

Building Opportunity:
Action Plan for Expanding and Improving Burlington's Housing Stock

Please note that this is a draft version of the Plan that was prepared by CEDO staff and has not yet been reviewed or approved by Mayor Weinberger or members of the City Council.

Why this Housing Plan and why focus on downtown? The City commissioned a study to evaluate the City's chronic housing shortage and to identify potential solutions. The *Downtown Housing Development Strategy* found a variety of reasons for the persistent housing affordability crisis and offered solutions. It should be noted that the scope of the study was downtown Burlington as defined by the "central business district" plus a 1/2 – mile radius. This geographic focus was informed by both the planBTV and the City's recent Neighborhood Development Area designation. However, many of the action items in this plan have city-wide implications and applicability.

Burlington faces an acute housing "affordability crisis" caused by a lack of new housing constructed over the past decade in the City's downtown. In fact, *the average Burlington household spends about 44 percent of its income on housing*, a percentage far in excess of what is considered reasonable in a healthy housing market and significantly above cities like Portland, OR, Nashville, TN, or Austin, TX. The consequences of this high cost – and the similarly unhealthy one percent vacancy rate – are felt by the entire community: seniors, employers, young professionals, environmentalists, affordable housing groups, downtown businesses, and active transportation advocates.

The lack of new housing construction in the City of Burlington is all the more remarkable because it has taken place in a period during which new households in the region grew by 10 percent during the years between 2002 and 2013. Burlington saw only three percent growth in that same timeframe, and of the roughly 220 new units built in the downtown, only 18 were market rate rentals. Making this shortage of housing more acute is the fact that about 3,650 students who attend the University of Vermont, and another 1,000 Champlain College students live off-campus and compete for the already limited housing options.

The lack of supply has profound negative consequences for Burlington. Instead of attracting young professionals eager to engage in the City's vibrant tech sector, for example, Burlington saw the percentage of such households actually fall by 10 percent between 2000 and 2012. Instead of developing a livable, walkable, and bikeable downtown – with all the known health and environmental benefits – new housing development has sprawled across the county and increased the reliance of residents on automobiles. Instead of creating the foundation for the continued growth of Burlington's non-profit organizations and businesses, the lack of housing has become a primary impediment to recruiting new employees.

It does not have to be this way. Burlington has a long history of innovative approaches to housing problems, and in particular the challenges of providing traditionally defined affordable housing. Mayor Sanders launched the first affordable housing task force in 1984, and the City and non-profits like Community on Temporary Shelter (COTS) and the

Champlain Housing Trust have garnered national and even international recognition throughout a proud history helping the most vulnerable households in the community.

Today, the same creative energy that launched successful affordable housing programs needs to be harnessed to address a lack of housing supply impacting all Burlingtonians. The solution requires a broad strategy intended to maintain and even increase support for the mission of the City's successful affordable housing non-profits while at the same time increasing the supply of housing across the entire Burlington income spectrum to benefit all residents and repair a distorted housing market.

This Plan first identifies the issues that have created these distortions – the regulatory barriers and disincentives, lack of appropriate resources, unique demographic challenges, and deteriorating quality of the housing stock that have contributed to a combination of high costs, severely limited options, neglected maintenance, and important quality of life issues. Second, it articulates a number of potential solutions for these challenges, including regulatory reform and measures to reduce the uncertainty that has stymied efforts to invest in and renew the City's housing stock. Third, the Plan highlights a number of components integral to a housing strategy intended to support the continued growth of a progressive and sustainable community but not directly connected with the problems that have distorted the housing market – including efforts to address chronic homelessness, improve active transportation options to make the City more livable, equitable, and accessible, and preserve the unique character of Burlington's neighborhoods. Finally, the Plan offers a proposed timeline for action to implement this strategy beginning with the second public forum to gather community feedback on October 7, 2014 at 7:00-9:00 in Contois Auditorium at City Hall.

As articulated in the City's inclusive public engagement planning effort planBTV – Downtown and Waterfront, the Burlington community envisions significant new housing that is consistent with the City's current character and helps make the future of Burlington more vibrant, green, pedestrian and bike friendly, healthier, and more affordable. This Plan is a step in translating that community vision into reality to benefit all residents.

I. Why is There a Housing "Affordability Crisis" in Burlington?

The simple answer is lack of housing supply – that, despite the growth of new households in the region by 10 percent during the years between 2002 and 2013, Burlington saw only three percent growth (and that of the roughly 220 new units built in the downtown, only 18 were market rate rentals). This helps explain the low vacancy rate, the relatively high costs, the steady loss of young professionals from the community, and the lack of incentives for some landlords to appropriately maintain their properties.

However, the simple answer alone does not explain why so few new units were created in Burlington during a time that saw substantial new units created both regionally and nationally. A combination of notable and potentially unique regulatory barriers and disincentives, a lack of appropriate resources, and unique demographic challenges conspired to largely stymie new investment in and renewal of Burlington's housing supply.

Regulatory Barriers and Disincentives

Though beneficial in many ways, in combination the Comprehensive Development Ordinance and the development review process include a number of regulatory hurdles and a system of conditional use approval that creates uncertainty about the outcome of the permitting process.

For example, until the City Council voted unanimously to overturn the measure in September of 2013, Burlington followed an unusual practice requiring substantial downtown development projects must include at least 50 percent commercial space. That requirement effectively prohibited housing construction in the downtown because no developer could secure financing for a project with such a proscribed residential component.

Though that particular barrier has already been reformed, a number of other regulatory hurdles to providing Burlingtonians with affordable housing options remain:

1. **Parking Minimums:** Requiring the acquisition or creation of a minimum of parking spaces for each new housing unit substantially increases the cost of the unit (thus pricing many residents out of the market) and contributes to a surplus of unnecessary (and underutilized) parking spaces on land that could be better used. The existing minimum parking ordinance in the downtown substantially increases the cost of downtown housing, is a barrier to investment in the City, and importantly – given that City has a long history of building much of the downtown parking required by the minimum parking ordinance – results in wasteful government spending on a highly inefficient parking system
2. **Uncertainty Regarding the Permitting Process:** This uncertainty comes in two forms. First, according to the 2013 *“A Comparative Study of Land Use and Building Permitting Processes in Portland and Other Cities”* completed by the Muskie School of Public Service (University of Southern Maine), the Development Review Board’s public appeals process can be the source of major project delays, deterring those that would build more housing units or invest in substantial renovations of existing properties. Second, there is confusion about how, when, and where, to obtain all the necessary permits from different City departments involved in the process. Within the last few years, substantial progress has been made to refine that process, but further reform is necessary.
3. **Inclusionary Zoning (IZ):** Intended to ensure that all new development include housing affordable to low-income households, the IZ reduces a builder’s margin for a good purpose, but similar to the 50-50 ordinance described above, it can make project financing more difficult or unworkable. Further, Burlington has a mandatory IZ policy, though the surrounding region does not – putting Burlington at a competitive disadvantage. Since its implementation in 1990, IZ has generated about 250 units or roughly 10 each year (between 2003 and 2012, 47 IZ units were constructed within half a mile of downtown).
4. **Building Code:** Burlington has a complex building code that interacts in confusing ways with the State and National building codes. This makes construction unnecessarily confusing and expensive – and more so than in surrounding towns.

5. **Zoning and Building Fees:** High City fees – particularly early in the process when the outcome of the permit, design and financing process is unclear and projects have not yet received major financing commitments – can constitute significant barriers to the creation of new housing. This also has the perverse incentive of favoring larger developers, who can afford to risk the high pre-development fees on a project despite uncertainty about how the project will fare in the DRB process.

Lack of Appropriate Resources

In recent years, a decline in federal resources to support housing construction contributed to the difficulty of increasing Burlington's housing supply. Compounding this issue locally, in 2004-2005 the City government chose to limit funding to the Housing Trust Fund, a City-managed fund used to support the development of perpetually affordable housing. However, until recently the City had not systematically identified potential infill development opportunities or potential public-private development sites. And, according to the recent *Downtown Housing Strategy Report* completed for the City by an outside consultant, the City has not used all the arrows available in the municipal quiver to support housing construction – including “public land, density bonuses, real estate tax abatements, and tax increment financing (TIF).”

Unique Demographics

Local area Colleges and the University of Vermont are an integral part of what makes Burlington such a tremendous place to live, work, and play. These academic centers are also home to about 17,000 students in total, about 53 percent of which live on campus. Many of these students are tremendous assets to their neighborhoods and communities – but all compete for spots in the tight housing market.

And, though they receive a great deal of attention, the students are not the only unique demographic group with an important impact on the housing market. In fact, nearly 10 percent of Burlington's population is over age 65. According to the 2010 Census, 821 individuals, ages 65+ in the City, identified an independent living difficulty. In addition, 1,179 senior households, or 29.5% of the population over 65 are paying over 30 percent of their income for housing and are cost burdened. According to Cathedral Square Corporation, a key housing provider serving the elderly and individuals or families with special needs, their waiting list hovers between 700 and 1,000 people, which demonstrates a substantial requirement for special needs/senior housing. Further, by 2017, one in three Vermonters will be 55 years of age or older. Services needed for older adults range from chronic care self-management, to prevention, to nursing home level of care in their homes, and efforts to expand, improve, and rehabilitate Burlington's housing stock must take the needs of this group into account.

II. What Solutions Will Address the “Affordability Crisis”?

Removing Regulatory Barriers and Disincentives

Reforming and reducing uncertainty related to the City's regulatory environment – as each of the measures proposed below would do - should stimulate much needed housing development, benefiting Burlingtonians across the income spectrum.

1. **Eliminate Parking Minimums:** Eliminating parking requirements in the downtown and perhaps other sections of the City would allow builders to determine necessary parking for each project, more accurately reflect true parking demand, and avoid unnecessary cost increases that drive up the costs of housing in Burlington. Jeffrey Tumlin of Nelson/Nygaard Consulting Associates in San Francisco has helped bigger cities including Washington, D.C., Portland, Ore., Denver, Colo., Vancouver, B.C. and Seattle, Wash., address their parking troubles. According to Tumlin, parking isn't just expensive for drivers. "It's also expensive to residents, as there's a strong link between the cost of parking and housing affordability. In San Francisco, every parking space added to a new residential unit ups the price of housing by 15 to 30 percent and decreases the number of units available by 15 to 25 percent. In short, Tumlin suggested, there's no more effective tool for addressing the housing affordability crisis than to decrease the parking spaces developers are required to build. While that idea would likely meet stiff resistance in Burlington, Tumlin pointed out that many cities around the country are now eliminating their minimum parking requirements — in fact, the UK made mandatory minimums illegal because they "only create social harm."
1. **Implement a Form-Based Code:** The overarching intent of adopting a Form-Based Code is to enable and encourage infill redevelopment of underutilized sites in the downtown and waterfront at a scale that is generally comparable to Burlington's current urban form. Importantly, transitioning to a form-based code where context-appropriate infill can be permitted "as-of-right" reduces the uncertainty associated with the permitting process and ameliorating a barrier deterring developers interested in building or substantially renovating housing in Burlington.
2. **Evaluate IZ:** Would reforms to the IZ's threshold trigger number of units, or a focus on large projects for on-site requirements in combination with a viable payment-in-lieu option for smaller projects, help remove a barrier to the creation of more housing stock in Burlington? A careful analysis is needed to determine the appropriate IZ thresholds to increase both market-rate and affordable housing production. The City should contract with an external consultant to evaluate Burlington's IZ system, and is currently under consideration for free technical assistance to do just that with a decision expected on October 3, 2014.
3. **Reform the Building Code:** The FY 2016 budget will include funding for the City to hire a consultant to undertake a thorough review of the City's construction-related code of ordinances and recommend reforms to update, revise, eliminate, and consolidate the building code, apply relevant best practices from other communities, and ensure that our code truly reflects what is needed to address housing safety, affordability, accessibility and availability..
4. **Explore the Adoption of a Rehabilitation Code:** "Rehab Codes" operate on the premise that applying modern building codes to historic buildings is not always an appropriate measuring stick – historic buildings were designed for a different era,

with different regulations in mind. These buildings often cannot be renovated within a reasonable price range in a way consistent with new code requirements. This contributes to the deteriorating quality of housing stock in Burlington, an important quality of life indicator for the City. The Rehabilitation subcode is a comprehensive set of health and safety requirements designed to ensure that safety of work done in existing buildings. It is a stand-alone subchapter and, therefore, it contains all the technical requirements that apply to a rehabilitation project.

5. **Zoning and Building Fees:** Residential fees should be reviewed to ensure the rates are tied to the City's costs of permit processing thereby minimizing fees as a barrier to new housing, not set at rates intended to generate excess revenues.
6. Historic Preservation
 - Under Burlington's zoning, historic preservation has an impact on the cost and feasibility of rehabilitating older structures. The Planning Commission has been seeking a more balanced approach since at least 2010. Based on Best Practices employed in other communities with housing stock, climate and demographic factors similar to Burlington, the City should strike a balance among the competing public policies raised by historic preservation. After years of considering various options, the Planning Commission should make this issue a top priority on their agenda.

Expanding Financial Resources/Incentives for Housing

Restore Full Support for the Housing Trust Fund in FY16: If the HTF revenue was restored to a full penny per every \$100 of property value, annual funding would increase from around \$190,000 to \$360,000.

Addressing Unique Demographics

The presence of approximately 3,650 UVM students and another 1,000 Champlain College students living off campus is a prime factor in Burlington's extremely low rental vacancy rate and chronically high rents in relation to average incomes. In addition to putting upward pressure on rents, large numbers of students living in the community in homes that were intended for families has negative impacts on the quality of life in Burlington neighborhoods.

1. **Negotiate Significant Extensions of College Housing Commitments:** Renew the agreements with UVM regarding the requirement that first and second year students must live on campus and that the number of students living off-campus will remain below an agreed upon level. The 2007 Master Plan for Champlain College contains a commitment by the College to house all of its full-time students in College-owned or affiliated housing. Champlain has recently added beds on campus and is planning to create student apartments on both the Eagles Club/Browns Ct. site and the former Ethan Allen Club. The City will continue to support Champlain in their efforts to achieve the goal of housing the entire Burlington campus student body.

2. **Support creation of off-campus purpose-built housing for 2,200 students over the next decade:** Purpose-built, appropriately managed housing for 2200 of the 4650 undergraduate students living off campus – along with agreements from the academic institutions not to increase the number of students living off campus – would simultaneously free up a tight housing market and address an enduring quality of life challenge within the City. One way for the City to incent the creation of more off-campus student apartments is to make them exempt from IZ requirements provided the units are occupied by under-graduate and graduate students enrolled in Champlain College or UVM.

3. **Neighborhood Stabilization Strategy:** The necessary corollary accompanying an effort to construct more purpose-built, managed student housing is a proactive strategy for areas of Burlington with large concentrations of students to incentivize the gradual conversion of student rentals to housing for families, retirees, empty nesters and young professionals from all across the income spectrum. There are some promising models nationally that involve focused efforts to attract a new mix of property owners in neighborhoods with similar characteristics. The City must work with other employers to develop innovative ways to re-purpose student rentals if the potential to stabilize neighborhoods can ever be fully realized. The City will pursue the development of a soft second mortgage program to assist first-time homebuyers in a specific target area with down-payments, closing costs and rehab for code compliance.

Housing an Aging Population

The AARP recently released a report titled “Housing America’s Older Adults” that contains policy recommendations for each level of government. To quote the report, “For their part, state and local governments can promote accessibility in both the home and built environments, as well as expansion of housing and transportation options. For example, they can require that all new residential construction include certain accessibility features, and offer tax incentives and low-cost loans to help owners modify their homes to accommodate household members with disabilities. Localities can also change their zoning to support construction of accessory dwelling units and mixed use developments that add housing within walking distance of services or transit. Municipalities—particularly the growing number with large 50-and-over populations—need to ensure that a range of services are available to older adults, including social and volunteer opportunities; education programs centered on health, finance, and housing maintenance; adult day care and meals programs; and health and wellness services.

Eligibility requirements often force seniors to “spend down” assets in order to access housing and care. Other challenges for the elderly in maintaining an independent living environment include reliance on fixed incomes, juggling housing costs with medical care, special transportation needs, in-home care and assistance with daily tasks and the physical aspects of aging in place.

As noted in the City's Analysis of Impediments to Fair Housing Choice, "the (housing) needs of future frail elders in the region are not currently being addressed at the level necessary to support the coming spike in demand. In the coming decades frail elders will face increased challenges to daily living, fewer housing options, a shortage in assisted living housing options, ever-increasing healthcare costs, limited transportation options and declining incomes. Promoting safe, affordable, decent and fair housing choice will be a daunting task."

The City should augment the existing program that provides grants and loans for accessibility modifications to homes occupied by people with disabilities. Consideration ought to be given to amending the building cost to require universal design elements that serve people of all abilities. Any new housing that is intended for elders should be required to have a complete menu of supportive services. When housing developers plan to target elders, they should be encouraged to offer community-based licensed Level III housing equivalent services in an unlicensed setting.

A Way Triple City Home-Sharing

There are currently about 20 Home-Sharing arrangements in Burlington through HomeShare Vermont. This model is a proven strategy that both provides affordable housing without the expense of development while also allowing seniors to age at home. The City will explore offering a nominal property tax exemption (possibly \$250/year) to incentivize more home-owners to enter into Home-Sharing arrangements.

[Does AARP have any policy prescriptions for us we should be considering?]

Incentivize New Development Opportunities

In tandem with the suggestions above, one direct way for the City to create new housing development opportunities is identifying potential public and private development sites and making them more feasible for development.

1. Privately owned sites
 - a) Located within the downtown and surrounding areas are some key private sites suitable for multi-family housing. In some cases, the infrastructure must be upgraded to accommodate new housing at an urban scale. In others, the underlying zoning does not allow enough density to justify the investment.

2. Publicly owned sites

The City has identified a number of underutilized city owned properties for redevelopment including the "Gateway Block" "formerly called the Super Block" and the parking lot on Elmwood Avenue. School District land behind Champlain School on Shelburne Street, and the District headquarters on Colchester Avenue are also potential redevelopment sites worth exploring. The City should work proactively with other parties to redevelop a number of these sites for mixed-income housing.

Public land sold or leased for housing should feature a significant share of affordable units.

3. Focus Development in certain areas

As envisioned in both PlanBTV and the Downtown Housing Development Strategy, there is significant development capacity in the downtown and the surrounding areas. Specifically, the newly designated Neighborhood Development Area includes many redevelopment sites and offers incentives for infill housing development. With some zoning amendments, the key sites would go from being economically marginal to viable.

III. Additional Components of an Inclusive, Forward Looking Strategy

While not tied directly to the causes or solutions to Burlington's housing shortage and acute affordability crisis, each of the following issues – addressing homelessness in our community, greening Burlington's housing stock, and creating a more active, walkable, and livable City – are critical issues to include in a housing strategy.

Ending Chronic Homelessness – Explore “Housing First”

Despite a robust affordable housing delivery system and a strong network of homeless housing and service providers in Burlington, homelessness continues to be a local challenge. For some segments of the homeless population, their situation is exacerbated by the extremely low rental vacancy rate.

As a longer-term policy solution, the Mayor has directed CEDO to take the lead in examining and potentially implementing a model successful in other locations known as Housing First. This approach prioritizes offering the choice to move into permanent housing to the most vulnerable and chronic people experiencing homelessness in the community. Permanent housing is combined with available supportive or wrap-around services, but this approach does not require individuals earn the right to housing via employment, sobriety or health.

For decades, the focus in Burlington, as well as other communities, consisted of delivering homeless services centered on emergency services and food programs. This Continuum of Care model includes outreach, shelter, transitional housing and then ultimately permanent supportive housing. The focus has always been to achieve housing readiness which includes sobriety and other achievements. Few chronic homeless maintain permanent housing under this approach.

To implement the Housing First, CEDO is first supporting trained volunteers to identify all homeless in Burlington. This effort will take place October 20- 24, 2014. Using a Vulnerability Index, each person will be assessed for those most at risk. Medical research published in highly regarded, peer-reviewed journals highlights several health and social conditions that make people more likely to die on the streets. The homeless would be prioritized based on this risk assessment and those most at risk would be offered the next available permanent supportive housing. The next step will be a coordinating a set of policy changes among homeless service providers to prioritize permanent supportive housing to those most at risk with a goal of housing 2.5 percent of the homeless per month.

Ending Chronic Homelessness – Explore a Low-Barrier Shelter

In concert with the Housing First approach, the City should explore establishing a low-barrier shelter. The existence of such a shelter should decrease the number of people in encampments and allow consistent access for social workers to homeless. The low-barrier shelter thus serves as an important node among social service providers, the chronic homeless, and access to programs like Housing First.

- i. With no low-barrier shelter, it is not surprising Burlington has a chronic homeless population. If the shelter requires you to be sober (as is the case here), that's a non-starter for many folks. If there's no central place for social services to engage, then the level of homelessness won't change.
- ii. How big is the homeless population in Burlington? Can we responsibly determine a policy without understanding the population we are trying to help?
- iii. We know theoretically that the most vulnerable often also generate the most strain on social systems (i.e., multiple weekly ER trips)...but how many and who are the most vulnerable in Burlington, and can preventative steps for what may turn out to be a relatively few make a meaningful impact on our social systems?

Greening Burlington's Rental Housing Stock

A leader in the sustainable development field, Burlington is home to 22 LEED-certified buildings. With Burlington Electric Department reaching the goal of 100% of its power coming from renewable energy sources, we are making steady progress on reducing our carbon footprint while attempting to maintain price stability. Our single greatest residential energy challenge is improving the energy efficiency of our existing multi-family rental buildings.

To quote a recent draft report of the Vermont Green Building Network, "the task of upgrading existing buildings to today's energy efficiency, health and safety standards is daunting. There is no simple path to accomplish this work; each building requires careful analysis coupled with project scopes that work with the property owner's willingness to commit to the work." The report titled "Burlington's Multifamily Rental: Driving Demand for Energy Efficiency Upgrades" includes recommendations for continuing the push to weatherize the majority of apartments in Burlington. New construction should include the most advanced energy efficiency measures and the use of renewables ought to be encouraged in all appropriate locations. The City's existing Time of Sale Energy Efficiency ordinance ought to be reviewed to ensure that it meets today's standards for multi-family energy efficiency.

The City will promote building energy-efficient housing - housing designed and constructed to minimize fossil fuel use and provide the most stable economic environment for its residence (low energy use means less susceptibility to changes in fuel prices means more economic stability).

Timeline:

Housing Public Forum:	October 7, 2014
CDNR Committee meeting:	October 16, 2014
Public comment deadline:	October 16, 2014
City Council	November 10, 2014

To submit written comments regarding the draft Housing Plan, either by email to Brian Pine at bpine@burlingtonvt.gov or by USPS mail to:

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