

## Memorandum

1/26/20

### Community & Economic Development

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To: Housing Commissioners

RE: January Housing Commission Meeting

### **Rental Registry and Code Enforcement Overview**

Just prior to the Housing Commission's pandemic-related hiatus last year, the Commission took a dive into information about code violations in rental properties using data collected by Winooski's Code Enforcement Department. The department tracks health and safety compliance such as having functioning fire alarms and multiple exits from a building. The highest number of violations were for lead paint, and the Commission expressed interest in looking into policy options for addressing code issues. In addition, the Commission discussed the low number of renter complaints in 2018 and whether the City could play a role in ensuring renters feel secure in advocating for fixes to health and safety issues. Fire Chief John Audy was scheduled to attend the March 2020 Housing Commission meeting to discuss these data further. Unfortunately, the pandemic forced us to cancel that meeting. Chief Audy will be in attendance at the January 2021 meeting to continue this conversation. John has been asked to speak about the following:

- Rental housing conditions – health and safety, most common code violations
- Housing complaints – how many? How are they resolved?
- Discussion of Housing Commission role in educating landlords on Registry about Rental Housing Assistance Program and building buy-in for them to apply
- Landlord buy-in on Burlington Lead Program and how to promote more use of the program in Winooski

### **Transportation Impact Fee Recommendation**

City Council has requested Housing Commission recommendations regarding the possible implementation of a Transportation Impact Fee in Winooski. A memorandum from Mayor Lott is included in your packet materials, and lays out the specific ask of the Housing Commission. With support from the Chittenden County Regional Planning Commission, the City of Winooski has been investigating whether to implement the fee. A Transportation Impact Fee is charged by the local municipality to new development projects. These fees will help reduce the cost of these projects



to the average taxpayer in Winooski by proportionally distributing some of that cost back to the developments creating the added capacity need. That said, we know this will also increase the cost of those development projects. This could reduce affordability for housing and commercial spaces developed. As such, the Council would like to exempt certain priority projects and land use types that help Winooski achieve our goals as outlined in the City's Master Plan. We would like commission input on what those priority projects might be. Should the Council decide to pursue Impact Fees as a revenue source for the identified capital projects, commission input will be used to choose a few priority areas for exemption from Impact Fees in order to try to incentivize development of priority projects.

The Housing Commission Ask from City Council is as follows:

**"Housing Commission Ask:**

Affordable Housing projects are often exempted from Impact Fees. Affordable Housing typically includes rents up to 80% of Area Median Income and Homes for purchase up to 120% of Area Median Income. New construction is currently exceeding the City's affordable housing goals but falling short of goals for middle-income housing production. We have heard from our Housing Commission a need for more middle-income housing and family housing (3 bedroom+). **Would the commission recommend different targets to include in fee exemption or different criteria for what is considered affordable?"**

Please note that we are not being asked whether we support implementing impact fees. We are being asked to identify priorities for housing types to be exempted from impact fees. Priorities that we have discussed in the past include:

- Rentals affordable to those with moderate income (80%-120% AMI)
- Family rentals (minimum of 2 bedrooms, preference for 3-plus bedrooms)
- Affordable homeownership opportunities (affordable to those earning below 120% AMI)

It may be informative to the discussion for the Commission to review current housing construction and currently permitted projects. The following table provides an overview of multi-unit housing developments currently under construction or in the permit process. The table contains number of units by bedroom counts, and a projection of the household income level that would be required for the units to be affordable. The projections of rent pricing range are informed by a combination of direct reporting by developers and the average rent range for other similar projects owned by the developer/landlord. As a reminder, for our purposes low income is defined as below 80% Area Median Income (AMI), moderate income is between 80% and 120% AMI, and high income would be anything over 120% AMI.



<b>Winooski Multi-Unit Housing Development Projects - 1/20/21</b>			
<i>Under Construction</i>			
Address	# of units	Bedroom Count	Rate Range
211-225 Main	27	1 bed	Moderate
223 E. Allen	36	1 bed	Mixed Income
	10	2 bed	
<i>Currently Permitted</i>			
355 Main	21	studio	Moderate?
	9	1 bed	
101-109 Main	40	1 bed	20% Affordable
	14	2 bed	20% Affordable
<i>Permit Pending</i>			
401 Main	1	studio	Moderate
	3	1 bed	Moderate
	4	2 bed	Moderate
62 Weaver	8	1 bed	Moderate
<b>Total Units</b>			
	<b># Units</b>	<b>Bedroom Count</b>	<b>Rent Range</b>
	22	studio	
	123	1 bed	
	28	2 bed	
	0	3+ bed	
	<b>173</b>	<b>Studio - 13%</b> <b>1 Bed - 71%</b> <b>2 Bed - 16%</b> <b>3+ Bed - 0%</b>	<b>Low - 17%</b> <b>Mod - 83%</b> <b>High - 0%</b>

Current housing projects exceed the production rates for affordability targets set by the Housing Commission, with 2% more low income affordable units and 8% more moderate income affordable units than targeted. This may vary slightly with a small percentage potentially in the high income range and a few units reported as moderate actually being low income affordable. In total, it should not be off by more than a few percentage points in either direction.



While the Housing Commission has not set target percentages for bedroom counts, there is strong community interest in ensuring that more family housing is constructed. Our discussions have identified 2 bedroom units as the bare minimum for family housing, although 3 bedrooms or more would be preferred. The rental unit mix currently being produced is overwhelmingly made up of studio and 1 bedroom units unsuited to family housing (84%). There are no rental units with 3 bedrooms or more currently permitted or under construction. However, the City is currently working with an affordable housing partner to facilitate development of approximately twenty 3-bedroom homeownership units for families.

### **Family Housing Incentives**

At the December meeting, the Housing Commission looked at how Winooski rentals compare to other towns in terms of the number of bedrooms being provided. Winooski has a much larger proportion of 0- and 1-bedroom rentals making up 56% of all rentals, with a much smaller share of 2- or 3-bedroom rentals that are better suited for families. The construction counts in the previous section further demonstrate the lack of new family rental housing production in Winooski. Developers have reported that units with more bedrooms are less financially feasible to build. They do not provide the same return on investment per square foot as do studio and 1-bedroom units. In order to incentivize the construction of more family-sized rentals, it is essential to establish policies that close that financial gap.

No single policy listed here will, in isolation, fully close the financial gap. However, a combination of several possible policy approaches used as a suite of incentives may positively impact family housing development. Some possible approaches are:

#### ***Density bonuses:***

The Form Based Code for the Winooski Gateways already contains a density bonus through a bonus story incentive which allows for an additional building story when affordable housing is part of a project. However, this has not been an effective approach for Winooski to date. One reason for this is that once a 5<sup>th</sup> story is added to a building it requires a more expensive steel frame construction rather than timber construction, thus does not properly function to make construction less expensive.

An example of a municipal density bonus program to incentivize family housing can be found at:

<https://gqwash.org/view/37492/dc-proposes-an-incentive-for-three-bedroom-apartments>

#### ***Tax incentives:***

Tax incentives can be used to stimulate specific desired types of development. For a primer on tax incentives, please see the following weblink:



<https://www.localhousingsolutions.org/act/housing-policy-library/tax-incentives-for-new-construction-and-substantial-rehabilitation-overview/tax-incentives-for-new-construction-and-substantial-rehabilitation/>

As delineated by Local Housing Solutions, tax incentives are generally established as either tax abatements or tax exemptions:

"*Tax abatements* reduce the total amount of tax owed, generally for a fixed period of time, such as five or 10 years. When used as an incentive to stimulate new development, owners typically receive a discount on their tax bill for the duration of the abatement. The discount may be all or part of a particular taxing jurisdiction's share of total property tax revenue. Alternatively, an abatement could be used to spur rehabilitation, with the tax reduction sized based on the amount of work done."

"*Tax exemptions* adjust the value of the property subject to taxation; the resulting assessed value is then used to calculate the total amount of tax owed. For example, local jurisdictions wishing to stimulate new development on vacant lots can exempt the value of any improvements on the lot (such as a new building) for a defined period of time when calculating property tax liability. Tax exemptions can also be used to provide an incentive for the rehabilitation of aging housing developments. Typically, the property continues to be assessed at the pre-renovation value for the duration of the exemption."

Tax incentives have not been used in Winooski over the last fifteen years at least. Building the political will to utilize tax incentives would be a time and process intensive undertaking.

### ***Municipal and State Fee Exemptions or Discounted Rates:***

The City could reduce the cost of developing family housing by exempting family housing projects from a variety of municipal development-related fees including:

- zoning application fee
- water/wastewater allocation fees
- impact fees (if instated)

It would also reduce development expenses if the City advocated for discounts or exemptions at the state level particularly for Act 250 fees. The Act 250 fees would have a far more significant financial impact than all of the municipal fees combined.

### ***Housing Trust Fund Priority and/or Increased Loan Maximum:***

The Housing Trust Fund scoring criteria could be adapted to give highest priority to affordable family housing projects. In addition, family housing projects could be eligible for a higher maximum loan amount.



***Reduced Parking Minimum Requirement:***

The Housing Commission has previously recommended that the Planning Commission should reduce the required minimum parking spaces for new affordable housing development. Construction of parking spaces for new housing comes at a cost, which is then passed along to the households who occupy the new units. These costs can be a significant portion of the overall cost of new housing construction. Based on the Housing Commission literature review, the cost of new parking spaces is roughly \$5,000 - \$10,000 per space for surface parking and \$25,000 - \$40,000 per space for structured parking. Specifically reducing, exempting or waiving a percentage of the requirement for family housing could quickly provide big savings.

