

# NEWS



July 9, 2009

**Contact:** Bill Hamilton, Director of Economic Development & Tourism

**Phone:** 540-332-3869    **Email:** hamiltonbw@ci.staunton.va.us

## **FACT SHEET: New Western State Hospital & Economic Development of Western State Property in Staunton**

Since 2006, the Commonwealth of Virginia Department of Behavioral Health and Developmental Services (DBHDS) (formerly the Virginia Department of Mental Health, Mental Retardation & Substance Abuse Services) has planned to replace the Western State Hospital in Staunton. The General Assembly has approved \$112.5 million for the new hospital.

Governor Tim Kaine announced in December 2008 that the new hospital would be built on property owned by the Staunton Industrial Development Authority at 310 National Avenue, adjacent to the northern boundary of the existing Western State Hospital campus. Construction will begin by the end of calendar year 2009 and is expected to take from 24 to 36 months.

The City of Staunton is finalizing a Memorandum of Understanding with the Commonwealth of Virginia that will provide \$15 million in City funding that, with the \$112.5 million already appropriated by the state, would fund the full \$127.5 million cost of the new and relocated hospital. In exchange, the Commonwealth of Virginia will deed to the Staunton Industrial Development Authority 265 acres of the existing Western State Hospital campus, not including 31 acres occupied by the Commonwealth Center for Children and Adolescents. The Memorandum of Understanding also provides that all proceeds from the future sale of the 265 acres to a private developer will go to the City of Staunton. The 265-acre tract adjoins Interstate 81 and U.S. Route 250 (Richmond Road) and is considered ideal for commercial development. The City and the Staunton Industrial Development Authority have begun the process of soliciting private developers to purchase and redevelop the WSH campus.

The \$127.5 million construction of the new Western State Hospital and the previously announced \$60+ million expansion of the Virginia School for the Deaf and Blind, also in the City, will be the largest construction projects ever undertaken in the City. In addition, the future development of the valuable

WSH property is expected to involve retail, office, medical, restaurant, and lodging facilities, and will be the largest such development in the City's history.

### ▪ **The City's Involvement**

- The proposal by the City to commit funds to the new Western State Hospital springs from the need to free up the WSH property for private, commercial development. The \$112.5 million appropriated by the General Assembly was insufficient to relocate a complete replacement hospital off the existing campus. Instead, the DBHDS planned to build new patient care facilities in the middle of the existing campus while maintaining administration, food service, laundry, physical plant and other support functions in existing buildings. This plan called for the state to continue to use the existing campus for the future hospital operation.
- The existing WSH property's location makes it ideal for major development, and the size of the 265-acre tract will make it most attractive for developers, and of maximum potential tax value to the City. Therefore the City has proposed to provide \$15 million to the state so that the new hospital could be completed in a single phase, and could be relocated to the adjoining City property.
- The WSH property is close to the Interstate 81 intersection, has access from U.S. 250, and is of potential commercial value. The adjoining City land at 310 National Avenue is farther from the intersection and of less commercial value.
- While the state needed a commitment of local funds to authorize construction of a complete replacement hospital at the new site, the local funds are expected to be paid to the state later in the hospital construction process after the state appropriated funds have been expended, most likely in 2011. The City will have two years or more to choose a developer for the existing WSH campus and work out development plans and arrange for sale of that land to the developer.
- The City considers all proposed economic development projects needing incentives on the basis of return-on-investment or ROI. Incentives like that for the new hospital are only provided if the project analysis demonstrates that benefits from higher future City tax revenues and increased incomes for residents from new jobs will exceed the cost of the incentive.

### ▪ **Development of the Western State Property**

- The 265-acre state-owned tract, together with adjoining land owned by the Staunton Industrial Development Authority that will not be needed for the new Western State Hospital represents an attractive, almost 300 acre property on Interstate 81 at U.S. Route 250, and close to the I-81 and I-64 junction. It will be prime development land along the I-

81 corridor and has been of interest to major developers for years. Although the nation is in a recession, development of this large tract of land will take place over 10-15 years and is not dependent on present economic conditions.

- The City believes that a single master plan for development of the WSH property will provide both maximum coordination of development and maximum value. The tract is clearly large enough to accommodate a mix of business uses. The primary or master developer may well subdivide the property and involve other developers over time.
- The solicitation of private developers for the property is being handled for the City and the Staunton Industrial Development Authority by Kaufman & Canoles Consulting (KCC), whose CEO is Barry DuVal, Virginia's former Secretary of Commerce and Trade. KCC will advise the City on the best approach for selection of a developer and development plan for the property.
- The City and the Industrial Development Authority expect to have selected the master developer for the existing hospital property by the end of 2009. Following master planning of the property and market feasibility studies, commercial redevelopment of the property is expected to begin within three years.
- The WSH property is currently zoned B-2, which allows commercial development such as offices, medical, educational, retail, restaurants, lodging establishments, entertainment and related uses. Residential use will only be considered if it was part of an overall development plan that makes sense for the City. The City will be unlikely to consider industrial facilities unless they are clean industries that provided well-paying jobs for area residents.

#### ▪ **Local Impact of the Development**

- At present, the WSH property is owned by the state and produces no tax revenue to the City. Although it will take years to fully develop, the WSH property will become privately-owned and has the potential to generate significant local real estate tax revenues. As the most valuable land for commercial development in Staunton, the future redevelopment will also produce new tax revenues from sales tax, meals tax and lodging tax.
- While the City of Staunton expects the retail and related commercial activities to be developed at the property to generate the new local government taxes, the City and the Staunton Industrial Development Authority will work with the private developer to attract and create the highest paying jobs that can be located in the new development as well. The WSH property is large enough to accommodate, in addition to the commercial development, offices, medical and other facilities with professional jobs for area residents.

- The future development on the WSH property, together with the new AWASAW cultural center and new regional visitor center across Richmond Road from the hospital property will attract new shoppers and visitors to Staunton. Through expanded trolley routes to the new developments and other steps, the City will actively encourage visitors to the new developments to explore the shopping and attractions downtown and across the city. The Richmond Road developments are expected to have a positive impact on all areas of the City.
  
- The City, Augusta County and the Central Shenandoah Planning District Commission will soon complete a transportation study of the Richmond Road Corridor (U.S. 250) on both sides of I-81, funded primarily with state grants. The proposed development of the WSH property will be factored into this study to help identify any needed improvements. Any improvements would serve all properties along Richmond Road, not just the WSH tract, and the motorists who use that road. Options for funding any needed improvements, including funding from private developers, will be reviewed when improvements are actually scheduled.