

Comprehensive Housing Analysis
Twin County Region
City of Galax, Carroll County and Grayson County, Virginia

Prepared for:

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Jimmy,

Attached is our comprehensive housing study for the Twin County Region, which includes the City of Galax, Carroll County and Grayson County. The report is designed to analyze the current and potential market for new homes within the region. It is intended to provide detailed market data on the Twin County Region economy and its various housing markets. The goal of this report is to provide a realistic strategy to attract new housing to the region.

The primary housing study conclusion is that the current housing market is underserved, old and outdated. The study shows ample demand for new housing unit development, based on (1) sizable local and regional job growth, (2) a loss of population due in part to inadequate housing and (3) steady growth among the region's senior population.

Nearly all new rental units added to the regional housing stock over the past decade involved conversions of older homes into rental properties. These have not satisfied demand, and in many cases, have not provided the housing types that are most sought after. Even with these additions, there are seldom any vacant rental units in the region. Furthermore, almost no new speculative homes for sale have been built in the region in at least a decade. Thus, there has been no new home sales market either for seniors, who require more accessible homes with limited maintenance, or entry-level homebuyers.

In addition is a positive economic outlook for the region. Over 400 new jobs are expected in the Twin County Region over the next few years, with several hundred additional prospective jobs potentially in the pipeline. Moreover, there are over 9,000 new jobs proposed to be added in neighboring jurisdictions that also face housing shortages. This level of job growth is a sharp increase over past trends. With a low unemployment rate of only 2.9 percent, future employment growth will support housing unit demand in the Twin County Region.

A second study conclusion is that several viable development sites exist to support new housing of various types. Most of these properties are readily available for development but would need to be rezoned. Many of the available development sites may also need to be subdivided to support the type of housing recommended in this report, as many are large

properties. Several of these are City and County-owned properties, which provides a unique opportunity to attract new development.

The above market study conclusions are detailed in the attached report along with our estimate of potential new housing demand. With support from public officials, the pent-up demand for new and better housing can be supported over time.

Sincerely,

Ariel Goldring

Ariel Goldring
President

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Introduction

Officials in the Twin County Region, which includes the City of Galax, Carroll County and Grayson County, have recognized a longstanding issue related to housing availability of various types. This has become an acute problem across the Mount Rogers Planning District, where this region is situated, and is an especially pressing concern given the level of future job growth both within the Twin County Region and in neighboring communities that also face housing shortages. Public officials, area employers, property managers and realtors universally report challenges in attracting new residents due to housing availability, diversity, and quality.

As will be fully documented in this report, future job growth in the region exceeds past trends. This has added pressure to a chronically tight housing market that has delivered a modest number of new housing units over the past decade. Filling these jobs and allowing new and existing employees to reside locally depends on the ability of the region to add new housing. To supplement this employment-induced demand is the steady growth in the active adult population, a segment of the housing market that is not currently being served with new or adequate housing. Thus, the following report concentrates on job growth and retention as well as an aging population as the initial bases to generate new housing unit demand.

The study to follow provides a comprehensive analysis of the Twin County Region, which includes the City of Galax, Carroll County and Grayson County. The region also includes four towns: Fries, Independence, Hillsville and Troutdale. This report is the second in a series of market analyses undertaken by S. Patz & Associates for the multiple housing markets that comprises the Mount Rogers Planning District. The purpose of these analyses is to identify strategies to generate “brick and mortar” results. Opportunities exist, and local public officials are committed to providing support as they have echoed the business community’s desire for new housing.

The study to follow is divided into four sections. The first section is the Twin County Region Analysis, which analyzes the location of the Twin County Region to the south of the Interstate-81 corridor and north of the North Carolina state line. Presented next is an Economic Overview Analysis that describes trends in at-place jobs and employment. This section also

documents the level of future job growth in the Twin County Region, the Mount Rogers Planning District and other neighboring communities. As will be shown, the level of future employment growth in the region and in nearby areas is significant, representing a positive shift over past trends. An analysis of the employment impacts of the COVID-19 pandemic is also included in this subsection.

A second part of the Economic Overview is the demographic analysis of the Twin County Region, which analyzes population and household trends, with particular attention related to trends in household income, tenure and age. Within a negative growth marketplace such as the Twin County Region, studies of this type present challenges for demographic projections. These are difficult to establish, as trend data show a population decline. The key market finding is how to change these recent trends.

The third section analyzes the various housing markets in the Twin County Region in terms of new additions, tenure, home prices and rents. This section analyzes both the for-sale and rental markets. The for-sale market has been dominated by resales and second home sales. There has been no market for new home sales in at least a decade. There has been some growth in the rental market over the past two decades, with net expansions in the rental housing stock primarily consisting of conversions of homes that were originally built to be sold. There is no identified senior-related housing market in the Twin County Region at this time. Apart from a small number of rental units with deep rent subsidized, there are no age-restricted apartment units for rent or homes for sale in the region. The ability to establish such a market will be fully studied, as demographic trends show a sizable and well-established older adult population.

The fourth section of the report is an analysis of the available development sites in the Twin County Region. The availability of multiple attractive sites for new housing unit development, including both vacant land and buildings conducive for adaptive-reuse, provides excellent opportunities to address the identified housing challenges. Several are publicly owned properties, which presents added opportunities for new development.

The fifth and final section is the Conclusions, which provide a strategy for new housing development in terms of: (1) site locations, (2) sales prices and rental rates, (3) housing types and (4) target markets. These are presented in general terms as a guide to attract homebuyers and renters.

Section I: Twin County Region Setting Analysis

The Twin County Region is comprised of the City of Galax, Carroll County and Grayson County in the southeastern portion of the Mount Rogers Planning District. This is a large geographic area, but apart from Galax and a handful of small towns, most of the region is rural with limited new housing or commercial activity. As will be documented in this report, the region has regenerated a small number of new housing units for rent or for sale over the past decade. The region is typically defined as a single housing market that is distinct from the housing markets to the north, along the I-81 corridor, and to the south, in North Carolina.

Map A shows that U.S. Route 58 essentially bisects the Twin County Region in an east-west direction, providing direct access to the region's three major population and employment centers: the City of Galax, the Town of Independence and the Town of Hillsville. Most of the area's housing and employers are located along and near this roadway. This is an east-west highway system that runs for over 500 miles from U.S. Route 25E just northwest of Harrogate (TN) to U.S. Route 60 in Virginia Beach (VA). Smaller population clusters in the region include the towns of Fries and Troutdale, which are located north of U.S. Route 58 in Grayson County. Neither of these two towns are generating a significant level of job or population growth at this time.

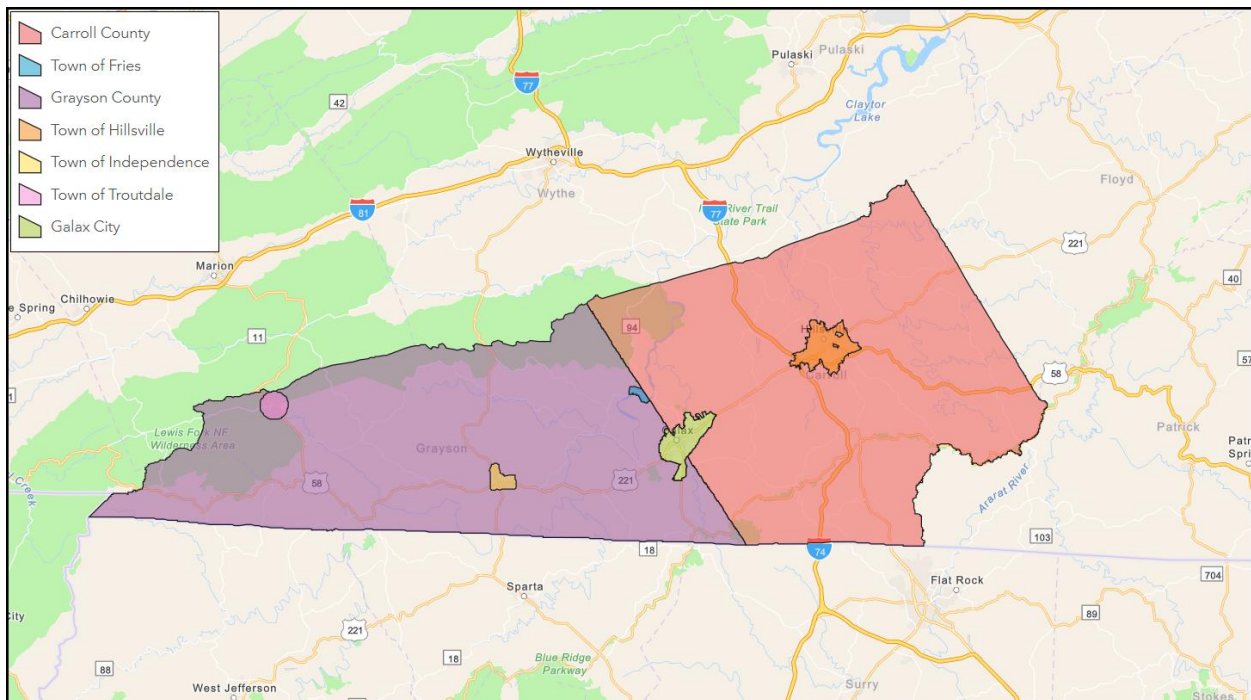
Galax, situated in the center of the region, is a small city that encompasses approximately 8.2 square miles. Nearly 55 percent of developed land in Galax, or approximately 2,900 acres, is used for residential purposes, with single-family detached homes accounting for roughly 70 percent of the City's housing stock. Over 22 percent of the City's land is undeveloped, though approximately one third of the vacant 1,180± acres are not developable due to various constraints such as topographic issues (sloped terrain) and draining conditions. Several vacant parcels also have environmental issues that would need to be mitigated prior to any new housing unit development. Galax, and adjacent areas, are the largest economic generators in the Twin County Region.

Carroll County, which borders Galax to the east, is a predominately rural area that spans approximately 494 square miles. A small portion of the Jefferson National Forest (the Mount

Rogers National Recreation Area) lies within the northwestern corner of Carroll County. Over half of the County's land is used for agricultural purposes while over 16 percent of the County's land is forested or under conservation. The Town of Hillsville is the County Seat and lies near the geographic center of Carroll County. The vast majority of economic activity in the County is clustered east of Galax and in the Hillsville area.

Grayson County, to the west of Galax, is also a rural locality. The County's predominant land use is farms and forest. Public lands and private conservation easements comprise approximately 17 percent of the County's land area. Most of the public lands, including the Mount Rogers National Recreation Area, Appalachian Trail, and several state parks, serve recreational purposes. Apart from development around Galax, most economic activity in Grayson County is clustered in and around the Town of Independence.

Also shown in Map A is that I- 77 bisects the eastern side of the region through the central part of Carroll County. This interstate accesses some of the larger regional employers north of the Twin County Region along the I-81 corridor and south of the region in North Carolina.



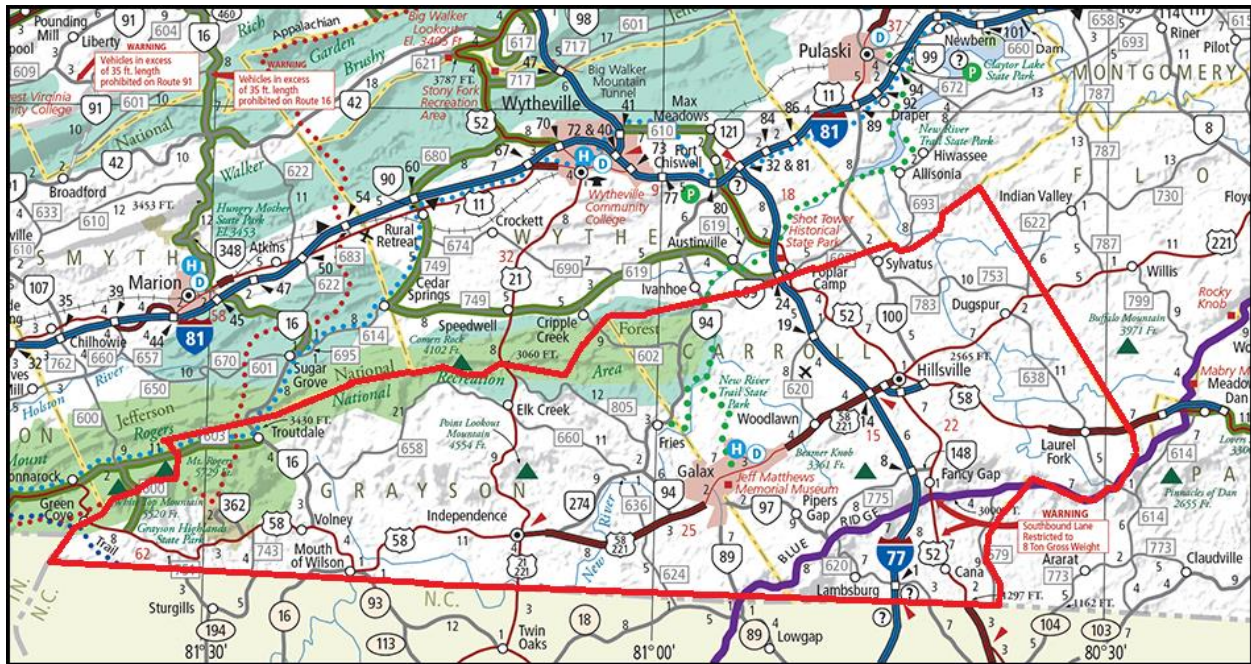
Map A - Twin County Region

Shown next, in Map B, is the regional setting of the Twin County Region. I-81 is shown to be located just north of the region. This is a major interstate system that extends from near Knoxville (TN), where it connects with I-40, to upstate New York. It is a major transportation corridor and accesses nearby areas that are experiencing considerable employment growth, most notably the greater Bristol and Wytheville areas.

Neighboring counties to the north that are bisected by I-81 include Smyth County, Wythe County and Pulaski County. All three communities have net expansions in local employment, with the sharpest level of growth occurring in Wythe County where Blue Star NBR LLC is expected to generate over 2,400 new jobs by 2026 at a new manufacturing facility that will produce rubber medical gloves. All three counties are also facing housing shortages, with challenges in producing adequate housing to serve the level of ongoing and future employment growth.

Floyd County and Patrick County are situated to the east of the Twin County Region. Both are sparsely-populated, rural areas with limited employment growth. Washington County is located west of the region and is a location of considerable employment growth. Most of this growth, however, is occurring in the central and western portions of the County and far from the Twin County Region's population centers of Independence, Galax and Hillsville.

To the south of the Twin County Region is Ashe County (NC), Alleghany County (NC) and Surry County (NC). These are also rural communities. Mt. Airy, in Ashe County, is the location of several new job announcements, most notably by Altec (100± new jobs) and Northern Regional Hospital (50± new jobs). Property managers and realtors in the Twin County Region report that the lack of available local housing has pushed prospective renters and homebuyers outside of Virginia to communities in these counties, primarily in and around Sparta, Elkin and Mt. Airy.



Map B - Twin County Region Regional Setting

The area highway and interstate system allow relatively easy access within the Twin County Region via U.S. Route 58. I-77 and U.S. Route 21 provide direct access north to the neighboring communities along the I-81 corridor and in North Carolina that are generating significant job growth. Wytheville, along I-81, is 45± minutes to the north of Galax and is the location of the I-81/ I-77 interchange.

Section II: Twin County Region Economic Overview and Demographic Analysis

The subsection to follow begins with an economic overview that describes trends in at-place jobs and employment in the Twin County Region. This section also documents the level of future job growth in the region and neighboring areas that could impact local housing demand. As will be shown, recent job announcements in the Twin County Region and in nearby areas have greatly outpaced past trends. This section of the report also presents the demographic analysis of Twin County Region, which analyzes population and household trends, by tenure, age and income.

Twin County Region Economic Overview

This part of the market analysis presents an economic overview of the Twin County Region in terms of at-place job and employment growth. The purpose of the analysis to follow is to document the level and type of ongoing and potential job growth in the region. Three economic factors are presented in this analysis: (1) at-place job trends, (2) employment and labor force trends, and (3) active development plans that are expected to generate a net increase in local jobs. These three economic factors are analyzed in the paragraphs to follow. Key to this analysis is that job growth supports growth in population and households, and therefore, housing unit demand.

At-Place Jobs

At-place jobs refer to the number of jobs physically located within the City of Galax, Carroll County and Grayson County. Data in Table 1 show a total of 15,250± jobs in the region as of year-end 2019 and prior to the pandemic-induced job losses in 2020 and 2021. These data show limited growth in at-place jobs since 2015, with fewer than 150 new jobs added during that period. Approximately 40.8 percent of these jobs are situated in Carroll County. This is compared to 21.1 percent that are located in Grayson County. Just over 38 percent of the region's jobs are located within the City of Galax.

As shown in Table 1, the Twin County Region has many data disclosure issues due to the small number of employers. This is often the case in more rural, sparsely populated communities where data are confidential and where there are a small number of employers.

The largest employment sector in the region is the Manufacturing sector, accounting for nearly 20 percent of total employment. Approximately 100 jobs were lost in this sector between 2015 and 2019. Of note is that this employment sector is expected to expand in the near term, as will be detailed further below. Most Manufacturing jobs are located in Carroll County and Galax, as fewer than 14 percent of these jobs are situated in Grayson County. Within Carroll County, most of these employees work at the County's two industrial parks, both of which are located in the Hillsville area and with the largest concentration located near the southeastern intersection of Carrollton Pike and I-77.

Employment in the public sector also plays a major role in the local labor force, with over 20 percent jobs associated with Local, State and Federal employers. Most public sector employees work for local governments and most are employed by area public schools.

Also shown is that the Retail Trade sector accounts for over six percent of local employment. Most of this employment is located in and around Galax, Hillsville and Independence. Major retail employers include Walmart Supercenter and Lowe's Home Improvement. Several shopping centers, many with full-service grocery stores, are also located along the U.S. Route 58 corridor and are briefly detailed in the paragraphs below.

- **Galax Plaza**. This is a 109,680± square foot multi-tenant shopping center located on the north side of E Stuart Drive. The shopping center is anchored by 50,250± square foot Roses and 29,960± square foot Grant's IGA Supermarket.

This shopping center is also the location of the Carilion Clinic Family & Internal Medicine, which opened an 18,000± square foot space in February, 2020. The facility replaced the former Galax Family Medicine location at 199 Hospital Drive. The facility is served by 16 physicians and more than 30 staff. It includes 40 exam rooms and three specialty service areas, along with onsite X-rays and laboratory services. Services include internal medicine, family medicine, cardiology and orthopedics.

- **Food City Shopping Center**. This shopping center, located at 955 E Stuart Drive, is anchored by a Food City, Schewels Home, and Harbor Freight Tools. Smaller tenants include Dollar General.
- **Twin County Plaza**. This is a 164,720± square foot shopping center located at 1043-1091 E. Stuart Drive. The shopping center is anchored by a 52,830± square foot Hobby Lobby, 37,800± square foot Big Lots and 32,000± square foot Tractor Supply Co.

- **Cherry Hill Plaza** is a 71,700± square foot shopping center located at 1126-1138 E. Stuart Drive. The shopping center is anchored by an 11,000± square foot Dollar Tree.

Although data are not shown in Table 1 for the Health Care sector due to disclosure issues, this is also a major component of the local labor force and a sector that has generated some job growth in recent years. Nearly 25 percent of all jobs within the City of Galax are in the Health Care sector, most of which are associated with Twin County Regional Healthcare. The 141-bed hospital opened in 1973 and is the only full-service medical facility in the region. With approximately 350 employees (including about 100 physicians), this hospital is among the largest private employers in region. The hospital is actively trying to fill approximately 20 vacant positions at this time and expects to add between 20 and 50 staff members by 2026, including a mix of doctors and nurses.

Table 1: Trends in Average At-Place Employment, Twin County Region, Virginia, 2015-2019

Industry	2015	2016	2017	2018	2019	Net Change
Agriculture	ND	ND	ND	ND	ND	--
Mining	ND	ND	ND	ND	ND	--
Utilities	ND	ND	ND	ND	ND	--
Construction	ND	ND	ND	ND	ND	--
Manufacturing	3,074	2,983	2,979	2,978	2,977	-97
Wholesale Trade	200	ND	282	ND	ND	--
Retail Trade	ND	ND	ND	986	930	--
Transportation/Warehousing	ND	1,344	ND	ND	ND	--
Information	ND	ND	ND	ND	ND	--
Finance/Insurance	294	296	296	294	294	0
Real Estate	101	94	82	86	85	-16
Professional/Technical	ND	ND	ND	ND	ND	--
Management of Companies	ND	ND	ND	ND	ND	--
Administrative/Waste	610	595	ND	ND	ND	--
Education	ND	ND	ND	ND	ND	--
Health Care	ND	ND	ND	ND	ND	--
Arts/Entertainment/Recreation	ND	ND	ND	ND	ND	--
Accommodations/Food	ND	ND	ND	ND	ND	--
Other Services	237	266	339	ND	269	32
Local Government	2,427	2,408	2,393	2,394	2,401	-26
State Government	954	914	857	790	632	-322
Federal Government	<u>122</u>	<u>119</u>	<u>114</u>	<u>117</u>	<u>120</u>	<u>-2</u>
Total	15,102	15,404	15,463	15,243	15,247	145

Notes: ND = Data do not meet BLS or State agency disclosure standards.

Source: United States Department of Labor, Bureau of Labor Statistics

Next shown, in Table 2, are the employment trends that occurred in 2020 and 2021, which are outlier years given the unusual impacts of the pandemic on the local and regional economy. Data are shown only for the sectors without disclosure issues. The data show a significant loss of jobs in 2020, with a reduction in employment of over 900, or by 5.9 percent. These losses occurred across essentially all employment sectors for which data are available.

Data for 2021 show a modest recovery, with at-place jobs expanding by nearly 60. Despite this recent growth, total employment at year-end 2021 remains below the pre-pandemic peak by nearly 850. Of note is that the loss of jobs in 2020 and 2021 did not significantly impact any sectors of the regional housing market, in terms of occupancy or sales.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Net Change</u>
Manufacturing	2,977	2,577	2,623	-354
Finance/Insurance	294	276	271	-23
Real Estate	85	87	87	2
Other Services	269	259	275	6
Local Government	2,401	2,209	2,209	-192
State Government	632	606	578	-54
Federal Government	<u>120</u>	<u>118</u>	<u>104</u>	<u>-16</u>
Total	15,247	14,344	14,401	-846

Source: U.S. Department of Labor

Employment and Labor Force

Employment differs from at-place jobs, as it refers to the number of Twin County Region residents who are employed, no matter where the job is physically located. At-place jobs refer to where the job is located, i.e. the City of Galax, Carroll County or Grayson County. The region realized a net increase in employment of 1,780± jobs over the five-year period between 2015 and 2019, or an average of nearly 360 new jobs each year.

Employment totals are considerably higher than at-place job totals, which means net out-commuting occurs into neighboring counties, primarily to Smyth County and Wythe County along the I-81 corridor to the north, as well as to Alleghany County and Surry County in North

Carolina to the south. Thus, data in Table 3 suggest that regional employment impacts the local housing market.

Data in Table 3 show that the unemployment rate was a low 3.2 percent prior to the pandemic in 2019, down from 5.5 percent in 2015. Total employment declined by 1,440± in 2020, pushing the unemployment rate up from a low 3.3 percent in 2019 to 7.3 percent. As with at-place jobs, many of these losses are expected to be temporary and are fully attributable to the pandemic. Nevertheless, total employment in the region still exceeds the 2016 level as of 2020.

Data in Table 3 show that employment totals increased by approximately 190 in 2021, which greatly exceeds the number of new jobs that were added locally during that period. This denotes that job growth in neighboring areas has increased the number of local residents who are employed and choose to commute. The low unemployment rate of 3.8 percent in 2021 denotes a need to attract new residents to fill vacant jobs. Despite the pandemic, the total number of employed Twin County Region residents exceeds the 2015 total by nearly 670.

Table 3: Trends in Employment and Unemployment, Twin County Region, Virginia, 2015-2021				
	Labor Force	Employment	Unemployment	Percent Unemployed
2015	23,128	21,866	1,262	5.5%
2016	22,913	21,762	1,151	5.0%
2017	24,415	23,390	1,025	4.2%
2018	24,123	23,310	813	3.4%
2019	24,578	23,777	801	3.3%
2020	24,101	22,340	1,761	7.3%
2021	23,432	22,533	899	3.8%
Net Change	304	667	-363	-1.7%

Source: United States Department of Labor, Bureau of Labor Statistics

COVID-19 and Employment

Table 4 presents monthly employment trends up to July, 2022 to illustrate the impact of the pandemic on the local labor market. This is the date for which the most recent data are available. Trend data show that since January, 2020, total employment in the Twin County Region has increased by nearly 1,530, with the number of unemployed shrinking by 160. Thus, the

number of Twin County Region residents who are employed has increased by 6.6 percent since the start of the pandemic.

The current unemployment rate of 2.9 percent is 0.8 percent below the pre-pandemic unemployment rate. Moreover, the labor force has expanded considerably by nearly 1,400 during this same period. This reflects growing confidence among Twin County Region residents that they can find employment. These are positive economic indicators.

	Labor Force	Employment	Unemployment	Percent Unemployed
January, 2020	24,156	23,269	887	3.7%
February, 2020	24,560	23,580	980	4.0%
March, 2020	24,531	23,232	1,299	5.3%
April, 2020	25,047	20,989	4,058	16.2%
May, 2020	23,879	21,244	2,635	11.0%
June, 2020	24,083	21,506	2,577	10.7%
July, 2020	23,685	21,457	2,228	9.4%
August, 2020	24,050	22,193	1,857	7.7%
September, 2020	23,701	22,335	1,366	5.8%
October, 2020	24,114	23,016	1,098	4.6%
November, 2020	23,806	22,728	1,078	4.5%
December, 2020	23,595	22,538	1,057	4.5%
January, 2021	23,253	22,068	1,185	5.1%
February, 2021	23,316	22,217	1,099	4.7%
March, 2021	23,446	22,393	1,053	4.5%
April, 2021	23,098	22,197	901	3.9%
May, 2021	23,116	22,199	917	4.0%
June, 2021	23,378	22,324	1,054	4.5%
July, 2021	23,226	22,265	961	4.1%
August, 2021	22,971	22,090	881	3.8%
September, 2021	23,100	22,328	772	3.3%
October, 2021	23,882	23,169	713	3.0%
November, 2021	24,182	23,519	663	2.7%
December, 2021	24,204	23,614	590	2.4%
January, 2022	24,415	23,569	846	3.5%
February, 2022	24,294	23,524	770	3.2%
March, 2022	24,658	23,945	713	2.9%
April, 2022	25,018	24,387	631	2.5%
May, 2022	25,532	24,790	742	2.9%
June, 2022	25,805	25,049	756	2.9%
July, 2022 1/	25,523	24,795	728	2.9%
Net Change	1,367	1,526	-159	-0.8%

Notes: 1/ Preliminary. Subject to change.
Source: U.S. Department of Labor, Bureau of Labor Statistics

Economic Development Activity

Staff from multiple economic development agencies within the Twin County Region note that numerous employers are actively hiring at this time, with several seeking to fill at least 20 open positions. Several of these employers report challenges in finding qualified applicants, with one key impediment to attracting employees being the lack of quality housing. As documented in Table 4 above, the Twin County Region has a very low unemployment rate of only 2.9 percent and with fewer than 730 unemployment people. Some employers are providing sign-on bonuses to attract new hires.

Table 5 lists the 16 new job announcements that are expected to generate job growth in the near term. Most of the non-retail positions pay wages of between \$35,000 and \$45,000 per year, though some of these wages are reported to be increasing given inflationary pressures and challenges with filling vacant positions. Excluding spinoff and temporary construction jobs, these announcements are expected to generate nearly 440 new jobs in the Twin County Region. Most of these are in the manufacturing and health care industries. Some of these jobs have already been filled.

Table 5: Characteristics of New and Expanding Employers, Twin County Region, November, 2022

Employer	Location	Industry	New Jobs
Woodgrain	Independence	Lumber	100
Moog	Galax	Circuit Board Manufacturing	3
Grayson Natural Farms	Independence	Food Manufacturing	40
Galax Health & Rehab	Galax	Health Care	15 1/
Health Care Academy of SW Virginia	Galax	Education	10 1/
Massage Therapy, Movement, & Education	Independence	Massage	5 1/
Mohawk Industries	Hillsville	Flooring Manufacturing	35
Metalworx	Independence	Precision Manufacturing	59
New River Polymers	Hillsville	Plastic Pellet Manufacturing	50
Harbor Freight Tools	Galax	Retail	30
Blue Ridge Eye Care	Galax	Health Care	30
Twin County Regional Health Care	Galax	Health Care	20
Albany Industries	Galax	Upholstery Manufacturing	15
Edward Jones	Independence	Finance	10
New River Trail Outfitters	Galax	Retail	5 1/
First Choice Health Care	Galax	Health Care	<u>10</u>
Total			437

Notes: 1/ Estimate

Source: S. Patz & Associates, Inc.

The data presented in Table 5 likely undercounts future job growth, as the list only includes public announcements and does not account for organic employment growth that is not tracked by any local, regional or state economic development agencies. The paragraphs below detail each of the above new job announcements.

- **Woodgrain**, one of the largest millwork companies in the world, announced in August, 2021 that it would purchase and expand the former Independent Lumber sawmill in Grayson County, adding 100 new jobs. Independence Lumber is Grayson County's largest private employer, and when the sawmill upgrades are complete, it will become the primary supplier for Woodgrain's Smyth County operation. Hiring has not yet begun.
- **Moog** completed construction in September, 2022 on its expanded manufacturing facility in Galax. The 28,700± square foot space is located at 115 Jack Gwynn Drive. The expanded operations include a manufacturing area, lab space, testing environments, engineering and customer support areas. The site manufactures and assembles rigid and flexible printed circuit boards and other proprietary hardware. Moog has three vacant jobs in Galax at this time.
- **Galax Health and Rehab**, which is located at 836 Glendale Road in Galax, opened a new memory care unit in September, 2022. The facility has a capacity for 18 residents.
- **Healthcare Academy of Southwest Virginia**. Construction was completed in September, 2022 on this facility, a division of Senior Home Share, at 967 East Stuart Drive in Galax. The facility trains those interned in the healthcare field with classes about health, wellness, and being a caregiver.
- **Massage Therapy, Movement, & Education** opened a location at 122 N Independence Avenue in Independence in September, 2022. Approximately five people are employed at the facility.
- **Grayson Natural Farms**, an organic meat snack brand, announced in December, 2020 that it would expand its Grayson County operation by 35,000± square feet, creating 40 jobs. Grayson Natural Farms produces Landcrafted Food, which are grass-fed, organic meat snacks. Its smokehouse and production operations are currently located at 226 Industrial Lane in Independence. The company first opened its facility in 2017. Construction on the expansion is now underway.
- **Metalworx**, a manufacturer of highly-engineered and precision-manufactured components, assemblies and products for industrial uses, announced in June, 2020 that it would relocate its headquarters and manufacturing operations from South Carolina to the

former Core Fitness Complex in Grayson County. The move will create 59 new jobs. Approximately 16 jobs have been filled to date.

- **Mohawk Industries**, a flooring manufacturer, announced in January, 2021 that it would expand its Carroll County operation, creating 35 jobs. Mohawk Industries will add 19,000± square feet to its 351 Floyd Pike facility in Hillsville and install new equipment to increase its production speed. Construction should begin soon.
- **New River Polymers**, a Hillsville-based manufacturer of plastic pellets from industrial scrap of medical gowns and face masks, announced in December, 2020 that it would expand its location in the Carroll County Industrial Park by roughly twice its size, while adding approximately 50 new employees by 2025.
- **Blue Ridge Eye Care**. Family Vision Care at 1022 E Stuart Drive and Blue Ridge Eye Care at 1102 E Stuart Drive combined to form a new practice in March, 2021 at newly built office at 800 E Stuart Drive in Galax. The facility employs approximately 30 people.
- **Twin County Regional Healthcare**. The 141-bed hospital at 200 Hospital Drive in Galax opened in 1973 and is the only full-service medical facility in the region. With approximately 350 employees (including about 100 physicians), this hospital is among the largest private employers in Galax. The hospital is actively trying to fill approximately vacant positions at this time and expects to add between 20 and 50 staff members by 2026, including a mix of doctors and nurses. There are currently approximately 20 vacancies, primarily for nursing positions.
- **Albany Industries**, which operates an upholstery manufacturing facility at 626 Creekview Drive in Galax, is actively hiring approximately 15 new employees. These positions typically pay between \$13 and \$14 an hour.
- **First Choice Health Care** opened a medical practice at 812 W Stuart Drive in Galax in March, 2021. Approximately ten people work at the facility.
- **Harbor Freight Tools**, a California-based hardware and tool store, opened a new location at 949 E Stuart Drive in Galax in October, 2020. The 16,000± square foot store employs approximately 30 people.
- **Food City**. This 42,300± square foot grocery store opened in the Town of Independence in December, 2021. The store, which replaces a smaller, older grocery store, includes a full-service bakery and deli offering fresh baked goods, deli meats, cheeses and salads, a hot food bar, large 40-plus café seating area, salad bar, and pizza oven. The location also includes an in-store Food City Pharmacy, equipped with a private consultation room and GoCart curbside pick-up, along with the existing Food City Gas ‘n Go.

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- **Blue Ridge Eye Care**. Family Vision Care at 1022 E Stuart Drive and Blue Ridge Eye Care at 1102 E Stuart Drive combined to form a new practice in March, 2021 at newly built office at 800 E Stuart Drive in Galax. The facility employs approximately 30 people.
 - **Albany Industries**, which operates an upholstery manufacturing facility at 626 Creekview Drive in Galax, is actively hiring approximately 15 new employees. These positions typically pay between \$13 and \$14 an hour.
 - **Edward Jones** opened a new office at 111 West Main Street in Independence in November, 2021. The office employs approximately 10 people.
 - **New River Trail Outfitters**. This camping store opened at 122 S Main Street in Galax in March, 2021.

In addition to the above, local economic development officials note that they are negotiating with several employers who may potentially add between 100 and 200 new jobs within the region by 2024. These would be in close proximity to Galax but have not been publicly announced or confirmed. Blue Ridge Crossroads, which owns the Wildwood Commerce Park, has also explored the possibility of constructing a 100,000± square foot speculative industrial building at the industrial park, but there is no timeline for this.

Also of note is that several businesses in the Twin County Region are actively filling vacant positions. Data from the Bureau of Labor Statistics presented in Table 4 showed that there were fewer than 730 unemployed residents in the region as of July, 2022. For comparison, there are nearly 500 job listings on Indeed within the Twin County Region at this time, a total that almost certainly undercounts total job vacancies. Most of these job openings are in Galax, Hillsville and Independence. This disparity will require new residents for the Twin County Region.

Regional Job Growth

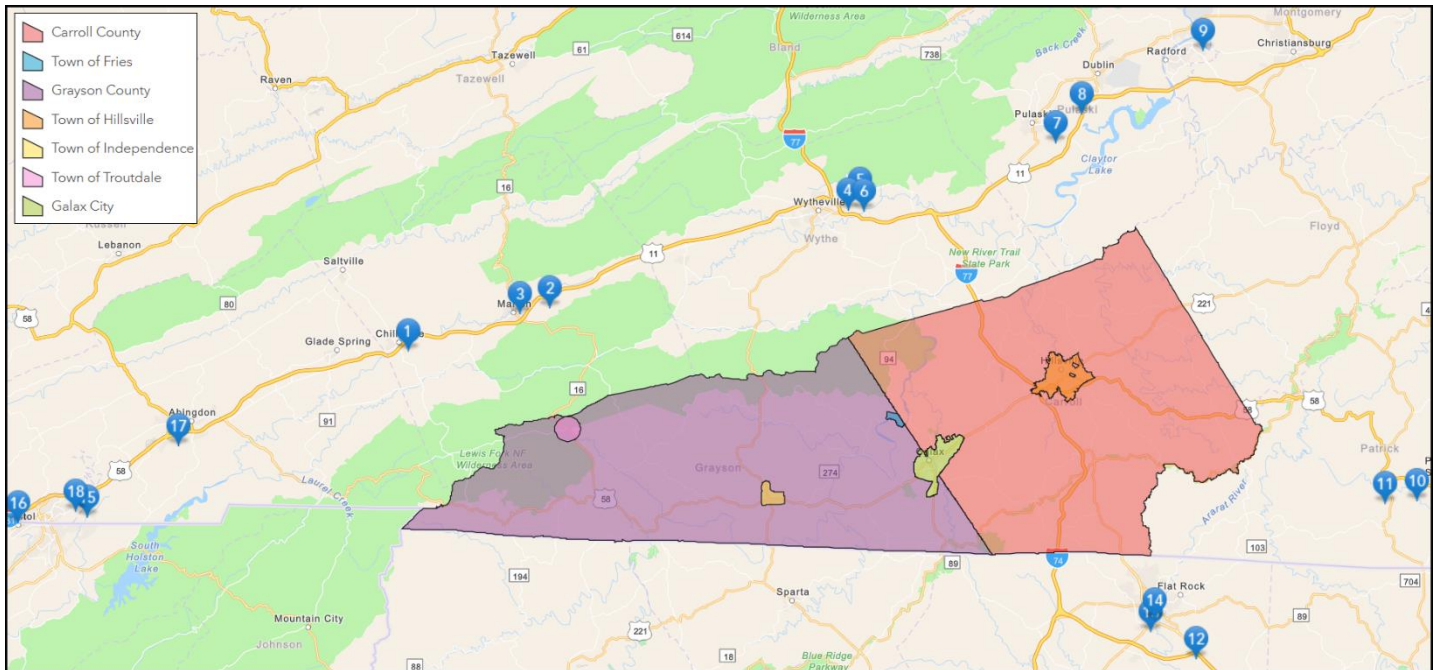
Apart from the new job announcements within the Twin County Region that were listed in Table 5 is a considerable level of employment growth in neighboring counties, elsewhere in Southwest Virginia and in nearby areas of North Carolina. These announcements are listed in Table 6 below. Most of these new jobs will be for manufacturing positions with annual wages

starting at approximately \$35,000. In total, these employers will add over 9,500 new jobs in neighboring communities. Most are situated in rural areas that also face acute housing shortages, particularly for the workforce population.

Table 6: Regional Job Growth, November, 2022		
	Map C Key	New Jobs
<u>Smyth County</u>		
Scholle IPN Packaging	1	75
Woodgrain Millwork	2	80
Emory & Henry College	3	<u>25</u>
(Subtotal)		(180)
<u>Wythe County</u>		
Blue Star NBR	4	2,464
STS Group AG	5	120
Trager Grills	6	<u>15</u>
(Subtotal)		(2,599)
<u>Pulaski County</u>		
Xaloy Holdings	7	35
The Volvo Group	8	600
The Patton Logistics Group	9	<u>63</u>
(Subtotal)		(699)
<u>Patrick County</u>		
Ten Oaks	10	11
Prolam	11	<u>58</u>
(Subtotal)		(69)
<u>North Carolina</u>		
Altec	12	100
Northern Regional Hospital	13	50
Kieffer Starlite	14	<u>15</u>
(Subtotal)		(165)
<u>Washington County/ Bristol</u>		
Amazon	15	200
Hard Rock Hotel and Casino Bristol	16	5,200 2/
1901 Group	17	150
FedEx	18	250
(Subtotal)		(5,800)
Total		9,512
Notes: 1/ Between 5 and 25 employees.		
2/ 2,000 employees in first year. 5,200 within seven years.		
Source: S. Patz & Associates, Inc.		

Map C shows the locations of the 18 job announcements listed in Table 6. Many of these employers are within a 45± minute drive of Galax, though the Bristol area would be a longer commute. Census data on local commuting patterns suggest that many Twin County Region residents already commute long distances for work, particularly to locations where these employers are actively adding new jobs.

Area realtors report that a significant number of prospective homebuyers select the Twin County Region location for its rural atmosphere and to commute elsewhere for work. Thus, these regional job announcements may supplement local housing demand.



Map C - Locations of Regional Employment Growth

The paragraphs below detail each of the above job announcements, most of which are for manufacturing-related positions. The exception is a significant number of higher paying positions at Blue Star NBR LLC as well as a large number of hospitality and service sector jobs associated with the Hard Rock Hotel and Casino Bristol. Excluded are retail, temporary construction and smaller job announcements that are not tracked by any local, regional or state economic development agencies.

- **Scholle IPN Packaging Inc**, a manufacturer that operates a large sustainable packaging solutions facility along Deer Valley Road in Chilhowie, announced in June, 2022 that it would expand that facility by 73,000± square feet and hire 75 new employees. This follows 42 new hires with average wages of \$43,800± in 2020 and 2021.
- **Woodgrain Millwork**, a manufacturer of wood molding and trim, announced in August, 2021 that it would expand its Marion facility, located at 4615 Lee Highway, and hire 80 new employees. Hiring is expected to begin in early-2023 with pay expected to average \$16 per hour.

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- **Emory & Henry College**. The Health Sciences campus in Marion is expected to add between five and 25 new employees by 2027 as the College expands its course offerings and student enrollment.
 - **Blue Star NBR LLC** announced in October, 2021 that it would build a manufacturing facility in Wythe County's Progress Park for producing rubber medical gloves. It is expected to produce up to 60 billion medical gloves each year from nitrile butadiene rubber (NBR) – an oil-resistant, synthetic rubber – at the manufacturing plant in the County's industrial park. The operation is anticipated to occupy more than 200 acres and will have the potential to triple in size in future phases. It is expected to generate 2,464 jobs by 2026, excluding construction workers. 200 people are expected to be hired by the fall of 2022 to staff the chemical plant portion and at salaries of \$70,000. Hiring for the next phase, to begin in 2024, will be for positions paying \$37,000 a year. About 100 of these positions will be filled initially. Construction began in January, 2022.
 - **STS Group AG**, a German auto parts manufacturer announced in April, 2021 that it would establish its first U.S. manufacturing operation in Wythe County's Progress Park industrial park, creating 120 jobs.
 - **Traeger Grills**, the manufacturer of the world's top-selling wood pellet grill, announced in April, 2021 that it would build a new grill pellet manufacturing operation in Wythe County and create 15 jobs.
 - **Xaloy Holdings LLC**, a plastics industry equipment manufacturer, announced in July, 2021 that it would move its barrel manufacturing operation from Ohio back to Virginia, reopening its former facility in Pulaski County that closed in 2016. Xaloy will operate its 100,000± square foot, 30-acre site at 102 Xaloy Way in Pulaski to produce bimetallic barrels, which are formed by bonding metal linings to the insides of steel tubes, for use in the plastics manufacturing industry. The move is expected to create 35 jobs.
 - **The Volvo Group**, which operates a major truck manufacturing facility near Dublin, is in the midst of a major investment for advanced technology upgrades, site expansion and preparation for future products, including the innovative Volvo VNR Electric truck, slated for the serial production that involve adding approximately 600 new jobs in 2021 and 2022.
 - **The Patton Logistics Group** announced in August, 2021 that it would expand its trucking, logistics and warehousing operation in the New River Valley Commerce Park in Pulaski County, creating 63 jobs. The company will add 150,000± square feet to its 250,000± square foot logistics center. The expansion will include a trucking operations and maintenance center that will provide the infrastructure to support a future investment in electric trucks. The company will add 150,000± square feet to its 250,000± square foot logistics center that opened in August, 2021 and employs 33 people.
 - **Ten Oaks, LLC**, a manufacturer of high-quality residential hardwood floors, announced in December, 2021 that it would construct a hardwood sorting and stacking facility in Stuart. The facility will employ 11 people.

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- **Prolam**, a Canadian-based manufacturer of hardwood floors for commercial trucks and dry van trailers, announced in June, 2021 that it would establish a new facility at the former Ten Oaks satellite facility on Dobyns Road. The facility is expected to create 58 new jobs
 - **Altec**, a provider of products and services to the electric utility, telecommunications, tree care, lights and signs, and contractor markets., announced in June, 2021 that it would expand its Mount Airy location by 100,000± square feet. The expansion will result in the creation of 100 new jobs.
 - **Northern Regional Hospital**. Ground was broken in October, 2021 on the 25,000± square foot expansion of Northern Regional Hospital in Mount Airy. The expansion includes the addition of the office building, a parking deck and other facilities that expected to generate 50 new jobs. Construction is expected to be completed in the spring of 2023.
 - **Kieffer | Starlite**, a sign company, announced in June, 2021 that it would expand its Mount Airy location. The firm will actually be consolidating two local facilities, one at 510 Riverside Drive and a second at 609 Junction Street, into one single operation at the Junction Street location. As part of that move, the company will be expanding, building a 21,000± square foot addition to the already existing 80,000± square feet at the Junction Street location. 15 new jobs are expected to be created.
 - **Amazon** opened a 72,000± square foot delivery station in an existing building at 103 Thomas Road in Bristol in September, 2021. The facility employs approximately 200 people and has starting wages of \$16.50 per hour.
 - **Hard Rock Hotel and Casino Bristol**. This is a proposed hotel and casino designed to include 2,700 slot machines and 100 table games as well as a 300-room hotel, seven restaurants, four bars, a 3,200-seat live performance venue, an outdoor performance venue with a capacity of 20,000 along with retail and convention space. A temporary casino with 30,000 square feet of gaming space, featuring approximately 900 gaming slots and 20 tables, opened in mid-2022 at 500 Gate City Highway in Bristol and will employ 600 people. The casino facility, to open in the summer of 2024, is expected to employ 2,000 people within a year 5,200 people within seven years.
 - **1901 Group**, a managed IT services provider, announced in March, 2020 that it would establish its third Virginia operations center in the Virginia Highlands Small business Incubator in Abingdon in Washington County where it would employ 150 people. Approximately 30 employees have been hired to date.
 - **FedEx**. Site work began in July, 2022 on a new 251,000± square foot FedEx distribution facility just outside of Bristol in Washington County. The facility is expected to open in

2023 and employ 250 people on a site along Coronet Drive and adjacent to the 72,000± square foot Amazon fulfillment center that opened in September, 2021.

Also of note is that a new industrial park called Pathway Park is planned to be built at the former 70-acre site of the demolished American Furniture factory in Chilhowie. Over the past year, the Smyth County Economic Development Authority was awarded two \$600,000 grants from the Growth and Opportunity for Virginia (GO Virginia) and the Virginia Tobacco Regional Revitalization Commissions to spend toward infrastructure improvements at the County-owned Park. These funds will be used to install 2,000 feet of eight-inch water line and 1,600 feet of sewer line to the park. Site work could begin by the end of 2022. Although there have been no job announcements at the park, it could ultimately accommodate up to 400± jobs.

The above announcements describe a significant level of employment growth and a departure from recent trends in a region that has not recorded net job growth over the past few decades. The casino investment in Bristol and the new Blue Star NBR facility in Wytheville are among the largest job-generating announcements in Virginia.

Economic development officials identify several reasons for this accelerated level of regional job growth. One is the pent-up demand for the products manufactured by these firms. Second are state and local incentives that make new and expanding jobs attractive to the region. Third are the wages that these employers can pay for the “quality” of the local workforce. Employers and local officials report that a key challenge to support this growth is housing availability.

Twin County Region Demographic Analysis

Data in Table 7 show that the Twin County Region’s population expanded during the 1990’s, prior to a steady, uninterrupted decline that has continued until 2021. The 1990’s was a period of significant growth when the region’s population increased by just under 4,500 people. The nine percent increase in the population was principally driven by job growth across a wide geographic area.

Several local businesses launched new or expanded existing operations during the period, most notably Vaughan-Bassett Furniture Company and Moog Components Group, which added 150 new jobs in Galax during the late-1990's. In addition were several large expansions in Carroll County, most notably by Kentucky Derby Hosiery, Parkdale Mills and Wayn-Tex, which added a combined 600 new jobs. Several businesses in Grayson County expanded during the 1990's as well. Apart from 100 new hires by CompAir Lero, most were small expansions with fewer than 30 new employees.

The region's population contracted by nearly 1,400 people during the 2000's, due largely to multiple mass layoffs. Most of these job losses were tied to the furniture and clothing manufacturing sectors, including 700 layoffs by Vaughn Furniture, 460 layoffs by Webb and over 400 layoffs by National Textiles. These larger layoffs all occurred in the City Galax, though several employers shuttered and reduced employment in Carroll County and Grayson County as well. Despite job losses spread across all three jurisdictions, Galax and Carroll County added new residents during the 2000's.

The contraction trends of the 2000's continued into the 2010's. Data from the Weldon Cooper Center for Public Service show that the 2021 population in the Twin County Region numbered 50,810±, which is a decline of over 1,800 people since 2010, or an average annualized rate of approximately 165 people. This is compared to an average annualized population loss of approximately 140 people a decade prior. The population losses since 2010 reflect the ongoing impact of the Great Recession, limited new housing and modest job growth. All three jurisdictions within the Twin County Region have faced population declines since 2010.

**Table 7: Trends of Population and Households, by Tenure,
Twin County Region, Virginia, 1990-2021**

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2021</u>
Twin County Region Population	49,540	54,000	52,620	50,810
City of Galax	6,670	6,840	7,040	6,750
Carroll County 1/	25,590	29,250	30,040	28,820
Grayson County 2/	16,280	17,920	15,530	15,240
Group Quarters Population	870	1,810	890	950
Household Population	48,670	52,190	51,730	49,860
Person Per Household	2.47	2.33	2.29	2.27
Households	19,680	22,400	22,600	21,960
Owner Households	15,870	17,830	17,110	16,010
Percent of Total Households	80.6%	79.6%	75.7%	72.9%
Renter Households	3,810	4,570	5,490	5,950
Percent of Total Households	19.4%	20.4%	24.3%	27.1%

Notes: 1/ Includes Town of Hillsville.
2/ Includes Town of Independence, Town of Fries and Town of Troutdale.
Source: 1990-2020 Census, U.S. Census Bureau, U.S. Department of Commerce
Weldon Cooper Center for Public Service; S. Patz & Associates, Inc.

Group Quarters Population

The Twin County Region has a modest Group Quarters population, comprised principally of individuals in the 141-bed Twin County Regional Healthcare, the 120-bed Galax Health and Rehab and the 135-bed Waddell Nursing and Rehab Center. The Group Quarters population also includes inmates at the River North Correctional Center, a medium security state prison that is located just east of the Town of Independence in Grayson County. The facility, which employs approximately 350 people, opened in 2013 and typically houses 900± inmates.

A new law requires the U.S. Census Bureau to count prisoners in the areas where they last resided (their last home address) rather than where they are incarcerated. Thus, even though the River North Correctional Facility houses nearly 900 inmates, this did not greatly impact the region’s population count. Data from the Virginia Public Access Project show that only 180± out of the current 910± inmates incarcerated at River North remained in the 2020 census count for Grayson County.

The Group Quarters population in 2021 is estimated to total approximately 950 people, or 1.9 percent of the regional population. The subtraction of the Group Quarters population from

the total population equals Household Population. Household Population is the basis for determining housing unit demand.

Households

Table 7 also presents data on household trends since 1990. The region is estimated to contain 21,960± households, as of 2021. This is a decline of 640± households, or nearly 60 households each year, on average. Also shown in Table 7 is the very small average household size in the region, at 2.27 persons per household in 2021. The average household size decreased by 0.02 during the 2010's compared with 0.04 during the 2000's.

The small average household size is due, in part, to an expanding senior population and mature housing stock. Older homes in these communities do not typically attract young families with children, but rather are occupied by mature single- or two-person households. The aging housing stock has been one barrier to local employers adding staff.

Owner Households

The Twin County Region has traditionally had a high percentage of homeowners, ranging between 80.6 percent in 1990 and 72.9 percent in 2021. This is compared with recent state and national averages of 67.3 to 65.1 percent, respectively. The habitually high ownership rate is due to limited new rental housing that has been built since the 1990's.

Nevertheless, the share of households in the region that are homeowners has steadily declined over the past three decades, despite net growth during the 1990's. The region had 22,600± homeowners in 2010. This total is estimated to have fallen to 21,960± by 2021, which is a decline of 640± households. This is attributed to several reasons including the lingering impacts of the Great Recession, some job losses and those who may have left the region to find adequate housing elsewhere. Thus, the recent population losses reflected in Table 7 were primarily among homeowners, as the number of renter households has gradually increased since 2000.

Owner Households, by Income

Trends in the number of owner households, delineated by income, are presented in Table 8. As previously noted, there has been a decline in the total number of homeowners in the Twin County Region since 2000 and among most income groups. This is in contrast to the 1990's, when the total number of homeowners increased due primarily to area job growth.

Owner household data are delineated into two income categories. First presented is the number of homeowners earning annual incomes between \$40,000 and \$80,000, when reported in constant 2022 dollars. There has been modest decline in this demographic cohort since the 2000's. In 2021, that income category equaled 20.9 percent of owner households. This reflects the incomes of most of the employees at the area's larger employers. Most of these residents would be unable to purchase a new home under current market conditions.

The second income category under study is owner households earning annual incomes over \$80,000, when reported in constant 2022 dollars. This represents the potential market for new home sales in the Twin County Region marketplace. Just over 20 percent of owner households in the region earned incomes at this level in 2021.

Of note is that there has not been net growth among owner households in either income categories since 2000, which coincides with the overall decline in the number of homeowners in the region. This is partially a function of limited new housing inventory but also to limited job growth for households at this income level. The decline in overall homeownership rates have been most concentrated among homeowners with more modest incomes.

Table 8: Trends of Owner Households, by Income, Twin County Region, Virginia, 1990-2021 ^{1/}

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2021</u>
Households	19,680	22,400	22,600	21,960
Owner Households	15,870	17,830	17,110	16,010
Percent of Total Households	80.6%	79.6%	75.7%	72.9%
<u>\$40,000-\$80,000</u>				
Total Households	3,600	3,640	3,490	3,340
Percent of Owner Households	22.7%	20.4%	20.4%	20.9%
<u>Above \$80,000</u>				
Total Households	2,340	3,470	3,370	3,220
Percent of Owner Households	14.7%	19.5%	19.7%	20.1%

Notes: 1/ Reported in constant 2022 dollars.

Source: 1990-2020 Census, U.S. Census Bureau, U.S. Department of Commerce Weldon Cooper Center for Public Service; S. Patz & Associates, Inc.

Renter Households

Renter households represent a small but growing component of the existing regional housing market. In 2021, renter households accounted for only 27.1 percent of total households in the region. That total is up from 24.3 percent in 2010. The percentage of renters is low compared with state and national averages of approximately 35 percent. Total renter households in 2021 numbered 5,950±, which is an increase of 460± over the 2010 total. Most of this growth was driven by households occupying scattered rental units that are not part of any professionally managed apartment complexes.

One key point is that despite the loss of nearly 1,400 residents between 2000 and 2010, the number of market area renter households increased by over 900. Thus, most of the population loss was driven by homeowners of modest incomes. This trend continued for the 2010 to 2021 period.

Renter Households, by Income

Table 9 details trends in renter households by income category in the Twin County Region. The data show a considerable number of low- and moderate-income renter households, which reflects the region’s large number of housing units with rent subsidies as well as the over 300 housing choice vouchers issued by Rooftop of Virginia CAP.

As of 2021, nearly 1,700 renter households are estimated to earn annual incomes below \$20,000 and nearly 1,400 renter households earn annual incomes between \$20,000 and \$35,000, when reported in constant 2022 dollars. Thus, over 51 percent of renter households in the Twin County Region earn annual incomes below \$35,000. Most of these renters reside in various area income-restricted properties as well as older market rate properties, including several hundred in mature manufactured homes of various quality.

Renter households earning between \$35,000 and \$50,000 generally represent the workforce housing population. As of 2021, this income bracket totaled 980± households, which is a slight increase since 2010. As will be shown, very few professionally managed apartment properties serve this sector of the rental market. Future job growth, documented above, will likely expand this cohort in the near term.

There were 990± renter households earning annual incomes of between \$50,000 and \$75,000 in 2021, representing 16.6 percent of market area renter households. This is an increase of approximately 120 households over the 2010 level. In addition were over 640 renter households that earned annual incomes exceeding \$75,000 in 2021. There are no upscale apartment properties in the Twin County Region. These higher-income renters almost entirely rent larger single-family homes scattered throughout the region.

The data show steady yet modest growth of renter households in essentially all income categories over the past decade. This growth was suppressed due to the lack of inventory and potential renters leaving the region in search for adequate housing. However, it stands in contrast to the data shown in Table 8 related to owner households.

Table 9: Trends of Renter Households, by Income, Twin County Region, VA, 1990-2021 1/

	1990	2000	2010	2021
Households	19,680	22,400	22,600	21,960
Renter Households	3,810	4,570	5,490	5,950
Percent of Total Households	19.4%	20.4%	24.3%	27.1%
<u>Under \$20,000</u>				
Total Households	1,190	1,420	1,650	1,670
Percent of Renter Households	31.2%	31.1%	30.1%	28.1%
<u>\$20,000-\$34,999</u>				
Total Households	690	970	1,260	1,370
Percent of Renter Households	18.1%	21.2%	23.0%	23.0%
<u>\$35,000-\$49,999</u>				
Total Households	550	600	820	990
Percent of Renter Households	14.4%	13.1%	14.8%	16.6%
<u>\$50,000-\$74,999</u>				
Total Households	570	710	850	970
Percent of Renter Households	15.0%	15.5%	15.5%	16.3%
<u>Above \$75,000</u>				
Total Households	330	560	600	640
Percent of Renter Households	8.7%	12.3%	11.1%	10.8%

Notes: 1/ Constant 2022 dollars.

Source: 1990-2020 Census, U.S. Census Bureau, U.S. Department of Commerce
Weldon Cooper Center for Public Service; S. Patz & Associates, Inc.

Senior Population and Households

Data in Table 10 show net growth among the Twin County Region’s older adult population. The analysis was delineated into two demographic cohorts: (1) the active senior population, defined as adults between the ages 62 and 79, and (2) the older senior population, defined as adults who are 80 and older. The 62 to 79 aged population is defined as “active adults” and represent the sector of the market most likely to consider a “buy-down” home, i.e., a smaller home without maintenance.

The population above the age of 79 represents the potential market for assisted living or nursing care. There are no assisted living facilities in the City of Galax. The only assisted living facility in Carroll County is Commonwealth Senior Living at Hillsville, which is licensed for 78 beds. There are two assisted living facilities in Grayson County, both in Independence. One is Grayson House on Bedwell Street, which is licensed for ten beds, and the second is Hilltop Homes for Adults, with is licensed for 19 beds. The only facility to offer memory care in the region is Commonwealth Senior Living at Hillsville.

Area employers report that there are a number of retirees each year and a possible demand for age-restricted housing. Local realtors have reaffirmed this observation and have reported some demand from seniors interested in downsizing but with essentially no suitable options locally.

In 2010, the active senior population (persons 62 to 79 years of age) in the Twin County Region totaled 10,020±, or 19.0 percent of the total regional population. That percentage is high compared with state and national rates, which are closer to 12 percent. Over the 2000 decade, a period in which the general population fell by nearly 1,400, the net growth of the 62 to 79 age population was 1,310±, or an average annual increase of 130±. Essentially all of the net population growth of active seniors during this period represent persons aging in place rather than new seniors relocating to the region. The 2021 active adult population totals 11,650±, an increase of 1,330± over the 2010 level. Thus, while regional population declined since 2010, the number of senior headed households has increased.

Data in Table 10 also show the growth in the number of households with the household head aged 62 to 79 years. In 2010, the Twin County Region had 6,210± active senior-headed households. By 2021, the total number of households with the head in this age category is estimated to have reached 7,030± households, or 31.8 percent of total households.

As of 2021, the average household size of active senior headed households is 1.62, which is slightly below normal. That difference is due to a large number of single-person senior headed households in the region.

	1990	2000	2010	2021
Twin County Region Population	49,540	54,000	52,620	50,810
Twin County Region Households	19,680	22,400	22,600	21,960
<u>Active Senior Population and Households (62-79)</u>				
Senior Population	8,050	8,710	10,020	11,350
Percent of Total Population	16.3%	16.1%	19.0%	22.2%
Senior Households	5,150	5,820	6,210	7,030
Percent of Total Households	26.2%	26.0%	27.5%	31.8%
Average Senior Household Size	1.56	1.50	1.61	1.62
<u>Older Senior Population and Households (80+)</u>				
Senior Population	1,960	2,300	2,810	3,350
Percent of Total Population	4.0%	4.3%	5.4%	6.6%
Senior Households	1,290	1,590	2,110	2,520
Percent of Total Households	6.6%	7.1%	9.3%	11.5%
Average Senior Household Size	1.52	1.45	1.33	1.33
Source: 1990-2020 Census, U.S. Census Bureau, U.S. Department of Commerce Weldon Cooper Center for Public Service; S. Patz & Associates, Inc.				

Active Senior Population and Households, by Income

Table 11 details trends in active senior households by income category in the Twin County Region between 1990 and 2021. As of 2021, over 2,700 households, or 38.8 percent of senior-headed households, earned annual incomes below \$35,000, when reported in constant 2022 dollars. This total has declined since the 1990's largely due to a lack of inventory affordable to this sector of the housing market.

The data show recent growth among modest- and high-income senior-head households since 2010, which corresponds to the general increase in the number of senior-headed households in the region. The growth total for the \$35,000 to \$49,999, \$50,000 to \$74,999 and the \$75,000 and above income categories ranged between 180± and 350± households since 2010. No age-restricted housing was built in the region during this eleven-year period. This growth was almost entirely attributed to seniors aging in place rather than any influx of new, older residents to the Twin County Region.

Table 11: Trends of Active Senior Households, by Income, Twin County Region, Virginia, 1990-2021 1/

	1990	2000	2010	2021
Households	19,680	22,400	22,600	21,960
Senior Households (62-79)	5,150	5,820	6,210	7,030
Percent of Total Households	26.2%	26.0%	27.5%	31.8%
<u>Under \$20,000</u>				
Total Households	1,740	1,520	1,390	1,210
Percent of Senior Households	33.8%	26.1%	22.4%	17.2%
Percent of Total Households	8.8%	6.8%	6.2%	5.5%
<u>\$20,000-\$34,999</u>				
Total Households	1,270	1,270	1,340	1,520
Percent of Senior Households	24.7%	21.8%	21.6%	21.6%
Percent of Total Households	6.5%	5.7%	5.9%	6.9%
<u>\$35,000-\$49,999</u>				
Total Households	680	890	1,090	1,440
Percent of Senior Households	13.2%	15.3%	17.6%	20.5%
Percent of Total Households	3.5%	4.0%	4.8%	6.6%
<u>\$50,000-\$74,999</u>				
Total Households	770	940	1,100	1,390
Percent of Senior Households	15.0%	16.2%	17.7%	19.8%
Percent of Total Households	3.9%	4.2%	4.9%	6.3%
<u>Above \$75,000</u>				
Total Households	690	1,210	1,300	1,480
Percent of Senior Households	13.4%	20.8%	20.9%	21.1%
Percent of Total Households	3.5%	5.4%	5.8%	6.7%
Notes: 1/ Constant 2022 dollars.				
Source: 1990-2020 Census, U.S. Census Bureau, U.S. Department of Commerce Weldon Cooper Center for Public Service; S. Patz & Associates, Inc.				

Housing Unit Trends

This subsection analyzes the overall housing unit inventory in the Twin County Region as related to new additions to the market and ages of homes. Table 12 provides census data on total housing units in 2010 and 2020. For comparison purposes, data are shown for the three jurisdictions that comprise the Twin County Region as well as for the other jurisdictions within the Mount Rogers Planning District.

The data show that the Twin County Region had approximately 320 fewer housing units in 2020 compared to 2010, a decline of 1.1 percent. Carroll County had a modest increase of ten homes while Galax had a reduction of nearly 100 homes and Grayson County had 230 fewer homes in 2020 than in 2010. These stagnant trends mirror the neighboring communities in the Mount Rogers Planning District where the total number of housing units was reduced by over

800, or 1.2 percent, since 2010. Carroll County is the one jurisdiction in the Mount Rogers Planning District that expanded its housing stock, albeit by only ten housing units.

The key point shown in Table 12 is that there is no net growth in the local or regional housing stock. Thus, there are limited housing options even for those who are willing to undertake long commutes. This is not to say that no new homes were built during this period. The data instead reflect a condition in which a larger number of older homes were demolished over the past decade compared to newer homes that were built.

Table 12: Net Change in Housing Units, Twin County Region and Mount Rogers Planning District, 2010-2020				
	2010	2020	Net Change	Percent Change
<u>Twin County Region</u>				
Carroll County	16,569	16,579	10	0.1%
Galax City	3,252	3,156	-96	-3.0%
Grayson County	<u>9,158</u>	<u>8,924</u>	-234	-2.6%
<i>(Subtotal)</i>	<i>(28,979)</i>	<i>(28,659)</i>	<i>(-320)</i>	<i>(-1.1%)</i>
<u>Remainder of Mount Rogers Planning District</u>				
Smyth County	15,426	15,097	-329	-2.1%
Bland County	3,265	3,200	-65	-2.0%
Bristol City	8,795	8,670	-125	-1.4%
Washington County	25,637	25,424	-213	-0.8%
Wythe County	<u>14,079</u>	<u>13,990</u>	-89	-0.6%
<i>(Subtotal)</i>	<i>(67,202)</i>	<i>(66,381)</i>	<i>(-821)</i>	<i>(-1.2%)</i>
Mount Rogers Planning District	96,181	95,040	-1,141	-1.2%
Source: 2010-2020 Census, U.S. Census Bureau, U.S. Department of Commerce				

Data in Table 13 show the periods when new occupied homes were built in Carroll County, Grayson County and the City of Galax. Just over 500 new homes were built since 2014, almost entirely outside of Galax. An additional 429 homes built between 2010 and 2013, also primarily outside of Galax. The Twin County Region did add 2,340± new homes during the 2000's, but this was a decline compared to the 3,144 new homes that were built a decade prior. The key point is that the housing stock is mature, with over 56 percent of the Twin County Region's households residing in homes that were built prior to 1980.

Table 13: Net Change in Housing Units, Twin County Region, Virginia, 2020

Occupied Housing Units	Carroll County		Grayson County		City of Galax		Twin County Region	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
	12,134	100.0%	6,388	100.0%	2,614	100.0%	21,136	100.0%
Built 2014 or Later	298	2.5%	204	3.2%	18	0.7%	520	2.5%
Built 2010 to 2013	200	1.7%	205	3.2%	24	0.9%	429	2.0%
Built 2000 to 2009	1,452	12.0%	675	10.6%	212	8.1%	2,339	11.1%
Built 1990 to 1999	1,982	16.3%	859	13.5%	303	11.6%	3,144	14.9%
Built 1980 to 1989	1,792	14.8%	816	12.8%	234	9.0%	2,842	13.5%
Built 1970 to 1979	2,565	21.1%	850	13.3%	599	22.9%	4,014	19.0%
Built 1960 to 1969	1,289	10.6%	810	12.7%	530	20.3%	2,629	12.4%
Built 1950 to 1959	1,155	9.5%	667	10.4%	242	9.3%	2,064	9.8%
Built 1940 to 1949	718	5.9%	353	5.5%	188	7.2%	1,259	6.0%
Built 1939 or Earlier	683	5.6%	949	14.9%	264	10.1%	1,896	9.0%

Source: U.S. Census Bureau, 2016-2020 American Community Survey 5-Year Estimates

Prevalence of Occupied Substandard Homes

The final issue related to census data on the Twin County Region housing market is the number of substandard housing units. Data in Table 14 show that there are just over 100 occupied homes without complete plumbing facilities and nearly 80 occupied homes without complete kitchen facilities in the Twin County Region. All of these homes are located in Carroll County and Grayson County.

Combined, these data from the American Community Survey represent less than one percent of total occupied homes. An analysis was not undertaken for homes without telephone connection, as this is no longer a relevant measure of home quality. Overall, there are likely to be a considerable number of blighted vacant homes, but the number of blighted occupied homes is small.

Table 14: Occupied Housing Units by Complete Facilities, Twin County Region, Virginia, 2020

	<u>Carroll County</u>		<u>Grayson County</u>		<u>City of Galax</u>		<u>Twin County Region</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Occupied Housing Units	12,134	100.0%	6,388	100.0%	2,614	100.0%	21,136	100.0%
<u>Plumbing Facilities</u>								
Complete Plumbing Facilities	12,066	99.4%	6,354	99.5%	2,614	100.0%	21,034	99.5%
Lacking Complete Plumbing	68	-0.6%	34	-0.5%	0	0.0%	102	-0.5%
<u>Kitchen Facilities</u>								
Complete Kitchen Facilities	12,099	99.7%	6,344	99.3%	2,614	100.0%	21,057	99.6%
Lacking Complete Kitchen	35	-0.3%	44	-0.7%	0	0.0%	79	-0.4%

Source: U.S. Census Bureau, 2016-2020 American Community Survey 5-Year Estimates

Section III: Twin County Region Housing Market

The subsection to follow provides a full analysis of the various components that comprise the Twin County Region housing market. The for-sale housing market is fully analyzed by home type, including single-family homes, townhomes and patio homes. As will be documented, the for-sale housing market in the Twin County Region is stagnant and has been dominated by the re-sale market for several years, as very few new homes have been built to be sold speculatively for several years. Nearly all newer homes in the region are single-family homes, which is largely a function of existing zoning regulations, but also might reflect local preferences. Very few townhomes have been built to date and no subdivisions offer single-level, patio home designs for seniors. There are no age-restricted subdivisions in the Twin County Region. The new home sales market is essentially untested.

Also included in this subsection is a full analysis of the rental housing market, including both the affordable and market rate rental market. There are several market rate apartment properties in the region, but all are mature and at least two decades old. These are small, non-amenitized properties that have not adequately satisfied demand.

The affordable housing stock is also shown to be mature, but generally well-maintained. One new affordable apartment community – Woodlawn School Apartments – opened in 2022 and is fully occupied with a waitlist. The majority of affordable apartment units in the region target low-income households and do not adequately serve the labor force. All of the affordable apartment properties in the region are fully occupied and most maintain extensive waitlists.

Rental Housing Market

The analysis to follow studies the four components that comprise the rental housing market in the Twin County Region. These include (1) market rent general occupancy, (2) affordable general occupancy, (3) market rent age-restricted and (4) affordable age-restricted housing.

Characteristics of the General Occupancy Apartment Market

Table 15 presents market data on the existing rental properties in the Twin County Region. All are located along the U.S. Route 58 corridor, between Independence and Hillsville. Included in this total are nine small market rate apartment communities with 140 apartment units, 282 scattered rental units managed by three local property management companies, and five affordable apartment communities with 195 apartment units that were financed through the Low-Income Housing Tax Credit (LIHTC) program. As will be shown, rents at some of the affordable apartment properties are comparable to the rents at several of the market rate apartment properties. This is due to the age and features of the existing market rate rental supply.

Excluded from the analysis are several affordable apartment properties with deep rent subsidies where tenants pay 30 percent of income toward rent. All are routinely at full occupancy and most maintain extensive waitlists. Also excluded are the 305 housing choice vouchers managed by Rooftop of Virginia CAP. Holders of these vouchers also pay 30 percent of income toward rent in scattered units throughout the region. The agency maintains a waitlist of approximately 105 low-income households.

The paragraphs below detail each of these three housing segments.

- **Market Rate Apartments.** The Twin County Region contains nine small apartment properties with 140 rental units that are all fully occupied. Full occupancy is the norm and has been the case for several years. Some properties maintain small waitlists, but most report turning away prospective tenants as they rarely have availability. All are small, non-amenitized communities that range in size between four and 39 apartment units.

These are mature properties, with the newest community, Brookstone Court, now over two decades old. Several have undergone some renovations, though these have been minor and have not justified major rent increases. Post renovation rents are typically 15 percent above the non-renovated rents. For the most part, rental units in these small properties offer modest, outdated designs with limited curb appeal. All two-bedroom units have 1.0 or 1.5 bathrooms, for instance. Two full bathrooms have become the norm for newly-built, two-bedroom market rate apartment units.

Based on interviews with area property managers, it is estimated that approximately 80 percent of the apartment units are occupied by working households. An additional 20 percent are occupied by retirees, including those who have moved back to the area after

living elsewhere. Property managers note a significant number of people rent and then relocate “after a few years” due to the perceived inadequacy of the existing rental housing stock.

- **Scattered Market Rate Units.** Three local property management companies manage approximately 280 scattered rental units across the region. Most are mature single-family homes, and all are fully occupied. Vacancies are infrequent. Staff at these companies report that they regularly “turn people away” due to lack of availability or because inventory does not match their needs. Most of these units have been renovated over the past three or four years, resulting in rent increases of approximately 15 to 20 percent. These rent increases did not impact occupancy partly because rents remained low relative to incomes and partly because tenants have had no competing options.

Staff at these management companies note that they receive approximately 180 inquiries for rentals in a given month, though 20 percent of these have higher incomes and would qualify for the “better” units. Most of these prospective tenants are unable to be accommodated due to lack of availability. Several choose to live outside of the region and commute.

- **Affordable Apartments.** There are five LIHTC apartments in the region that were built between 1973 and 2004. All have rents restricted to 40%, 50% and 60% of the Area Median Income (AMI). Each is briefly described in the paragraphs below.
 - **Woodlawn School Apartments.** With leasing beginning in the spring of 2022, this is the newest apartment community to open in the Twin County Region and the first apartment complex to open in nearly two decades. This is the adaptive reuse of a former school building. The Carroll County Economic Development Authority donated the historic building along with approximately six acres of land to support this project, which combines grants and tax credits provided by Virginia Housing. The building and land were estimated to have a value of \$6.1 million at the time of the donation. Carroll County also waived all building permit fees to reduce development costs. The Carroll County Public Service Authority also waived water and sewer connection fees (Tap Fees). Additionally, the Carroll County Board of Supervisors committed to lease the Woodlawn School Gymnasium Commercial Space from the developer for 30 years at a below-market price of \$100 annually.

The 51-unit community is fully affordable to households earning between 40% and 60% of the Area Median Income (AMI). It includes ten one-bedroom, 26 two-bedroom and 15 three-bedroom apartment units. Amenities include a community room, computers for tenant use, a playground, a picnic area and an exercise area. Unit amenities include washer/dryer hook-ups.

Most tenants are employed in and around Galax and include several working families. Approximately ten percent of units are occupied by senior households. The community is fully leased with approximately 15 households on the waitlist. Management reports to receiving calls from prospective tenants daily.

-
- **Melton's Run** is the one apartment property to open during the 2000's. The 48-unit apartment community is comprised of two-story garden apartment buildings that opened in 2004 and are fully occupied. Management notes that they seldom have any vacancies. All units have rents restricted to 50% and 60% of AMI. The community is designed for families, as it offers no one-bedroom units and an even mix of two- and three-bedroom floorplans. The two-bedroom units are evenly split between 50% and 60% of AMI income restrictions. Nineteen three-bedroom units have 50% rents while five have 60% rents. This is an amenitized community with a clubhouse, playground and laundry facility.
 - **Galax Community Apartments**. This is a small apartment community of eight one- and two-bedroom apartments units that opened in 1982. All units are restricted to 60% of AMI. It is routinely at full occupancy. There are currently 33 households on the waitlist, 18 for the one-bedroom and 15 for the two-bedroom units.
 - **Hillcrest Apartments** opened in 1979 with 14 apartment units within two-story garden apartment buildings. The community is fully occupied and seldom has vacancies. This was originally a market rate community that was rehabbed in 2013 with tax credits.
 - **Northway Apartments** is the largest affordable apartment community under study, with 72 apartment units. It is also the oldest area apartment complex, having been constructed in 1973 with a mix of 12 one-bedroom, 48 two-bedroom 12 three-bedroom apartment units. The complex underwent some renovations in 2022, but it is currently being fully renovated for a second time. There are 17 vacant units at this time, but all vacancies are units that are temporarily offline due to these renovations. Management maintains an extensive waitlist of 178 households, including 97 for the one-bedroom, 60 for the two-bedroom and 21 for the three-bedroom apartment units. Amenities include a clubhouse, playground and on-site laundry.

The key point in Table 15 is that all market rate and affordable apartment units in the Twin County Region are fully occupied, excluding units that are offline for renovations at Northway Apartments. Several properties maintain waitlists and several turn away prospective tenants regularly due to the chronic lack of availability. Apart from Woodlawn School Apartments, all have mature units, and many do not fit the needs of area renters, particularly those looking for newer, more upscale features.

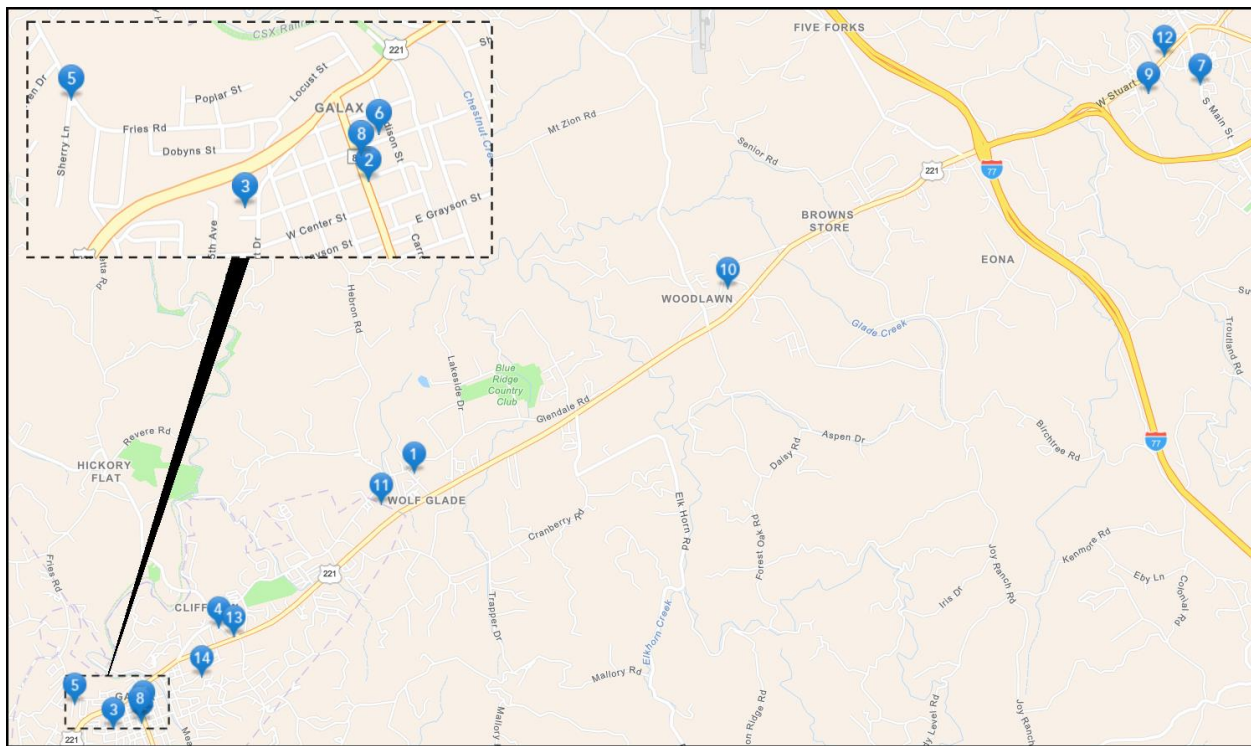
Amenities are only offered at two of these properties, both of which are affordable apartment complexes. Apart from Woodlawn School Apartments, which recently opened, the newest affordable apartment community is now nearly 20 years old. No new market rate apartment properties have been built in over two decades.

The lack of quantity and diversity of apartment units has forced many area employees to commute outside of the region for adequate housing, including as far as the I-81 corridor to the north or communities in North Carolina such as Sparta, Elkin and Mount Airy to the south. These are long commutes and in many cases are for properties with far higher rents compared to the local market.

Table 15: Characteristics of General Occupancy Apartment Communities, Twin County Region, November, 2022				
	Map D Key	Year Built	Total Units	Vacant Units
<u>Market Rate Apartments</u>				
Brookstone Court	1	1999/17	39	0
Chestnut Apartments	2	1997	30	0
Ivywood Apartments	3	1988/13	10	0
Larkspur Apartments 3/	4	1987/09/19	18	0
Walnut Hill Apartments 4/	5	1975/07/17	10	0
Madison Street Apartments	6	1971/12	12	0
Colonial Heights Apartments 5/	7	1991/15	6	0
Courtyard Commons	8	1949	11	0
Stuart Drive Apartments	9	1994	4	0
(Subtotal)			(140)	(0)
<u>Scattered Market Rate Units</u>				
Property Management Solutions	--	--	250	0
Kyle Realty, Inc.	--	--	10	0
Jireh Properties	--	--	22	0
(Subtotal)			(282)	(0)
<u>Affordable Apartments 1/</u>				
Woodlawn School Apartments	10	2022	51	0
Melton's Run	11	2004	48	0
Galax Community Apartments	12	1982	10	0
Hillcrest Apartments 6/	13	1979/13	14	0
Northway Apartments	14	1973/04/22	72	0/2
(Subtotal)			(195)	(0)
Total			617	0
Vacancy Rate				0.0%
Notes: 1/ Excludes properties with all or majority voucher holders.				
2/ Excludes 17 units offline for renovations. Renovations include new roofing, parking lots, landscaping, appliances, cabinets, HVAC systems and tile repair/ replacement. Completion is expected by early-2023.				
3/ Two-bedroom units built in 1986. Three-bedroom units built in 2009. 2BR units must pay all utilities including water/sewer/trash. The 3BR units include water/sewer/trash are included in rent. The 3BR units were built in 2009. the Two-bedroom units were renovated between 2017 and 2019.				
4/ 2007, new roofs were added along with windows. One unit renovated in 2016 due to flooding. 2017 renovation include new metal roofs and a repaved/ stripped parking lot. Three unit interiors renovated in 2017.				
5/ New roofs and flooring in most of the townhomes installed in 2015.				
6/ HOPE purchased this former market rate property and rehabbed in 2013 into LIHTC.				
Source: S. Patz and Associates, Inc.				

As it relates to the market rate housing market, all of the existing apartments are old, generate low rents and would not fully compete with a new, quality apartment community. None are comparable to new apartments that are being built elsewhere in the state, including in rural communities.

Map D shows the locations of the 14 apartment communities under study. All are located along the U.S. Route 58 corridor. Three apartment communities – Colonial Heights Apartments, Stuart Drive Apartments and Hillcrest Apartments – are located in Hillsville. Woodlawn School Apartments is the one rental property in Woodlawn, between Galax and Hillsville. The remaining are located in the Galax area. Chestnut Hill, Madison Street Apartments and Courtyard Commons are within walking distance of Downtown Galax.



Map D - Locations of Market Area Apartments

Presented next are photos of the 14 apartment communities under study. Woodlawn School Apartments is the one adaptive-reuse property. Most have two-story townhome designs with private entryways. Two of the affordable communities – Northway Apartments and

Melton's Run—have standard garden deigns. Chestnut Apartments appears to have been originally designed as a hotel. The photos show the properties to have modest designs.



Woodlawn School Apartments



Brookstone Court



Chestnut Apartments



Ivywood Apartments



Larkspur Apartments



Walnut Hill Apartments



Madison Street Apartments



Colonial Heights Apartments



Courtyard Commons



Stuart Drive Apartments



Melton's Run



Galax Community Apartments



Hillcrest Apartments



Northway Apartments

Net Rental Rates

Table 16 lists the net rents at each of the apartment properties under study. Rents were adjusted to exclude utility costs for the sake of consistency. Rent data show that none of the properties provide in-unit washers and dryers, apart from Courtyard Commons. Most do have washer and dryer connections and a handful offer on-site laundry facilities for tenant use.

Only three of the market rate properties offer one-bedroom units. Chestnut Apartments rents these units for \$660 while Courtyard Commons rents them from between \$575 and \$650, depending on the level of renovations. One-bedroom rents at Stuart Drive Apartments are low, at \$450, which is comparable to the one-bedroom rents at some of the income-restricted properties.

The scattered rental units managed by Property Management Solutions rent at comparable ranges, for between \$550 and \$650. Kyle Realty rents one-bedroom units for approximately \$450. The four affordable complexes that offer one-bedroom units generate rents of between \$335 at Hillcrest Apartments and \$551 at Galax Community Apartments. The wide range in rents at Woodlawn School Apartments is due to it offering units restricted to various income levels, between 40% and 60% of AMI.

All of the area apartment properties offer two-bedroom units. Apart from Melton's Run, which has two full bathrooms, all two-bedroom floorplans offer either 1.0 or 1.5 bathrooms. This is an outdated design and indicative of the age of the existing apartment properties.

Rents for the two-bedroom units at the market rate properties average \$664, ranging between \$500 and \$750. The higher rents are primarily renovated and larger units. The two-bedroom units managed by Property Management Solutions are similar in rent, ranging between \$650 and \$700. Two-bedroom units managed by Kyle Realty and Jireh Properties generate lower rents of between \$550 and \$600.

Two-bedroom rents at the affordable properties average \$471. Galax Community Apartments and Northway Apartments generate two-bedroom rents of between \$502 and \$572. Two-bedroom rents at Woodlawn School Apartments range between \$390 and \$545, depending on the incomes of the tenants. The market rate two-bedroom rents average \$664. Most two-bedroom market rate units rent in the \$600 to \$700 range. The scattered market rate units generate slightly lower rents.

The market area has very few three-bedroom market rate apartment units. The three market rate properties with three-bedroom units contain only 21 units in total. These units rent for an average of \$832. At the upper end are a handful of \$850 three-bedroom units at Larkspur Apartments and Brookstone Court. The scattered rental units have three-bedroom rents that average \$756. These include several larger single-family homes that require some maintenance and lawn responsibilities and thus are not marketable to some households, particularly seniors.

Woodlawn School Apartments, Melton’s Run and Northway Apartments are the three affordable properties with three-bedroom units. The 24 three-bedroom units at Melton’s Run rent for between \$462 and \$507. The 12 three-bedroom units at Northway Apartments, each with only 1.5 bathrooms, rent for \$674. The 15 three-bedroom units in Woodlawn School Apartments all have two full bathrooms and rent for between \$440 and \$627, depending on income.

Table 16: <u>Net Rental Rates at General Occupancy Apartment Communities,</u> <u>Twin County Region, Virginia, November, 2022</u> 6/			
	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>
<u>Market Rate Apartments</u>			
Brookstone Court 2/	--	\$750	\$850
Chestnut Apartments 1/	\$660	\$700	--
Ivywood Apartments 2/	--	\$675	\$795
Larkspur Apartments 2/	--	\$695	\$850
Walnut Hill Apartments 1/	--	\$675	--
Madison Street Apartments 1/	--	\$625	--
Colonial Heights Apartments 2/	--	\$500-\$650	--
Courtyard Commons 2/ 4/	\$575-\$650	\$600-\$725	--
Stuart Drive Apartments 1/ 5/	\$450	--	--
(Average)	(\$574)	(\$664)	(\$832)
<u>Scattered Market Rate Units</u>			
Property Management Solutions	\$550-\$650	\$650-\$700	\$750-\$975
Kyle Realty, Inc.	\$450	\$550	--
Jireh Properties	--	\$600	\$600-\$700
(Average)	(\$525)	(\$608)	(\$756)
<u>Affordable Apartments</u>			
Woodlawn School Apartments 2/	\$335-\$492	\$390-\$545	\$440-\$627
Melton’s Run 5/	--	\$411-\$451	\$462-\$507
Galax Community Apartments 1/	\$551	\$572	--
Hillcrest Apartments 1/	\$342	\$371	--
Northway Apartments 1/ 3/	\$420	\$502-\$524	\$674
(Average)	(\$432)	(\$471)	(\$564)
Notes: 1/ Two-bedroom units have 1.0 bathrooms. 2/ Two-bedroom units have 1.5 bathrooms. 3/ Three-bedroom units have 1.5 bathrooms. 4/ Includes in-unit washer/ dryer. 5/ Estimate. Based on past data. 6/ Rents adjusted to exclude utility costs.			
Source: S. Patz and Associates, Inc.			

Apartment Unit Mix

Data in Table 17 show the apartment unit mix at each of the rental properties under study, when data was made available by management. The majority of market rate units (69.0 percent) have two-bedroom floorplans. This is compared with 14.7 percent of units that have one bedroom

and 16.3 percent of units that have three bedrooms. The affordable apartment units have a somewhat similar unit mix, as the majority are two-bedroom units. The affordable apartment properties have 16.4 percent one-bedroom, 57.4 percent two-bedroom and 26.2 percent three-bedroom apartment units. Galax Community Apartments and Hillcrest Apartments offer no three-bedroom units. Melton’s Run has an even mix of two- and three-bedroom units. Most floorplans at Woodlawn School Apartments and Northway Apartments have two bedrooms.

Table 17: Apartment Unit Mix at General Occupancy Apartment Communities, Twin County Region, Virginia, October, 2022

	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>	<u>Total Units</u>
<u>Market Rate Apartments</u>				
Brookstone Court	0	29	10	39
Chestnut Apartments	15	15	0	30
Ivywood Apartments	0	8	2	10
Larkspur Apartments	0	9	9	18
Walnut Hill Apartments	0	10	0	10
Madison Street Apartments	0	12	0	12
Colonial Heights Apartments	0	6	0	6
Stuart Drive Apartments	<u>4</u>	<u>0</u>	<u>0</u>	<u>4</u>
(Subtotal)	(19)	(89)	(21)	(129)
(Percent of Total)	(14.7%)	(69.0%)	(16.3%)	(100.0%)
<u>Affordable Apartments</u>				
Woodlawn School Apartments	10	26	15	51
Melton’s Run	0	24	24	48
Galax Community Apartments	8	2	0	10
Hillcrest Apartments	2	12	0	14
Northway Apartments	<u>12</u>	<u>48</u>	<u>12</u>	<u>72</u>
(Subtotal)	(32)	(112)	(51)	(195)
(Percent of Total)	(16.4%)	(57.4%)	(26.2%)	(100.0%)

Source: S. Patz and Associates, Inc.

Community Amenities

None of the market rate properties offer amenities apart from a few with on-site laundry facilities. Melton’s Run and Northway Apartments have clubhouses and playgrounds. Woodlawn School Apartments offers a community room, computers for tenant use, a playground, a picnic area and an exercise area. This is the most highly amenitized apartment property in the region.

Characteristics of the Age-Restricted Apartment Market

The Twin County Region contains three modest age-restricted apartment communities that were built in the mid- and late-1980's. These include the 32-unit Grayson Manor, 42-unit Harmony Village and 40-unit Harmony House. Harmony Village and Harmony House are fully occupied with extensive waitlists. One complex, Grayson Manor, has seven vacant units and 17 people on a waitlist. Grayson Manor is scheduled to be fully renovated beginning in January, 2023. The vacancies are due to management not leasing vacated units to allow them to be temporarily used for existing tenants during the renovation period. No tenants are expected to be displaced following these renovations.

These three properties offer deep rent subsidies in which all tenants pay 30 percent of household income toward rent. Thus, rents are extremely low and not competitive with new age-restricted housing that is likely to be financed for new construction in the region. The region does not contain any age-restricted apartments with market rents or affordable rents targeting households with modest incomes.

Apartment Pipeline

There are no rental properties under construction or in active planning in the Twin County Region at this time.

Rental Market Summary

Apart from Woodlawn School Apartments, which recently opened and is now fully occupied with a waitlist, no new apartment communities have opened in the Twin County Region in over two decades. The only net additions to the rental housing stock during this period were scattered units acquired by investors that were originally built for homeownership.

All existing apartment units under study in the market area are fully occupied, and this has been the case for several years. Nearly all are mature, and most are outdated properties. Apart from three affordable communities, none offer any on-site amenities. Most of the "better" area rentals are scattered units managed by local property management firms or private investors.

Limited availability has resulted in long waitlists and prospective tenants moving outside of the region for suitable housing. None of the existing market rate apartment properties would be comparable with a newly built rental community.

For-Sale Housing Market

Single-Family Home Market

The for-sale housing market in the Twin County Region is almost entirely comprised of resales, as very few new homes have been built speculatively to be sold. There are no active subdivisions with new home construction within the City of Galax, as the last approved residential subdivision occurred in the 1990's. Carroll County also does not have any subdivisions with new home sales, as most new home construction in the County has occurred on scattered lots.

Table 18 details the single-family subdivisions with unbuilt lots in Grayson County, delineated by location. There are five subdivisions with unbuilt lots in the Independence area. These include the 50-lot River Meadows, 14-lot Pine Mountain Estates, 67-lot Point Lookout and 58-lot Hidden Valley Estates. Three of these subdivisions contain multiple sections. Of note is that all of these are mature, non-amenitized subdivisions with stagnant sales paces.

The newest subdivision to begin sales is River Meadows, which started in 2008 and has only recorded three lot sales to date. Pine Mountain Estates started in 2007, with only four sales to date. All of the remaining subdivisions in the Independence area were started between 1987 and 2000. Combined, the Independence area subdivisions total 189 lots, of which only 45 (23.8 percent have sold). Over the past decade, only seven homes were built at these subdivisions.

There is one subdivision in Elk Creek, which is the two sections of Mountain Top Meadows that began sales in 2001 with a combined total of 21 lots. Five lots have been developed to date, including four since 2012. Peaks Mountain Estates, which started in 2010 with 18 lots, has a Galax address but is located in Grayson County. Only two lots have sold in this subdivision, the most recent of which sold in 2014. The only remaining subdivision with unbuilt lots is Bluff

Mountain in Whitetop. This subdivision was approved in 2002 for 25 lots. Only three lots have sold, though there has been no activity in this subdivision in over a decade.

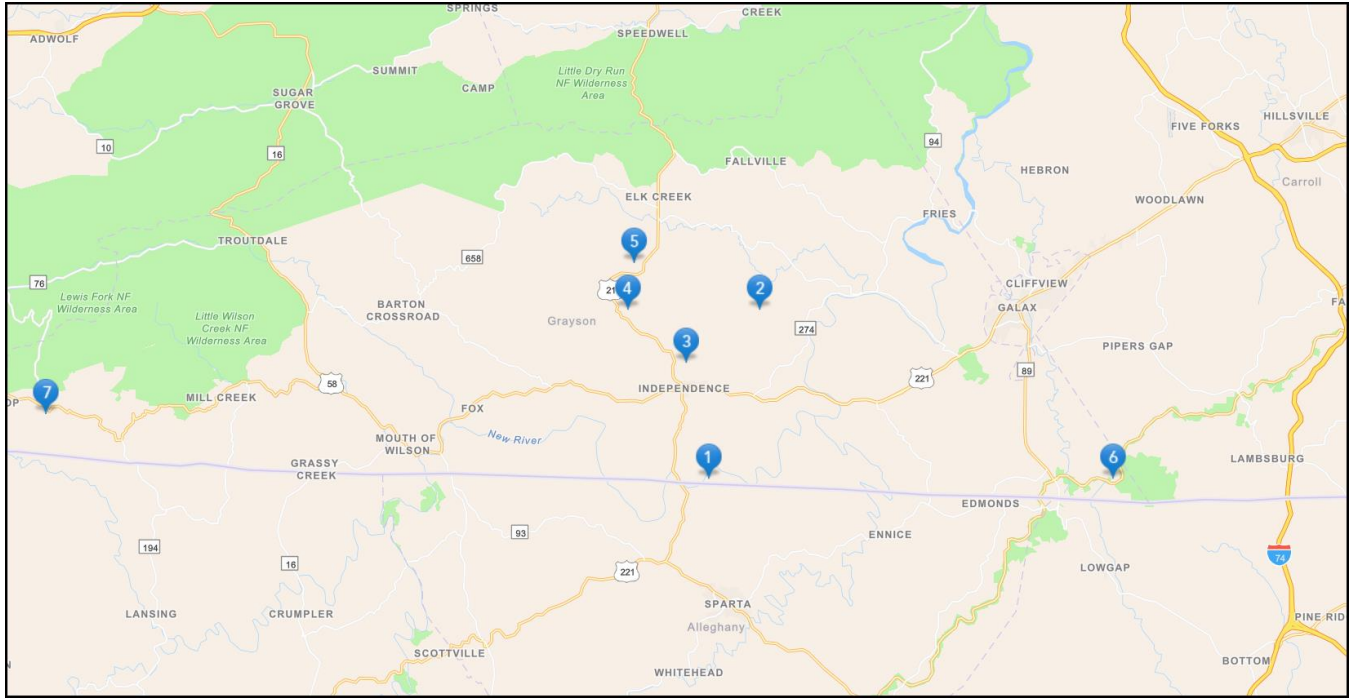
The key points in Table 18 are as follows:

- Grayson County has only seven subdivisions with lots available for new housing unit development. These subdivisions total 253 lots, of which only 55 lots have been sold and 198 lots remain available for new housing unit development. Most of the available lots have Independence addresses.
- None of these subdivisions are located in any of the County's towns.
- 42 lots at River Meadows were listed for sale in July, 2018. The property was sold later in the year to a North Carolina-based buyer for \$2.9 million. The lots range in size between approximately one and seven acres for a combined total of 76.53 acres. Also included in the listing was 26.44 acres of common area with access to the New River. The most recent home sale was in the mid-\$500,000's. Most lots have been listed and sold for approximately \$50,000 per acre.
- All of these subdivisions are comprised of single-family homes, some on large lots. None offer townhome units or patio homes, though some have single-level home designs.
- Development at these subdivisions has been stagnant. Only 12 lots have sold over the past decade.
- None of the subdivisions offer any amenities such as a clubhouse, walking paths or swimming pool. None are served by sidewalks. This is due to the small number of homes, which does not support most amenities.
- There is a very minimal level of marketing for any of these subdivisions. This is because essentially no new, speculative homes are being built and sold.
- None of these subdivisions provide access to County water or sewer, and thus attracting developers from outside of the region is a difficult prospect.
- A large number of homes sold at these subdivisions were priced above affordable levels for most homebuyers, particularly first-time homebuyers.

Table 18: Characteristics of Grayson County, Virginia, Subdivisions with Unbuilt Lots, November, 2022

	<u>Map E</u> <u>Key</u>	<u>Year</u> <u>Started</u>	<u>Lots</u> <u>Approved</u>	<u>Lots</u> <u>Sold</u>	<u>Lots Sold</u> <u>Since 2012</u>
<u>Independence Address</u>					
River Meadows	1	2008	50	3	2
Pine Mountain Estates	2	2007	14	4	1
Point Lookout Sec. 2	3	2000	16	3	0
Point Lookout Sec. 3	3	2000	20	2	0
Hidden Valley Estates Sec. 3	4	1991	12	4	0
Point Lookout Sec. 1	3	1987	31	5	2
Hidden Valley Estates Sec. 1	4	1989	42	22	2
Hidden Valley Estates Sec. 2	4	1989	4	2	0
Point Lookout Sec. 1	3	1987	31	5	2
(Subtotal)			(189)	(45)	(7)
<u>Elk Creek Address</u>					
Mountain Top Meadow Sec.1	5	2001	12	3	2
Mountain Top Meadow Sec.2	5	2001	<u>9</u>	<u>2</u>	<u>2</u>
(Subtotal)			(21)	(5)	(4)
<u>Galax Address</u>					
Peaks Mountain Estates	6	2010	18	2	1
<u>Whitetop Address</u>					
Bluff Mountain	7	2002	<u>25</u>	<u>3</u>	<u>0</u>
Total			253	55	12
Notes: 1/ Only subdivisions with four or more lots.					
Source: Grayson County Director of Planning and Zoning					

Map E shows the locations of the above seven subdivisions. None are located in any of the County's towns. All are shown to be located in rural settings and somewhat removed from population and employment clusters. Four of these subdivisions are situated north of Independence, generally along U.S. Route 21. Pine Mountain Estates is somewhat off-centered. The remaining three are located near the North Carolina border.



Map E - Locations of Grayson County Subdivisions

Townhome Market

There are very few for-sale townhomes in the Twin County Region, as nearly all attached units are renter occupied. Of note is that none of the subdivisions listed above in Table 18 offer townhomes. This is a function of their setting in rural areas of Grayson County and also due to existing zoning. This is a housing type that could be encouraged in the region, as it provides a “starter home” for young couples and families with more modest incomes. No such concept has been tested in the region to date.

Two examples of townhome developments at modest price points that are being sold along the I-81 corridor are shown below. These townhomes, which were recently built and sold by Roanoke-based R. Fralin Homes, could be a successful prototype for the Twin County Region. The recently sold-out townhomes shown below are located in Roanoke County and priced in the upper-\$100,000’s and low-\$200,000’s and are defined as “starter homes.” These could likely be built and sold at reduced prices locally as land costs are lower. They are two-level townhomes with brick and/ or vinyl exterior and each offering a single-car garage. Nearly all offer three-bedroom floorplans with 2.5 bathrooms.



Village Green



Faircrest

Patio Home Market

Data presented in Table 10 above documented an expanding senior population. As with neighboring communities that also face acute housing shortages, the Twin County Region has a large and expanding older adult population. Many of these seniors have home equity and retirement savings. Many also report the desire to remain locally, if options were available to them

Area realtors report that some seniors who have left the region have since looked to return but have found few suitable options that match their lifestyles. Existing home designs in the region do not sufficiently serve this expanding sector of the housing market, as most existing homes are mature and do not provide designs that are conducive to seniors. Most are too large, have upper-level bathrooms or require considerable maintenance.

There is a growing market for patio homes in Virginia and nationwide. No patio homes have been built in the Twin County Region or elsewhere in the Mount Rogers Planning District to date. Patio homes are defined as modestly priced, single-story attached homes with garages. These homes typically range in size from 1,250 square feet to 1,800 square feet. They require a flat development site and can offer a design with fronts of 30 to 40 feet. Patio homes are popular options for senior homebuyers as they have ground level bedrooms and require little or no exterior maintenance.

This type of home design is fully recommended. It can be within an age-restricted community or for general occupancy, as the one-story concept is equally marketable for the empty nester market. Depending on size and features, these homes can be priced in the low-to mid-\$200,000's within the Twin County Region marketplace. Photos of newer patio homes built along the I-81 corridor are shown below.



Berkley Commons



Medallion Hills

Typical Botetourt County Patio Homes

Trends in Residential Building Permits

As previously noted, there are few subdivisions with unbuilt lots in the Twin County Region, and these subdivisions have generated a marginal level of new home construction over the past decade. Fewer than 15 new homes have been built in these subdivisions since 2012.

Table 19 shows the trends in the number of building permits that the City of Galax has issued for new homes over the past decade. None were for manufactured, mobile or modular homes. Two building permits were for duplex units in 2013 along Waugh Drive. Also included in this total are six duplex units currently under construction along Allen Lane, Glendale Road and Maple Street.

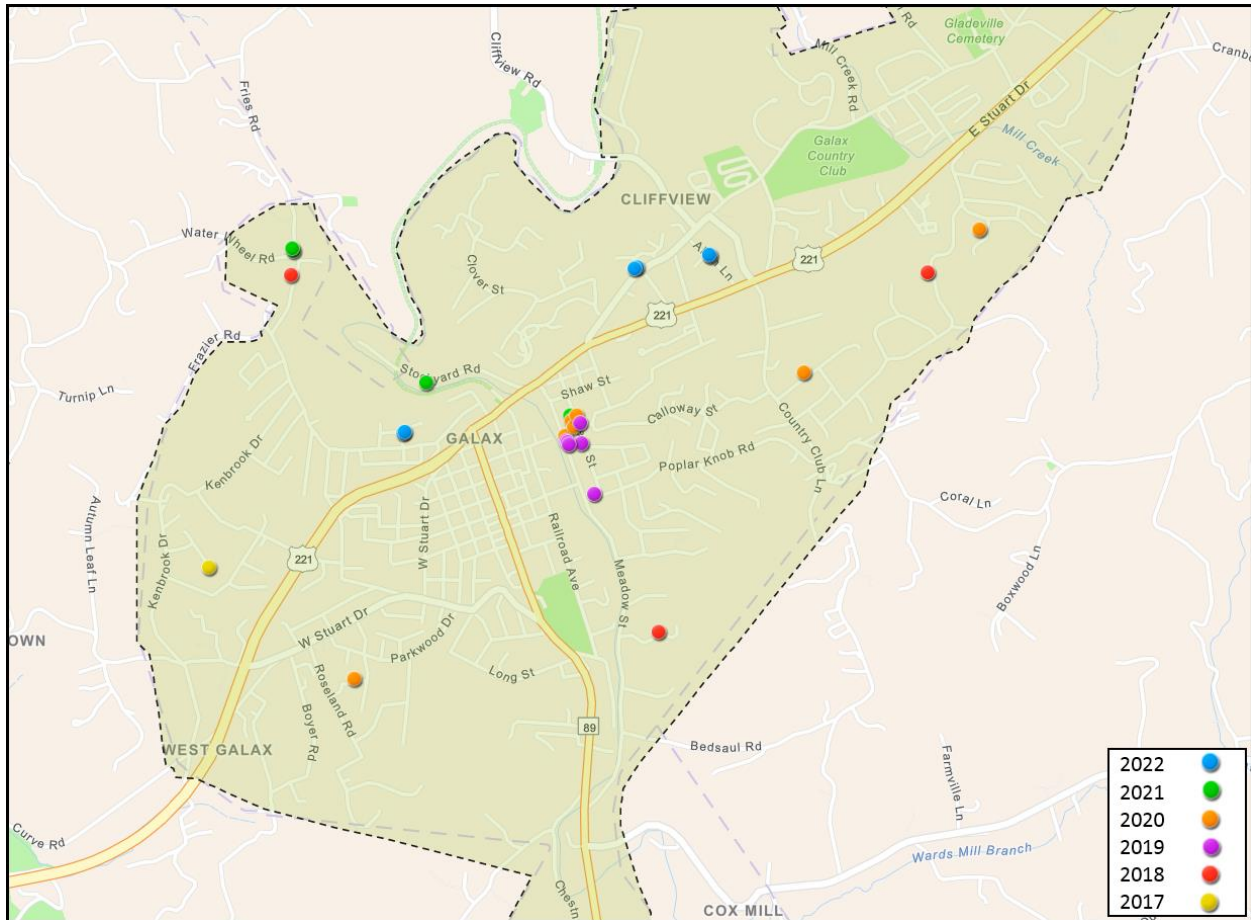
The data show that the City of Galax issued only 45 residential building permits since 2012, or an average of fewer than five building permits each year. All of these were for homes that were built on scattered lots throughout the City and outside of any approved subdivisions.

Sixteen, or just over 35 percent of these building permits, were issued to demolitions and replacements as part of a Community Development Block Grant for the Galax Bottom Area Project that occurred over the 2013 to 2021 period.

	<u>Single-Family</u>	<u>Duplex/ Townhome</u>	<u>Modular/ Manufactured</u>	<u>Total Permits</u>
2012	0	0	0	0
2013	2	2	0	4
2014	4	0	0	4
2015	8	0	0	8
2016	2	0	0	2
2017	1	0	0	1
2018	3	0	0	3
2019	6	0	0	6
2020	7	0	0	7
2021	4	0	0	4
2022 YTD	<u>0</u>	<u>6</u>	<u>0</u>	<u>6</u>
Total	37	8	0	45

Source: City of Galax, Virginia

Map F shows where the residential building permits were issued in the City of Galax since 2017. The map identifies one cluster east of the Downtown and generally along Meadow Street and Givens Street. Most of these building permits were associated with the aforementioned Community Development Block Grant and do not represent net growth in housing units in the City. The remaining permits were issued for scattered lots throughout the City.



Map F - Locations of New Building Permits (City of Galax)

Next shown, in Table 20, are the trends in building permits issued in Grayson County over the past decade. The data show that 220 building permits were issued during this period, or an average of approximately 22 new home each year. The majority of these permits were issued for single-family homes, which account for over 91 percent of the building permits issued since 2012. Nineteen building permits were for modular or manufactured homes. None were for attached units.

Only a small number of these building permits were issued to developers who financed the cost of construction to build new homes to be sold speculatively, as most were issued to private lot owners. Some of these building permits were for the replacement of older homes, homes burned by fires or homes destroyed by other natural disasters.

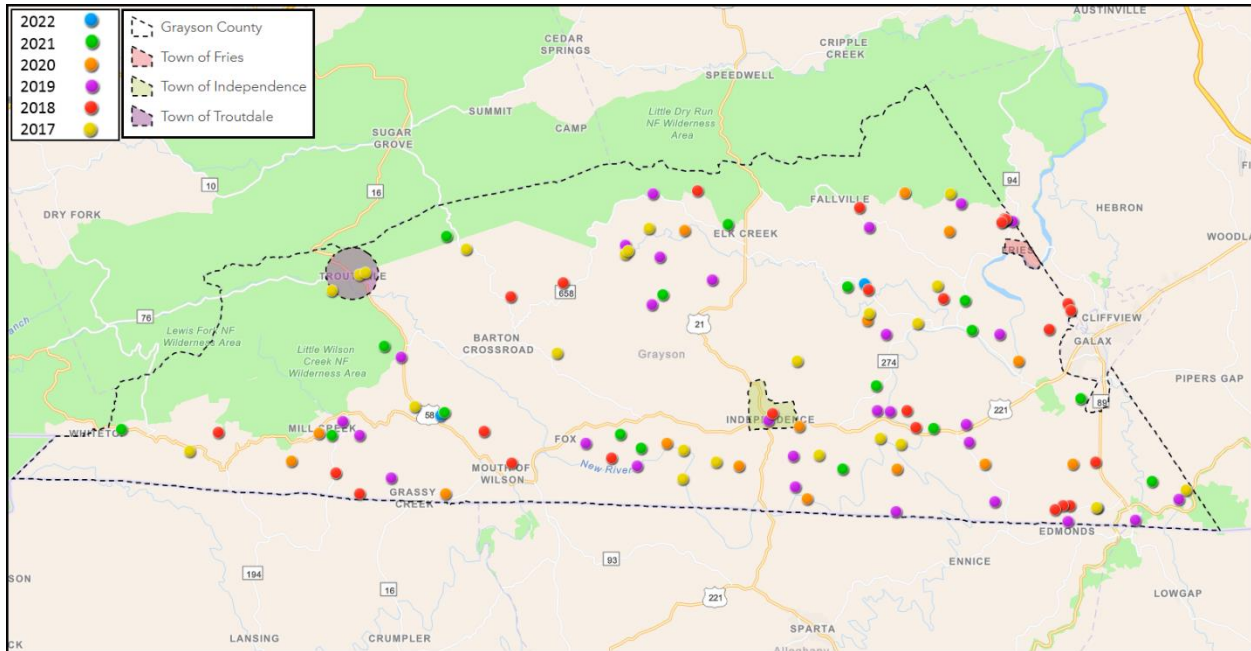
Table 20: Trends in Building Permits for New Homes, Grayson County, Virginia, 2012-2022

	<u>Single-Family</u>	<u>Duplex/ Townhome</u>	<u>Modular/ Manufactured</u>	<u>Total Permits</u>
2012	6	0	1	7
2013	21	0	4	25
2014	24	0	4	28
2015	21	0	3	24
2016	20	0	2	22
2017	22	0	1	23
2018	27	0	1	28
2019	25	0	3	28
2020	14	0	0	14
2021	18	0	0	18
2022 YTD	<u>3</u>	<u>0</u>	<u>0</u>	<u>3</u>
Total	201	0	19	220

Source: Grayson County, Virginia

Map G shows the locations of each of the building permits that were issued in Grayson County over the past five years. The map shows that these buildings permits were geographically spread across most of the County, almost entirely outside of the three towns. Since 2017, only two building permits were issued in the Town of Troutdale and two were issued in the Town of Independence. No building permits were issued in the Town of Fries during this period.

Apart from a concentration of six building permits that were issued along Eagle Bottom Road just north of Fries in 2018, there are no major geographic clusters of residential building permits during this period. This is expected given the stagnant development pace at the County's unfinished subdivisions that were detailed in Table 18 above.



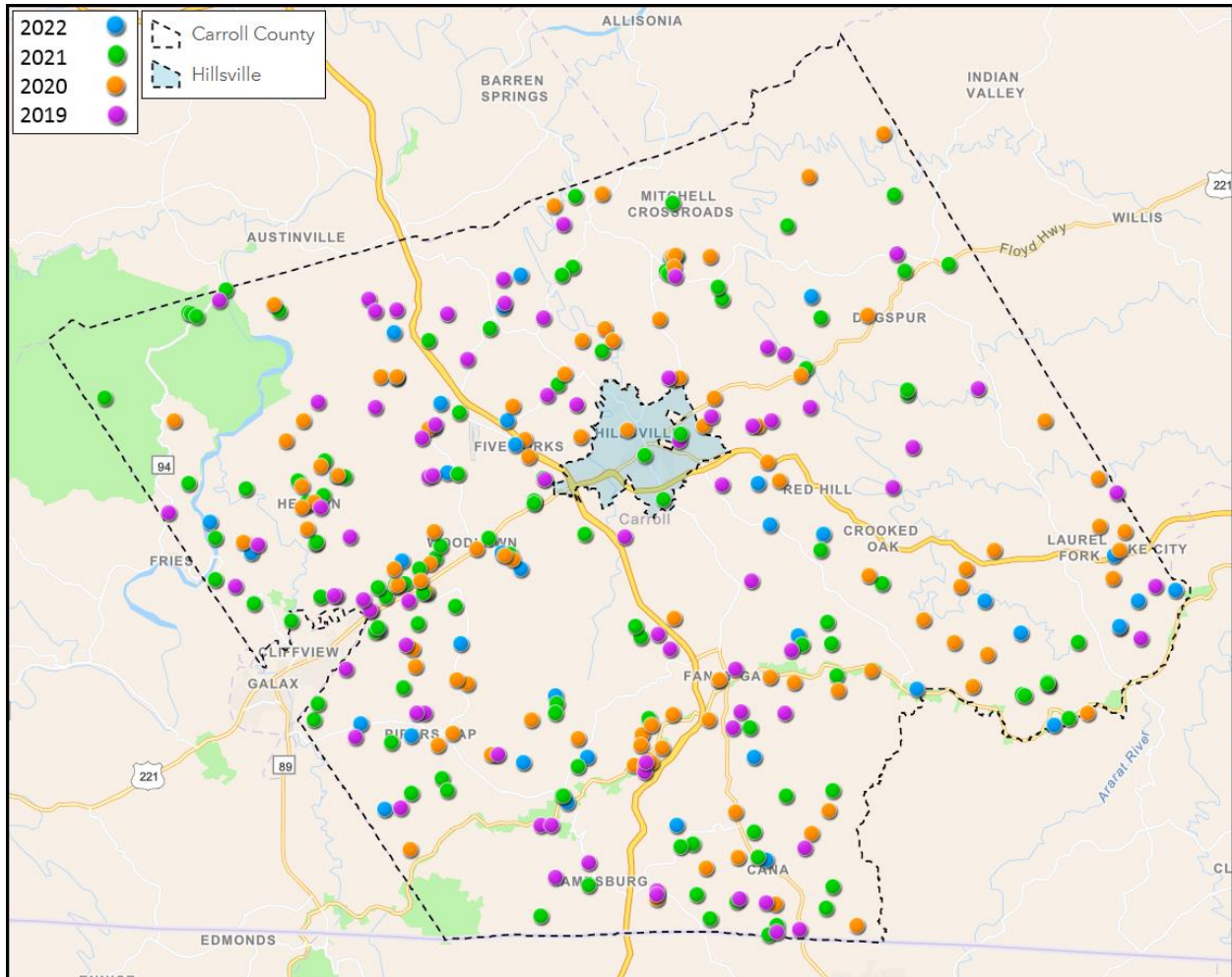
Map G - Locations of New Building Permits (Grayson County)

Trend data on building permits issued in Carroll County were only provided by County staff for the 2019 to 2022 period. However, the data does show that far more building permits were issued in Carroll County compared to elsewhere in the Twin County Region. Over 400 building permits were issued in Carroll County since 2019, of which nearly 40 percent were for manufactured or modular homes. All of the remaining building permits were issued for single-family homes. Only five of these permits were for sites within the Town of Hillsville, none of which were issued in 2022. As has been the case in Galax and Grayson County, most of these permits were issued to lot owners and not to investors who built homes speculatively to be sold. Some of these permits were issued to replace older homes.

	<u>Single-Family</u>	<u>Duplex/ Townhome</u>	<u>Modular/ Manufactured</u>	<u>Total Permits</u>
2019	47	0	37	84
2020	70	0	42	112
2021	83	0	49	132
2022	<u>56</u>	<u>0</u>	<u>28</u>	<u>84</u>
Total	256	0	156	412

Source: Carroll County, Virginia

Map H shows the locations of each of the residential building permits that were issued in Carroll County since 2019. The map shows that these permits were spread across most of the County, with the heaviest concentrations of residential development occurring between Hillsville and Galax. Very few permits were issued in the Town of Hillsville.



Map H - Locations of New Building Permits (Carroll County)

Mobile/ Modular/ Manufactured Home Market

The Twin County Region has a large number of mobile, modular and manufactured homes, though most of these homes are mature. Building permit data presented in Table 19, Table 20 and Table 21 show a modest number of permits issued for this type of home construction. Most of the more recent permits for these types of homes were issued for scattered sites in Carroll County.

Manufactured homes and mobile homes are regulated by the Department of Housing and Urban Development (HUD). According to HUD, a factory-built home prior to June, 1976 is a mobile home and one built after June, 1976 is a manufactured home. This is the only difference between the two. Manufactured and mobile homes are prefabricated homes that were built in factories. Modular homes, on the other hand, are also built in a factory but are built in pieces and later assembled at the homesite.

Census data show that approximately 21 percent of Carroll County residents reside in these types of homes. This is compared to approximately 15 percent of Grayson County residents and nearly ten percent of Galax residents who live in manufactured homes of various types. This is consistent with building permit data that show most new manufactured home permits to be issued in Carroll County.

There are approximately 2,700 occupied manufactured homes in Carroll County, with nearly 75 percent of these homes being owner-occupied units. Grayson County has just over 1,000 occupied manufactured homes, of which over 80 percent are owner-occupied. There are fewer than 200 occupied manufactured homes in the City of Galax. Fewer than a quarter of these are being rented.

Census data also show that of the 5,610± manufactured homes in the Twin County Region, approximately 1,700 of these units, or over 30 percent, are vacant. Most of these vacancies are in Carroll County and due to the age of the units. A large number of these older homes are likely uninhabitable. Disposing of or relocating old, manufactured homes can be expensive, costing several thousand dollars.

For-Sale Housing Pipeline

There are six duplex units currently under construction in the City of Galax that should be available for occupancy in 2023. All are on scattered lots on Allen Lane, Glendale Road and Maple Street and are being built by local building contractors. These will be small units, primarily under 1,000 square feet. Prices have not been released.

Shown below are photos of these three duplexes. The duplex on Allen Lane is shown to be nearly completed. The other two duplex buildings began construction more recently. None of these homes have been listed for sale yet.



Allen Lane Duplex



Glendale Road Duplex



Maple Street Duplex

In addition to the above is a proposal by North Carolina-based Bill Norman Construction for a new subdivision on the south side of U.S. Route 58 between Galax and Hillsville. The proposal calls for 38 attached units in 19 buildings. These would be two- and three-bedroom single-level, 1,650± square foot homes with a garage and covered patio. The homes would have a condominium ownership structure and would require no maintenance. These are likely to be priced in the mid- to upper-\$300,000's and are intended to be marketed toward active seniors

looking to downsize. The developer is finalizing the site plan and hopes to begin construction on the new homes in the Spring of 2023. Photos of the site are presented below.



U.S. Route 58 Housing Site

For-Sale Housing Summary

The new home sales market in the Twin County Region is essentially non-existent, as nearly all home sales in recent years have been resales. This trend is beginning to change slightly, with a small number of duplex units under construction in Galax and a subdivision proposal in Carroll County. Unbuilt lots in area subdivisions listed in Table 18 are not served by public water and sewage, and thus are difficult to market to investors from outside of the region who could make bulk lot purchases for speculative new home construction. Despite the several hundred residential building permits that were issued in the region over the past decade, there has been no net growth in total housing units in the Twin County Region.

The majority of new home construction activity consists of lot purchases and owner-built homes. With few exceptions, area contractors and developers have not financed the construction of new homes in the region for several years. Additionally, many of the newer homes that have been built have been priced above what most prospective entry-level homebuyers are likely to afford, based on the reported wages at area employers. This is partially due to lot sizes.

Local realtors report demand for new homes, but essentially no supply. Most prospective homebuyers search in the \$180,000 to \$225,000 price range, with demand softening for more expensive homes. Most demand is for the under-\$200,000 price range. Excluding the secondary home market, most prospective homebuyers in the region are employed locally and in search of an “entry level” home. While there are few parcels that are properly zoned to permit townhome unit development, this could be one option to provide affordable homes for sale to young families.

Area realtors also report a likely market for patio homes, which are most attractive to seniors. These could be priced somewhat higher, in the \$250,000 to \$300,000 range. Based on demographic data presented in Table 11, this is the quickest growing segment of the for-sale housing market, due principally to seniors aging in place and with home equity. The key for any new housing development, whether for families or seniors, would be affordability.

A pattern has emerged in the Mount Rogers Planning District in which area homebuilders have shied away from speculative construction as many are still “spooked” by the Great Recession when they were unable to sell homes that were built during that volatile period. Many existing homes in the Twin County Region offer outdated designs that would require substantial costs to renovate prior to move in. This has deterred some potential homebuyers who prefer move-in ready homes.

The bottom line is that the new home sales market is largely untested in the Twin County Region. Of the 13 homes listed for sale in the City of Galax, none were built over the past decade and all are single-family homes. The most recently-built home for sale in the City was constructed in 2003 at 103 Magnolia Court. This is a three-bedroom/ three-bathroom 2,461 square foot single-family home with an attached single-car garage. At a listing price of \$339,000, this home is at the top of the market for the region. This custom-built home has been on the market for over four months and was originally listed for \$374,000. The seller has since reduced the listing price four times. It most recently sold for nearly \$320,000 in 2022, still below the amended listing price. All of the remaining inventory in Galax was constructed in the 1980’s or earlier. Photos of this attractive brick home are shown below.



103 Magnolia Court (City of Galax)

Grayson County has a slightly larger level of available inventory, with 38 homes listed for sale. All are either single-family homes or manufactured homes. Only two available homes in Grayson County were built over the past decade, and both are listed for well over \$1.0 million. Clearly, these home prices do not serve the vast majority of prospective homebuyers in the region. One home, on over 200 acres in Mouth of Wilson, was built in 2014 and is listed for \$1.9 million. The second, with an Independence address but not located in the Town, was built in 2012 and is also listed for \$1.9 million. Both homes have been on the market for over three months. Photos of these homes are presented below.



1148 Old Buck (Independence)



2353 Low Gap Road (Mouth of Wilson)

Only three homes are listed for sale in Grayson County that were built over the past two decades, all in 2003 and 2004. One is a three-bedroom doublewide manufactured home with a

Galax address that was recently listed for sale of \$162,000. The remaining two available homes were built between 2002 and 2012 and are more expensive, listed for \$359,900 and \$599,999. Both homes, which are at the top of the market in terms of price, have been on the market for over three months.

Carroll County has a slightly larger available inventory, with 58 homes for sale, including five that were built more recently over the past decade. These homes are detailed in Table 22 below. All are scattered lot developments and not concentration within any active subdivision. One of these homes, located near Fancy Gap, is priced at nearly \$900,000 and has been on the market for nearly six months. Another home, located at 4104 Glendale Road, is listed at the top of the market, though at a more modest price of \$399,900.

The remaining three homes are available at more modest prices. One home, along Carroll View Road near Hillsville, is a “tiny home.” It is a 499 square foot one-bedroom/ one-bathroom manufactured home. It is being marketed as a vacation home rather than a primary residence. The home was listed for sale in early-October and had a price reduction of 1.6 percent within a few weeks. The other two available homes are single-level, three-bedroom units that range in price between \$189,900 for a manufactured home and \$219,900 for a stick built single-family home. Both have been on the market for approximately one month.

<u>Address</u>	<u>Location</u>	<u>Home Type</u>	<u>Year Built</u>	<u>Listing Price</u>	<u>Bedrooms</u>	<u>Days on Market</u>
47 Crown Lane	Fancy Gap	Single-Family	2014	\$895,000	3	160±
67 Knob Hill Ln	Woodlawn	Manufactured	2021	\$189,900	3	30±
1147 Carroll View Rd	Hillsville	Manufactured	2021	\$179,900	1	30±
4104 Glendale Rd	Galax	Single-Family	2022	\$399,000	5	20±
42 Maplewood Dr	Galax	Single-Family	2022	\$219,900	3	30±

Source: S. Patz & Associates, Inc.

Shown next are photos of the five more recently built homes in Carroll County that are listed for sale. Apart from the more expensive Crown Lane property, all have single-level designs with no garages.



47 Crown Lane



67 Knob Hill Lane



1147 Carroll View Road



4104 Glendale Road



42 Maple Drive

Section IV: Available Development Sites

This section of the housing analysis identifies and evaluates some of the available sites and buildings that area officials have recognized as most suitable for possible residential development. All have access (or nearby access) to public water and sewer. This is a necessary condition to attract developers from outside of the region. Most of these sites, particularly those outside of Galax, are privately owned. At this time, only one of these properties is being actively studied for new development. As will be shown, several of these properties, including all in the City of Galax and several in Hillsville and Independence, are located within Opportunity Zones, which provide tax benefits to investors with capital gains designed to encourage long-term private investment in low-income urban, suburban and rural census tracts.

First presented are the vacant buildings that are available for adaptive-reuse development. This is followed by an analysis of vacant or underutilized parcels.

Vacant Buildings with Residential Potential

Table 23 lists the four buildings in the Twin County Region identified as having the most potential to be rehabbed into residential uses, particularly apartment units for rent. This is not a comprehensive list of all vacant buildings in the region, rather the list includes those that are most likely to attract developers from outside of the region who are experienced in these types of building conversions. Thus, smaller buildings and those likely to be demolished were excluded from the analysis to follow. As will be shown, one of the buildings has a historic designation, three are located within Opportunity Zones and one is a County-owned property. Thus, the buildings shown in Table 23 offer unique advantages that could attract developers to the region.

The paragraphs below briefly detail each of the available buildings.

- **Vaughan Furniture Building**. The former furniture factory spans 408,000± square feet and is comprised of eleven contiguous building components, most with brick exteriors. The complex is zoned M-2 (Industrial Heavy), and thus would require a rezoning to be rehabbed for residential uses. The earliest part of the complex was constructed in 1923 with several additions through 1938 to house the Vaughan Furniture Company. More recent additions were added in 1956, 1965, and 1995. The Vaughan Furniture Company

shuttered in 2015 after over 90 years of operations. The building has been vacant since that time. The wholesale furniture business had 14 employees remaining by the time of its closure. At its peak, the company owned five factories, including two in Galax with approximately 1,800 employees.

The complex's Part 1 Application for Historic Tax Credits has already been approved. It is eligible for Opportunity Zone, Enterprise Zone, and New Markets Tax Credit financing. The project is also eligible for several Virginia grants including a Virginia Tobacco Commission grant, a State Enterprise Zone Real Property Investment Grant, and an Industrial Revitalization Fund grant/loan. Galax extends a Capital Investment grant to key projects and provides a full real estate tax abatement for 12 years associated with major improvements to historic properties. The building has a clean Phase II Environmental Assessment.

The owner of the property is actively studying the site for residential uses and is in preliminary discussions with a developer who may convert a portion of the building into residential uses. Given the size of the building, it would provide ample space for some non-residential uses, including amenity space for future tenant and possibly some commercial space. In terms of capacity, the building could support at least 150 apartment units. No plans have yet been submitted to City officials.

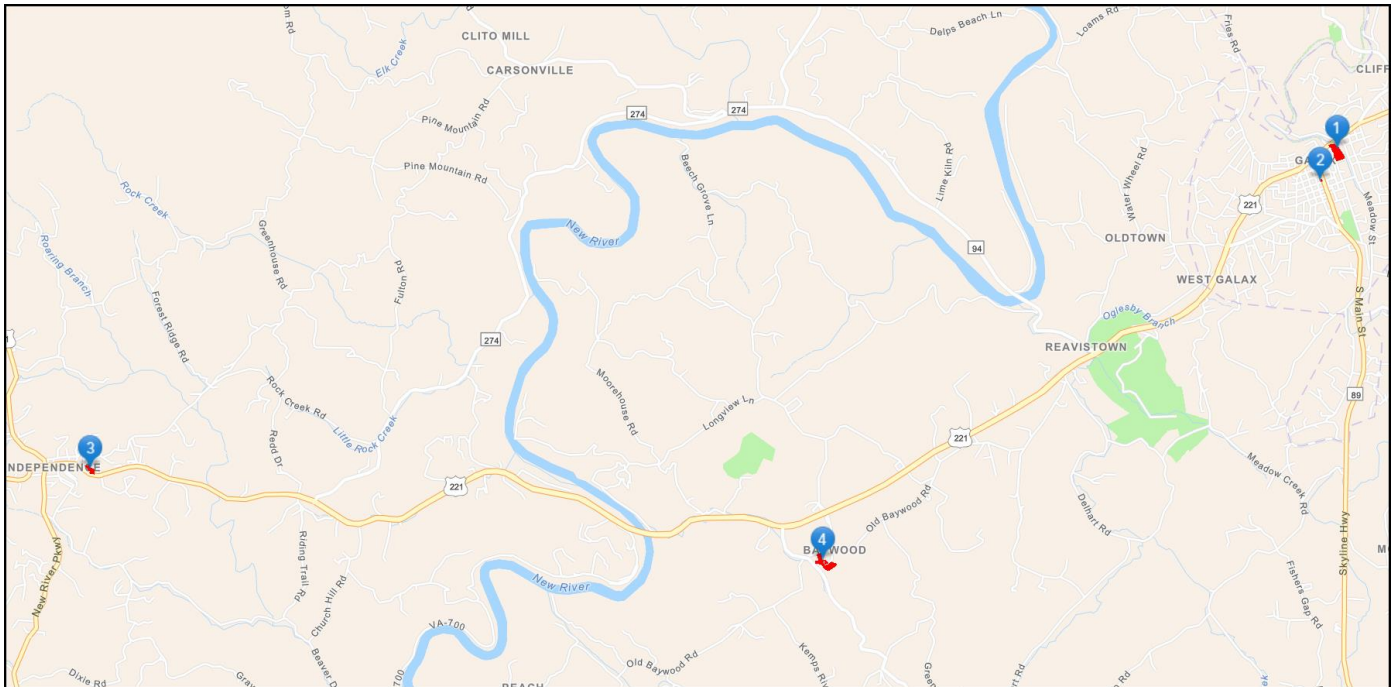
- **Former Bank Building.** This vacant multi-story former bank building sits on a 0.37-acre parcel at the northwestern intersection of W Center Street and N Main Street in Downtown Galax. The western rear portion of the property is improved with a surface parking lot. The 16,250± building, which was constructed in 1965, fronts N Main Street in the east. The property is zoned B2, which allows apartment units as a conditional use. Approval of a conditional use requires submittal of an application with a public hearing by the Planning Commission and approval by City Council.
- **Grayson Garment Building.** This vacant industrial building is located on a 3.16-acre site at the northwestern intersection of E Main Street and Grayson Avenue in the Town of Independence. The property is improved with a 61,390± square foot, single-story brick building that was built in 1963. It was originally constructed as a textile mill and most recently sold in 2020. Although the building does not have historic designation, it is located within an Opportunity Zone.
- **Baywood School Building.** This former school property is owned by Grayson County and shuttered in 2018. The building was constructed in 1953 at 247 Grammar Lane, on a large, irregularly shaped parcel on the south side of Old Baywood Road, between the Town of Independence and City of Galax. It contains a two-story component of 19,064 square feet and a one-story component of 4,368 square feet. The parcel has an agricultural zoning designation, and thus would need to be rezoned for any residential development to proceed. The school building had previously been envisioned to be converted into a multi-use community facility to include a community health clinic, technology programs for local students, culinary arts education classrooms and other multi-use rooms. The effort was scrapped in May, 2022 due to budget shortfalls. It is vacant at this time.

Table 23: Characteristics of Better Vacant Buildings with Residential Development Potential, Twin County Region, November, 2022

	<u>Map I Key</u>	<u>PIN/ Tax ID</u>	<u>Historic Designation</u>	<u>Opportunity Zone</u>	<u>City/ County Owned</u>	<u>Year Built</u>	<u>Building Size (Sq. Ft.)</u>
City of Galax							
Vaughan Furniture Building	1	45-66	●	●	○	1923	408,000
Bank Building	2	55-162	○	●	○	1965	16,250
Grayson County							
Grayson Garment Building	3	73A2-A-57	○	●	○	1963	61,390
Baywood School	4	76A-A-12	○	○	●	1953	23,430

Source: City of Galax, VA; Carroll County, VA; Grayson County, VA; Town of Independence, VA; Town of Hillsville, VA

Map I Shows the locations of the four available buildings listed in Table 23. The map shows that the Vaughan Furniture Building and Bank Building are located in the center of the City of Galax, in and around the Downtown. The Grayson Garment Building is located on the eastern end of the Town of Independence. The Baywood School Building is generally located midway between the Town of Independence and the City of Galax.



Map I - Location of Vacant Buildings with Rehab Potential

Photos of each of the vacant buildings are shown next. The buildings are in various conditions, but none are blighted. All are shown to be brick buildings. The Vaughan Furniture Building is in good condition, as it has been in continual use until 2015. The Baywood School Building is also in excellent condition, as it closed more recently in 2018.



Vaughan Furniture Building



Former Bank Building



Grayson Garment Building



Baywood School Building

In addition to the four buildings listed in Table 23 are a handful of smaller upper-level spaces in the Town of Hillsville that could potentially be converted into apartment units. One challenge for these spaces would be adequate parking. These are small buildings, so it may be difficult to attract developers from outside of the region for investments. However, these are all attractive properties with potential. Photos of these buildings are shown below.



516 N Main Street



522 N Main Street



526 N Main Street



703 N Main Street

Vacant and Underutilized Parcels with Residential Potential

Table 24 lists the multiple vacant and underdeveloped properties in the Twin County Region identified as having the most potential for future residential development. The survey was limited to include larger properties exceeding four acres that could potentially attract homebuilders from outside of the region. Thus, smaller parcels and those with development constraints such as topographic issues, difficult access, and properties prone to flooding, were excluded from this analysis.

Given the large number of available sites in the region, Table 24 is not intended to provide a comprehensive list of all available properties, rather it identifies some of the properties most ripe for housing development. The key point is that the region has several sites available for

development, and thus limited site availability is not a reason behind the sluggish residential development pace in the past.

Eleven properties were identified as having the most potential for residential development. The Kipling Lane, Galax East Commercial and Hampton Heights properties are all owned by the City of Galax, and are therefore uniquely positioned to be marketed for new residential development. All have or are within close proximity to public water and sewer. All but one of these properties are located in Opportunity Zones.

These properties have a wide range of sizes, ranging from just over four acres on the small end to nearly 190 acres on the large end. Given the large size of many of these properties, there is a potential for a mix of housing types on one property. Most of the properties are zoned for low-density residential uses or non-residential uses. Thus, most of these properties would either need to be rezoned or would require a Special Use Permit for residential development to occur, particularly of the types most in demand. Most of these properties are located in the City of Galax or within the towns of Hillsville and Independence. This is largely due to the availability of public utilities.

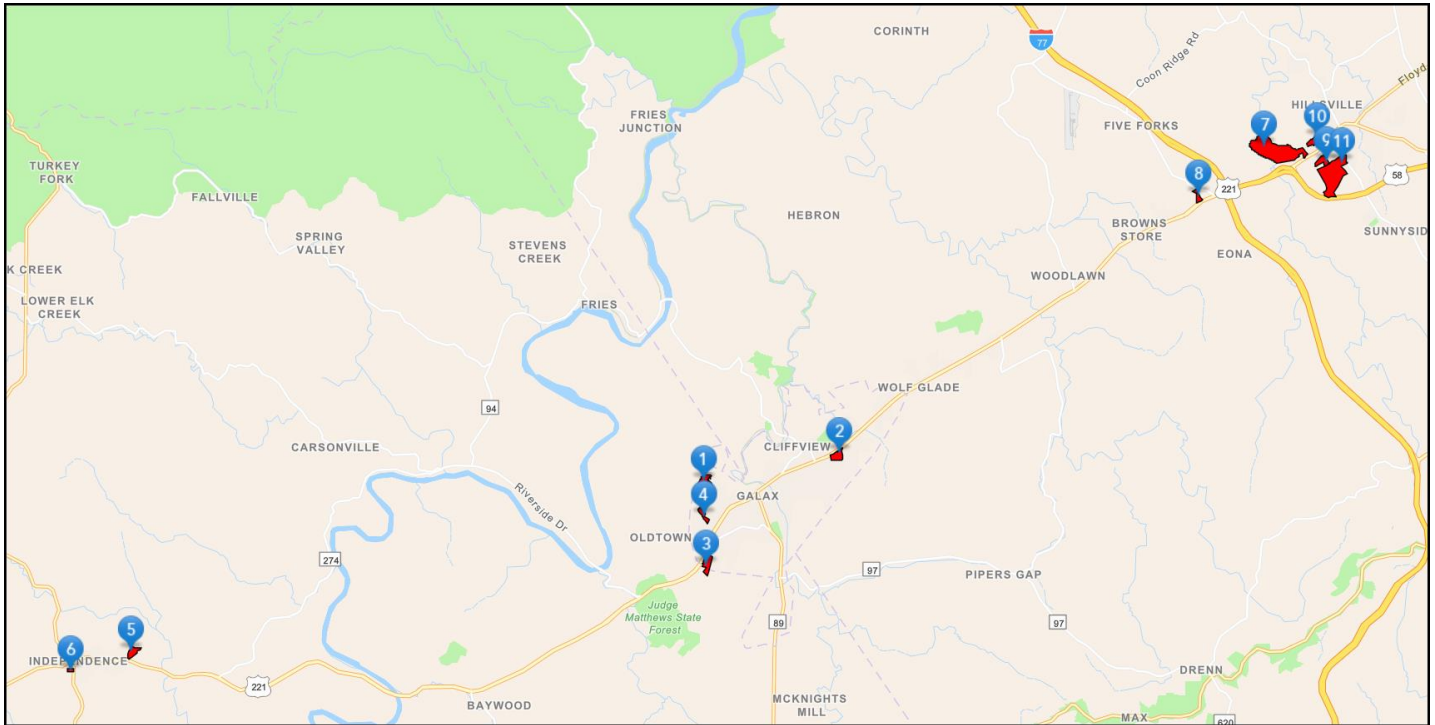
Table 24: Characteristics of Properties with Residential Development Potential, Twin County Region, Virginia, November, 2022 1/

	<u>Map J Key</u>	<u>Parcel/Tax ID</u>	<u>Acres</u>	<u>Zoning</u>	<u>Opportunity Zone</u>
Kipling Lane Property	1	42-4	56.4	R1	●
Galax East Commercial Site	2	38-45	20.8	B2	●
Hampton Heights Property	3	69-34	16.9	B3	●
Armory Road Property	4	52-64	7.1	R2	●
Collins Property	5	73A3-A-21	18.7	Town	●
Walker Gentry Property	6	73A5-A-3	4.1	Town	○
Bowman Property	7	340-10-3	184.8	R-1/A1	●
Carrollton Property	8	82-6-2	10.7	C	●
VFW Property	9	340-A-31	17.1	CC	●
Hundley Property	10	340-A-12	31.3	A-1	●
High Country Property	11	341-A-34	142.7	A-1/ I	●

Notes: 1/ Excludes parcels smaller than four acres.

Source: City of Galax, VA; Carroll County, VA; Grayson County, VA; Town of Independence, VA; Town of Hillsville, VA

Shown in Map J are the locations of the eleven vacant properties that were identified in Table 24. The map shows that all lie along the U.S. Route 58 corridor. Three properties are in Galax, two are in Independence and four are in Hillsville.



Map J - Locations of Vacant Properties with Residential Development Potential

Next shown are photos, maps and brief descriptions of each of the potential development sites.

Kipling Lane Property

The Kipling Lane Property is comprised of approximately 56 acres of grassland at the northwestern edge of the City of Galax, just south of Frazier Road. The property is owned by the Galax Industrial Development Authority and is zoned Residential Low-Density (R-1). Thus, existing zoning restrictions require a lot area of 12,000 square feet, or approximately one third of an acre. The property is situated within a residential setting. It is slightly hilly but fully vacant with grassland and some treed areas. Given its size and setting, the Kipling Lane Property could accommodate a wide mix of housing types, which is recommended.



Map K - Kipling Lane Property Location



Existing Conditions of Kipling Lane Property

Galax East Commercial Site

The Galax East Commercial Site spans nearly 21 acres on the south side of U.S. Route 58 and just west of a Food City-anchored shopping center. The property is zoned B2. Apartment units could be permitted as a conditional use through a public hearing and City Council approval. The property has excellent visibility and could be a viable location for apartment unit development.



Map L - Galax East Commercial Site Location



Existing Conditions of Galax East Commercial Site

Hampton Heights Property

This is a vacant 16.85-acre property located at south side of the City of Galax and extends southwest into Grayson County. The property is owned by the Galax Industrial Development Authority and is zoned B3. The site would need to be rezoned prior to any residential development, though it would be a good location for patio homes or townhomes. The site is located near the Turman Hardwood Flooring manufacturing facility.



Map M - Hampton Heights Property Site Location



Existing Conditions of Hampton Heights Property

Armory Road Property

This is a partially improved property located on the north side of Armory Road and generally sandwiched between existing single-family homes in the western portion of the City of Galax. The property spans just over seven acres and is zoned R2.



Map N - Armory Road Site Location



Existing Conditions of Armory Road Property

Collins Property

This is a large, partially improved property located on the north side of E Main Street in the eastern edge of Independence. A single-family home is located at southern edge of the property, with the remainder being vacant. At nearly 19 acres, this site could accommodate multiple housing types.



Map O - Collins Property Site Location



Existing Conditions of Collins Property

Walker Gentry Property

This rectangular-shaped property is located directly north of the Grayson Nursing and Rehabilitation Center on the west side of Route. The 4.1-acre property is fully vacant and has excellent visibility. It would be an attractive location for new apartments.



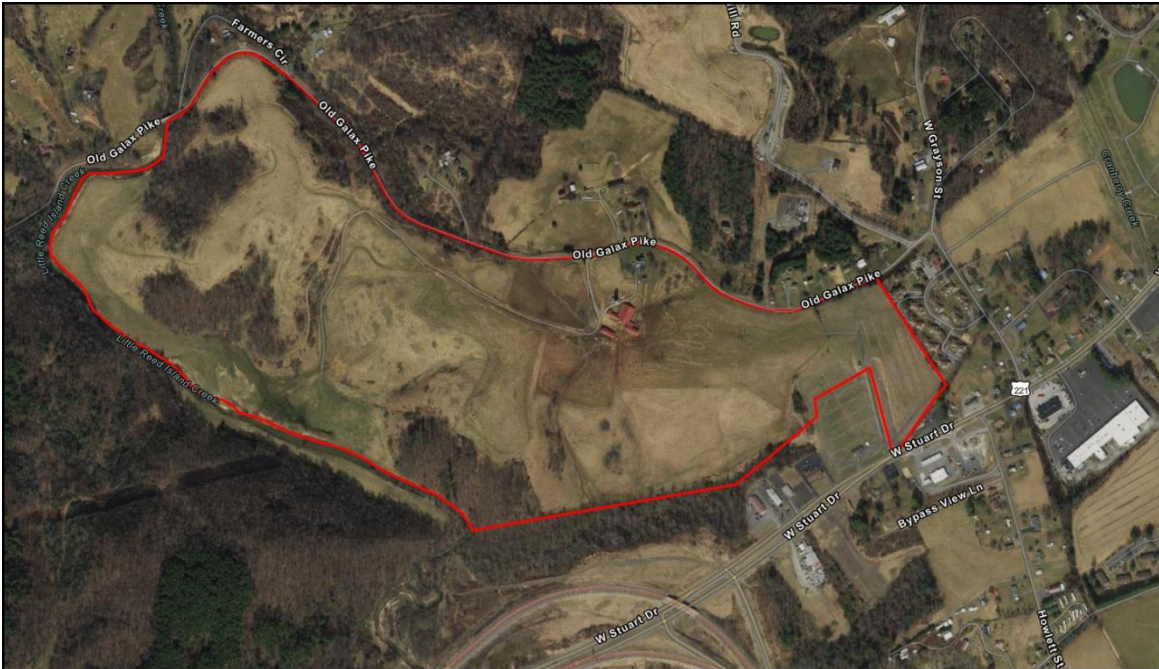
Map P - Walker Gentry Property Site Location



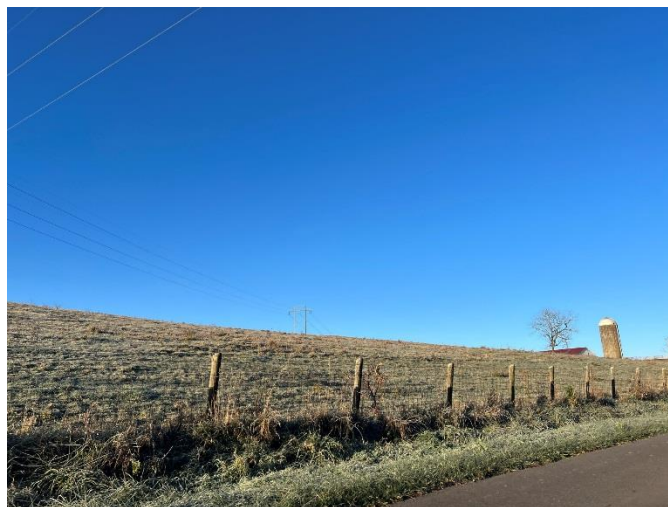
Existing Conditions of Walker Gentry Property

Bowman Property

This is a large property of nearly 185 acres that is partially improved but largely used for agricultural uses. It is located roughly midway between Downtown Hillsville and I-77. Most of the property fronts Old Galax Road, though there is some frontage along W Stuart Drive in the south. The eastern portion of the property is zoned R-1 while the western portion is zoned A-1.



Map Q - Bowman Property Location



Existing Conditions of Bowman Property

Carrollwood Property

This is a 10.7-acre commercial property located at the western edge of the Town of Hillsville with excellent frontage along U.S. Route 58. The site would need to be redeveloped prior to any residential development. This would be good location for apartment unit development.



Map R - Carrollwood Property Location



Existing Conditions of Carrollwood Property

VFW Property

This is a vacant L-shaped property that wraps around the north and eastern side of the Westview Terrace Apartments in Hillsville. The 17.1-acre property is vacant, but it would need to be rezoned for any residential uses. The setting has proven viable for apartment unit development.



Map S - VFW Property Location



Existing Conditions of VFW Property

Hundley Property

The Hundley Property is a 31.3 acre, agriculturally zoned property that has a generally flat topography and is fully cleared. It is located on the north side of U.S. Route 58 and on the east side of W Grayson Street. This is one of the more attractive available properties in the Town of Hillsville. Various housing types could be built on this property.



Map T - Hundley Property Location



Existing Conditions of Hundley Property

High Country Property

The High Country property is a large, irregularly shaped property located on the south side of Westview Terrace in the Town. At over 140 acres, it could accommodate a wide mix of housing types. The property has a mix of zoning types, including Industrial and Agricultural. Thus, it would need to be rezoned prior to any residential development.



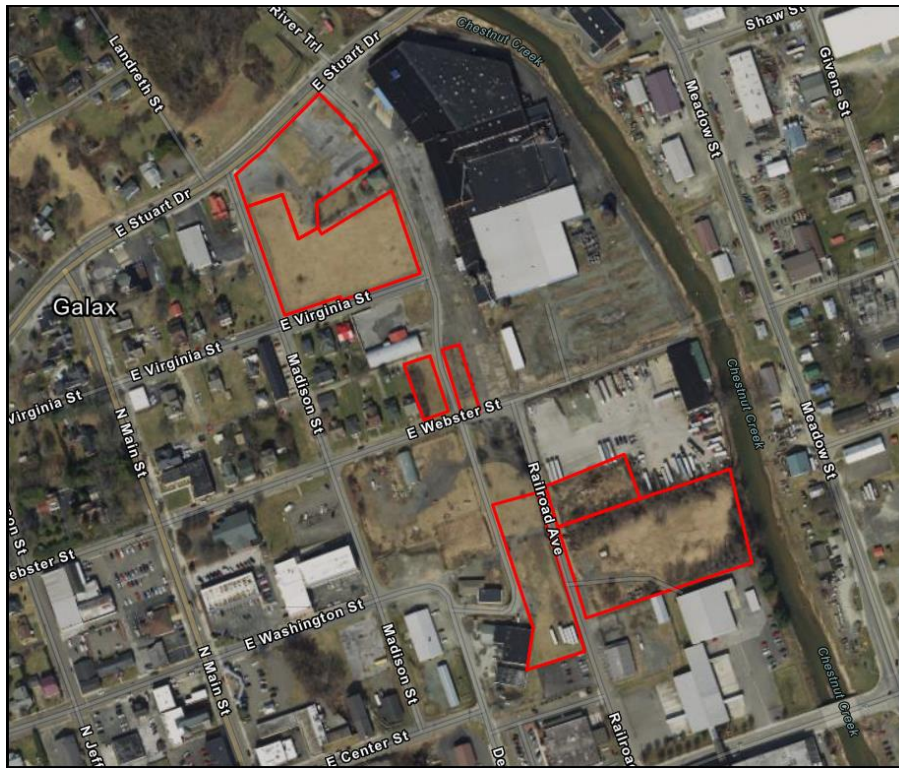
Map U - High Country Property Location



Existing Conditions of High Country Property

Creekside Small Area Properties

In addition to the above are multiple vacant parcels near the Vaughan Furniture Building and within the Creekside Small Area near Downtown Galax that are in an M2 zoning district, which does not currently permit housing. The properties would need to go through the rezoning approval process before housing could be constructed. However, these parcels have environmental and flood plain issues that would have to be addressed prior to residential development of any type. The soil is reported to be contaminated due to the previous use of coal and bulk plant petroleum storage facilities. These constraints may need to be mitigated before generating interest from apartment unit developers. Map U shows the locations of these vacant parcels.



Map V - Creekside Small Area Available Parcels

Photos of some of these parcels are shown below. They are shown to be flat and vacant.



Creekside Small Area Vacant Parcels

Section V: Housing Analysis Conclusions

Initial Conclusions

The market conclusions are as follows:

- 1) The three jurisdictions that comprise the Twin County Region are generating housing demand locally primarily from area employers. There is potential market support for new housing unit development of various types, based on the following:
 - Employers in the Twin County Region have announced approximately 400 new jobs in the near- and mid-term. As of July, 2022, the date for which the most recent data are available, the Twin County Region has a very low unemployment rate of only 2.9 percent, which is 0.8 percent below the pre-pandemic, January 2020 unemployment rate. This low unemployment rate will require new residents to fill vacant and future positions at multiple area employers. There is an inadequate supply of housing available to serve this growth. Thus, future employees may resort to residing outside of the region and commuting.
 - The pandemic has had minimal impacts on the market area's economy, as related to employment and job losses. It has not affected the rental market in terms of occupancy or rents. Total employment in the Twin County Region exceeds the pre-pandemic level by over 1,500 jobs, or by 6.6 percent.
 - The level of future job growth outside of the Twin County Region and in neighboring localities is substantial, representing a sharp increase over past trends. Over 9,500 new jobs have been announced in neighboring counties and cities. Most of these are located in areas that also face housing shortages.
 - Based on interviews with area property managers and realtors, a sizable number of existing employees in the Twin County Region prefer alternative housing but have few or no options. Interviews confirm that many local employees will leave the region after a few years due to this issue.
- 2) While the general population has declined over the past decade, the senior population has steadily expanded. There are no subdivisions designed for seniors (single-level, low maintenance, etc.). No new homes are being marketed toward this sector of the housing market, though there is one proposal that would be at the top of the market in terms of listing prices. Many seniors could afford to purchase new, smaller homes that require less maintenance, but simply have no options.
- 3) While the market rate apartment market has expanded, essentially all of this growth has been driven by small-scale conversions of older homes into rental units. These have not satisfied demand. The region's market rate apartment supply is mature. Vacancies are rare and often do not meet the preferences of prospective renters. Most

of the “better” area rentals are scattered units managed by local property management firms or private investors. Many of these are also not comparable with new apartments built elsewhere in Virginia. This has resulted in long waitlists and prospective tenants moving outside of the region in search of housing.

- 4) The affordable rental housing stock is mature, at full occupancy and primarily serves low- rather than moderate-income households. Nearly all affordable rental properties maintain waitlists. Fewer than 200 apartment properties target households with moderate incomes. There are no age-restricted affordable apartment properties without deep rent subsidies in the Twin County Region.
- 5) The current housing market is stronger for rental housing than for for-sale housing due to wages of new employees and the evolving pressures caused by interest rate hikes. Rising interest rates especially impact potential first-time homebuyers with more modest incomes.
- 6) The for-sale home market is dominated by re-sales and comprised almost entirely of single-family homes. Only a small number of new homes have been built speculatively to be sold over the past decade. Apart from secondary home purchasers and high-income households from outside of the region, seniors and first-time homebuyers represent the largest cohorts of prospective homebuyers. First-time homebuyers are especially price sensitive, thus rising interest rates may delay many of them from purchasing new homes. There are no new, for-sale subdivisions with homes being built and sold speculatively anywhere in the Twin County Region.
- 7) Section IV of the report showed that the Twin County Region has an abundance of available parcels and buildings with potential for residential development. The list in Table 24 is an undercount, but shows the scale of available properties. Some of the larger available parcels may need to be subdivided but are large enough to support various housing types. Most would require a rezoning. Several properties are publicly owned, which could reduce costs and make development more viable.

Based on the above, it is evident that the Twin County Region’s existing housing stock is not meeting current demand. Due to the level of future job growth, the greatest existing housing need is for market rate, rental housing. The analysis also finds that the current new home sales market in the Twin County Region is essentially non-existent and is not providing home prices that are affordable to most prospective homebuyers. Moreover, the senior population is underserved. Thus, the initial recommended housing needs for the Twin County Region are as follows:

	<u>Units</u>
Market Rate Apartments	100±
Affordable General Occupancy Apartments	50±
Affordable Age-Restricted Apartments	40±
Patio Homes for Sale	40±
Townhomes for Sale	30-40±

The above recommendations include a large number of new homes, as it totals up to 270 housing units. However, the total includes (1) for-sale and rental homes, (2) market rent and affordable homes and (3) general occupancy and age-restricted homes. Not all of these homes will be built simultaneously. There is likely to be demand for future phases, particularly the apartment units, but the above are recommendations for initial development needs that are most feasible.

Each of the above recommendations are detailed in the paragraphs below.

- **Market Rate Apartments.** The Twin County Region is fortunate to have several vacant industrial/ institutional buildings that could be successfully converted into apartment communities. This would coincide with trends elsewhere in Virginia, the nearest cluster being the Roanoke Region. Utilizing historic tax credits and other existing incentives, this is likely to be a viable approach to generate new apartment units. In addition would be new construction, garden apartment buildings that would also serve the local rental market well. Again, multiple sites for these types of development are available. These would serve the employees that move to the area, including some that are currently employed locally but commute. The majority of the apartment units should have two-bedroom floorplans with two full bathrooms. Rents would be commensurate with new jobs that are expected.
- **Affordable Apartments.** General occupancy and age-restricted affordable apartment development supported by the Low-Income Housing Tax Credit (LIHTC) program is recommended. There is ample demand for affordable rental housing at various income levels, based on the success of Woodlawn School Apartments, sizable waitlists at nearly all area affordable apartment properties and other factors. Adding affordable apartment units outside of the LIHTC framework is unlikely for the Twin County Region at this time.
- **Patio Homes.** The region is likely to support approximately 40 patio homes for sale. These are recommended in the \$250,000 to \$300,000 price range to serve the empty-nester and active adult population.
- **Townhomes for Sale.** Between 30 and 40 new townhomes for sale are recommended, priced between \$180,000 and \$225,000. These should be designed as “starter” homes.

To reiterate, the initial focus should be on apartment unit development, as this will address the most pressing housing needs in the Twin County Region and provide the best opportunities to attract developers from outside of the region. The region is fortunate to have multiple sites and buildings available for new housing, including several that are publicly owned.

The vacant Vaughan Furniture Building in Galax presents the greatest opportunity in the region, as this is a historic building within an Opportunity Zone that could be developed at relatively modest costs compared to a new construction proposal. It has a motivated owner who is eager to find a viable use for the property. The building owner is holding discussions with prospective developers and reports that progress is being made. The prominent building in the center of the City could be a catalyst for new area development of various types.

In addition are three large City-owned sites in Galax (Kipling Lane Property, Galax East Commercial Site and Hampton Heights Property) that could accommodate a mix of housing types. As the City controls these properties, a below market sales prices could entice developers from outside of the region to enter the market. Based on the recommendations above, these three sites would each need to be rezoned. Development on these three sites would need to be built in phases and based on demand. As all sites have access to City water and sewer, development could begin immediately.

Apart from the above three sites and building are several other available properties in the region that are attractive for new housing development. The Baywood School Building, which is owned by Grayson County, could be a viable location for affordable housing, either with or without age-restrictions. Several of the vacant parcels in Hillsville and Independence would also be attractive locations for new construction garden apartments or homes for sale, though many are large and would likely need to be subdivided.

Additional Recommendations

Officials within the Twin County Region can take several steps to attract new housing development. For one, local officials may need to provide non-financial assistance with the purchase of a development site. Homebuilders who can be attracted to the region will require a

“shovel ready” site for new home construction, or at least a site already improved with utilities. As noted above, there are several suitable options. The publicly owned properties may be the most viable, as land costs could be reduced.

In spite of the clear demand demonstrated in this report, the only way to attract homebuilders from outside of the region is if sites are ready or easy to develop. Most of the available properties would require a rezoning to be developed with the types of homes recommended in this report. Additionally, many of the available properties would need to be subdivided to attract development. Some members of the local real estate community have noted that development could be easier if the process of subdividing land were to be eased. Staff and leadership must be proactive related to rezoning and density of development.