

Memo

To: Donald F. Sinex, Devonwood Investors, LLC
From: **DOUG KENNEDY ADVISORS**
Subject: Addendum to Market Feasibility – Housing
Date: September 29, 2016

At your request, I have provided additional detail regarding the current rental housing market in the Burlington market, with reference to competition that the residential portion of the Burlington Town Center project may face:

In review, the project's residential component includes:

- 55 Affordable Rent Units – given the overwhelming demand for affordable rent in Burlington, it is apparent that these units will reach full occupancy before they are ready for occupancy;
- 80 Units that are expected to be rented under a master lease to Champlain College – these units will operate at an effective 100 percent occupancy rate;
- 139 market rate units in Zero, One and Two Bedroom configurations. These units (51 percent of the total) will be most subject to competitive forces in the city's rental housing market.

As noted in the full report, relatively little new residential development has taken place in Burlington in recent years – this is particularly true in the core downtown area. We note several major recent projects, current and planned projects in the city:¹

- Silversmith, 258 North Winooski – this 22-unit (2-One BR; 20-Two BR) project broke ground in 2014. 19 of the units are rented at market rates; three units have affordable rents. The project is located approximately $\frac{3}{4}$ mile from the core downtown – within walking distance, but not highly convenient for frequent visits. Two bedroom units are approximately 700 sq. ft. and lease at \$1,600 per month. The project's units are fully occupied;
- Bayberry Commons, Grove Street – this total 232-unit rental project is located approximately 2.0 miles from the downtown and will include units in townhouse and 'flat' configurations. Approximately 35 of the project's units will have affordable rents. The 1st phase, which is currently leasing, includes 16 townhouses

¹ Note that the 'Stratos' project (183 St. Paul) was developed recently in the downtown. However, the project's 34 units were sold as condominiums.

and 33 'flat' units. One bedroom units (750 sq. ft.) are leasing at \$1,450 per month, while two bedroom units (1,116 sq. ft.) are leasing at \$1,900 per month. In addition, a \$600 annual per car fee is being charged. Based on stated plans, the entirety of the project will be completed by mid-2018.

- Cambrian Rise, North Avenue – this project, located on the former Burlington College property is approximately 1¼ mile from the downtown core. The project is in preliminary planning/approval stages; as such, a defined plan is not yet available. In its current form, the project includes 675 units, including both rentals and ownership condominiums. 15 percent of the project would have affordable rents.

While the current Bayberry Commons and potential Cambrian Rise project represent significant additions to Burlington's inventory of rental units, we note that neither project is located in the downtown, nor within an easy walking distance of the core downtown. As such, they are less likely to appeal to renters who seek a truly urban lifestyle, with easy walking access to all of downtown's services, at market rental rates in a similar range. Further, we note the following from the city's 2016 *Action Plan for Housing & Community Development*, "All together, Bayberry Commons will make a small dent in the chronic rental-housing shortage that has plagued Burlington for at least two decades. Vacancy rates in the city have hovered at or below 2 percent since 2006 and dipped as low as 0.9 percent, except for a peak of 2.7 percent in 2009."

In sum, ongoing additions to the city's rental housing stock unlikely to fully satisfy the current and future demand for rental housing and Burlington Town Center's market rate units will have unique appeal to renters seeking a truly urban living experience *within the core downtown* – thus differentiating the project from current and potential competitors.

Finally, in light of existing rental conditions, the population information previously provided, and the level of preleasing in the aforementioned projects, it is my opinion that the addition of these new units will not materially or adversely affect the BTC project and all units under construction will be absorbed by the market. Therefore, my opinion is unchanged by this updated project information. The BTC redevelopment project is feasible.