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## **QUESTIONS & ANSWERS: New Western State Hospital & Economic Development of Western State Property in Staunton**

**Q: Why now? Why is the City of Staunton undertaking this large project in the midst of an economic recession?**

A: It's now or never. That's the short answer. The State needs to replace Western State Hospital. The money has been appropriated for most of the cost and the state intends to move forward immediately. If the State followed its initial plan, it would build the first phase of the new hospital near the existing facilities on the existing Western State Hospital campus, and continue to use the existing buildings until money was available for the rest. Under that plan the core of the large Western State property would remain in use, rendering the remainder – about 70 per cent of the land – unusable for private commercial development indefinitely. This tract of land, lying right at the I-81 and US 250 intersection, is the single most valuable piece of commercial property within the City. Failure to act and to persuade the state to move the new hospital to adjoining land owned by the Staunton Industrial Development Authority would be to lose the City's most valuable development property.

**Q: Why spend \$15 million now, during a recession, when that money could be used for other things, or to lower taxes?**

A: Three points... One, the City is not "spending" the money, it is making an investment that it expects will be repaid. Two, the City is not investing the money right now, but later in the hospital construction process. And three, the money will come from bonds, not from the City's operating budgets, and could not be used to lower taxes.

To explain... The City is not spending \$15 million. It has proposed to commit that sum to the State for the new hospital construction budget in advance of the sale of the Western State property, with much or all of that amount to be repaid with proceeds from the sale of the property to developers. This investment would allow the State to build the entire new hospital right now, and – most importantly – to move it out of the existing property to make that full tract available for development.

Second, the City is not investing the money right now. The City's funds will be spent only after the \$112.5 million appropriated by the Virginia General Assembly for the new hospital has been spent first.

The State will begin construction of the new hospital in early 2010 and the City funds will most likely be spent in 2011. That delay gives the City time to work with developers and negotiate the sale of the property.

Third, any money the City gives to the State under this proposal will come from the sale of bonds. While most or all is expected to be covered by proceeds from the sale of the land, any amounts not covered will be repaid ultimately by the new real estate, sales, meals and lodging taxes that will come from the future private development. The property is now all state-owned and produces no tax revenues for the City.

**Q: Why would any developer be interested in a large project when the economy is bad and banks are not lending money?**

A: Successful developers draw funding from many internal and external sources and work on projects for the long term. They are not as affected by boom or bust markets as are businesses that provide products or services on a daily basis. The City will look for experienced, well-funded developers for this project and we expect the property will not be fully built-out or completed for years, perhaps 10 years or more. With such a long-term perspective, the current economic conditions are not controlling. The Staunton Industrial Development Authority, assisted by the firm of Kaufman & Canoles Consulting, is now interviewing a short list of private development firms selected from among firms that have responded to a Request for Proposals to redevelop the WSH property.

**Q: Why can't the State build the new hospital with its own money, and not involve Staunton at all?**

A: The General Assembly approved \$112.5 million for the new hospital. Officials in the state Department of Behavioral Health and Development Services (formerly the Department of Mental Health, Mental Retardation and Substance Abuse Services) now estimate that sum would not support construction of the new 246-bed hospital actually needed. In response, they had planned to use those funds to build new patient facilities in the middle of the existing campus, and continue to use some of the existing buildings on the property for administrative and operational support. While that plan would work, it would mean the center of the large Western State tract would remain occupied by the hospital, and only marginal, less valuable acreage around the perimeter might be available for future private development. The City's funds, most or all of which will be repaid through the later sale of the land, will enable the full new hospital to be built, and for it to be relocated to the adjoining Staunton Industrial Development Authority property so that the entire 265-acre tract is open for development.

**Q: Once the City sells the land, what's to stop a developer from putting almost anything there. . . an industrial smokestack, residential apartments, or other development that can be built on other properties in the City?**

A: As a part of the selection of a developer, the City will review proposed uses for the property. As the City has done in the past, the ultimate sale of the property will be bound up in a development agreement that will guide and control use of the property. The City believes that the best use of the Western State property will be for a mix of retail, office space, entertainment businesses, medical facilities, restaurants and lodging. It is possible that a small portion may be allocated for residential,

since many developers like to have that option within major developments. It is unlikely that the City would accept manufacturing unless it is a very "clean" industry that offered high paying jobs for area residents.

**Q: Won't the construction of this new retail on the edge of the City really hurt downtown and merchants in other areas of the City?**

A: Retail growth has been occurring in most areas of Staunton and across Augusta County and Waynesboro for years – and many pundits routinely predict that downtown and other City businesses will die. It hasn't happened. Development of the Western State property will be adjacent to I-81 and close to I-64. Retailers there will be focused more on regional markets than local markets. We expect the future retail development on the WSH property, together with the new AWASAW cultural center and new regional visitor center to be built soon across Richmond Road from the hospital property, will attract new shoppers and visitors to the City. It is likely that the City will extend trolley lines and take other steps to persuade these new visitors to travel downtown and around the City to various attractions and retailers.

It also should be noted that the development will ultimately have not just retail, but offices and other components that will produce new jobs, some of them in high paying fields. More people spending more locally will inevitably benefit the City's local service and retail businesses.

I-81 and I-64 provide a transportation backbone to the entire Valley. Most developers believe there is a significant potential market along the I-81 corridor for regional retail and entertainment businesses. The Western State property is ideally situated for such uses. However, if it is not privately developed for these purposes, land adjacent to some other nearby interstate intersection outside Staunton will be developed instead. In that case downtown and other City businesses would have competition, but the City would not have the ability to as effectively encourage regional visitors to shop throughout the City. Even more importantly, the City would not have the substantial new tax revenues generated by major development to help hold down taxes on local businesses and residents.

**Q: Richmond Road is already congested with traffic. Won't a major development out there make congestion even worse? Won't it mean traffic jams or road improvements that taxpayers will have to pay for?**

A: Development of this large tract will mean more traffic. However, the City, Augusta County and the Central Shenandoah Planning District Commission are nearing completion of a transportation study of the Richmond Road Corridor on both sides of I-81, funded primarily with state grants. The Western State property development will be factored into this study.

Since there are already traffic issues with this important section of highway, the fact is that any improvements will benefit all properties along Richmond Road, not just the Western State tract. Improvements will also clearly benefit the motorists who use that road. Certainly, as needed improvements are identified, all options to pay for those improvements – including funding from private developers – will be considered.

**Q: How fast will all this construction and development take place? Are we looking at years and years before anything starts to happen?**

A: The State intends to begin construction of the new Western State Hospital early next year, and complete it within 24 to 30 months. The City and the Staunton Industrial Development Authority expect to select a developer for the WSH property before the end of this year. Usually a developer will take about a year to produce plans for this size project after they have committed to the project. We expect that actual site preparation and construction will begin within 24-36 months. However, this kind of major, mixed use development will not be completed overnight. We expect that it might take from 10 to 15 years to complete this development. We will know more once the developer selected submits a plan for the property.

**Q: What does this private redevelopment of the WSH property mean for the Commonwealth Center for Children and Adolescents (CCCA)?**

A: The CCCA facility and surrounding property (about 30 acres) will be excluded from the transfer of property from the State to Staunton. The CCCA will continue to operate at its current location.

**Q: The City is putting a lot into this development. How do you know this will ultimately benefit the City, that the City will get something back?**

A: The City is frequently presented with economic development opportunities that involve a City investment. Investments can be cash, tax credits or other incentives to facilitate a new or expanded business in the city. All such proposals are considered by the City on the basis of a careful analysis of return-on-investment or ROI. Investments like that for the new hospital are provided only if the analysis of the project proves that the ultimate benefits – higher City revenues, higher incomes for residents from new jobs, etc. – will exceed the cost of the investment. We believe the City's proposed investment in the new Western State development is not only prudent, it will pay substantial dividends in the years ahead.

**Q: What's going to happen to the existing Western State Hospital facility?**

A: The State will continue to use the facility until the new hospital is complete. After that the fate of the buildings will probably be determined by the private developer. The buildings are old structures designed for institutional use. It is unlikely that a future use will be found for them. The City believes all, or most of, the structures will ultimately be demolished to make room for new development.

There are 21 primary buildings on the current Western State campus. Seven of those buildings are already vacant, and some of the others are not fully utilized. The campus was built about more than 35 years ago to accommodate 1,800 patient beds. It currently maintains 260 beds.

The current Western State Hospital was built to replace the far older hospital located on Greenville Avenue and Richmond Avenue in the City. The last patients were removed from the 3,300-bed, older hospital in 1976. The older campus is now being developed for residential, business and retail use as The Villages at Staunton. The important early history of WSH is being preserved in the buildings at the

Villages at Staunton, which now includes two major preservation easements protecting 17 buildings and Staunton's sixth federal historic district.