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City of Burlington, Vermont

DOWNTOWN HOUSING STRATEGY REPORT

May 2014

Objective: develop a housing strategy that positions Burlington for 21st century prosperity.

Prepared for:

CEDO

Prepared by:

HR&A Advisors, Inc. ***www.hraadvisors.com***

Contact: Candace P. Damon Vice-Chairman, HR&A Advisors
212.977.2706 cdamon@hraadvisors.com

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Introduction

Burlington has succeeded in ways to which most cities of comparable size can only aspire -- the cultivation of a vibrant mixed-use downtown, high quality of life, a progressive culture oriented around the University of Vermont and Champlain College, and a robust medical employment base due to the presence of Fletcher Allen Health Care. These attributes have made Burlington a highly desirable place to live, attracting people from elsewhere in New England and beyond. These happy circumstances have, however, placed significant pressure on the local housing market as an influx of new residents and college students compete for a limited supply of available homes.

The lack of market rate housing development over the past decade, particularly in Burlington's downtown, has created supply constraints that further exacerbate increasing housing costs driven by high demand from multiple segments of the resident population. As a result, Burlington is now at an inflection point where it can choose to evolve as a vibrant, albeit increasingly expensive and less walkable college town, or emerge as a leading example of 21st century economic resilience: a small city that supports the creation of new housing as part of a broader economic development strategy that fosters a walkable downtown and dynamism more often found in larger places.

With this opportunity to shape the future in mind, the City of Burlington Community & Economic Development Office (CEDO) issued a Request for Proposals (RFP) for a study to evaluate the City's chronic housing shortage and to identify potential solutions.

In July of 2013, HR&A Advisors, Inc. (HR&A) was selected by the City to commence work on a Downtown Housing Strategy Report. As part of this effort, HR&A analyzed housing market conditions and growth patterns in Downtown Burlington, and then benchmarked recent market performance against that of comparable cities across the country to **develop recommendations on how the City can foster strategic housing development** in targeted locations in and around the downtown. For the purposes of this study, HR&A defined Downtown Burlington as the area encompassing a ½-mile radius around the intersection of Bank Street and Church Street.

The following report summarizes HR&A's findings and recommendations for strategic initiatives that take on the challenges impeding housing production in Burlington.

Executive Summary

KEY FINDINGS

1. AFFORDABILITY CRISIS

Significant demand for housing coupled with limited production of new units has created an affordability crisis. Demand for downtown housing is driven by an influx of new residents from Vermont, New England, and beyond, as well as a sizable student population with limited housing options on and off campus. Meanwhile, despite historically low vacancy rates of around 1%, only 222 units were built downtown between 2002 and 2013[1], of which 102 units were market rate and only 18 units were market rate rentals. As a result, the downtown market is facing severe supply constraints, rising home prices, and escalating rents that are further impacting affordability in a market where a typical renter household allocates more than 44% of total income to housing costs -- significantly above that of other cities.

2. GOOD DOWNTOWN BONES

Compared to similarly sized "college towns" and peer cities in New England, Burlington has a relatively dynamic downtown population. There are approximately 4,750 households residing within a half-mile radius of Burlington's downtown core, representing 5.6% of total metropolitan area households. Of the comparable cities analyzed, only Madison, WI has a larger downtown resident base with 9,700 households, which is, however, only 4.0% of its metropolitan area. There is ample opportunity to build on this historic pattern to create a more walkable, robust urban core.

3. LOSING YOUNG PROFESSIONALS AND FAMILIES

However, recent growth in downtown Burlington has not kept pace with other cities, and the City is in fact losing young professionals and family households. Between 2000 and 2012, downtown Burlington added only 130 new households[1], representing less than 3% growth over the 12 years. Over the same time period, the number of households in the broader Burlington metro area increased by over 10%, suggesting that downtown has been losing resident market share to neighboring jurisdictions. Downtown's modest growth is a reflection of the broader region's loss of young professional and family households that is offset by a growing student and empty nester market.

4. A DYNAMIC ECONOMY = NEW DEMAND

Burlington's economy is becoming increasingly diverse and adding new jobs, a trend that when coupled with development of adequate housing can be leveraged to reverse the loss of young professionals. Between 2000 and 2012, the Burlington region added 1,360 jobs, but lost 2,360 jobs employing residents between the ages of 25 to 34. Many of these job losses were concentrated in the computer and electronic product manufacturing sector, a reflection of labor force reduction at the IBM Plant in Essex Junction. As the region continues to move away from manufacturing and expand its healthcare, professional services, technology, and tourism sectors, new housing will be needed across a range of price points to serve all segments of the young labor force.

[1]**HOUSING UNITS VS. HOUSEHOLDS:** The concept of a household does not assume that the number of households and housing units are or should be equal. Where a housing unit represents a physical structure, a household is a group of people living together under one roof. There are several reasons why these data points may not match – 1) vacant housing units do not contain households; 2) seasonal residents, a demographic drawn to Burlington's downtown condominium market, are not counted as local households; and 3) the difficulty in accurately collecting information on a highly transient student population, many of whom claim a primary residence in their hometowns, through US Census surveys.

5. REGIONAL HOUSING-JOBS IMBALANCE

Many of the workers employed in the region's fastest growing industries are commuting between jurisdictions to reach their jobs, especially those in low-wage industries. The region's low-wage jobs are primarily concentrated in three jurisdictions – Burlington, South Burlington, and Williston. Of the three, only Burlington comes close to balancing its share of jobs in low-wage industries with its share of residents working in these sectors. Meanwhile, Burlington is home to a large share of the region's high-wage jobs in Professionals Services, Education, and Healthcare, but very few of these workers actually live in the city. Expanding the range of housing options throughout the region has the potential to reduce commuting burdens and improve the housing-jobs balance.

6. WIDENING HOUSING-WAGE GAP

Many residents working in the Burlington Metro Area's fastest growing occupations, especially those in service industries, struggle to find affordable housing. The typical renter household needs 1.6 full-time jobs paying the average renter wage to afford a two-bedroom apartment at a Fair Market Rent (FMR) of $1,029 per month. This challenge is particularly acute in high-demand employment centers, such as downtown Burlington, where average market rents for a two-bedroom apartment are nearly twice the FMR rate. Even the cost of a downtown studio is higher than the FMR rate for a two-bedroom unit, which forces many workers to live further away from their jobs.

7. LEARN FROM OTHERS

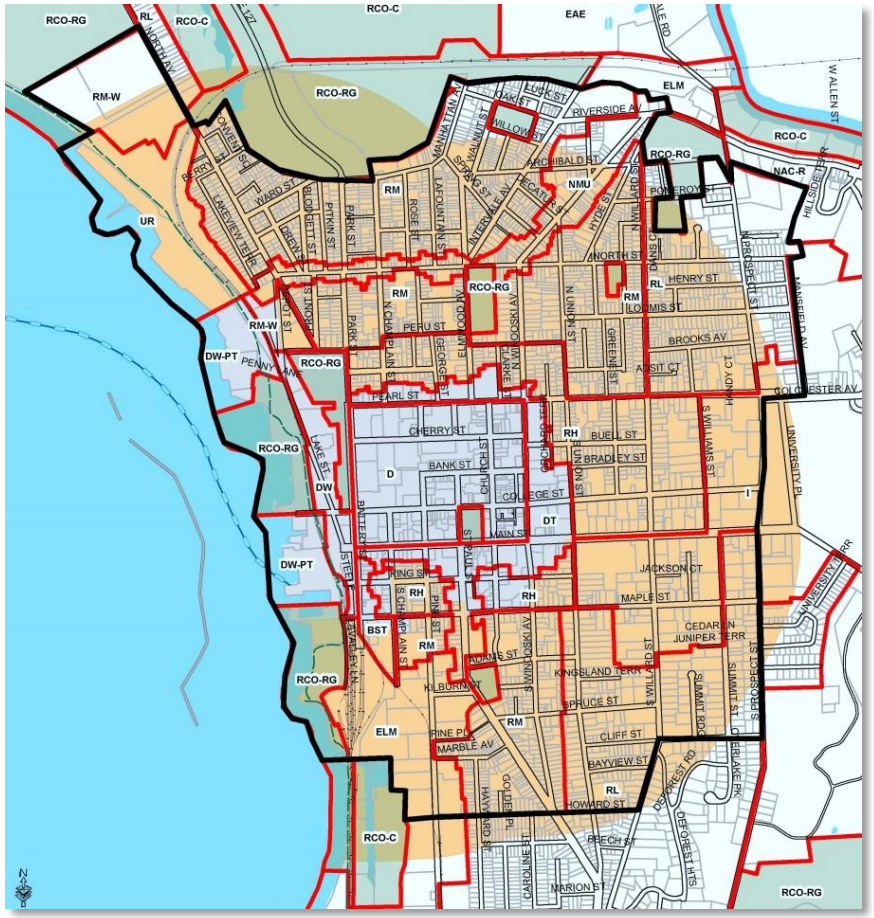
As Burlington continues to evolve, there is an opportunity to learn from the successes of larger cities in creating opportunities for new housing to help cultivate a diverse and innovative economy. "Next tier" cities such as Portland, OR, Austin, TX and Nashville, TN provide aspirational lessons on how to leverage economic and market strengths, create land use policy, and prioritize public investment to support strategically located new housing development. It is worth noting that while growth in these "next tier" cities has far outpaced Burlington's over the past decade, the cost of housing in these other cities remains much more affordable.

8. GROWING A WALKABLE CITY

Downtown Burlington and the Pine Street Corridor offer a broad range of opportunities for future housing development and fostering a more walkable and affordable urban core. Downtown Burlington presents a number of opportunities for the repositioning of existing assets and the redevelopment of underutilized or vacant lots with multifamily housing. These sites include the largely city-owned Gateway Block at the intersection of Main Street and South Winooski Avenue as well as numerous private sites such as the Burlington Town Center Mall where owners have expressed potential interest in mixed-use redevelopment. The Central Business District (CBD) also offers a number of small infill sites, some of which are already targeted for housing development, as well as upper floors of existing commercial buildings that are good candidates for residential conversion. Immediately south of downtown, there is also an opportunity to leverage growing economic momentum in the Pine Street corridor to support future mixed-use development on several large-scale redevelopment sites.

Map of Approved Neighborhood Development Area

City of Burlington



Source: City of Burlington Department of Planning and Zoning

HOUSING DEVELOPMENT STRATEGIES

We recommend a set of initiatives that take on challenges impeding housing production in Burlington by:

Aligning market opportunities with specific neighborhoods and development sites,

Addressing regulatory constraints and improving the use of existing tools to incentivize private investment, and

Linking the creation of new housing to broader economic development goals of job creation and innovation.

Direct Public Resources to Support New Development in **Targeted Areas**

Prioritize opportunities for new infill and major multifamily housing development in designated "Targeted Areas," notably the CBD and Pine Street corridor. Meeting current and future housing demand will require a development strategy that is tailored to the market opportunities in the downtown and its surrounding neighborhoods, including strategic infill development in the CBD and the establishment of a new mixed-use neighborhood in the Pine Street corridor on par with places such as the Pearl District in Portland, OR and the SoBro neighborhood in Nashville, TN.

Encourage development of student housing on strategic downtown sites to free up existing housing inventory for other market segments. The economic and social benefits flowing from the historic mix of downtown residents across age and income has been disrupted by market pressures on many downtown neighborhood streets. Making available key public sites for production of purpose built student housing to serve UVM and Champlain College students will free up opportunities to re-balance impacted neighborhoods for families and other segments of the residential population.

Provide Incentives to **Stimulate Housing Investment** in Targeted Areas

Provide land and economic incentives to facilitate increased production of multifamily rental housing to improve market affordability. The lack of new market rate rental housing has placed significant upward pressure on rents (and sale prices), which in part has been driven by barriers to development in the downtown. The City should use tools such as public land, density bonuses, real estate tax abatements, and tax increment financing (TIF) to increase the supply of housing, particularly in the CBD and Pine Street corridor.

Continue to pursue land use and zoning policies that promote an equitable distribution of the regional affordable housing supply and help streamline the local development process. Expanding the use of Inclusionary Zoning (IZ) to other high-cost jurisdictions in the Burlington region-would create a more equitable distribution of housing options for low-wage workers. Within Burlington, State approval of an expanded Neighborhood Development Area would support walkable housing development in areas close to the core downtown, and local adoption of a form-based code would facilitate the permitting of by-right housing projects.

Link Housing Investment to Broader **Economic Development Goals**

Engage the State of Vermont, local institutions, private employers and the real estate community to participate in planning strategies and housing programs that benefit a growing regional economy. The City should partner with major employers in the public, institutional, and private sectors to develop programs that provide assistance to employees seeking a home in Burlington. Public, private, and institutional stakeholders should also partner on the implementation of large-scale housing and economic development initiatives in the Pine Street corridor that expand the downtown housing market and foster business growth and innovation.

Recommended housing development strategies are **grounded in previous planning efforts** focused on Downtown Burlington.

PlanBTV and related analyses help **frame the policy and market context** for a downtown housing development strategy.

A framework for the creation of new downtown housing must take into consideration the specific needs of the local market, strategies for overcoming regulatory barriers, and integration with a multi-faceted plan intended to guide overall economic growth and ongoing community vibrancy.

> "Despite being the **cultural and economic center** of Burlington …downtown has an **extreme shortage of housing.**"
>
> *Cracking the Housing Nut*
> *PlanBTV*

Identifying the need for more downtown housing

Housing Needs in Burlington's Downtown & Waterfront Areas
Vermont Housing Finance Agency, 2011

Growing gap between wages and increasing housing costs. While housing cost burden impacts all households, renters are affected more than homeowners.

Efforts to preserve affordable housing in the downtown have achieved mixed results. Publicly-assisted units and land trust models have made the greatest impact, whereas Inclusionary Zoning produced 47 units within a ½-mile radius of downtown Burlington between 2002 and 2013, representing 22% of the 212 IZ units built throughout the City since the program's inception in 1990.

Understanding impediments to new development

A Comparative Study of Land Use and Building Permitting Processes in Portland and Other Cities
Muskie School of Public Service, University of Southern Maine, 2013

Burlington's concurrent approach to zoning and construction review improves the permitting process. The development community has a generally favorable view on permitting concurrency, but the process can be difficult to organize across city agencies.

Projects that require Development Review Board (DRB) approval are subject to a public appeals process that can cause significant project delays. This process can deter developers from pursuing significant housing projects requiring major renovation or new construction, especially in the downtown where land use patterns and design restrictions are more complicated.

Defining housing's role in a broader downtown development strategy

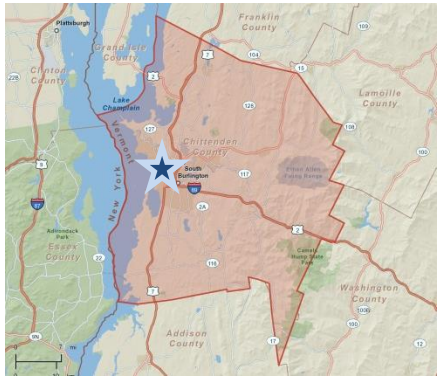
PlanBTV
Prepared by TPUDC on behalf of the City of Burlington, 2013

Housing is one of eight themes driving the future for Burlington's downtown and waterfront. A successful housing strategy must be intertwined with other components of economic development, including innovation and job creation, improved transportation linkages, an activated Lake Champlain, open space development, food production and delivery systems, and ecological resilience.

Increasing the supply of housing will require targeted public interventions. These include a mix of zoning changes (e.g. form-based code), the use of incentives, and formation of new public, private, and/or institutional initiatives to provide housing for the City's workforce.

Housing in Burlington is **increasingly expensive,** as the supply of new units has not kept pace with demand.

Housing demand in the Burlington region is partly driven by an **influx of migrants from around the country.**

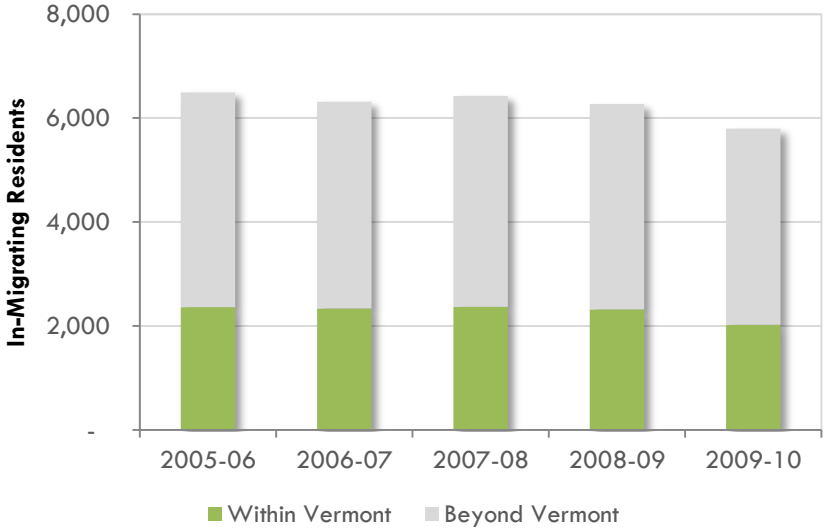


The City of Burlington is the economic core and primary urban center in Chittenden County, an area that as of 2012 is home to 158,500 residents. Approximately 42,300 residents, or 28% of the county population, live in Burlington[1]. Between 2005 and 2010, migration data from the Internal Revenue Service indicate that **an annual average of 6,200 people moved to Chittenden County**. This trend has held relatively constant, even during the peak of the Great Recession when nationwide household mobility was hampered by economic constraints. Burlington is highly unusual—perhaps unique among cities of its size—in that **the region is drawing residents from all over the country, with only 35% of in-migrating residents having come from somewhere else in Vermont**. In-migration patterns suggest that those moving to Burlington include a mix of students attending area colleges and universities, as well as non-student households seeking the quality of life offered in the Burlington area.

[1] *US Census American Community Survey*

Residents Moving to Chittenden County

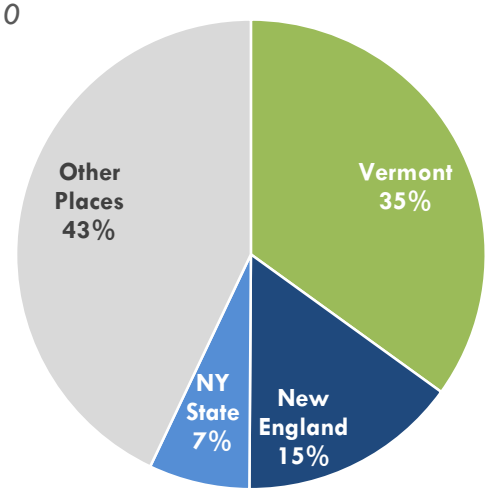
2005 to 2010



Source: IRS Statistics of Income

Geographic Distribution of In-Migration to Chittenden County

2005 to 2010



Vermont includes migration from all other places outside Chittenden County
New England includes migration from CT, MA, ME, NH and RI.
New York includes migration from upstate and the NYC metro area.
Other Places included migration from other states around the country and foreign in-migration

Limited on-campus housing at area colleges and universities also generates **student demand for private market housing.**

The Burlington region is home to six colleges and universities that serve a combined enrollment of over 17,200 students, of which only **53% are housed on-campus**. While a portion of students living off-campus are in fact resident commuters or studying overseas, a significant number must find alternative accommodations in the local housing market. Students attending the University of Vermont and Champlain College, both located on the periphery of downtown Burlington, represent nearly 90% of regional off-campus student housing demand. While recent efforts have been made by both schools to increase the supply of student housing on and off campus, **students find themselves competing for housing with other Burlington residents** in the private market. Downtown apartments and single family rentals in surrounding neighborhoods, including the socioeconomically diverse Old North End, appeal to a student population that values proximity to campus and units that offer potential for roommate configurations. This has had a widely acknowledged adverse impact on quality of life in many inner residential areas.

Student Enrollment (Undergraduate & Graduate) vs. On-Campus Housing[1]

Burlington Area Colleges and Universities, 2010-2011

Institution	Enrollment, 2010-2011*	On-Campus Beds, 2010-2011	Estimated # of Students Living Off-Campus[2]	% Students Living Off-Campus
University of Vermont (including medical students)	12,122	5,707	6,415	52.9%
Champlain College	2,000	1,220	780	39.0%
St. Michael's College	2,500	2,000	500	20.0%
Burlington College	185	24	161	87.0%
Albany College of Pharmacy	150	116	34	22.7%
Vermont Technical College (full-time students)	300	22	278	92.7%
Total	**17,257**	**9,089**	**8,168**	**47.3%**

Source: Allen & Brooks Residential Report, March 2011

1. *Data includes Graduate Students.*
2. *Includes resident commuters and students studying overseas.*

Strong in-migration patterns and a large off-campus student population drive demand in a **robust multifamily market.**

Downtown Burlington is one of multiple urban submarkets in Chittenden County that appeals to the highly mobile renter population.

Rents at recently built multifamily projects point to residents' increased willingness to pay a **premium for urban locations.** As a result, developers are increasingly looking to build projects in Burlington and other urban markets such as South Burlington and Winooski, specifically in areas where **walkable proximity to employment centers and retail amenities will help drive rents.** Due to its opportunities for higher density and existing level of mixed-use activity, areas in or directly adjacent to downtown Burlington hold some of the greatest future development potential.

AVERAGE ASKING RENTS, PROJECTS BUILT AFTER 2005

	Studio	1 Bed	2 Bed	3 Bed
Burlington	**$1,120**	**$1,410**	**$1,960**	**$2,180**
South Burlington	$1,040	$1,440	$1,670	N/A
Winooski	$1,340	$1,580	$1,650	N/A

HR&A analysis of Allen & Brooks data

Multifamily **vacancy rates have historically trended below 2%** in the broader Chittenden County market, indicating a supply-constrained market where the production of new units has not kept pace with renter demand. Low apartment vacancy and high demand have supported **consistently strong growth in apartment rental rates,** even during the recession when rents were declining in most markets nationwide.

Key Multifamily Metrics
Chittenden County

1.3%
Apartment vacancy, *2012*

3.1%
Avg. annual rent growth, *2002-2012*

Source: Allen & Brooks

Strong demand for apartments is reflected in the **rapid pace of absorption** at recently built multifamily projects across Chittenden County. A total of 359 units in 12 projects were delivered to the market between 2011 and 2013. These projects reported a very short **average lease-up time of 1.3 months,** with four projects having been delivered fully leased and all projects reaching full lease-up in three months or less.

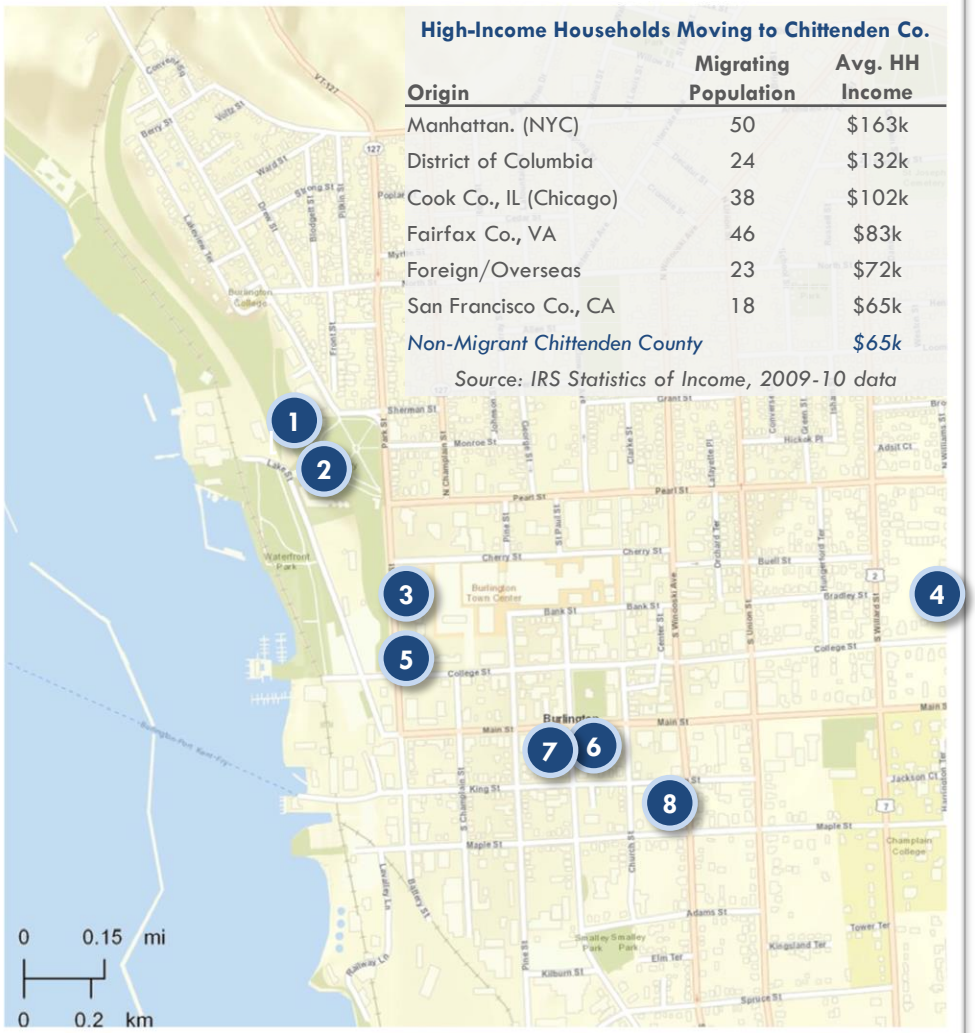
Multifamily Project Absorption, *Chittenden County*

Year Built	Units Delivered	Unit Leased	Months to Lease-up
2011	90	79	1.1
2012	158	135	1.2
2013 (YTD)	111	59	1.9
Average	**120**	**91**	**1.3**

HR&A analysis of Allen & Brooks data

Affluent buyers from the surrounding region and across the country support **high-end condominium product**, particularly in Downtown Burlington.

Condo pricing in Downtown Burlington equals, and in many cases exceeds, the median home sale price of $279,900 for the Burlington MSA.[1]



High-Income Households Moving to Chittenden Co.

Origin	Migrating Population	Avg. HH Income
Manhattan. (NYC)	50	$163k
District of Columbia	24	$132k
Cook Co., IL (Chicago)	38	$102k
Fairfax Co., VA	46	$83k
Foreign/Overseas	23	$72k
San Francisco Co., CA	18	$65k
Non-Migrant Chittenden County		*$65k*

Source: IRS Statistics of Income, 2009-10 data

There are multiple factors inherent to Downtown Burlington that have created a strong market for high-end condominium development. Downtown provides many opportunities for value creation that are not available elsewhere in the region, including building heights that can leverage views of Lake Champlain, a historic building stock that lends itself to residential conversion, and proximity to retail, recreational, and cultural amenities. Meanwhile, the **economics of downtown development**, driven by expensive land and more complex construction, **favor high-end condos** that command a value premium over conventional rental apartments.

[1] *National Association of Realtors, Metropolitan Sales Areas Q3 2013*

Major Condominium Projects, *Downtown Burlington*

Project	Year Built	Units	Recent Sales (2012 – 2013)
1. 216 Lake Street	1990	15	$195,000 to $235,900
2. 200 Lake Street	1995/2003	16	$617,000 to $709,000
3. Westlake	2006	32	$360,000 to $685,000
4. 81 So. Williams St.	2006	25	$285,000 to $487,000
5. 40 College Street	1997	81	$335,000 to $650,000
6. Vermont House	1980	57	$92,000 to $267,000
7. Hinds Lofts	2008	15	$250,000 to $905,000
8. Hood Plant	1999	8	$385,000 to $450,000

Source: Allen & Brooks

Despite demand drivers that support new supply, there has been **limited market rate housing development** downtown.

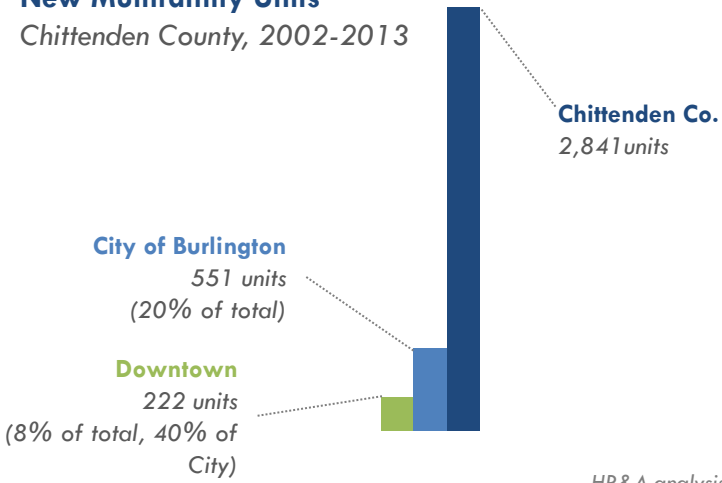
Increasing the supply of market rate rental housing is an effective way to meet resident demand and help control rising costs, an opportunity that has not been realized in downtown Burlington where new construction has been limited to condos and affordable housing.

Over 2,840 units of multifamily housing (rental and condo) were built in Chittenden County between 2002 and 2013, of which 551 units were built in the City of Burlington. Meanwhile, Downtown Burlington accounted for only 8% of the County's new multifamily units and 40% of the City's new supply. Of the 222 multifamily units constructed in downtown over the past decade, only 18 units were built as market rate multifamily rentals.

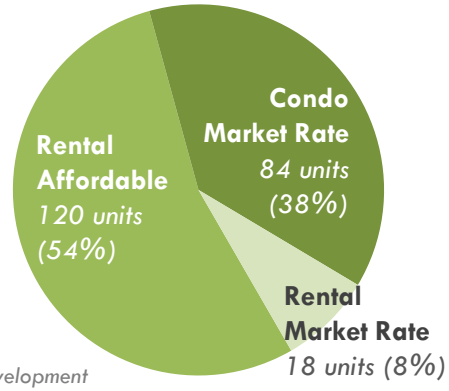
Over the past decade, neighboring suburbs have been more successful in facilitating market rate housing development, including Essex, South Burlington and Winooski. These jurisdictions have played a major role in supporting private housing investment, especially in Winooski where Redstone Development completed Riverhouse, a 72-unit apartment project built in 2013 on a site that had been purchased from the City for $1 million.

Rendering of Riverhouse, a new 72-unit market rate rental project in downtown Winooski, VT (Source: Redstone)

New Multifamily Units
Chittenden County, 2002-2013



New Units by Type
Downtown Burlington, 2002-2013



HR&A analysis of development data provided by Allen & Brooks.

Downtown Share of Chittenden County
New Multifamily Units, 2002-2013

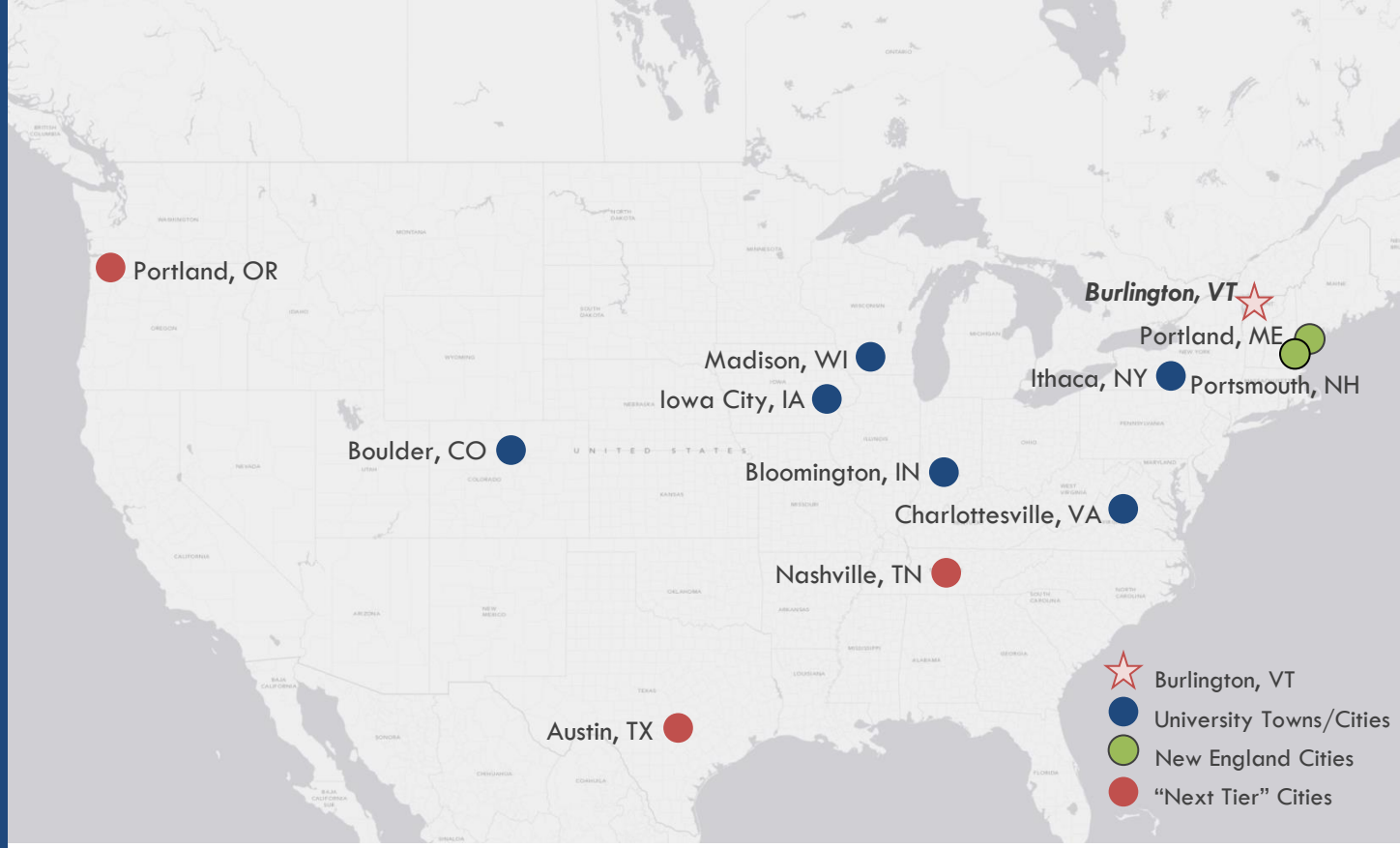
25% of
338 Market Rate Condominiums

12% of
1,031 Affordable Rentals

1% of
1,392 Market Rate Rentals

Investing in housing is critical to **preserving quality of life** and **supporting the City's economic future.**

Burlington's approach to housing development will help **establish the City's identity** on a regional and national scale.



"... there is a **new class of city emerging** across the country which are **positioned to succeed in the coming decade** – a class of city that has not yet been identified on a national scale."

Anonymous mayor quoted in James Fallows' article:
"A New Type of Growing City." *The Atlantic 10/17/2013*

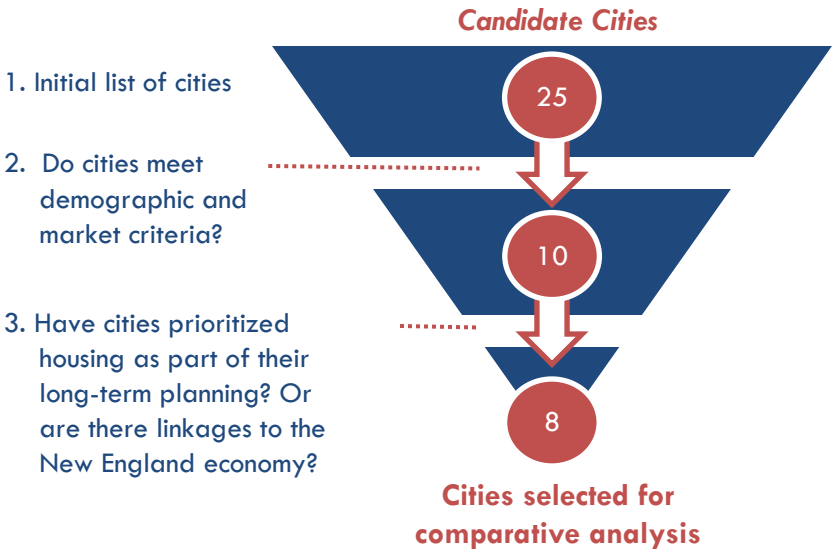
The City of Burlington is unique among American cities: it is a small city with a strong university presence, the economic bright spot in a region that has long struggled with anemic job growth and an inability to retain its young talent, and a vibrant community with a quality of life and mix of amenities on par with larger cities nationwide. Burlington now has an opportunity to leverage the strengths of its many identities to evolve into a 21st century city shaped by economic innovation and creativity, natural beauty, and a strong sense of community tied to a diverse group of residents. At the center of these driving forces is a need for additional housing, specifically in mixed-use urban environments where an adequate supply of units across price points and product types can be built to meet increasing market demand for housing options proximate to jobs and amenities. The path to meeting this goal will be shaped by several factors, including the City's past performance in supporting new housing relative to other university cities, the influence of the City's emerging role as a vibrant economic center in New England, and future opportunities for the City to pursue a scaled approach to housing development that employs similar strategies that have been successful in larger cities that represent the "next tier" of economic dynamism.

Experiences in other cities throughout New England and across the country provide **insight into challenges and opportunities** facing the Burlington housing market.

Comparing Burlington to a set of university cities nationwide and select peer cities in New England provides insight into relative demographic trends, market conditions, and policy initiatives that support central city housing. An analysis of these places aimed to determine Burlington's relative competitive position by answering the following questions:

1. How large is the downtown housing market, and who is it serving?
2. How has the downtown housing market grown? Who is moving in, and who is leaving?
3. What role does downtown play in the regional housing market? Is it a magnet for residential growth?
4. How have other cities approached the same housing development impediments facing Burlington?

The analysis utilized a quantitative approach to establish benchmarks focused on demographic and market changes between 2000 and 2012, and then drew on local market outreach to better understand local policy initiatives and drivers of new development.



Comparable Cities

Selected group cities include a mix of comparably sized college towns, larger university cities, and New England peer cities.


Bloomington, IN


Boulder, CO


Charlottesville, VA


Iowa City, IA


Ithaca, NY


Madison, WI


Portland, ME


Portsmouth, NH

Compared to small/mid-size university cities and New England peers, Burlington has a **relatively robust downtown residential base.**

Downtown Burlington, with approximately **4,750 households located within ½-mile of the CBD**, has a much larger resident base in its downtown than most cities of its size. Of the university towns and New England peer cities analyzed, only Madison, WI, a city located in a region three times the size of the Burlington metropolitan area, has more households living downtown.

Most of the comparable cities have a more decentralized resident base than Burlington. Only three cities have a greater percentage of regional households living downtown -- Iowa City, Ithaca, and Portsmouth. In the case of all three places, the downtowns of those cities are the only urban markets in their respective regions that can accommodate more compact forms of development. Conversely, **growth in the Burlington region has spread to surrounding jurisdictions**, including South Burlington and Winooski.

Portsmouth, which has the greatest concentration of regional households living downtown amongst the selected cities, benefits from its position as a commuter suburb to Boston, the largest economic center in New England. Were we to treat Portsmouth as part of the Boston metropolitan area, it would have the lowest share of regional residents living downtown (<1%).

Total Downtown Households, as of 2012

Ranked by Downtown Market Size from Largest to Smallest

City	Downtown Households[1]	Metro Area Households[2]	% of Regional Households Living DT
Madison, WI	9,692	242,300	4.0%
Burlington, VT	**4,750**	**84,821**	**5.6%**
Portsmouth, NH	4,416	25,489	17.3%
Iowa City, IA	4,231	63,149	6.7%
Ithaca, NY	3,564	39,165	9.1%
Bloomington, IN	3,386	78,744	4.3%
Portland, ME	2,991	119,640	2.5%
Boulder, CO	2,451	118,775	2.1%
Charlottesville, VA	1,994	79,760	2.5%

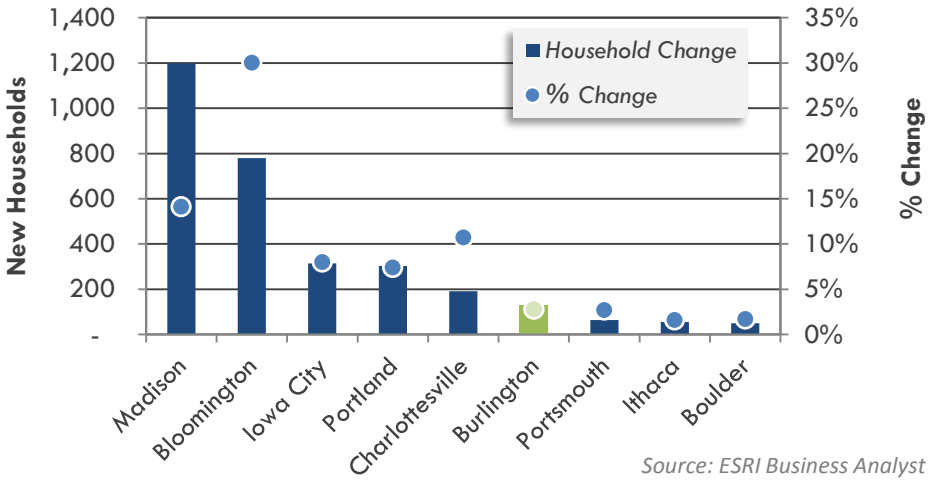
1. Households residing within ½ mile of the CBD.
2. Metro area households measured at the New England City and Town Area (NECTA) level for Burlington, Portsmouth and Portland, and at the Metropolitan Statistical Area (MSA) level for places outside New England.

Source: US Census Bureau; ESRI Business Analyst

However, **recent growth in downtown Burlington has not kept pace** with that of comparable cities, and it is losing young professional households.

Limited household growth in downtown Burlington is directly tied to the amount of new housing development, which in this case reflects a market that lacks adequate supply to meet resident demand. Between 2000 and 2012, downtown Burlington added only 130 new households, representing less than 3% growth over the 12 years. Over the same time period, the number of households in the broader Burlington metro area increased by over 10%, suggesting that downtown has been losing resident market share since the turn of the 21st century. The pace of household formation in downtown Burlington has also lagged many of the other cities included in this analysis, with only three places adding fewer households to their respective downtowns.

Change in Downtown Households, 2000 to 2012



Source: ESRI Business Analyst

Contemporary household growth patterns in downtown Burlington reflect those of a typical college town, primarily drawing students and more affluent empty nesters and retirees. Given the proximity to the University of Vermont and Champlain College, downtown is a natural magnet for students who either choose or are required to live off campus. Meanwhile, empty nesters and retiree households are prime candidates for downsizing and second homes, representing a strong source of demand for downtown condominiums and other luxury residential products. Both market segments are often capable of paying more for housing, with empty nesters reporting the highest incomes and students defraying expenses by taking on roommates or receiving support from family. This in turn drives up the cost of living for other types of households, notably young professionals and families.

% Change in Households by Age, *Downtown Burlington vs. Burlington NECTA, 2000 to 2012*

	Total Households	Students (< 24 years)	Young Professionals (25-34 years)	Family Households (35-54 years)	Empty Nesters/ Retirees (55-74 years)	Seniors (75+ years)
Downtown Burlington	↑ 2.8%	↑ 15.9%	↓ -6.6%	↓ -14.7%	↑ 37.9%	↓ -5.4%
Burlington NECTA	↑ 10.8%	↑ 6.0%	↓ -4.5%	↓ -6.2%	↑ 54.8%	↑ 31.8%

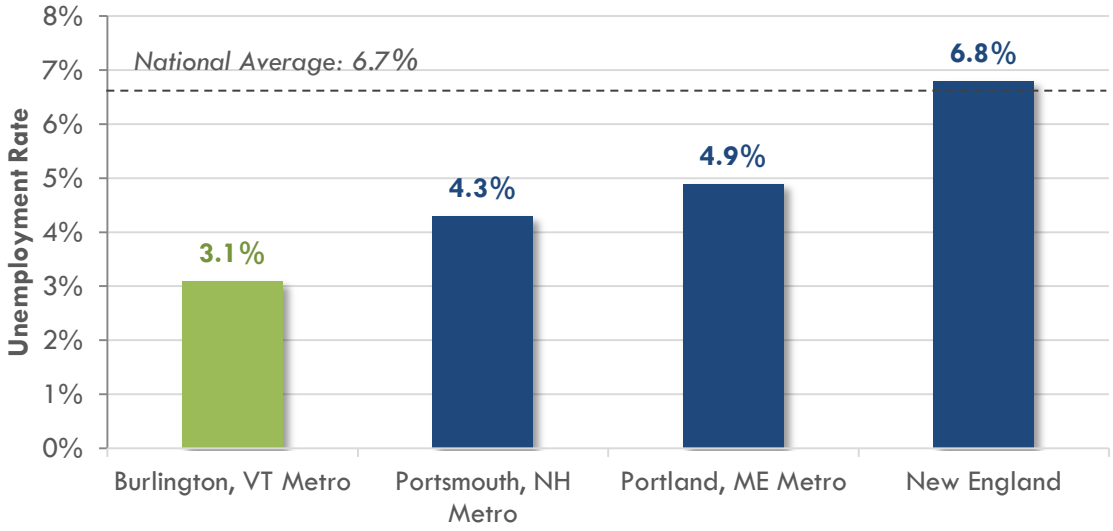
The lack of downtown growth is surprising given Burlington's **diverse and evolving economy.**

Burlington is part of an economically resilient region anchored by major education and healthcare institutions. The region is supported by a diverse mix of industries that leverage the area's high quality of life; those industries include consumer products and tourism/recreation. Building on the heritage established by IBM's decision in 1958 to locate a plant in nearby Essex Junction, a new generation **of technology-based firms are growing in the region's urban centers**, opening offices in the same places that appeal to the young workforce that works in this sector.[1] As Burlington's economy continues to outperform New England's and the nation's, **new housing will be needed to support local industries.**

[1] *Source: James Fallows, "Back on the Bright Side: Silicon Valley in Vermont." Atlantic Monthly, 10/06/2013*

Unemployment Rate

Select New England Metros, as of Dec 2013



Source: US Bureau of Labor Statistics; US Census, LEHD OnTheMap

Components of Burlington's Economy

Education and Healthcare…

National & International Consumer Brands…

Tourism and Recreation…

An Emerging Technology Cluster.

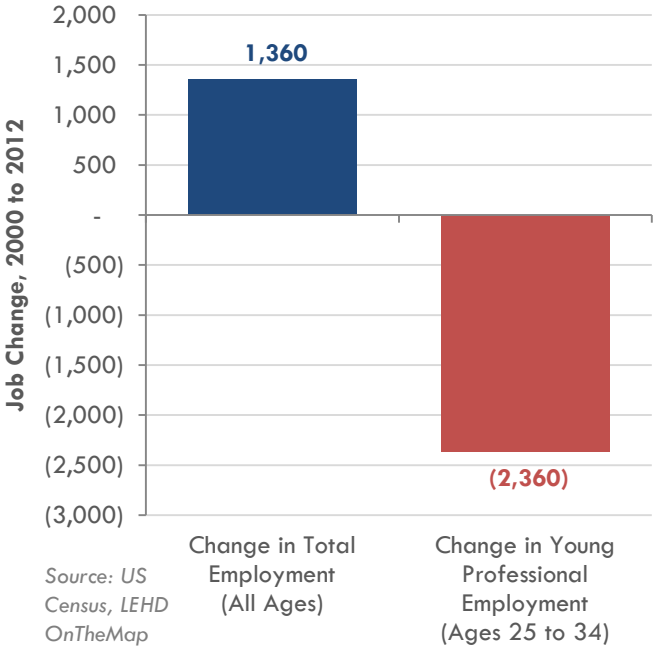
Providing the right mix of housing to serve all segments of the labor force will be critical to future economic sustainability.

Between 2000 and 2012, the Burlington region added 1,360 jobs, but lost 2,360 jobs employing residents between the ages of 25 to 34. Many of these job losses were concentrated in the computer and electronic product manufacturing sector, a loss which is largely attributable to labor force reduction at the IBM plant in Essex Junction.

Looking to the future, **young professionals will play a significant role in the evolution and sustainability of Burlington's economy**. Four of the five fastest growing industries in Burlington employ a greater concentration of young professionals than does the market as a whole. Annual wages in these industries range from a low of $19,000 for food service workers (excluding tips) to $69,000 for those employed in the professional and technical services industry. This wide range implies **a need for expanding housing choice across a range of price points to serve all segments of the labor force**, including market rate housing options proximate to technology firms creating high value jobs.

Historic Employment Change

Burlington MSA, 2000 to 2012



Source: US Census, LEHD OnTheMap

Young Professional (Ages 25 to 34) Employment in Top-5 Growth Industries

Burlington MSA, 2000 to 2012

Industry Sector	Total Employment, 2012	Young Professional % of Total Employment, 2012	Employment Change, 2002-2012	Estimated Annual Wages, 2012
Healthcare and Social Services	16,867	23.2%	4,311	$45,600
Accommodation and Food Service	8,288	25.5%	1,787	$19,000
Professional, Scientific & Tech Services	6,358	25.1%	1,623	$69,000
Administrative Support & Waste Management	4,000	22.4%	1,205	$30,900
Education	10,767	15.2%	1,164	$46,100
All Industry Sectors	***113,274***	***20.4%***	***1,361***	***$45,000***

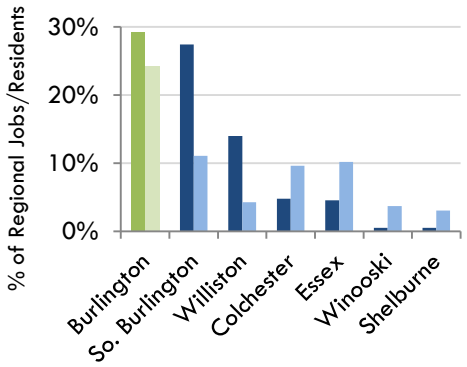
Source: US Census, LEHD OnTheMap

Diversifying housing options throughout the region has the potential to **reduce commuting burdens** and **improve the jobs-housing balance.**

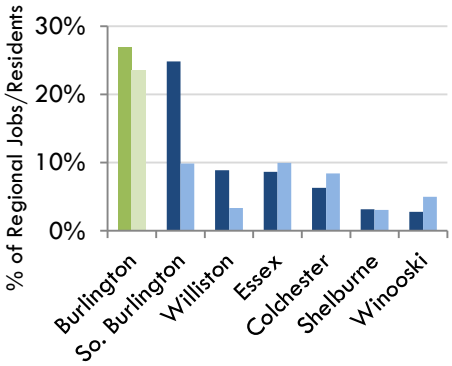
Many of the workers employed in the Burlington region's fastest growing industries are commuting between jurisdictions to reach their jobs. While Burlington strikes a reasonable balance between its share of the region's low-wage jobs and residents employed in those industries, nearby jurisdictions, including South Burlington and Williston, are "importing" their low-wage labor force from other places. Meanwhile, Burlington is home to a large share of the region's high-wage jobs in Professional Services, Education, and Healthcare, but very few of these workers actually live in the city.

Top Growth Industries that Pay Below Average Wages

Admin and Waste Services



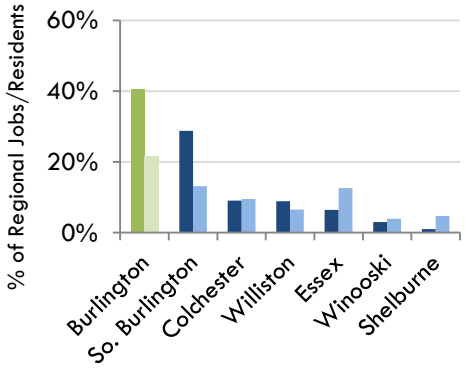
Accommodation and Food Services



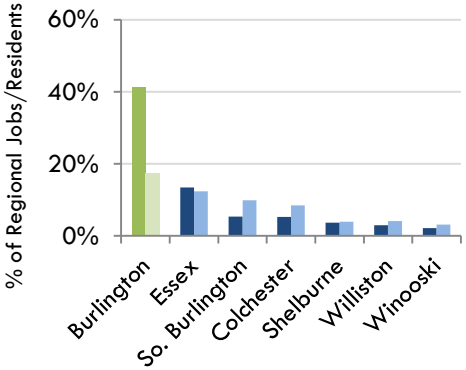
The region's low-wage jobs are primarily concentrated in three jurisdictions – Burlington, South Burlington, and Williston. Of the three, only Burlington comes close to balancing its share of jobs in low-wage industries with its share of residents working in these sectors.

Top Growth Industries that Pay Above Average Wages

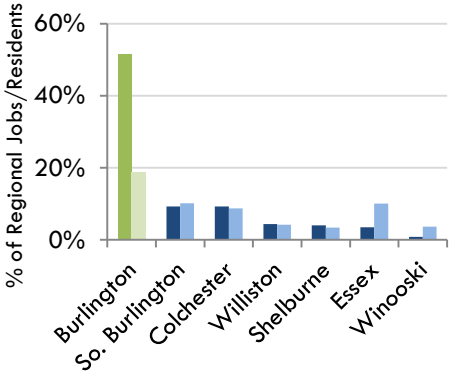
Professional and Tech Services



Education



Healthcare



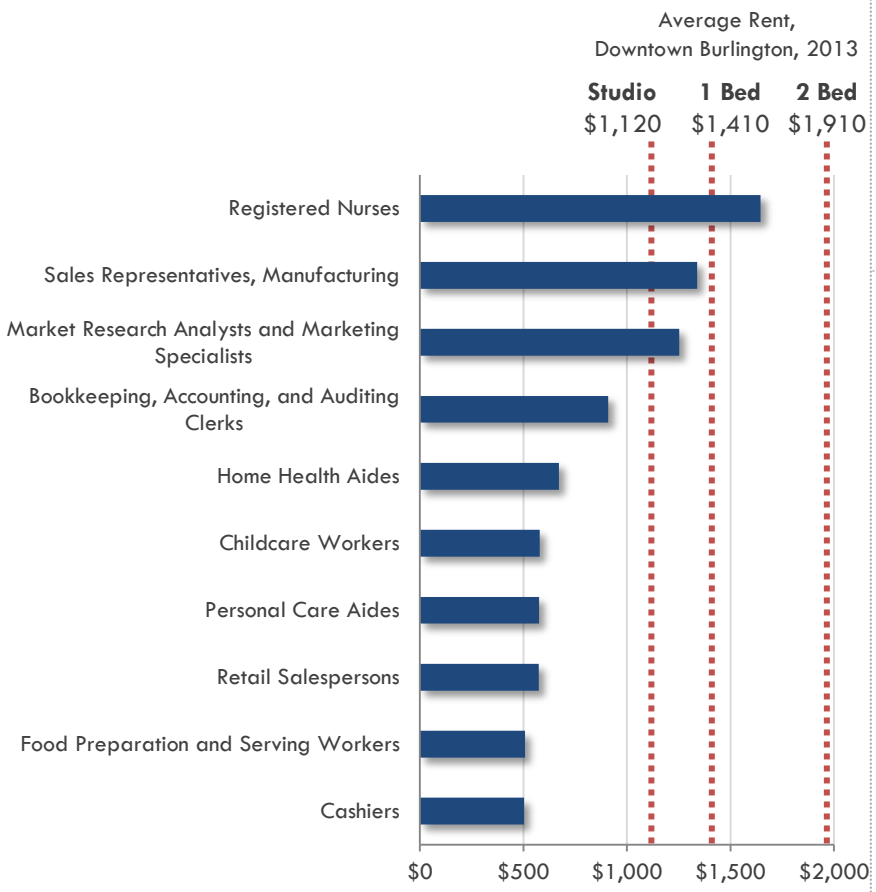
Burlington is home to a significant share of the region's jobs in high-wage industries, especially Education and Healthcare. However, most of these workers live outside the City.

% of Regional Jobs Located in Jurisdiction | % of Industry Labor Force Living in Jurisdiction

Source: LEHD OnTheMap

Increasing housing options can also **mitigate the housing wage gap in walkable urban areas** where imbalances between supply and demand drive higher prices.

Rent Affordability Based on Average Wages for the Burlington Metro Area's 10-Fastest Growing Occupations

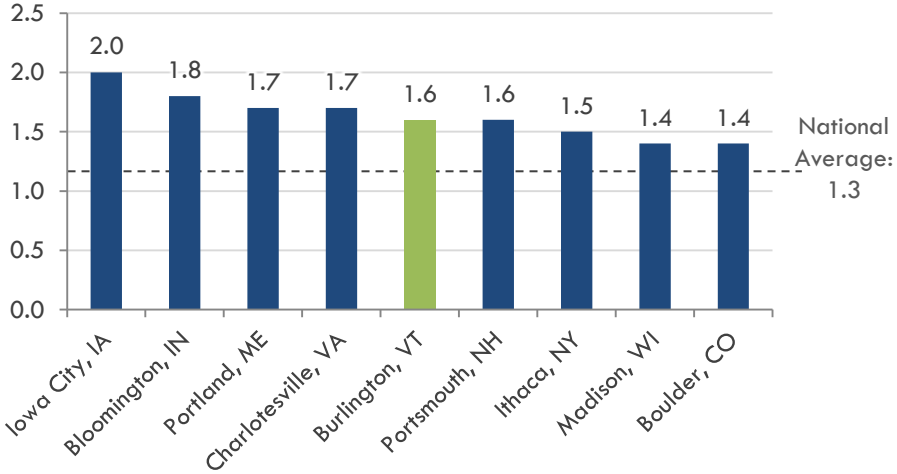


Source: Vermont Department of Labor; Allen & Brooks

Many residents working in the Burlington Metro Area's fastest growing occupations struggle to find affordable housing in a region where households need 1.6 full-time jobs paying the average renter wage (estimated at $12.33 per hour in 2013) to afford a two-bedroom apartment at a Fair Market Rent (FMR) of $1,029 per month.* This challenge is particularly acute in high-demand employment centers, such as Downtown Burlington, where average market rent for a two-bedroom apartment is $1,910 per month. Applying downtown rather than regional average rents to the table below would push Burlington affordability literally off the chart.

Number of Full-Time Jobs Needed to Afford a 2-Bedroom Apartment at Fair Market Rents

Respective Metropolitan Areas, 2013



* Based on data from the National Low Income Housing Coalition's *Out of Reach 2013* report. "Fair Market Rents" are a gross rent estimate. HUD estimates FMR for an MSA each fiscal year based on the most recent Decennial Census or ACS housing and income data.

In striking the jobs-housing balance, Burlington can also **look to larger cities with comparably dynamic markets** for future development strategies.

Burlington has reached an inflection point at which it can choose to evolve as a vibrant, albeit increasingly expensive college town, or emerge as a leading example of 21st century economic resilience: a small city that fosters the dynamism more often found in larger places. It is therefore instructive to compare Burlington to "next tier" cities such as Portland, OR, Austin, TX and Nashville, TN. These are places that in the last few decades have grown from more modest roots to become some of the country's most sought after, multi-faceted urban environments. While the scale of these cities far surpasses Burlington's, they were able to leverage similar strengths to bolster growth and development, including a prominent institutional presence, private sector employment diversity, a broad mix of entertainment and recreational amenities, and a progressive culture that supports innovative urban policy.

In Portland, the City has been shaped by a concerted effort that began in the 1970's to curb an increasing rate of suburbanization, an effort which led to the creation of a regional urban growth boundary, investment in transit, and strategic up-zoning to support development in urban centers. Meanwhile, Austin and Nashville are at the center of two of the fastest growing economies in the country, both having benefited from a combination of a low cost of living and pro-business policies that allow the cities to compete nationally for STEM (i.e., science, technology, engineering and mathematics) related jobs.

Among the most notable differences between Burlington and the "next tier" cities is the relationship between housing production and economic performance, both in terms of job creation and cost of living. At a regional level, Burlington experienced a much lower rate of housing production over the past decade, with the "next tier" cities growing their housing stock two to six times faster. And while Burlington lost young professional households between 2000 and 2012, this resident segment represented one of the top sources of growth in the "next tier" cities. There is also a significant difference in housing cost burden among these markets; Burlington residents allocate significantly more of their income to rent and mortgage payments than do residents living in the three larger cities.

Key Market Characteristics

Burlington vs. "Next Tier" Cities

Metro Area	Total Housing Units % Change 2000-2012	Total Households % Change 2000-2012	Young Professional Households % Change 2000-2012	Employment % Change 2000-2012	Median Rent as % of Median Income[1] 2012	Ratio of Median Home Value to Median Income[1] 2012
Burlington, VT	**5%**	**5%**	**-10%**	**1%**	**44%**	**3.47**
Portland, OR	12%	11%	9%	2%	34%	3.48
Nashville, TN	14%	10%	13%	6%	32%	2.65
Austin, TX	30%	25%	23%	19%	31%	2.72

[1] Housing cost burden factors based on median incomes for renter and owner occupant households, respectively.

Source: US Census

section 4

Downtown and the Pine Street Corridor present the greatest opportunity to support multifamily housing development, which can be accelerated by **5 key strategies.**

We recommend that the City focus on **five strategies** that have the ability to accelerate the production of new housing.

We recommend a set of initiatives that take on challenges impeding housing production in Burlington by:

- aligning market opportunities with specific neighborhoods and development sites,
- addressing regulatory constraints and improving the use of existing tools to incentivize private investment, and
- linking the creation of new housing to broader economic development goals of job creation and innovation.

Direct Public Resources to Support New Development in Targeted Areas

1. Prioritize opportunities for **new infill and major multifamily housing development** in designated "Targeted Areas," notably the CBD and South End/Pine Street Corridor.
2. Encourage development of student housing on strategic downtown sites to **free up existing housing inventory** for other market segments.

Provide Incentives to Stimulate Private Investment in Targeted Downtown Areas

3. Provide **economic incentives** to facilitate increased production of multifamily rental housing to improve market affordability.
4. Continue to **pursue land use and zoning policies** that promote an equitable distribution of the regional affordable housing supply and help streamline the local development process.

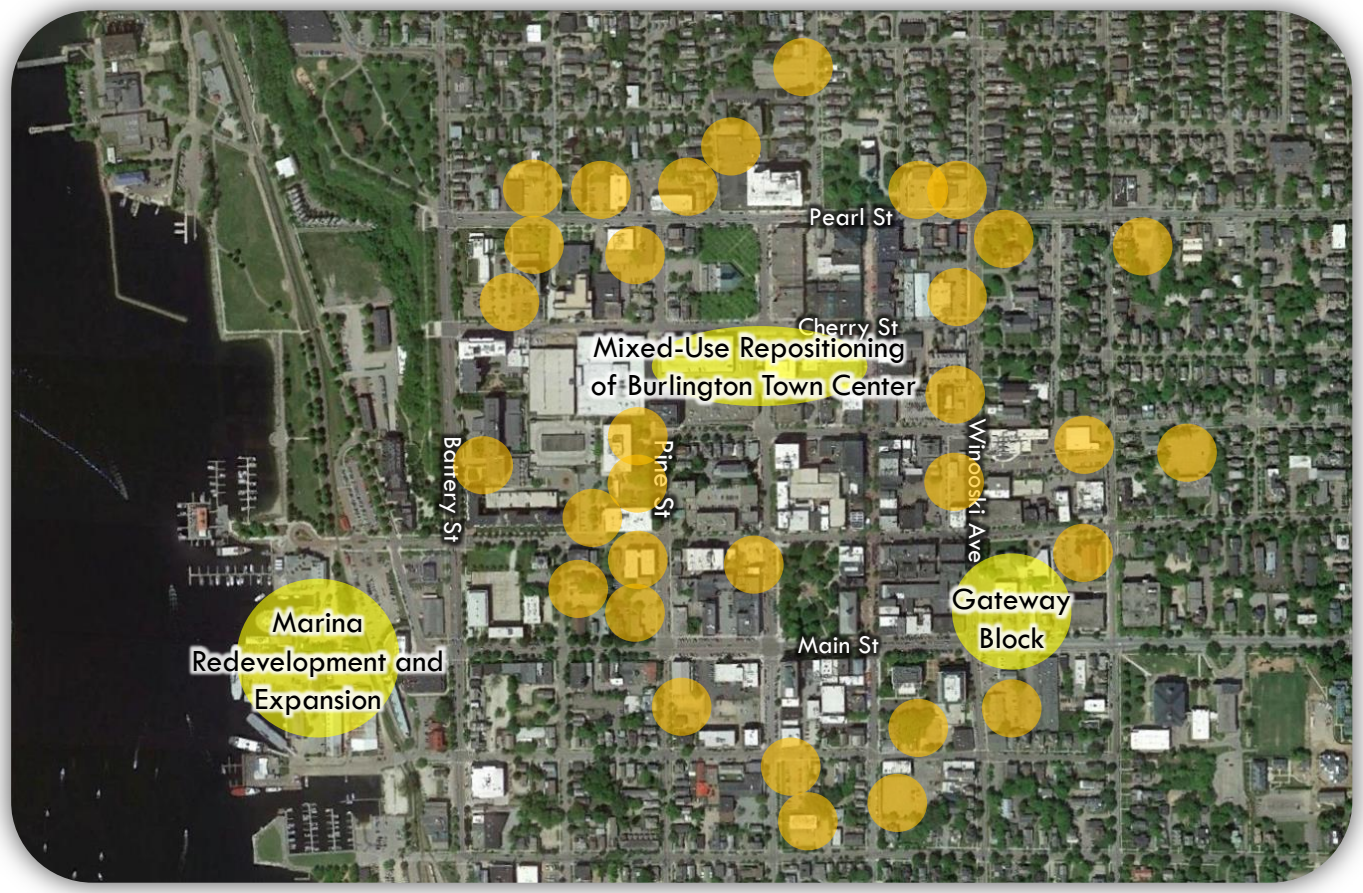
Link Investment in Housing to Broader Economic Development Goals

5. Engage the State of Vermont, as well as private and institutional employers to participate in **planning strategies and housing programs that benefit a growing regional economy**.

1. Prioritize housing development opportunities in **designated "Targeted Areas."**

Burlington's CBD lends itself to opportunities for both **infill housing and strategic mixed-use redevelopment.**

Downtown Burlington presents a number of opportunities for the repositioning of existing assets and the redevelopment of underutilized or vacant lots with multifamily housing. These sites include the largely City-owned Gateway Block at the intersection of Main Street and South Winooski Avenue as well as numerous private sites where owners have expressed potential interest in mixed-use redevelopment. The CBD also offers a number of small infill sites, some of which are already targeted for housing development, as well as upper floors of existing commercial buildings that are good candidates for residential conversion. However, all of these sites are of limited quantity and may not provide sufficient capacity to meet both current and future housing demand.



Major Mixed-Use Redevelopment Sites

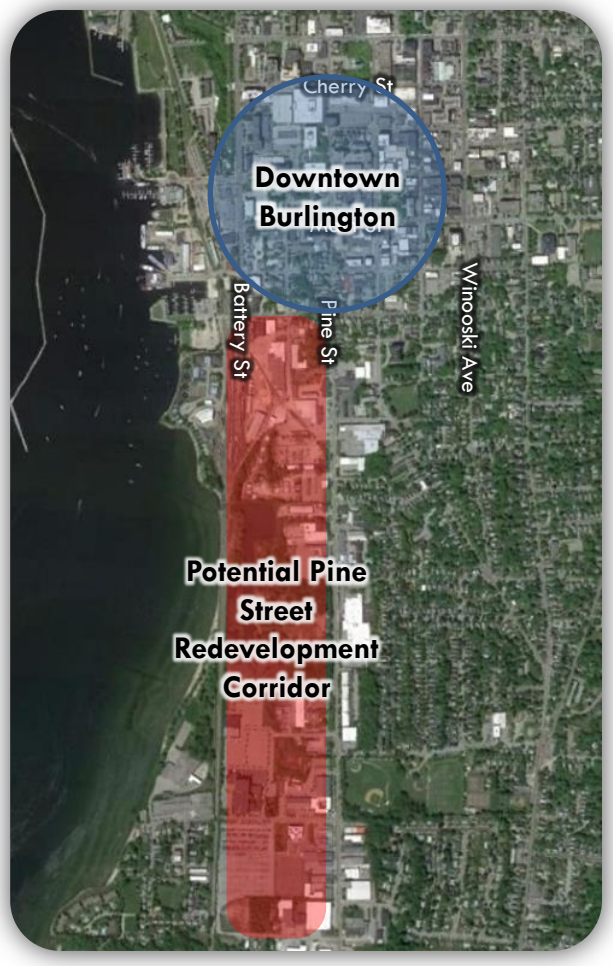
Potential Infill Sites < 50 units

The City should also look beyond the CBD to **targeted locations in select corridors** for housing development opportunities.

Limited long-term development capacity in the core CBD suggests that the City should consider investment in underutilized corridors to accommodate future housing growth, notably in the South End where improvements to Pine Street will increase connectivity and enhance perceptions of the neighborhood's viability as a suitable location for compact and walkable development. Future housing development could complement commercial investment and small business incubation that is already occurring in the corridor, which PlanBTV describes as "a place where evolving and emerging artists and entrepreneurs come together to create an eclectic cluster of studios, galleries, business, and workshops that celebrate the creative spirit."

From a development perspective, the Pine Street corridor contains multiple large-scale redevelopment opportunities that may offer more of a "blank slate" when compared to more constrained sites in the CBD. In order to minimize impacts on small business development underway in the corridor, housing development should focus on targeted sites, such as the rail yard district south of the CBD, the Pine Street Canal Superfund site, and the surface parking lot bounded by Sears Lane and Lakeside Avenue.

Future redevelopment of Pine Street as a mixed-use corridor is not without its challenges. Due to the area's industrial heritage, many of the opportunity sites are designated brownfields that will be burdened by substantial environmental remediation costs. These clean-up efforts would be in addition to necessary investment in roadway improvements, pedestrian pathways, and other streetscape elements needed to improve linkages to the core downtown.



A regional precedent of **new development in an historically underutilized area is currently under planning review in Portsmouth, NH,** where an empty lot next to the former Portsmouth Herald Building is the subject of a proposed redevelopment that will include ground floor retail and three stories of multifamily housing. The project, located in an area mostly comprised of small warehouses, will benefit from pedestrian linkages to the commercial downtown.

Experience in larger cities provides insight into the **forms of public intervention** that can help grow sustainable, compact neighborhoods.

Larger cities across the country host downtowns similar to Burlington's: they are largely built out with limited opportunities for new development. These cities have turned their attention to downtown-adjacent neighborhoods for future housing growth. These cities identified "blank slates"—declining industrial areas, neighborhoods with vacant buildings and dilapidated infrastructure—and focused on strategic public investment, revised zoning to permit increased density, and provided economic incentives to encourage private sector investment.

Portland: Pearl District

History Formerly a large industrial neighborhood just north of Portland's CBD, today the Pearl District is a vibrant mixed-use neighborhood with a mix of upscale office, retail, residential, and cultural destinations.

Strategy The City supported development by rezoning the area to permit higher density mixed-use buildings, providing economic incentives, and streamlining approvals for private developers and business owners. The City also invested in a neighborhood streetcar line that was funded through a combination of public funds and Tax Increment Financing, and participated in a P3-sponsored district energy system.

Success Between 2000 and 2013, the number of area households has nearly tripled, from 1,893 to 5,389.[1]

Nashville: SoBro

History Located south of the CBD, SoBro has emerged as Nashville's epicenter for music and culture. Formerly filled with empty buildings and crumbling public infrastructure, the neighborhood now boasts highly sought after housing, a thriving nightlife scene, cultural attractions, and upscale hotels.

Strategy Revitalization of SoBro coincided with the development of the Music City Center, an exhibition center and music venue that opened in May 2013 adjacent to the Country Music Hall of Fame® and Museum, both of which promote Nashville as a national center of culture.

Success SoBro and Downtown Nashville will see delivery of over 1,600 housing units by 2017 (under construction and planned).[2]

Austin: Rainey Street

History South of the CBD and east of I-35, Rainey Street is a formerly quiet residential neighborhood that in recent years has witnessed new high-rise residential construction and the conversion of historic single-family homes into bars and restaurants.

Strategy To meet growing demand for housing in its vibrant downtown, Austin rezoned nearby Rainey Street from residential to central business district in 2005, allowing for commercial uses and higher density buildings.

Success Between 2000 and 2013, the number of households located on one street has more than doubled, from 455 to 967.[1]

[1]US Census 2000 and ESRI 2013 forecasts for neighborhood block groups / [2]Nashville Downtown Partnership, Residential Report: July 2013

2. Strategically locate **future student housing development.**

Making strategic public parcels available **for student housing development** will alleviate pressure on the broader downtown housing market.

Burlington's student population is one of its greatest assets, representing the core pool of talent that can help grow the City's economy. However, students not in university housing often enter the private rental market, occupying apartments and finding roommates in single family homes in downtown and its surrounding neighborhoods, increasing pressure on the Downtown housing market.

Area colleges and universities have made recent strides to address increased student housing demand. UVM partnered with the private developer Redstone to build and operate Redstone Lofts, delivered in 2013 on the southern edge of the university campus. Meanwhile, Champlain College has pursued the development of new student housing, with 180 beds currently under construction at the Tri-Res site located on Maple Street. The college has also acquired two additional downtown sites to accommodate future development of up to 500 new beds.

The City now has an opportunity to support additional student housing by making strategically located public sites available for future development. This is not a new concept in Burlington: the City sold the Brown's Court public parking lot to Champlain College in 2013 to support the school's proposed redevelopment of the adjacent Eagles Club site. The City-owned Gateway Block (City parking lot at Main & South Winooski Ave) has great potential for future student housing development given its proximity to UVM's campus and Champlain College's new projects, as well as its relative separation from more established residential neighborhoods. The redevelopment of this site for student housing will help alleviate price pressure on the downtown rental market, increase the number of units available to the non-student population, and provide the City with potential for financial gain.

Redstone Lofts – privately built student housing on UVM's campus

New purpose-built student housing can also **create opportunities to reposition existing stock** through public-private partnerships.

As additional targeted housing is built closer to UVM and Champlain College, homes currently occupied by students in neighborhoods adjacent to downtown, including the South End and Old North End, could then be made available to families and young professionals seeking entry into the homeownership market. While public-private models in other cities have primarily focused on employer-assisted housing programs, the UniverCity program in Iowa City has also invested in expanding the inventory of suitable housing to foster this type of market transition. Burlington's major employers, including colleges and universities, Fletcher Allen Health Care, and the City itself, could play a role in such a program, either through direct participation in the acquisition and rehabilitation of homes and/or providing financial assistance to employees seeking to purchase a home.

The UniverCity program underway in Iowa City provides a model of how public-private intervention can facilitate the repositioning of student-occupied single family homes in need of reinvestment. Driven by a partnership between the City, the State of Iowa Housing Finance Authority, the local home builders association and local lenders, UniverCity is focused on increasing the supply of affordable, owner-occupied homes in single-family residential neighborhoods adjacent to the University of Iowa. The City purchases homes in need of repair using low-cost loans from local lenders, invests $40,000 to $50,000 in renovations*, and then sells the homes to income-qualified buyers. Homes are sold at a price equivalent to the City's original purchase price plus rehabilitation costs, including associated carrying costs, with a price cap of $250,000. Buyers have included a broad spectrum of the City's workforce, including faculty and staff at the University of Iowa.

Mission

- Preserve single-family residential neighborhoods adjacent to the University.

Process

- City purchases single-family homes with low-interest loans provided by local lenders;
- City funds $40,000 to $50,000 in renovation costs;* and
- City sells homes as affordable, owner-occupied housing to income-qualified buyers.

Results

- As of November 2013, 31 homes have been renovated and sold; renovations on 17 additional homes are scheduled to complete in spring 2014.

** Initial funding of $1.25 million (spread over 2011 and 2012) for home renovation costs came from the State of Iowa I-JOBS program that focuses infrastructure investment in areas struck by natural disaster. Building on the success of initial phases, the program is now funded through the City's general fund.*

3. Facilitate production of new multifamily rental housing, thereby increasing affordability, through the use of **economic incentives.**

Incentives tailored to **promote additional density in targeted areas** will bolster housing production and promote affordability in vibrant mixed-use neighborhoods.

Public economic incentives can be effective tools in supporting higher density development in neighborhoods where project costs are challenged by limited developable land, physical site constraints, and a lack of supporting infrastructure. Burlington already has incentive programs in place that could be deployed to support new housing production, including the use of Tax Increment Financing (TIF) to fund infrastructure improvements and an ability to sell publicly-owned parcels for investment grade redevelopment. Cities around the country have utilized other incentives to achieve similar housing goals, including property tax abatements and development density bonuses.

New (and existing) incentive programs should be targeted to specific areas of the city (the CBD and Pine Street corridor) and should be used to "promote affordability and vibrancy." Thus, while the most pressing contemporary need is for multifamily rental housing, "land use agnostic" incentives could be used to help create and enhance vibrant mixed-use neighborhoods, as well as align public investment with local commercial and residential real estate market cycles, facilitating the attraction of private capital.

Incentive	City	Program Description	Project Example	
Public Land	Winooski, VT	The City of Winooski sold a publicly-owned site to a private developer for approximately $1 million. Proceeds were used to pay off bonds used to fund a parking garage, streets, and utilities that were built to support downtown redevelopment.	**Riverhouse** 72 Market Rate Apartments Completed 2013	
Property Tax Abatement	Ithaca, NY	10-year property tax abatement that applies to development of all land uses in the Downtown Density District. New buildings over 3 stories and rehabilitation of existing structures qualify for this incentive.	**Cayuga Place** 68 Market Rate Apartments Completed 2008	
Tax Increment Financing (TIF)	Iowa City, IA	TIF funds can be used for direct project costs or in the form of a property tax rebate. City officials note that the program is responsible for most new density in the downtown.	**Plaza Towers** Mix of Commercial, Hotel, Market Rate Apartments, and Condos Completed 2006	
Density Bonus	Boulder, CO	The original goal of the program was to promote new housing construction when the market primarily favored office development in the downtown. Developers receive an FAR increase of 1.0 for residential projects.	**The Walnut** 34 Market Rate Condos Completed 2008	

4. **Encourage land use policies** that support the development of diverse housing products in targeted areas throughout the Burlington region.

Fostering a **regional approach to Inclusionary Zoning** will ensure that affordability remains a cornerstone of a long-term housing strategy.

Burlington is one of few places nationwide where mandatory Inclusionary Zoning (IZ) requirements exist at the local level. Housing development in the surrounding Chittenden County jurisdictions are not subject to the same requirements. This results in a competitive disadvantage for Burlington, where land and development costs are already higher than in competing submarkets, as the lower rents from required affordable dwelling units places additional burden on investment returns for otherwise comparable projects[1].

By providing additional development density, the IZ program has had some success at producing affordable housing. Burlington's IZ program yielded 47 units of affordable housing within a ½-mile of Downtown between 2002 and 2013. Meanwhile, local housing authorities and a mix of private and non-profit developers have had a greater impact on the creation of a diverse, mixed-income downtown, with these groups building 120 affordable units in the CBD since 2002.[2]

Burlington's IZ program is unusual given the size of its market

Statewide	California / Massachusetts / New Jersey
Large Markets *100K Households*	New York City / Fairfax Co. (VA) / Montgomery Co. (MD) / Denver
Mid-Size Markets *50k-100k Households*	Frederick Co. (MD) / Tallahassee (FL) / Santa Fe Co. (NM)
Small Markets *<50k Households*	**Burlington (VT)** / Boulder (CO) / Chapel Hill (NC) / Davidson (NC)

Modifications to existing IZ requirements could boost the program's performance. In other difficult-to-develop markets such as Boulder, CO, IZ policy has been structured so as to allow for a by-right "fee in lieu" option. Under current IZ regulations in Burlington, developers seeking to pay a "fee in lieu" are subject to Development Review Board approval, and are required to pay over $100,000 for each unit "in lieu." The number of "in lieu" units is 1.5 times the number of units that otherwise would need to be built on-site. Loosening the existing "fee in lieu" requirements could benefit the Burlington housing market in two ways: first, by creating certainty for downtown developers around the cost of providing affordable housing without placing physical and economic constraints on market-rate housing projects; and second, by creating a new funding stream to support the Burlington Housing Trust Fund. To the extent that IZ units must be provided on site, the current size requirements should be adjusted to reflect current standards in the multifamily industry favoring more efficient units.

Expanding the use of IZ throughout the Burlington region would create a more equitable distribution of housing options and increase affordability in nearby jurisdictions. The Burlington region suffers from an imbalance in the distribution of where low-wage workers are employed and where they live, resulting in longer commute times and an increased transportation and housing cost burden. Expanding the use of IZ to neighboring jurisdictions would improve access to affordable, compact and well-located housing. A more regional approach to IZ that places affordable housing closer to jobs would also produce environmental benefits by limiting vehicle miles traveled and associated green house gas emissions.

[1] A conceptual development pro forma is included in the Appendix that demonstrates the impact of current IZ policy on investment returns for a multifamily project.

[2] Based on development data provided by Allen & Brooks for projects built within ½-mile of Downtown Burlington.

Recent State approval of a **Neighborhood Development Area** will support walkable housing development in areas close to the core downtown.

The State of Vermont Downtown Program provides for compact walkable development and aims to preserve the State's natural landscape. Burlington's existing Downtown Development District is a designated area under this program, which provides benefits to developers and property owners, including:

- Exemption from Act 250 for qualified mixed-income housing projects (up to 200 units), including local Development Review Board requirements.
- Exemption from land gains tax (if applicable) when a property is sold.
- Discounted application fees for projects not exempt from Act 250 and a cap on wastewater review fees.

On April 29th, 2014, the State approved the City's application for the creation of a Neighborhood Development Area to expand these benefits to an area within a ½-mile radius of the Designated Downtown. This designation is the first of its kind in the State of Vermont.

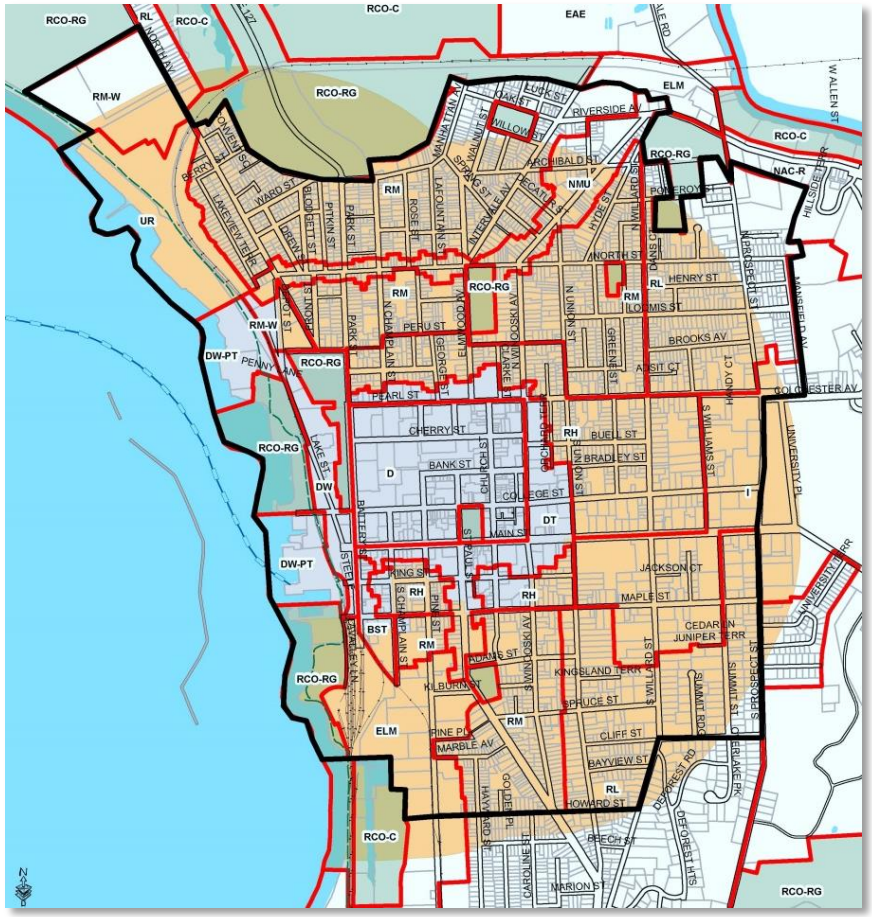
In addition to the broader geographic coverage, modifications to the statute that would enhance local housing production are also under consideration, including:

- Increasing the maximum size of qualified housing projects from 200 units to 275 units; and
- Changing the definition of "mixed-income" to include rental projects that serve households earning 80% AMI (up from 60% AMI), which would apply to all IZ developments.

Facilitating these modifications to the existing program statutes would facilitate new housing development that meets the full spectrum of market need, including affordable and market rate housing.

Map of Approved Neighborhood Development Area

City of Burlington



Source: City of Burlington Department of Planning and Zoning

Per the recommendation of PlanBTV, the **adoption of form-based code** would facilitate the permitting of by-right housing development.

Per the recommendations of PlanBTV, the City is currently drafting a new form-based zoning code that will simplify the permitting approval process. Form-based code emphasizes physical form as the basis for zoning decisions, which in practice can provide more flexibility than traditional zoning schemes that focus on strict parameters around land use, density, setbacks, parking ratios, and other factors.

As PlanBTV describes, a form-based code will allow for "context-appropriate infill" to be permitted by-right, establishing clear expectations for the character of new development, and limiting the necessity for additional review resulting from subjective disputes over form, mass, and scale. This approach offers multiple advantages that will support the production of additional housing in targeted areas and preserve the character of existing neighborhoods:

- Aligns developers' investment objectives with the community's vision for the future of Burlington.
- Increases certainty and minimizes the time of permitting approvals.
- Provides flexibility in land use so that development can be more responsive to market need.
- Enforces building design that is compatible with the surrounding land use context.

PlanBTV's vision for the area surrounding Burlington Town Center

PlanBTV's vision for Main Street Gateway and the Memorial Auditorium Block

5. Convene state and local stakeholders to incorporate housing objectives into a **broader economic development strategy.**

The City will need to engage multiple stakeholders to implement a housing strategy that supports future economic development, including the State of Vermont, local institutions and private sector employers.

An effective housing development strategy also needs to consider the importance of broader economic development goals, notably the attraction and retention of employers who can bring jobs to downtown and other neighborhoods. This will require the formation of partnerships and significant coordination with the State of Vermont, local healthcare and education institutions, private sector employers, and the real estate development community. Each of the various stakeholders will have a role in the implementation process, including the shaping and modification of policies that affect housing development, creating incentives to attract private investment, and providing financial resources to support the actual production of new housing. As one of the region's largest and most prominent employers, UVM will be significantly affected by Burlington's evolving housing market, both in terms of meeting student demand and serving its faculty and staff through quality workforce housing. Given UVM's status as a public institution, the University will require support from the State to provide resources to further its efforts to serve its students and employees. The State will also need to be engaged on regulatory issues where the City is subject to statewide legislation affecting land use and development. In addition to the public and institutional sectors, the City should also engage the private business community and real estate developers (for-profit and non-profit) to help refine priorities and plan future areas for new housing and mixed-use development that are consistent with goals to further evolve Burlington's position as a national leader in the 21st century economy.

Housing & Economic Development Stakeholders

PUBLIC SECTOR
State + Local

INSTITUTIONS
Education + Health

PRIVATE BUSINESS
Traditional + Emerging

REAL ESTATE COMMUNITY
Private + Non-Profit

Public-private partnerships can also be leveraged to implement large-scale housing and economic development initiatives in the Pine Street corridor.

As the Burlington economy continues to expand in industries such as healthcare and technology, the City has an opportunity to build on the success of firms like Dealer.com to cultivate start-up businesses and attract new employers that will create jobs to further bolster Burlington's role as a 21st century economic center. Focusing business development efforts in neighborhoods such as the South End, where there are also opportunities to support new housing, could help expand the availability of the "live-work" lifestyle historically found only in Burlington's core downtown.

Efforts to grow an innovation economy are underway in university cities across the country, including Bloomington, IN where the City is partnering with Indiana University and the State to redevelop 65 acres of land adjacent to the core downtown into a mixed-use, urban technology park. While the core of that redevelopment plan is focused on the provision of commercial space to serve a burgeoning start-up community and large-scale research and development, one of the primary goals of the plan is to **diversify the downtown housing stock and provide expanded options for tech employees and other resident segments** not currently served by the existing market.

Bloomington Certified Technology Park. Located adjacent to the core of downtown Bloomington, this 65-acre technology park—a partnership between the State of Indiana, Indiana University Bloomington, and the City of Bloomington—serves entrepreneurial start-ups, larger tech companies, and other professional office users in an urban setting. The 2012 Master Plan[1] for the Bloomington CTP calls for a mix of tech/commercial space, professional office, mixed-use multifamily, residential townhomes, retail amenities, a substantial open space program, and a pedestrian trail that links to the broader city. Development in the Bloomington CTP will be supported by an expansion of the Downtown TIF district and grant funding from the State of Indiana Economic Development Corporation.

[1] *Bloomington Certified Technology Park Master Plan & Redevelopment Strategy - http://bloomington.in.gov/media/media/application/pdf/15735.pdf*

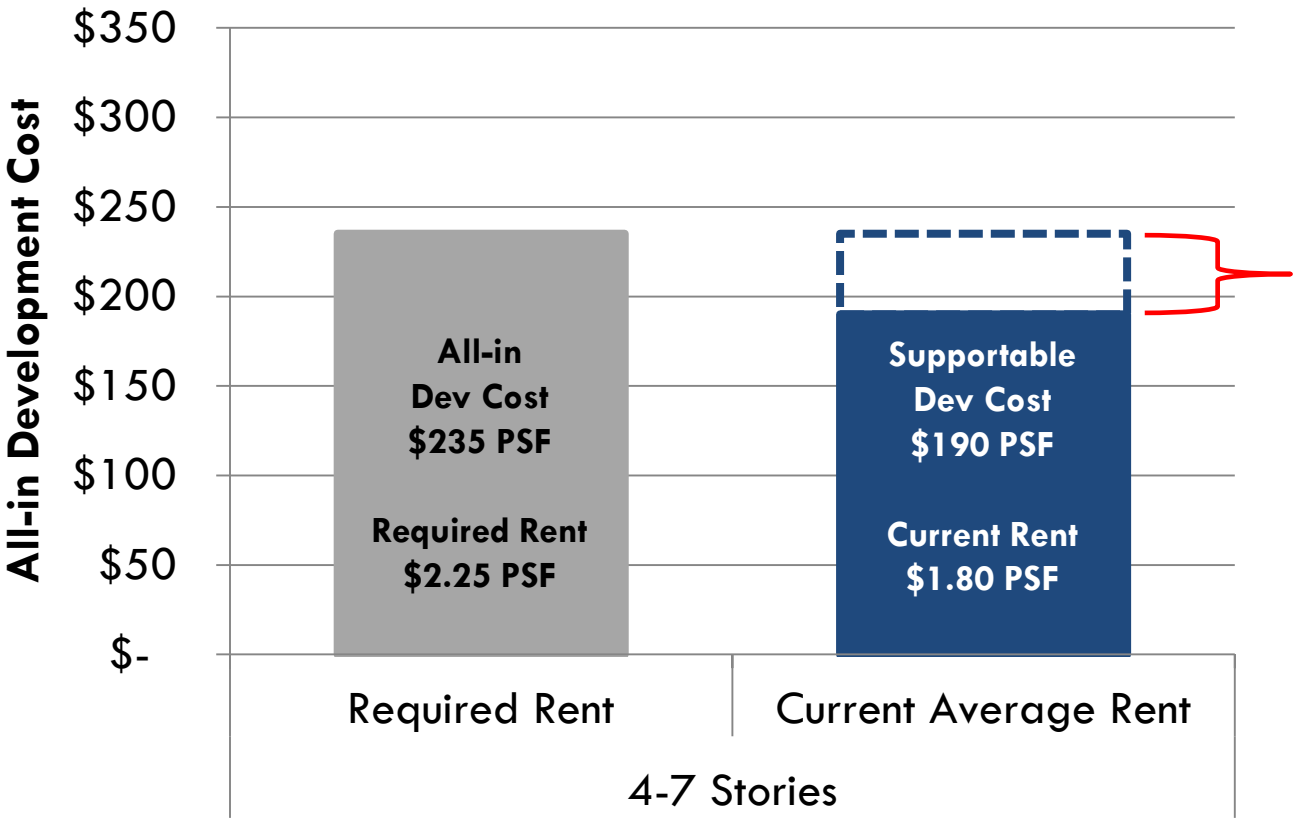
section 5

APPENDIX

HR&A created a simple pro forma to evaluate the capacity for urban multifamily development based on Burlington's average market rate rents.

	ASSUMPTIONS
Product Type	4-over-1 (Wood Frame/Concrete Podium)
Gross SF per Unit	1,000 SF
Building Efficiency	85%
Net SF per Unit	850 SF
Hard Cost	$160 PSF
Soft Cost	30% of Hard Cost
Land Cost	12% of Total Project Cost
Other Income	2.0% of gross revenue
Stabilized Vacancy	5.0%
Operating Expenses	25.0% of effective income
Targeted Annual Yield on Cost	7.0%

Before affordability requirements, current market rate rents are below the threshold required for competitive returns on urban multifamily development.



Current market rents of $1.80 per square foot can support a total project cost of $190 per square foot, or $45 per square foot less than the true cost of development.

Source: HR&A Advisors, Inc.

However, recently built projects in nearby jurisdictions are achieving higher per square foot rents that support more costly forms of development.

Riverhouse – Winooski, VT
(4 Floors of Residential over Structured Parking)

	Market Average	Riverhouse
Average Rent	$1,769	$1,712
Average Unit Size	989 SF	787 SF
Rent PSF	***$1.80 PSF***	***$2.17 PSF***

PSF Rent Drivers

Competitive market rate rents

More efficient unit layouts

Greater concentration of studios and 1-bedrooms

High-end unit finishes

Limited/no affordable component

Source: Redstone, Youkel, and Nedde Real Estate; HR&A Advisors, Inc.