

CHAMPLAIN HOUSING TRUST



October 12, 2012

Ms. Sandrine Thibault
Department of Planning and Zoning
City of Burlington
City Hall
149 Church St.
Burlington, VT 05401

Dear Ms. Thibault,

Thank you for the opportunity to comment on Plan BTV. The process has been very open and creative, especially in its use of social media, and this has engaged a lot of citizens and has yielded very expansive and inventive visions to help residents imagine significant transformations of key landmarks in the Plan BTV downtown area. Congratulations.

I participated in two housing forums and read the plan's affordability data and recommendations with great interest, and would like to offer my own comments regarding housing affordability in our downtown.

I would first like to encourage the City to consider the very urban and dense residential neighborhoods abutting the downtown core as part of our housing mix, and as a key component to the vitality of the City Center. The City's commercial core offers some opportunities to develop the most urban of urban living options, but we should also recognize and expand the housing opportunities in the surrounding neighborhoods.

The Plan BTV district is only six by seven blocks in size, a very small footprint even by urban standards. People who live just north, south or east of these blocks can walk to the heart of the city in ten minutes or less to take advantage of downtown employment and recreational amenities. These neighborhoods already offer a wide variety of housing choices from rental to single family homeownership, and they are home to a diverse mix of people both demographically as well as by income. By improving on this already positive environment, we can increase the vitality of the downtown core as well.

Our shared vision of a vital downtown includes residents of many types, from those who are very young to those who are retired, as well as young families, mature professionals and other types of households. This mix adds to the economy and our quality of life as a community.

While both housing and employment are key, striking the right balance between residential and non-residential uses as we take advantage of the growing market for city living is very important to Burlington's future. I would urge the City to carefully consider how much of our tiny downtown core we want to convert from commercial/retail to residential. Our City needs a downtown that is a business and service center to serve the entire City and the region as well.

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One of the main issues raised by community members during the housing forums was the high cost of housing in the downtown. There is a significant housing wage gap throughout our metro area, and it is an issue that is common to the wider market and not unique to the City Center. Our central issue is housing production (costs) versus affordability/access (wages).

There are two drivers of housing costs: land values, which are highest in the downtown and exceptionally so on the waterfront; and construction costs, which in our area include dealing with old infrastructure, historic property, pollution, and site stability issues. Neither of these factors can be mitigated significantly through regulatory relief. Even when the City passes regulations to allow increased project density, the developers are limited by the amount of available land and the added costs of multi-story construction.

Land value is based on three things: location, location, location! The plan BTV area is some of the state's most valuable real estate. Some of that is due to the beautiful views this location offers, especially right on the waterfront, and some of it is due to the value added by our city's great services, recreational opportunities, and amenities. Three decades of civic activity and investments on the waterfront have removed the blight and pollution that made that a no-go area and have provided the modern infrastructure that allows for new development.

Let's imagine that regulatory relief decreases construction costs by 10 percent. Even if the savings result in a more moderate price to the buyer the first time the property is sold for ownership or rental, at the second sale and ever after that property will be valued based on its location.

Regulatory relief such as higher-density zoning can and should increase the number of units in development projects. A streamlined and more predictable regulatory process would decrease the time it takes to complete a project, thus allowing for a decrease in construction costs. However, these two measures alone do not create any incentive for the developer to translate lower costs into a more moderate price on even the first sale and certainly not throughout the future.

Inclusionary zoning is the only regulatory tool that both creates and preserves affordability. Some community members expressed frustration with inclusionary zoning during the housing discussions, and while I understand their concerns I do not believe that the entire process should be discarded. The Plan BTV process offers the opportunity to revise and improve this regulation without eliminating its many important provisions. The Champlain Housing Trust has worked with many developers over the past decades in implementing IZ, and we strongly support its core principles. At the same time, we recognize the opportunities offered by the Plan BTV process to work with an interested group to propose helpful changes to the IZ regulation.

As I mentioned earlier, public efforts and funding were vital to the creation of a beautiful waterfront that is now open for development. Shaped by the public, its current value can now be captured and used to implement some of the affordability goals of our community.

Burlington has been ahead of the curve in its use of Inclusionary Zoning. IZ has been gaining ground rapidly to become an integral part of many communities' smart growth and community development initiatives to ensure that they will not only attract but also retain their workforce when desirable locations increase in value.

For the past few years I have been participating at the National Realtors' Association's *Bringing Workers Home* conferences and presenting seminars on affordable housing to realtors, developers and public officials. These forums demonstrate effective programs – like the Champlain Housing Trust's – and then

explore the tools that make them possible, such as Inclusionary Zoning, Housing Trust Funds, employer-assisted housing programs, TIFs and more. The National Realtors' Association has terrific resources and credibility with all the partners we need. In re-evaluating Burlington's IZ policies, we can look to others and share best practices.

The Housing Trust Fund is a second tool that is helping cities to replace lost federal funding for housing and community development. Once again, Burlington has this in place and it will become a more critical source as we increase housing production overall. I recommend that we return to funding it at full formula as it was originally passed as a starting point to building local resources to replace lost federal grants like CDBG. But this will not be enough. We can also learn from others and add to our local toolbox. Many cities have engaged local employers, foundations, realtors and educators to match public programs providing down payment and closing cost assistance to first-time homebuyers. State Finance and Redevelopment Authorities are also getting creative in both rental and homeownership development. Burlington is lucky to have VHFA and Housing Vermont who have great track records in assembling capital for housing and along with CEDO and the aforementioned private players we could form a group tasked with meeting the City's housing affordability goals with new resources.

In addition to the regulatory changes, we must also evaluate the anecdotal conclusions in the plan regarding who wants to live downtown and who can afford it. These conclusions need to be verified with hard data and market studies. This data will benefit developers in targeting their production and also direct the discussion about what kinds of supports and incentives people need to access these homes. The "housing donut problem" statement seems to suggest that lower income and higher income earners are adequately served by subsidized housing and the market, respectively.

However, the waiting list and vacancy data on subsidized housing contradicts this conclusion. While programs for lower earners are available, the funding and services remain inadequate to fulfill the need. If young professionals are having a hard time paying \$1,200 to \$1,500 in rent, then our lower wage workers waiting on a list for subsidy or unable to find a vacant Section 8 apartment are at an even greater disadvantage. When you also consider the growing cost of transportation, it becomes obvious that increasing the housing options close to the retail and other employment becomes an economic necessity for the vitality of downtown.

Our community needs to attract young professionals and business people in order to ensure the economic vitality of the region. Unfortunately, many of them cannot afford to buy a home or even, in some cases, rent a market rate apartment in our area, as the data in Plan BTV illustrates. These workers need programs that close the gap between what they can afford and the full market price of housing.

It is difficult to generalize about wage levels and homeownership because buyers also need to meet underwriting guidelines, debt to income ratios and down payment requirements. Many young professionals have a lot of college debt. Some have access to family funds for down payment, and others do not. This part of the market represents a wide range of needs and in my experience there are many who need affordability assistance.

The Champlain Housing Trust serves this demographic through our homeownership centers. Some of these potential homebuyers can work their way into the market with minimal help, while some need a layering of funding assistance. This population segment is critical to growing our economy and their needs merit further study.

On the rental side, the Champlain Housing Trust's average two bedroom rent is priced within the range identified as affordable in plan BTV, but there are not enough apartments to meet demand. We have a

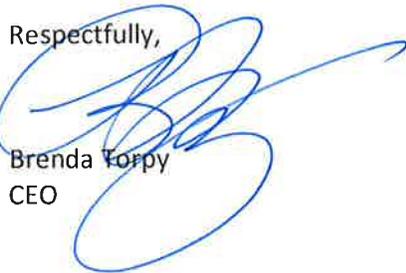
zero vacancy rate in our affordable apartments and 100 applicants each month. Since gas prices spiked, this trend to our urban portfolio has been marked and we have prioritized new development efforts to the inner core of Chittenden County to help meet the need.

The bad news is that even if we can incentivize more development in the downtown through regulatory relief, the affordability of the homes will be lost after the first sale and I believe further studies will demonstrate that many of the young professionals, artists and other workers contributing to our economy won't be able to afford the new homes. The good news is that the city has tools such as Inclusionary Zoning and the Housing Trust Fund at its disposal to be an active partner in creating affordability. Even better news is the fact that we are not alone in this challenge.

Cities across the country are focusing on smart growth principles and community development, taking advantage of the opportunities for revitalizing downtowns and creating resources to maximize the affordable housing needed for a diverse workforce. Keeping cities open to their workers has become much more than a desirable social goal as we've learned that the environmental costs and impacts of commuting, especially to and from cities like ours that can't support a large public transportation system, are no longer acceptable or sustainable. We need to find ways to allow employees to live where they work.

I look forward to working with the city to build a new public/private partnership to help realize the Plan BTV vision to bring a diverse mix of citizens to Burlington's City Center.

Respectfully,



Brenda Torpy
CEO