street. There is an open plaza on the corner of South and Second Streets, adjacent to the building's lobby. Retail is proposed along Second Street and commercial/office on First and Water in what is essentially the second level above the street. Level three is all commercial.



The fourth and fifth levels are residential. An outdoor space is proposed in the center of the block to provide substantial light. The fourth level has a proposed ten foot setback along First and Water Streets, as does all of the fifth level. The property could accommodate additional stories, although the design would be reconfigured because the zoning code says there must be a 25' setback above 45' in height.



The following chart shows the square footage of each programmatic function by floor. This schematic design creates a development of 137,200 square feet.

Function	Level					Total
	1	2	3	4	5	
Parking	26,000	11,050				37,050
Retail	6,600	9,750				16,350
Commercial		9,200	33,150			42,350
Residential				25,150	12,400	37,550
Lobby		2,600				2,600
Plaza		1,300				1,300
Total	32,600	33,900	33,150	25,150	12,400	137,200

Redevelopment scenarios

The MVI team created three potential redevelopment scenarios on the Water Street lot to determine likely programmatic mix and land valuation, as well as economic benefits to the city over time. One scenario reflects the square footage in the above massing model. The other two

scenarios are a high density approach and a “parking neutral” approach, meaning the leasable square footage has been scaled to meet the available parking. The three scenarios present a range of options that are consistent with the Comprehensive Plan and the zoning ordinance and provide guidance on potential current land values and future property tax revenues for the City.

The scenarios make the following assumptions:

Parking – Between 95 and 105 spaces of structured, on-site parking are provided in each of the development scenarios. One scenario accommodates the City’s standard parking requirement of one space for every 500 gross square feet of commercial office area and one space for each residential unit. The other scenarios have parking deficits ranging from 41 to 72 spaces.

Gross to net square footage – the model assumes a common area factor of 15% for all three development scenarios. Common areas include lobbies, stairwells, hallways, public restrooms and other spaces that are not directly leasable or salable.

Residential unit size – the model assumes an average of 1,365 square feet per residential unit, including common areas. This is adequate to build a mix of 1 and 2 and 3 bedroom flats. Current zoning would allow 30 units on site without a special use permit.

Sale values for finished square footage – Based on data collected from comparable projects in the downtown area, market values for commercial office and retail square footage are estimated at \$320 per square foot, while residential values are \$400 per square foot. Actual values will likely be in a range and depend on final design, level of finish, parking and common areas provided. Recent sales have been at or above these levels, making these estimates conservative averages, achievable under the current market conditions for quality commercial and residential space in this location.

Development period and absorption – The development scenarios assume that the buildings are constructed and sold in the present. No specific assumptions are made with regard to development period or annual absorption of finished commercial/residential units, although the scenarios reflect a level that the MVI team believes can be absorbed within a reasonable period. The scenarios are, in effect, a snapshot in time. In a real development scenario, revenue would be projected into the future and land value would, in part, be derived through a discounted cash flow model. The projected development period would be an important factor in determining the value of the land today. However, for purposes of this analysis, using time value would not have produced any greater degree of accuracy because there is no clear schedule for sale of the property and development costs are not an important variable in determining the financial impact of the project to the City.

Land value – Land values in each scenario were estimated by multiplying the total project value by 15%. The 15% factor has proven to be a reliable metric when evaluating multistory commercial and residential developments to be sold at retail values upon completion. To verify these numbers, the model also compares this derived value to other property sales in the downtown area using two measures: (1) cost per square foot of land purchased and (2) cost per square foot of building area, post development. The sales comparisons validated the 15% factor and resulting range of land values.

The closest comparable sale was another Water Street property one block from the Water

Street parking lot. The property is similar in size and scope of development. Finished square footage value is higher than our scenarios but the property was purchased at the height of the market in 2006. Our metrics for the Water Street parking lot suggest a similar present land value more than 6 years later, the result of the market crash in 2008 and a long, slow recovery that is just now getting legs. Attached in Appendix C is a list of comparable land and redevelopment sales.

Based on these assumptions, the Water Street parking lot's land value ranges from \$3.5 to \$5.0 million. Annual real estate tax revenues range from \$234,000 to \$318,000. The higher property values are the result of more leasable square footage and a higher parking deficit, meaning tenants will need to find parking off-site.

Site & Building Data/assumptions:

Site Area (square feet)	30,579	
Current Tax Assessment	\$1,675,000	
Available Building Footprint (sf)	27,300	
Total SF per Bay	13,650	(65'x210')
Net leasable/salable SF per bay	11,600	
Net leasable to Gross SF Ratio	0.85	
Gross SF per residential unit	1,365	
Parking per bay (see drawing)	35	
Retail values per SF	\$320-\$400	

	Scenario A	Scenario B	Massing Study
	Higher Density	Parking Neutral	Medium Density
New Construction Area (SF)			
Plaza Retail	2,800	2,800	6,600
Commercial Office/retail	68,250	31,805	54,150
Residential	40,950	40,950	37,550
Total Stories	6	5	5
Finished Values (based on net leasable/salable sf):			
Plaza Retail	\$ 980,000	\$ 980,000	\$ 2,310,000
Commercial Office/retail	\$ 18,564,000	\$ 8,650,824	\$ 14,728,800
Residential	\$ 13,923,000	\$ 13,923,000	\$ 12,767,000
Total Project Value	\$ 33,467,000	\$ 23,553,824	\$ 29,805,800
Potential Land Value	\$ 5,020,050	\$ 3,533,074	\$ 4,470,870
Annual Real Estate Tax Revenue	\$ 317,937	\$ 223,761	\$ 283,155
Parking			
Residential Parking Demand	41	41	28
Commercial Parking Demand	137	64	108
Total Parking Demand per Code	177	105	136
Public Parking Provided	-	-	
Private Parking Provided	105	105	95
Parking Shortage (by code)	(72)	(0)	(41)

Disclaimer: All information contained herein is for illustrative purposes only. Information herein has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guaranty, warranty or representation about it. Assumptions, estimates and comments are opinions, not facts.

Implementation Strategy

City Market development cost estimate

The MVI team created an initial cost estimate to construct the proposed site elements for City Market on both proposed sites, with two scenarios for each site: full build-out as drawn and a reduced level of finish. Detailed cost estimates were provided to the City. As the chart below shows, construction costs for the Water Street parking lot range from \$2.6 to \$4.4 million, while the Garrett Street site is estimated between \$1.8 and \$3.7 million.

Construction item	Existing site		Garrett Street	
	As drawn	Reduced	As drawn2	Reduced2
Survey & demolition	\$ 322,500	\$ 322,500	\$ 107,500	\$ 107,500
Utilities	\$ 299,000	\$ 124,000	\$ 380,125	\$ 117,625
Road work	\$ 242,000	\$ 242,000	\$ 239,750	\$ 168,000
Hardscape	\$ 1,842,750	\$ 898,900	\$ 1,458,500	\$ 568,200
Landscape	\$ 224,800	\$ 113,080	\$ 165,230	\$ 99,150
Furnishings	\$ 157,000	\$ 157,000	\$ 157,000	\$ 157,000
General conditions	\$ 309,000	\$ 186,000	\$ 251,000	\$ 122,000
Contingency	\$ 618,000	\$ 372,000	\$ 502,000	\$ 244,000
Admin	\$ 375,000	\$ 222,500	\$ 400,000	\$ 172,500
Total	\$ 4,390,050	\$ 2,637,980	\$ 3,661,105	\$ 1,755,975

In addition to these construction costs, rebuilding the existing Water Street parking lot would require finding a home for City Market during the approximate year of construction, which might have some associated costs.

Sources of funds

There are not identified funds to pay for construction on the Water Street parking lot. Funds would likely need to come from the city's capital improvement dollars and perhaps private fundraising.

Funds for the Garrett Street renovations could come from part of the sale proceeds of the Water Street parking lot to a private developer.

Roles and partnerships

Implementation of the redevelopment scenario at the current site will require capital fundraising of between \$2.6 and \$4.4 million. As the owner and operator of City Market, the City of Charlottesville is proposed to be the lead agency to implement this plan. If the Market vendors and the nonprofit organizations that support the Market, including the CMDA, prefer this plan, perhaps they can be challenged to provide matching funds to help pay for the improvements.

The Garrett Street scenario will require an agreement between the City and the two property owners to secure the lots for the Market. Once the Garrett Street scenario is secure, then the City can issue an RFP for qualified developers to purchase the city-owned Water Street parking lot and propose a mixed use development along the lines described in this report.

Operations pro forma

City Market's operating statements for the past two years, provided by the Department of Parks and Recreation, show that the Market operates in the black:

	FY2011	FY2012
Rental Income		
Rental income	100,845	107,253
Gross Operating Income	100,845	107,253
Operating Expenses		
Equipment	\$1,420	\$1,975
Insurance	\$473	\$465
Marketing/Education	\$10,012	\$12,475
Misc	\$145	\$15
Office rent/telephone	\$494	\$626
Salaries & benefits	\$55,800	\$56,789
Printing	\$363	\$739
Professional/legal fees	\$1,284	\$894
Supplies	\$3,971	\$4,100
Travel	\$2,494	\$0
Utilities	\$258	\$273
<i>Subtotal</i>	\$76,712	\$78,351
Net Operating Income	\$24,133	\$28,902

Revenue comes from a yearly registration fee of \$35 per vendor, rents charged to vendors, and electricity fees:

- Rents: Vendors pay 6% of their gross sales, which they report at the end of each market day. In 2012 the Market instituted a minimum \$10 rent (this applies to vendors who report sales of less than \$167). Starting July 1, 2013, the Market is raising the minimum fee to \$15 and raising the percentage to 7% of gross sales.
- Electricity: 6-7 vendors utilize electricity and pay \$55 per year.
- Sales tax: Vendors without their own tax ID number are also required to pay applicable taxes (2.5% for food or 5% for nonfood) at the end of each market day. These taxes are passed through to the appropriate taxing entity and do not appear on the P&L.

The largest operating expenses are salaries and benefits paid to Market staff, followed by advertising and supplies.

Scenario 1: Water Street Parking Lot

The reconfigured parking lot provides the opportunity to increase revenue because the number of vendor stalls can grow from 103 to 135. The proposed site improvements, including the expansion of stall width to 10 feet, should increase vendors' sales and therefore increase Market rent revenue (by virtue of the percentage rent structure). The number of spaces with vehicles drops from 82 to 76, however, which might have a small impact on sales for those few vendors who no longer have their vehicles at their stalls.

The increase in the number of vendors will cause additional pressure on management staff so the proposed budget includes a 30% increase in staffing costs to reflect the (eventual) 30% increase in the number of vendors and a 50% increase in marketing expenditures to help ensure more customers for the increasing number of vendors. Other operating expenses are not expected to change significantly. All other expenses increase 5% each year over the FY2012 level.

Depending on the extent of site construction, there will likely be a full season when the Market needs to temporarily relocate. This could lead to a significant drop in vendor sales and Market revenue for the construction period, although extensive customer outreach and marketing to the Market's loyal customers will mitigate the impact.

The following P&L shows the most recent two year operating experience and projections for years 1-3 at the redeveloped site under the assumption that the average number of vendors will be 110 in Year 1, 115 in Year 2, and 120 in Year 3. This model shows 30 operating days per year:

	Actuals		Scenario 1: Water Street Lot		
Water Street Lot	FY2011	FY2012	Year 1	Year 2	Year 3
Revenues					
Rental income	100,845	107,253	143,220	154,222	165,755
Registration fees			5,250	5,775	6,300
Utility fees			950	1,000	1,050
Gross Operating Income	100,845	107,253	149,420	160,997	173,105
Operating Expenses					
Equipment	\$1,420	\$1,975	\$2,074	\$2,177	\$2,286
Insurance	\$473	\$465	\$488	\$513	\$538
Marketing/Education	\$10,012	\$12,475	\$18,713	\$19,648	\$20,631
Misc	\$145	\$15	\$16	\$17	\$17
Office rent/telephone	\$494	\$626	\$657	\$690	\$725
Salaries & benefits	\$55,800	\$56,789	\$73,826	\$77,517	\$81,393
Printing	\$363	\$739	\$776	\$815	\$855
Professional/legal fees	\$1,284	\$894	\$939	\$986	\$1,035
Supplies	\$3,971	\$4,100	\$4,305	\$4,520	\$4,746
Travel	\$2,494	\$0	\$0	\$0	\$0
Utilities	\$258	\$273	\$286	\$300	\$315
<i>Subtotal</i>	\$76,712	\$78,351	\$102,080	\$107,184	\$112,543
Net Operating Income	\$24,133	\$28,902	\$47,340	\$53,813	\$60,562

Notes

Expense inflator	5.0%
Year 1 labor inflator over 2012	30.0%
Marketing inflator over 2012	50.0%

Revenue	FY2011	FY2012	Year 1	Year 2	Year 3
Rental income					
Average # vendors	111	102	110	115	120
Average daily sales	\$419	\$562	\$620	\$639	\$658
Market days/year	30	30	30	30	30
Percentage rent	6.0%	6.0%	7.0%	7.0%	7.0%
Annual rent	\$83,658	\$103,220	\$143,220	\$154,222	\$165,755
Sales inflator				3.0%	3.0%
Registration fee					
Reserved vendors	103	103	110	120	130
Nonreserved vendors	30	30	40	45	50
Registration fee	\$35.00	\$35.00	\$35.00	\$35.00	\$35.00
Fees	\$4,655	\$4,655	\$5,250	\$5,775	\$6,300
Utilities					
Vendors using utilities	6	6	19	20	21
Utilities/year	\$25	\$25	\$50	\$50	\$50
Utilities fees	\$150	\$150	\$950	\$1,000	\$1,050
Vendors saying "very likely" will use electricity			17.1%		

Scenario 2: Garrett Street

As with the first scenario, the increased number of vendor stalls at the Garrett Street site allows Market revenues to increase as more vendors eventually are added to the Market. For financial modeling, the number of vendors grows from 120 in Year 1 to 140 in Year 3. The site, however, can accommodate 148 vendors south of the railroad track and another 34 vendors to the north, so there is ample opportunity to grow the Market if supply and demand factors allow.

Income on the Garrett Street site includes parking revenues from non-Market days. The parking is valued at \$75 per space per month times 34 spaces.

Expenses on the Garrett Street site include rent for the triangular parking lot at \$72,000 per year plus rent estimated at \$7,200 for use of the 20 parking spaces on the First Street lot on Saturdays.

Staff costs are increased by 40% over current levels to account for the larger number of vendors and the marketing budget is raised by 50% in order to make customers aware of the new

site. All other expenses are consistent with FY2012 costs.

Garrett Street	Actuals		Scenario 2: Garrett Street		
	FY2011	FY2012	Year 1	Year 2	Year 3
Revenues					
Rental income	100,845	107,253	156,240	174,338	193,381
Registration fees			5,600	6,125	6,650
Utility fees			1,050	1,100	1,200
Parking (triangle lot)			30,600	30,600	30,600
Gross Operating Income	100,845	107,253	193,490	212,163	231,831
Operating Expenses					
Equipment	\$1,420	\$1,975	\$2,074	\$2,177	\$2,286
Insurance	\$473	\$465	\$488	\$513	\$538
Marketing/Education	\$10,012	\$12,475	\$18,713	\$19,648	\$20,631
Misc	\$145	\$15	\$16	\$17	\$17
Office rent/telephone	\$494	\$626	\$657	\$690	\$725
Parking management fee			\$1,224	\$1,224	\$1,224
Rent - Triangle lot			\$72,000	\$72,000	\$72,000
Rent - Parking edge			\$7,200	\$7,560	\$7,938
Salaries & benefits	\$55,800	\$56,789	\$79,505	\$83,480	\$87,654
Printing	\$363	\$739	\$776	\$815	\$855
Professional/legal fees	\$1,284	\$894	\$939	\$986	\$1,035
Supplies	\$3,971	\$4,100	\$4,305	\$4,520	\$4,746
Travel	\$2,494	\$0	\$0	\$0	\$0
Utilities	\$258	\$273	\$750	\$788	\$827
<i>Subtotal</i>	\$76,712	\$78,351	\$188,646	\$194,417	\$200,477
Net Operating Income	\$24,133	\$28,902	\$4,844	\$17,745	\$31,354

Notes

Annual expense inflator	5.0%
Yr 1 labor inflator over 2012	40.0%
Marketing inflator over 2012	50.0%

Revenue	FY2011	FY2012	Year 1	Year 2	Year 3
Rental income					
Average # vendors	111	102	120	130	140
Average daily sales	\$419	\$562	\$620	\$639	\$658
Market days/year	30	30	30	30	30
Percentage rent	6.0%	6.0%	7.0%	7.0%	7.0%
Annual rent	\$83,658	\$103,220	\$156,240	\$174,338	\$193,381
Sales inflator				3.0%	3.0%
Registration fee					
Reserved vendors	103	103	120	130	140
Nonreserved vendors	30	30	40	45	50
Registration fee	\$35.00	\$35.00	\$35.00	\$35.00	\$35.00
Fees	\$4,655	\$4,655	\$5,600	\$6,125	\$6,650
Parking lot rent					
Monthly rent/space					
Saturdays	\$30				
Spaces	20				
Months	12				
Annual cost	\$7,200				
Utilities					
Vendors using utilities	6	6	21	22	24
Utilities/year	\$25	\$25	\$50	\$50	\$50
Utilities fees	\$150	\$150	\$1,050	\$1,100	\$1,200
Vendors saying "very likely" will use electricity			17.1%		

This analysis shows that both sites can operate in the black. The Water Street lot operates with higher net income because there is no direct rental cost of the property, although there are several lost opportunity costs: selling and redeveloping the lot, receiving property tax income from a multistory private building, and the economic multiplier effects from the commercial, retail, and residential activities taking place on the site.

Conclusion and Next Steps

The following chart shows the development principles for City Market and compares the two scenarios in terms of their ability to satisfy the principles. Both plans achieve most of the principles, with the Water Street parking lot falling short in two areas: ability to accommodate phased growth for City Market and the opportunity to maximize the development potential of the parking lot. The Garrett Street site can accomplish every principle:

	Parking Lot	Garrett
Keep City Market in downtown Charlottesville	√	√
Build on the success of current weekly outdoor producer-only market	√	√
Maintain an open-air, distinctly different shopping experience from supermarkets	√	√
Accommodate phased growth of City Market	X	√
Create a dynamic downtown place that attracts the region's residents and visitors	√	√
Promote healthy lifestyles and a sustainable community	√	√
Add site amenities: bathrooms, electricity, water, places to sit, shade	√	√
Maximize development potential of the city's parking lot with a realistic development scenario that can move forward in the near term	X	√

The following chart summarizes the number of vendor and parking spaces in each scenario:

	Water Street Parking Lot		Garrett Street Site		
	Existing	Improved	S. of RR comp	S. of RR max	N. of RR
City Market configuration					
Vendor stalls - total	103	135	105	148	34
Vendor stalls w/ parking	82	76	95	91	0
Percent w/ parking	80%	56%	90%	61%	0%
Non-market days					
Parking - lot	102	76	34	34	
Parking - street	32	30	63	63	
Parking - total	134	106	97	97	

The following chart summarizes the income and expenses from the two scenarios:

	Scenario 1: City Market on Water St.	Scenario 2: City Market on Garrett St.
Parking lot sale income	\$0	\$4,500,000
City Market redevelopment cost	(\$4,400,000)	(\$3,700,000)
Net income to City	(\$4,400,000)	\$800,000
Annual property tax income	\$0	\$283,000
City Market net income (year 3)	\$61,000	\$31,000

Keeping City Market at the current site and making the recommended physical improvements will incur approximately \$4.4 million in construction costs. There is not an identified source of funding. By contrast, moving City Market to Garrett Street will result in about \$800,000 of net income to the city as well as \$283,000 in property tax income annually.

Next steps

If the Charlottesville City Council decides to move forward with one of the two scenarios, then the project can enter the predevelopment phase. For the Garrett Street scenario, this includes lease, purchase, or land swap for the Garrett Street properties, design development services leading to construction documents, and creation of an RFP for developers to buy the Water Street parking lot and create a mixed use development. For the Water Street parking lot scenario, this includes identification of funding, design development services, and an interim plan to move City Market to a temporary location during the construction period.

Appendix A. Advisory Committee

Name	Title	Organization
Bob Stroh	General Manager	Charlottesville Parking Center, Inc.
Cheri Lewis	Attorney	City Market Task Force 2011
Brian Daly	Director, Parks & Rec	City of Charlottesville
Satyendra Huja	Mayor	City of Charlottesville
Stephanie Malloy	Market Manager	City of Charlottesville
Dave Norris	City Council	City of Charlottesville
Brevy Cannon	Board member	CMDA
Stacy Miller	Project Director	CMDA/Farmers' Market Coalition
Cecile Gorman	Board member	Market Central
Fabian Kuttner	Developer	Monticello Associates
Michael Clark	Farmer	Planet Earth Diversified
Dave Fafara	Owner	Shenandoah Joe Coffee
Michael Anello	Farmer	Star Hill Farm

Appendix B. Interviews

Name	Title	Organization	Category
Fabian Kuttner*	Developer	Monticello Associates	Business
Bob Stroh*	General Manager Asst. City Traffic	Charlottesville Parking Center, Inc.	Business
Jared Buchanan	Engineer	Traffic Department	City official
Brian Daly*	Director, Parks & Rec	City of Charlottesville	City official
Satyendra Huja*	Mayor	City of Charlottesville	City official
Maurice Jones	City Manager	City of Charlottesville	City official
Lucy Lamm	Assist. Market Manager	City of Charlottesville	City official
Stephanie Malloy*	Market Manager	City of Charlottesville	City official
Dave Norris*	City Council	City of Charlottesville	City official
Ronnie Roberts	Lieutenant	Police Department	City official
Steve Walton	Fire Marshall	Fire Department	City official
Mark Watson	PHA, Director of Project Development	Place Design Task Force	City official
Gary Whiting	Fire Marshall	Fire Department	City official
Brigitte Belanger- Warner	Dir of Sales & Marketing	Charlottesville CVB	Nonprofit
Kurt Burkhart	Executive Director	Charlottesville CVB	Nonprofit
Brevy Cannon*	Board member	CMDA	Nonprofit
Cecile Gorman*	Board member	Market Central	Nonprofit
Paul Kapfor	Board member	CMDA	Nonprofit
Cathy Kilday	Board member	CMDA	Nonprofit
Stacy Miller*	Project Director	CMDA/Farmers' Market Coalition	Nonprofit
Lisa Reeder	Farm Services	Local Food Hub	Nonprofit
Cheri Lewis*	Attorney	City Market Task Force 2011	Other
Kate and Eric Collier	Owner	Feast, West Main Market	Retailer
Tom Cervelloni	Owner	Donut Guy	Vendor
Dave Fafara*	Owner	Shenandoah Joe Coffee	Vendor
Michael Anello*	Farmer	Star Hill Farm	Vendor/Farmer
Michael Clark*	Farmer	Planet Earth Diversified	Vendor/Farmer
Holly Hammond	Owner	Whisper Hill Farm	Vendor/Farmer
Diane LaSauce	Owner	Free Union Produce	Vendor/Farmer
Stephanie Meyers	Owner	New Branch Farm	Vendor/Farmer
Kathy Philhour	Owner	The Orchid Station	Vendor/Farmer
John Whiteside	Owner	Wolfe Creek Farm	Vendor/Farmer

Appendix C. Land Comparables

Downtown Charlottesville Land & Redevelopment Sales									
Transfer Date	Property	Address	Size Parcel - SF	Post Dev. Building SF	Sale Price	Price per SF of land dev.	\$/SF of Bldg. post dev.	Comments/Adjustments	
3/31/2006	Waterhouse Property	218 Water Street	33,977	141,000	\$ 4,575,000	\$134.65	\$ 32.45	Similar size, similar location Similar mixed use development Purchased at the market peak Building SF includes a 6,000sf addition being built in 2013	
7/24/2008	Gleason Building property	176 Garrett Street	55,321	148,325	\$ 3,450,000	\$ 62.36	\$ 23.26	Close but inferior location Preexisting building is adaptively reused	
9/10/2010	West Main Market Annex	505 West Main Street 107 6th Street NW	30,056 12,545	11,528 6,776	\$ 1,800,000	\$ 42.25	\$ 98.34	Smaller tract and building Close but inferior location No new construction	
9/23/2010	Martha Jefferson Hospital	459 Locust Ave	348,916	149,591	\$ 6,500,000	\$ 18.63	\$ 43.45	Larger Tract with large building. Close but not in downtown core Significant functional obsolescence	
SUBJECT	PROPERTY	Medium Density Dev.							
5/6/2013	City Market Block	Water and 1st/2nd Streets	30,579	98,300	\$ 4,470,870	\$146.21	\$ 45.48	Est. Value is based on development plans with 51 off-site parking spaces.	
Notes: SF Values shown are based on data collected from Charlottesville Online tax & GIS records, CBRE, and conversations with property owners. No legal appraisal of market value is expressed or implied with data shown. It merely provides comparative data for other sales near the subject property. Sale price shown for Subject Property is hypothetical. Development scenarios proposed suggested possible values between \$9.5MM and \$5MM Actual value will be determined based on market conditions, zoning restrictions and contract terms at the time of sale. The information herein has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty of representation about it. Estimates, assumptions, notes and comments are opinions, not facts, and all information is for illustrative purposes only.									