Housing Needs & Development Potential Analysis for

Sabin's Pasture Montpelier, VT

Prepared for the
Trust for Public Land
Montpelier, Vermont

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EXECUTIVE SUMMARY

The Trust for Public Land (TPL) engaged John Ryan of Amherst, MA, to evaluate the development potential for a portion of a roughly 100-acre tract of land abutting downtown Montpelier. The following summarizes key findings and recommendations.

MARKET OVERVIEW

While Sabin's Pasture has significant long-term development potential, it is going to be challenging to attract serious developer interest at this time. The reality is that all of the factors that quell new housing development are present. Montpelier is in a period of high employment uncertainty, uncertainty in state and federal housing resources, limited to no access to speculative capital, and increased inventories of homes for sale and rent. Add to that, a site with a controversial development past, a market history of declining population and job base, limited access to its most developable land, and visible ledge, and you have some powerful obstacles to investing time and money into this opportunity. There are good reasons to believe that all of these factors will eventually turn around and that Montpelier has the capacity to see a strong rebound in population and employment over the next 20 years, especially if it can expand development capacity with the successful designation as a growth center.

These realities all suggest the need for patience, and for continued efforts, especially on the part of the City, to help reduce development risks and limitations so that the site can address the real housing needs that do exist once market confidence returns.

Montpelier does have a number of housing needs that Sabin's Pasture could hope to help address. These include needs for: a) new "age-appropriate" ownership housing for single-persons and couples 55 and over; b) affordable single-family homeownership for younger families; c) subsidized housing for very low-income non-elderly renters; and d) subsidized assisted living for low- and moderate-income seniors 75 and over.

Each one of these housing needs has market or funding challenges to overcome. For the two ownership options, it is hard to see development occurring before 2011 in the face of the current economic and housing market crisis. For first time buyers, access to credit and stronger economic stability are needed. For older buyers, the market for existing homes must pick up before housing need can become market demand.

For subsidized family rentals, there is currently no funding priority, nor is there much political likelihood that one will develop for a project solely for very low-income residents. The need for mixed-income family rental housing is weak now, but it should develop in three to four years. It may be possible to address some of the need for very-low income renters at that time.

Finally, despite a strong need for subsidized assisted living, there is no realistic funding mechanism to underwrite the operating costs of serving a low- and moderate-income population. Until and unless that funding develops, it will not be possible to address this housing need.

THE SITE AS IT RELATES TO MARKET NEEDS

The market demand for the high-density uses that might go in the lower portion of Sabin's Pasture is weak. To the extent feasible, that portion of Area A should be reserved for future development of age-appropriate rental, assisted living facilities, mixed-income family rentals, or commercial activity as demand arises over time.

The upper portion of Area A is marketable for single-family development. Small lot sizes, even some garage-connected zero-lot-line homes should be marketable at price points below $200,000. This is the price range where the market for young families currently exists. Some more expensive new homes may be marketable in this zone as well. This portion of the site could also fit the needs of 55-and-over singles and couples looking for the convenience of townhouse living.

Area B as it is currently located is most marketable as a townhouse development with an upper and lower tier. Had Area B been located on the flat plateau just north of its current location, it would represent perhaps the most developable portion of the lower pasture, and the most appropriate for single-family development for young families.

ABSORPTION POTENTIAL

Over a four-year development period starting in 2011, Montpelier can realistically expect to absorb 80-100 new, age-appropriate ownership units for older residents and 48-60 new single-family homes on small individual lots primarily for moderate and median income families. Given the community's limited range of alternative development sites, a properly designed and priced development at Sabin's Pasture could hope to capture as much 50 percent of this need or 64-80 ownership units. This corresponds to 16-20 new units/ year located at Sabin's Pasture in the upper part of Area A and in Area B.

Sometime after 2012, there should be sufficient new demand for a new 25-30 unit, mixed-income family rental development. If sited at Sabin's Pasture, the market would likely absorb these new units within one year of units becoming available to rent.

Sometime after 2014, there should be sufficient new demand for a new 25-30 unit subsidized independent rental housing development for senior and disabled residents. Sabin's Pasture represents an appropriate site for such a development. Absorption of these units would similarly occur within a year of availability.

In all, a realistic build-out for Sabin's Pasture is 64-86 ownership units in the upper portions of Area A and Area B and 50-60 units in the portion of Area A currently zoned for high density residential development. This represents 114 to 146 total units.

Projected Absorption of New Units
At Sabin's Pasture

Housing Need	Market Segment	Pricing	Location on Site	Sabin's Pasture Potential	Build out	Occupancy Beginning
Age appropriate Single-Family and Townhouse	55 & Over	$175,000-$300,000	Area A-2 & Area B	40-50 units	4 years	Not Before 2011
Small lot, Fee Simple Single Family	Young Families (80% AMI- Market)	<$150,000 (Homeland Grants)-$250,000	Area A-2 & Area B	24-36 units	4 years	Not Before 2011
Mixed Income Family Rental	Family (<30%-80% AMI)	Tax Credit & Below Market Rents	Area A-1 & Area A-2 lower section	25-30 units	1 year	Not Before 2012
Subsidized Senior Rental	Senior/ disabled	30% of Income	Area A-1	25-30 units	1 year	Not Before 2015
Total				114-146	5 years	2011-2015

SOURCE: Development Cycles, January 2009

The safest course of development would be to move slowly: build small-lot, fee-simple, single-family homes as affordably as possible; create the potential for and build interest in some townhouse development higher up the hill in both Area A and B; reserve the lower portion of Area A for future use as age-appropriate senior housing or as mixed-income family rental housing as market demand and funding for those types of housing develop.

The development strategy should be capable of delivering affordable single-family homes at base prices under $200,000 and properly sited age-appropriate single-family and townhouse units in the $200,000 to $300,000 range.

In the context of a broader and bolder vision of Montpelier's future, it is possible to see housing at Sabin's Pasture helping the city energize efforts to redefine itself as an emerging "green technology" center. By creating a truly *next generation* green neighborhood and converting the Barre Street corridor to incubator and employment space for green technology enterprises, the critical mass begins to form to put the community on the map for this emerging opportunity.

A development strategy directed toward green technology would entail significant public investment and risk, and require a far larger vision of Sabin's Pasture than that which has already engendered so much discussion. The potential reward for the community and those who live there may be great enough to consider what actions could promote this alternative development. The silver lining in the current economic uncertainty is that there will likely be time to explore this option before market conditions allow for development to occur.

RECOMMENDATIONS

Housing Program and Site Design

1. Focus initially on single-family, detached homes on small lots for young families, and low- and medium-density, age-appropriate housing for singles and couples 55 and over.
2. Reduce expectations of overall project scale to 114-146 units.
3. Allow Area B development to occur as market conditions allow. Waiting 15 years to develop this parcel dramatically reduces the development potential of the site.
4. Consider relocating Area B to allow this area to retain its current size and shape but place its southern edge on the centerline of the existing access road so that it sits on the relatively flat plateau instead of perching on the area of 25 percent grades and exposed ledge.

Role of City Government

5. Facilitate expedited local permitting process and growth center designation.
6. Help relocate Ibey's Auto Salvage Yard.
7. Explore investment in this area of Barre Street as a green technology corridor.
8. Work with development partner, state government, and other interests to create "buy local" incentives especially for state employees.

Next Steps for TPL

9. Discuss findings and recommendations with working group and city government.
10. Complete preliminary Act 250 submission currently underway.
11. Perform preliminary ledge tests in key development building areas.
12. Prepare an edited version of market assessment and master planning work for potential developers.
13. Meet with most likely potential developers for the site.
14. Find patient capital capable of waiting several years for return on this investment.

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I. INTRODUCTION

The Trust for Public Land (TPL) engaged John Ryan of DEVELOPMENT CYCLES in Amherst, MA to evaluate the market potential for a portion of the roughly 100-acre tract of land known as Sabin's Pasture, abutting downtown Montpelier. This document provides a comprehensive Housing Needs and Development Potential Analysis that considers the need for both rental and ownership housing, for both senior and non-senior residents, including affordable and market rate formats. The study included the following key work tasks:

- Definition of Market Area
- Demographic Trend Analysis
- Economic Trend Analysis
- Assessment of the Competitive Environment
- Analysis of Rental and Buying Power
- Site Analysis

The purpose of this study is to provide the TPL with a detailed understanding of the market potential of the Sabin's Pasture parcel including its capacity to meet the housing goals set out by the Sabin's Pasture Working Group in its "Recommended Conservation and Development Plan" dated June 6, 2008. The study is aimed at giving the TPL the information and analysis needed to support its efforts to identify suitable partners for this joint conservation and development endeavor.

A. Methodology and Sources

The research combined three approaches: 1) a site analysis of the property and comparable development locations and parcels; 2) the collection of historical trend data on a wide range of demographic, economic, and housing market information; and 3) interviews with housing professionals and service providers in the Montpelier area as well as in other Vermont communities that have undertaken development projects of the scale envisioned for Sabin's Pasture. Appendix A provides a listing of sources utilized. The needs analysis and recommendations that follow from the research were shaped by more than twenty years of experience evaluating housing needs in New England, including assessments in over 40 communities in Vermont. Appendix B provides a summary of qualifications.

B. Description of Property

The focus of the research is a 15 to 20 acre parcel of land located north of Barre Street and east of College Street in Montpelier. This potential site for housing is part of a larger 100-acre piece of land that the TPL is in the process of acquiring. The development parcel is a south-facing meadow with relatively steep slopes over much of the site. The property is located one mile from the center of Montpelier. Housing development here will have open space and a mix of commercial, residential, distribution, and industrial uses as neighbors. Section V focuses on the appropriateness of the site for areas of housing need.

C. Overall Development Concept

The recommended Conservation and Development Plan for Sabin's Pasture consists of establishing:

- ❖ A Montpelier Community Park consisting of 80-85 acres that are permanently conserved, including the Upper Pasture, the sledding hill, Blanchard Brook and associated wetlands, and the vast majority of the existing forestland on the property; and

- ❖ A mixed-use neighborhood of between 175 and 225 residential units on 15-20 acres with a substantial component of affordable housing, high energy-efficiency units, and integration with the future bike and pedestrian path directly connecting the neighborhood to downtown Montpelier. Development of the neighborhood will begin in a 15-acre portion of the Lower Pasture (Area A on Map 1), and will proceed into an additional 5 acres (Area B on Map 1) if the housing goal for the property cannot be met on Area A within a 15-year period.

D. Certifications and Study Limitations

John Ryan certifies that he has no identity of interest with the Trust for Public Land, or Housing Strategies, Inc. of Burlington, VT. No fees associated with this study were dependent on affirming the market feasibility of the project. John Ryan certifies that the recommendations and conclusions of this study are based solely on his professional opinion and best efforts.

The study has a number of key limitations to consider when reviewing the findings and recommendations provided:

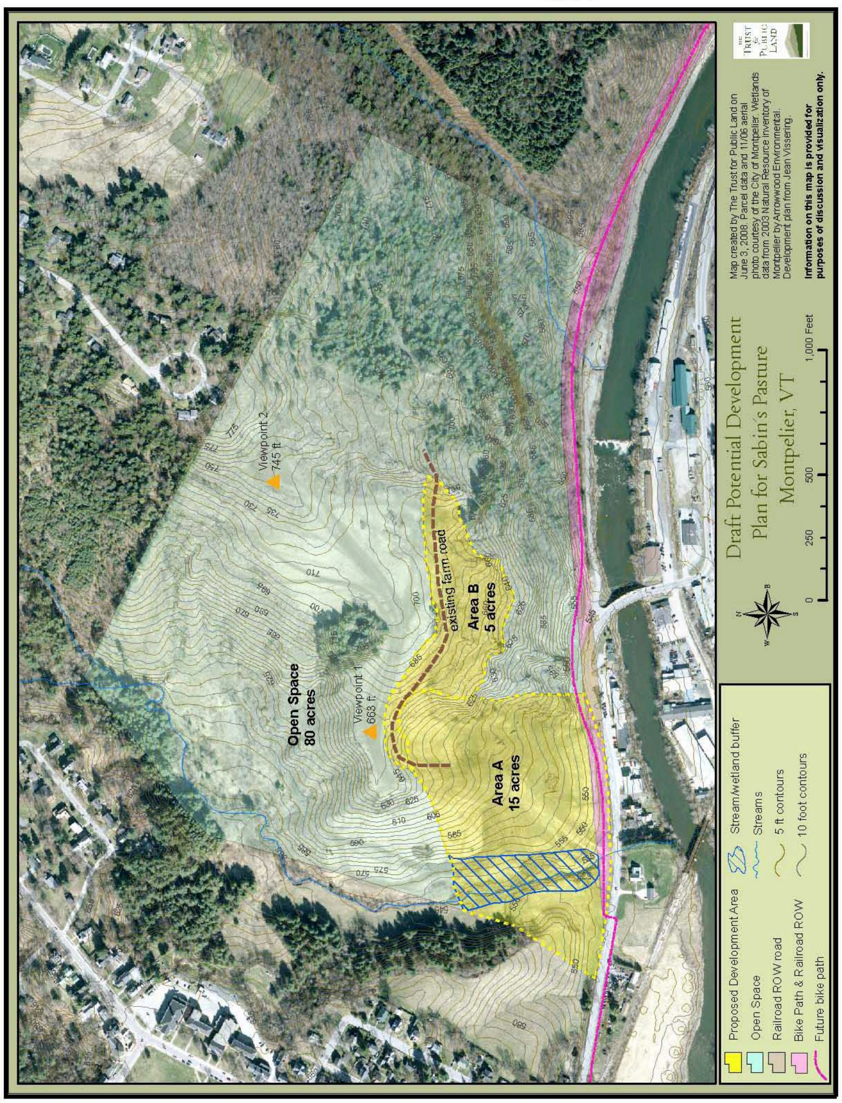
- ❖ The study assumes that the client will aggressively promote and competently manage any project and that its design will afford maximum site utility.

- ❖ The study assumes that relatively stable conditions will persist over the period under consideration. Specifically, it assumes that neither Vermont nor the United States will suffer a major decline or depression.

- ❖ The study bases all dollar amounts on the 2008 value of the dollar unless otherwise noted. In order not to overstate the available levels of opportunity, the projections are not adjusted to reflect the effects of future inflation.

- ❖ The information, estimates, and opinions contained in this report were derived from sources considered reliable. The possibility of inaccuracy of individual items exists and for that reason relied upon no single piece of information to the exclusion of other data, and analyzed all information within a framework of common knowledge and experienced judgment.

Map I.1
Sabin's Pasture Proposed Development Area



II. DEFINITION OF MARKET AREA

Sabin's Pasture will draw buyers from a market area that varies slightly depending on the type of housing created. In general, existing Montpelier residents make up roughly half of the market for ownership units in the city and account for 40 to 45 percent of rental absorption. Residents from the rest of Washington County make up as little as a quarter of market rate buyers and as much half of subsidized rental tenants in the city. In general, rest-of-county residents constitute a stronger market for rental than ownership units. The rest of Vermont accounts for 10-20 percent of local buyers, and about 10 percent of all new renters. New residents moving to Vermont make up 10-15 percent of market rate sales and rentals, but only a negligible number of subsidized family rentals and affordable homeownership opportunities.

The following summarizes housing-specific market areas based on discussions with area housing professionals and a review of commuting and migration data.

Fig. II.1
Market Area Definition
Percentage of Typical Buyers from Different Geographic Locations, 2008 Estimate

Percentage from:	Mont-pelier	Rest of Washington County	Rest of Vermont	Outside of Vermont
Ownership				
Market Rate	45%	25%	15%	15%
Affordable	45%	35%	20%	Negligible
Senior	50%	30%	10%	10%
Rental				
Market Rate	45%	35%	10%	10%
Subsidized Family	40%	50%	10%	Negligible
Subsidized Senior	40%	35%	10%	15%
Assisted Living	40%	35%	10%	15%

SOURCE: Development Cycles from interviews with housing professionals, wait list information, and US Census commuting and migration patterns data, 12/08.

The implications of the current market definition for future development point to a number of considerations:

- ❖ The underlying demographic, housing and economic trends need to consider Washington County as well as the City of Montpelier, (see *Section III. Market Overview* below).

- Residents from outlying communities are most drawn to Montpelier for those affordable and senior-housing opportunities not generally offered in the smaller rural locations.

- With 20-25 percent of overall demand coming from outside of the county, it is possible to position and market a development to draw residents from outside of the area if it provides a unique offering that builds on Montpelier's market strengths.

- The overall focus of need centers on those housing types not adequately offered in the City and its outlying communities. New, affordably-priced, energy-efficient, single-family homes on small lots top that list of housing types.

III. MARKET OVERVIEW

The following section summarizes key demographic, economic, and development trends for the Montpelier market area and provides a context for understanding the development potential of the site.

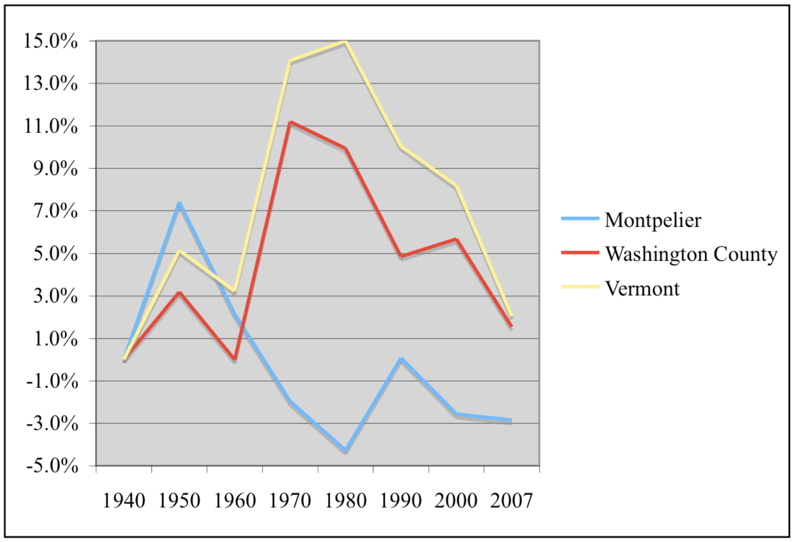
A. Demographic Trends

Montpelier is a small city of about 8,000 residents. It is the capital of Vermont and the primary commercial and employment center for Washington County, a largely rural county of roughly 60,000 residents. Montpelier also sits at the outskirts of the Greater Burlington area, the state's population and employment center.

Montpelier has maintained more or less its current population since 1940, peaking at 8,782 in 1960 and declining to a 2007 population of 7,806. The city's current population represents a two percent decline from 1940 and a three percent decline since 2000. By comparison, Washington County has grown at a cumulative rate of 42 percent since 1940 and two percent since the 2000 Census. Vermont's population has increased by 73 percent since 1940 and two percent since 2000. In this respect, Montpelier is like virtually all of Vermont's small regional centers or county seats that have remained centers of employment and services for the growing rural communities surrounding them. Retaining current residents and capturing more of the county's future growth are the key development challenges for the city and for this project.

Montpelier currently sits at a juncture where it seems capable of changing direction and growing again. A study commissioned by the Central Vermont Regional Planning Commission follows the historic population and housing trend forward for 20 years. It indicates Montpelier's population declining by 255 residents while its housing stock increases by 414 housing units. The Montpelier Planning Department has just recently completed a report that makes a compelling case that changes in demographic and market conditions and changes in growth policy make it likely that population growth will increase by as much as 708 new housing units and 1,328 new residents over the next 20 years.

Fig. III.A.1
Population Change from Previous Decade
Montpelier, Washington County and Vermont, 1940-2007



SOURCE: Vermont Housing Data

Despite declining population, Montpelier has added roughly 1,000 new housing units since 1960, or just over 20 new units per year. The county as a whole has added 263 units per year during this same period. Diminishing household size has driven Montpelier's household growth. Since 1960, the City's average household size has declined from 3.1 to 2.0 persons. As shown in Figure III.A.2, Montpelier has a smaller average household size among both owners and renters when compared with the county and state. While this is typical of central cities in Vermont, a focus on capturing the emerging market for new families among the large cohort of children born during the 1980s represents a key opportunity to reverse the city's population decline.

Fig. III.A.2
Average Household Size, Owner and Renter Households
Montpelier, Washington County and Vermont, 1990-2007

Year	Montpelier	Washington Co.	Vermont
Owners			
1990	2.80	2.70	2.73
2000	2.37	2.55	2.58
2007	2.30	2.49	2.52

Renters			
1990	1.98	2.08	2.22
2000	1.76	1.96	2.11
2007	1.69	1.89	2.04
All Residents			
1990	2.33	2.62	2.67
2000	2.15	2.45	2.53
2007	2.03	2.38	2.44

SOURCE: Vermont Housing Data; 2007 estimate of tenure distribution by Development Cycles

In 2000, Montpelier had a smaller concentration of children than the county or state and a higher percentage of seniors. As a result, the city's median age in 2000 of 40.5 years was nearly two years older than that of the county and three years older than the statewide median. That gap persists to this day.

The ages of householders reflect similar differences in age distribution. Like most county centers, Montpelier has a higher concentration of young adult and older householders, while the more rural Washington County has a predominance of 45-64 year old householders. Services, housing stock, housing costs, and resident preferences tend to create these differences. Addressing the changing housing needs of the two major demographic cohorts, young (20-29 year old) adults and young seniors (60-69 year old), over the next decade may be key to the successful development of the parcel.

Fig. III.A.3
Age Distribution
Montpelier, Washington County and Vermont, 2000

	Montpelier	Washington County	Vermont
Persons			
0-17	21%	23%	24%
18-34	21%	21%	22%
35-64	43%	43%	41%
65+	15%	13%	13%
Median Age	40.5	38.5	37.7
Households by Age of Householder			
<25	6%	4%	5%
25-44	35%	33%	38%
45-64	36%	43%	37%
65+	23%	20%	20%

SOURCE: 2000 US Census

Montpelier is home to roughly 1,750 rental households representing 45 percent of all occupied housing units in the city. By comparison, about 30 percent of all year-round households rent both county and statewide. More than half of the Washington County's 7,733 renter households live either in Montpelier or neighboring Barre City. Again, Montpelier's role in providing much of the county's rental housing is similar to all of Vermont's county seat communities.

Since 1990, there has been a significant shift in the ages of owning and renting households in Montpelier. In 1990, 25 percent of the city's owners were seniors. By 2007, that percentage increased to 34 percent. An estimated 715 senior households currently own homes in Montpelier. Within ten years, over half of the home-owning households in the city will likely be at least 60 years old. From 1990 to 2000, the concentration of seniors dropped from 22 percent of all rental households to just 12 percent. At least two-thirds of the roughly 210 senior renters in the community already live in subsidized senior housing.

Fig. III.A.4
Tenure by Age
Montpelier, 1990-2007

	1990	2000	2007
Owners			
Non-Seniors	75%	70%	66%
Seniors	25%	30%	34%
Renters			
Non-Seniors	78%	86%	88%
Seniors	22%	14%	12%

SOURCE: Vermont Housing Data; 2007 estimate of tenure distribution by Development Cycles

Based on Census data and county-to-county migration trends for 1995-2000, an average of 500 residents move to Montpelier annually. A slightly larger number leave the community each year. At the county level, the annual migration averages about 3,625 new residents and 3,400 leaving residents. About 36 percent of residents moving into Washington County do so from within Vermont; two thirds of these in-state migrants come from either Chittenden or Orange County. The states contributing the most new residents to Washington County include Massachusetts, New York, Florida, California, New Hampshire, Connecticut and New Jersey. Taken together these seven states provide about 37 percent of the county's new residents. In terms of potential geographic markets for new housing in Montpelier, the key focus area include: Montpelier itself; those currently living in Washington County; residents in Orange and Chittenden County; and residents in these key contributing states.

The percentage of residents born in Vermont has been dropping steadily since the Second World War. Today, less than half of those living in Montpelier were born in Vermont. Working with the reality that a significant share of the demand for new growth comes from those moving to Vermont is critical to realizing the market potential for this site. It is part of the larger challenge of making a "smart growth" development truly marketable. In-migration has played a significant role in the acceleration of rural "sprawl," and the declining role of the regional centers. A combination of factors have made it easier for new residents to choose the rural lifestyle, which is itself a driving motivation to move to Vermont in the first place for residents in more urban centers of the Northeast. With a truly inspired "smart growth" design, Montpelier may be in a position to attract those motivated first by environmental rather than rural lifestyle values.

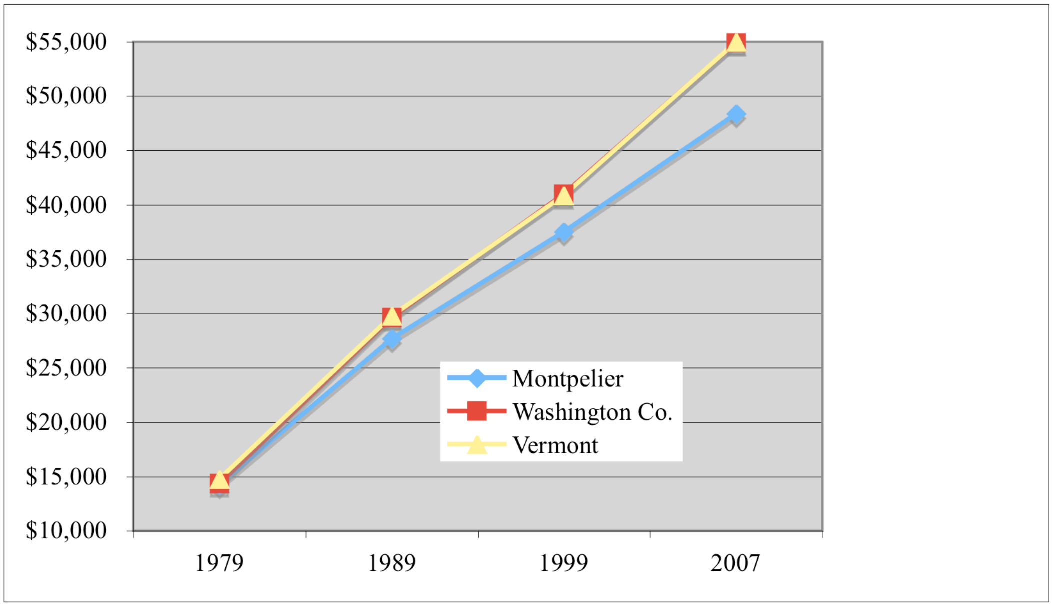
Fig. III.A.5
Native-born Residents
Montpelier, Washington County & Vermont, 1990-2007

	Montpelier	Washington County	Vermont
Percent Born in VT			
1990	53%	64%	59%
2000	50%	58%	56%
2007	48%	53%	52%

SOURCE: 1990, 2000 US Census; trend to 2007 by Development Cycles

Over time, the median household income of Montpelier residents has declined relative to the county and state. In 1979, the city's median household income was 97 percent of the statewide median. Currently, the city's median household income is only 88 percent of the county or statewide median. Shifts in housing tenure explain most of that relative decline. Since 1979, renters represent 64 percent of the net household growth in Montpelier households but only about 41 percent of the net growth countywide and 36 percent statewide. At all three geographic levels, the median income of owners is more than twice that of renters. The estimated 2007 median household income in Montpelier at $48,400, compared to a statewide median of $55,000.

Fig. III.A.6
Median Household Income
Montpelier, Washington County & Vermont, 1999-2007



SOURCE: 1990, 2000 US Census; trend to 2007 HUD & Development Cycles

According to the 2000 Census, median renter household incomes at the city, county and state level were all relatively equal. But among owners, Montpelier's median household income was actually about three percent higher than the county or state. It is unusual for a regional center to have a higher owner income than the surrounding rural county. It suggests that the community remains attractive to higher earning households. More than most communities, Montpelier has a split between that half of the population that is relatively young, relatively low-income and living in rental housing, and the half that is older, higher-income and home-owners. One of the community's key housing needs is a means to bridge the large gap between these two groups.

Fig. III.A.7
Median Household Income by Tenure
Montpelier, Washington County & Vermont, 1999

	Renter Households	Owner Households
Vermont	$24,787	$50,850
Washington Co.	$24,114	$50,915
Montpelier	$24,064	$52,447

SOURCE: 2000 US Census

B. Economic Trends

Montpelier is one of two key employment centers for central Vermont, with its employment concentrated in the government and commercial service sectors. The community has roughly 1,000 more jobs than residents and more than twice as many jobs as working residents. This fact alone raises the question of why more local workers are not living in the community where they work.

There has been relatively little change in the number of working residents in Montpelier since 1990, but also comparatively low unemployment and housing vacancy rates over time. This combination of a high ratio of jobs to working residents, low unemployment and low employment growth suggests a community with underdeveloped residential growth.

Fig. III.B.1
Resident Employment and Unemployment Rate
Montpelier, Washington County & Vermont, 1990-2008

Year	Montpelier	Washington Co.	Vermont
Resident Employment			
1990	4,390	28,550	294,100
2000	4,450	32,000	326,700
2007	4,300	32,750	340,100
2008	4,360	32,800	337,700
Unemployment Rate			
1990	5.2%	5.3%	4.9%
2000	2.1%	2.6%	2.7%
2007	2.6%	4.0%	3.9%
2008	3.8%	4.6%	5.2%

SOURCE: VT Department of Labor Info Center

Montpelier is currently home to roughly 9,000 jobs. Private service-producing jobs account for 61 percent of that total, while government jobs account for 36 percent. Montpelier has only 230 goods-producing jobs. The total number of local jobs is down 300 or five percent from the peak employment year in 2003. Over the last three decades, Montpelier's share of the county's job base has dropped from 36 percent to 29 percent. During the same period, its share of the state's government sector jobs declined from ten to six percent. Since 1990, Montpelier's Insurance and Finance sector has contracted by 25 percent, with a net loss of 500 jobs. State Government jobs have similarly dropped by 500 jobs locally. The sectors with the largest gains have included Professional & Business Services (up 62%; +200 jobs) and Education & Health Services (up 29%; +200 jobs). These are the sectors most likely to generate new jobs in the future. The Montpelier

Planning Department, based on a 2005 study by Crane Associates, projects an increase of 1,430 local jobs between 2009-2029, or a rate of just over 70 new jobs per year.

As its dominant employer, the State of Vermont has a great deal of influence over the demographic future of the City. If it continues the trend of moving state government employment away from Montpelier, the community will become a less viable option for families and middle-income residents. If on the other hand, the City can help the State address its employment space needs and if the two entities can find effective incentives for state employees to live in Montpelier, the direction of the City can change in ways that are highly positive to the smart growth development envisioned for Sabin's Pasture.

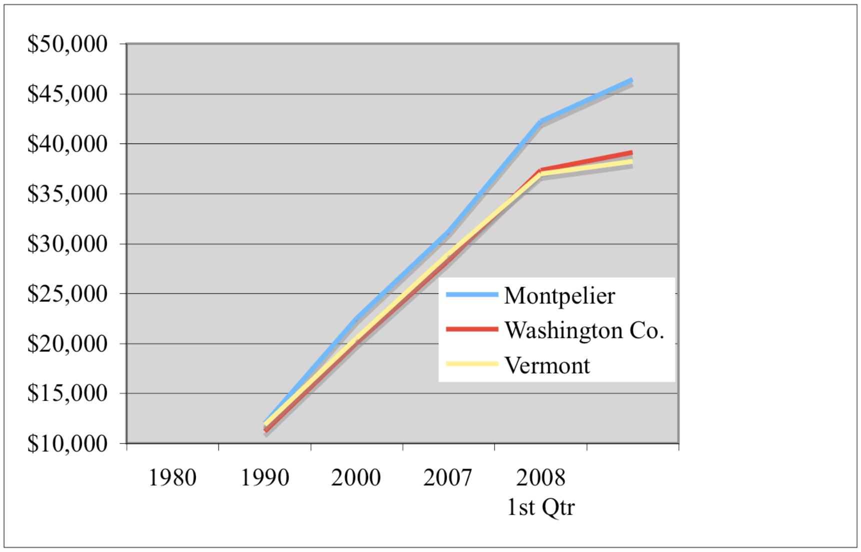
Fig. III.B.2
Local Jobs
Montpelier, Washington County & Vermont, 1980-2008

Year	Montpelier			Montpelier	Washington Co.	Vermont
	Service Sector	Government Sector	Goods Producing Sector	Total	Total	Total
1980	n/a	3,418	n/a	7,902	21,674	193,412
1990	5,128	2,931	472	8,531	27,202	251,658
2000	5,505	3,305	334	9,144	32,079	296,468
2007	5,511	3,058	266	8,835	32,579	303,438
2008	5,505	3,245	230	8,980	32,612	301,746

SOURCE: VT Department of Labor Info Center

Montpelier's average wage for local jobs, based on the strength of its government sector jobs, pays significantly more than the county or statewide average. In 2008, the average wage for fulltime work is $46,432. This average wage is 21 percent higher than the average for the state as a whole. That wage advantage has been growing since at least 1980. Many who work locally have significantly higher buying power than workers in surrounding areas.

Fig. III.B.3
Average Wage
Montpelier, Washington County & Vermont, 1980-2008



SOURCE: VT Department of Labor Info Center

There has been a significant shift in the commuting patterns of Montpelier's residents. In 1990, nearly two out of three working residents worked in town. By 2000, half of the city's workforce left Montpelier for work each day. Work destinations in Washington and Chittenden County replaced local job destinations for many of Montpelier's working residents. Correspondingly, the percentage of local jobs held by residents dropped from 31 percent to 23 percent during these ten years. Most of these commuters live elsewhere in Washington County. The past two decades have clearly seen a tremendous increase in the number of commuting miles driven by Montpelier residents and its jobholders.

Fig. III.B.4
Commuting Patterns
Montpelier, 1990-2000

	1990	Pct	2000	Pct
Montpelier Residents				
Work in Town	2,603	63%	2,142	50%
Work Elsewhere in County	1,124	27%	1,453	34%
Work Elsewhere in State	368	9%	623	14%
Work Out of State	57	1%	80	2%
Total	4,152	100%	4,298	100%

Montpelier Jobholders				
Live in Town	2,603	31%	2,142	23%
Commute to Town	5,928	69%	7,002	77%
Total	8,531	100%	9,144	100%

SOURCE: 1990, 2000 US Census

The State of Vermont currently provides about 30 percent of all local jobs. According to the Central Vermont Chamber of Commerce, the city's other employers of 100 plus jobs include National Life, Washington County Mental Health, the Montpelier Schools, Vermont Mutual Insurance, the New England Culinary Institute, and the City of Montpelier. All of these employers have been stable over the past decade, with only National Life employment levels dropping by more than 100. The Chamber's Director sees future growth coming from the area's environmental firms such as Stone Environmental and the Johnson Company. He also sees a potential rebound in local insurance jobs.

C. Development Trends

Since 1980, Montpelier has grown at a rate of 22 new housing units per year, thus adding roughly 0.57 percent to its existing stock annually. In this decade, the rate of new housing growth has declined to an average of about 15 units per year (0.4%/yr.). This includes about seven new single-family homes and eight new multi-family units per year since 2000. Over the last three decades, Montpelier's growth rate as a percentage of existing stock has been much slower than that of the county (0.92%/year) and only half that of the state (1.10%/year).

Fig. III.C.1
New Housing Starts
Montpelier & Vermont, 2000-2007

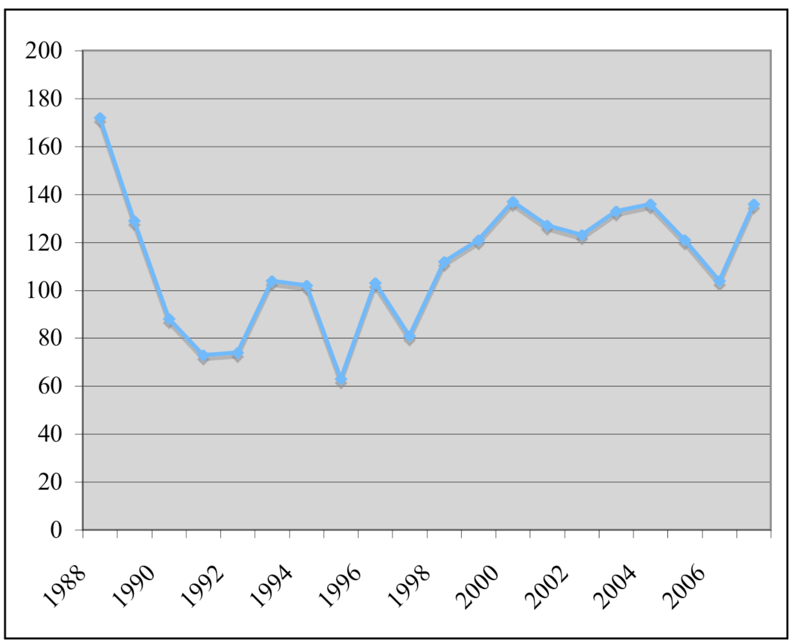
	Montpelier			Vermont		
Year	Single Family Units	Multi-Family Units	Total Units	Single Family Units	Multi-Family Units	Total Units
2000	15	0	15	2121	385	2,506
2001	8	0	8	2349	398	2,747
2002	6	0	6	2451	621	3,072
2003	6	52	58	2430	413	2,843
2004	6	2	8	2686	902	3,588
2005	6	2	8	2360	557	2,917

2006	5	2	7	2071	555	2,626
2007	2	8	10	1583	473	2,056
Average/ Yr	6.75	8.25	15.0	2256	538	2794
Average as Pct of Existing Stock	0.4%	0.4%	0.4%	1.4%	0.9%	1.0%

SOURCE: Vermont Housing Data (comparable countywide data is not available)

Montpelier has averaged the sale of 127 primary residences per year over the last 20 years, with a steady turnover of between 104-137 homes per year in the past decade. Average sales turnover in the community represents about 6.2 percent of the city's stock. By contrast to new starts, the turnover of existing homes is higher than for the county (4.6%/ year) or the State (4.9%/ year). Sales of primary residences fell off dramatically in the first half of 2008 at all levels in Vermont. Sales in Montpelier were particularly hard hit with pro-rated activity down 65 percent from the 20-year average. Washington County sales activity dropped by 54 percent in the first six months of 2008 and activity statewide fell by 47 percent.

Fig. III.C.2
Sales of Primary Residences
Montpelier 1988-2007



SOURCE: Vermont Housing Data

The cost of owning a home in Montpelier nearly doubled from 2000 to 2007. Single-family primary residences started the decade with a median price of $108,900. By 2007, the median single-family primary residence sold for $214,500. The median price for the first six months of 2008 was down six percent at $201,838. In 2000, Montpelier's median single family home sold for 106 percent of the median for the county but only 89 percent of the median for the state as a whole. By 2007, Montpelier's median sales price was 14 percent higher than the county's and two percent higher than the state as a whole. Prior to the current economic downtown, the relative attractiveness of the community was clearly growing among buyers even as the supply of new homes remained stagnant. This too points to underdevelopment. Among the smaller number of condominium sales, Montpelier's appreciated value has been strong but slower than that for single-family homes. From 2000 to 2007, the median-priced condominium appreciated by 83 percent from $83,250 to $152,700. Condominium sales in the rest of Washington County and in the state as a whole appreciated at a higher rate. The higher median prices in the rest of the county reflect a greater number of new condominiums.

Fig. III.C.3
Median Sales Price, Primary Residences
Single Family and Condominium
Montpelier, Washington County & Vermont 2000-2007

	Montpelier	Washington County	Vermont
Single Family, Primary Residence			
2000	$108,900	$103,000	$123,000
2001	$118,000	$115,900	$131,000
2002	$134,000	$127,000	$140,000
2003	$145,000	$139,000	$155,262
2004	$168,000	$155,000	$171,704
2005	$185,000	$169,000	$192,000
2006	$222,000	$185,000	$205,000
2007	$214,250	$188,250	$210,000
2000-2007 % Change	97%	83%	71%
Condominiums, Primary Residence			
2000	$83,250	$71,900	$99,900
2001	$88,500	$75,000	$115,950
2002	$88,450	$76,500	$124,900
2003	$127,000	$95,000	$138,000
2004	$115,500	$120,000	$155,000
2005	$125,500	$132,400	$178,950
2006	$135,000	$152,000	$185,000
2007	$152,750	$169,900	$191,000
2000-2007 % Change	83%	136%	91%

SOURCE: Vermont Housing Data

Vermont Housing Finance Agency data from 2006 to the middle of 2008, gives a detailed breakdown of sales in Montpelier. Over this 30-month period, the median price of single-family home sales varied between $215,000 and $220,000, while the median condominium sale increased from $135,000 to $169,900. The combined sales of condominiums and single-family homes offer a very even distribution across the price range. An even distribution of price points is one indication of a healthy housing market for new buyers. In Montpelier, 40 percent of those homes that sold for less than $150,000 were single-family as was all but one of the homes sold for over $250,000.

It was significantly easier to find housing priced below $150,000 in the rest of Washington County. Each location has a similar concentration of homes in the $150,000 to $199,999 price range as well as a similar concentration of higher priced homes over $250,000. Outlying communities have a much smaller share of housing selling in the $200,000- $249,999 range.

Interviews with area realtors suggest that a home in Montpelier will typically cost at least ten percent more than that identical home located in surrounding communities. That difference in value is likely a direct reflection of the limited supply of new homes in Montpelier. It is one cause of the exodus of young families away from the city. The capacity to provide new construction at moderate prices will be an important value advantage for any prospective developer of the Sabin's Pasture site.

Fig. III.C.4
Sales Price Distribution
Single Family and Condominiums Combined
Montpelier, and the Rest of Washington County
January 2006-June 2008

Price Range	Montpelier Sales	Percent of Total	Rest of County Sales	Percent of Total
<$150,000	68	23%	377	32%
$150,000- $199,999	83	28%	309	26%
$200,000- $249,999	67	23%	194	16%
$250,000+	75	26%	296	25%
Total	293	100%	1176	100%

SOURCE: VHFA

Figure III.C.5 summarizes the Multiple Listing Service offerings of 41 single-family and 22 condominiums for sale in Montpelier on November 17th, 2008. These 63 properties constitute a six-month supply of homes at the city's average sales rate. It also represents 2.5 times the number of properties that sold in the first six months of 2008. By all accounts it is a very sluggish market at the moment. Condominiums on the market are priced slightly higher than the median for recently completed transactions, and single-family homes down about eight percent from 2006-2008 sales levels.

Fig. III.C.5
Homes On-Market
Single Family and Condominiums
Montpelier, November 2008

		Median				
	#	Price	Baths	Square Feet	Parcel Size	Age
Single Family Homes						
Two Bedroom	7	$167,000	2	1094	0.54	1930
Three Bedroom	15	$178,900	2	1443	0.34	1927
Four +Bedroom	19	$274,900	2	2407	1.11	1958
Total	41	$205,000	2	1794	0.57	1930
Condominiums						
One Bedroom	3	$199,000	2	1180	n/a	n/a
Two Bedroom	15	$169,900	1	985	n/a	n/a
Three+ Bedroom	4	$252,500	2	1275	n/a	n/a
Total	22	$172,900	1	1072	n/a	n/a

SOURCE: Heney Realty website, November 19, 2008

By all accounts, property taxes play a large role in housing affordability and buying decisions in the Montpelier market area. Figure III.C.6 compares the adjusted property tax for Montpelier and its surrounding communities. Using the example of a home with an assessed value of $200,000 located in each of seven communities, the property taxes in Montpelier are by far the highest, ranging from $738 to $1,554 per year higher than their neighbors. When combined with the higher prices Montpelier gets for homes of identical value, it can cost several hundred dollars per month more to live in the same quality home in the city compared to its rural neighbors. This difference in comparable value contributes greatly to the shift of residents away from the city. Low school enrollments and thus lower state educational aid appears to be at the root of Montpelier's higher property tax rate. Ironically, as it is young families that can least afford these added monthly costs they often leave the city to purchase a home thus reducing school children further and increasing the tax differential. This is an important issue to address to meet the community's real housing needs. It is easy to suggest that Sabin's Pasture is an opportunity to bring families with children back to the city, but the feasibility of accomplishing that is made more challenging by a property tax structure over which neither the city nor any developer has control.

Fig. III.C.6
Property Taxes on $200,000 Home
Montpelier & Selected Communities, FY 2008

Year	Montpelier	East Montpelier	Barre City	Barre Town	Northfield	Middlesex	Williams-town
Municipal Tax Rate							
FY 2008	1.3829	0.8046	1.3142	0.8319	0.8031	0.4600	0.6715
Educational Tax for Homestead							
FY 2008	1.7594	2.1301	0.9101	1.0972	1.3965	1.5262	1.1804
Common Level Appraisal Ratio							
FY 2008	0.7094	0.6089	1.0416	0.9314	0.9161	0.8787	1.004
Municipal Tax (on $200,000 home)							
FY 2008	$2,766	$1,609	$2,628	$1,664	$1,606	$920	$1,343
Educational Tax for Homestead (On $200,000 home)							
FY 2008	$2,496	$2,594	$1,896	$2,044	$2,559	$2,682	$2,370
Total Tax (on $200,000 home)							
FY 2008	$5,262	$4,203	$4,524	$3,708	$4,165	$3,602	$3,713

SOURCE: Vermont Housing Data

Rental activity in the community results in the movement of another roughly 150 to 180 households each year. Historically, Montpelier's median rent has been comparable to rents countywide and about 8 to 10 percent lower than rents in Vermont generally. Since 2000, median rents have increased by around 60 percent at all three geographic levels, or nearly double the rate of wage growth in the past eight years. At Montpelier's median gross rent of $825/ month, it requires an income of $33,000/ year to afford the cost of housing.

Fig. III.C.7
Median Gross Rent
Montpelier, Washington County & Vermont, 1980-2008 Est.

	Montpelier	Washington County	Vermont
1980	$202	$205	$226
1990	$406	$411	$446
2000	$514	$519	$553
2008	$825	$825	$900
Change/ Yr 1980-2008	11.0%	10.8%	10.6%

SOURCE: Vermont Housing Data

Figure III.C.8 summarizes 82 current listings for market rents in the Montpelier and Barre City as advertised in the Times-Argus Newspaper and Craig's List on November 20th 2008. One bedroom rents (including heat and hot water) in Montpelier range from $600- $800/month; two bedrooms from $650- $1,200/month; and three bedrooms from $975- $2,100/month. Median two- and three-bedroom rents are about ten percent higher in Montpelier than in Barre City, while one-bedroom units are actually higher in Barre.

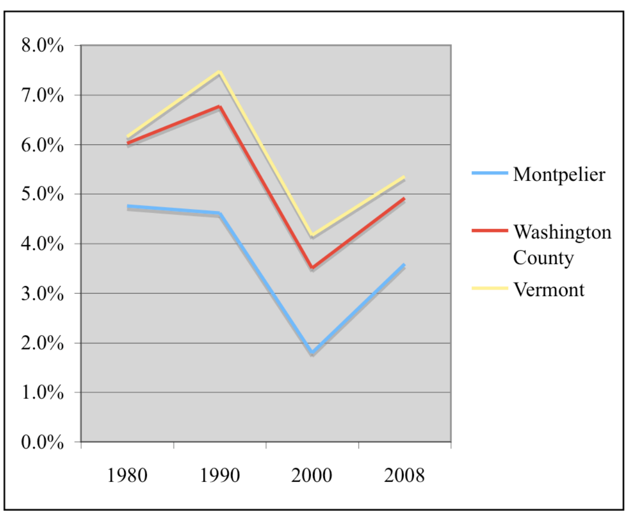
Fig. III.C.8
For Rent Listings
Montpelier & Barre City

	One	Two	Three
Montpelier	$600- $800	$650- $1,200	$975- $2,100
Median inc, Heat & Hot Water	*$650*	*$850*	*$1,125*
Barre	$575-$775	$725- $950	$900- $1,200
Median inc. Heat & Hot Water	*$650*	*$788*	*$1,035*

SOURCE: Times-Argus classifieds and Craig's List, November 2008

Historically, Montpelier's rental vacancy rate has been significantly lower than the county or state and it remains so today. For nearly a decade from the mid-90s until about 2006, the city was marked by virtually full occupancy. Current listings as well as vacancies in the city's affordable rental inventory suggests that Montpelier's vacancy rate has doubled in the past couple of years but only to a level approaching 4.0 percent.

Fig. III.C.9
Rental Vacancy Rate
Montpelier, Washington County & Vermont, 1980-2008



SOURCE: Vermont Housing Data with 2008 estimate by Development Cycles from classifieds

D. Competitive Environment

The status of existing affordable housing in Montpelier, along with the experience of a number of relatively recent developments both in the community and elsewhere in Vermont, provide insight into the current market for housing.

Affordable Housing Options

Montpelier has two non-profit housing agencies that provide the community's subsidized rental housing. The Montpelier Housing Authority (MHA) owns and manages three rental developments for independent seniors (134 units), one Level III Residential Care Facility (44 rooms), and one non-elderly rental development (20 units). The authority also administers the city's Section 8 program (121 certificates). According to MHA's Director, all of their rental units are normally occupied. Waiting lists vary from project to project: a new applicant at the oldest senior development -- Pioneer Apartments -- can hope to find an apartment within one year; for the newer Prospect Place, with no local preference, the wait can be as much as four years. All of MHA's independent rental units cost residents 30 percent of their adjusted gross income. The waiting list for new Section 8 certificates is currently two to two and a half years.

The Central Vermont Community Land Trust (CVCLT) owns and manages six family rental developments in Montpelier totaling 130 units. CVCLT's rental offerings include 57 one-bedroom apartments with rents ranging from $498- $625/ month (including utilities), 54 two-bedroom units renting at $675- $800/ month; and 15 larger units renting from $863- $913/ month. In November 2008, CVCLT reported 13 vacant units (10%), despite rents that average from $25- $200/ month below market median rents and waiting lists that range from 8-24 units/ project. According to CVCLT's Director most of those vacancies can be attributed to internal marketing issues. She expects to see full occupancy once those issues have been addressed.

Montpelier has only one moderate-scale market-rate rental development. Central Cedar Hill Apartments is located across Route 2 slightly closer to Montpelier center than Sabin's Pasture. The 36-unit complex is roughly 30-years old. It offers two-, three- and four- bedroom units with one or 1.5 baths with new rents ranging from $975 including utilities for two-bedrooms, $1,100 for three-bedrooms and $1,300 for four bedroom units. In November 2008, five units (14%) were vacant for rent. At that time, the owner was offering one month's free rent with the signing of new 12-month leases. The overall quality of the complex is mediocre.

Fig. III.D.1
Subsidized Rental Projects
Montpelier, 2008

NAME/ Address	SIZE	YEAR BUILT	TYPE/ Primary Funding	Bdrms/ Rents: Studio/ One Bdrm	Bdrms/ Rents: Two Bdrm	Bdrms/ Rents: Three + Bdrm	Vacant	Waiting List
MHA								
HEATON WOODS 10 Heaton St.	46	1995	Residential Care Facility Level III	44 @ $623-$4015*	2	0	0	One year
PROSPECT PLACE 3 Prospect St.	29	1991	Elderly/LIHTC/ RD 521	29 @ 30% of Income	0	0	0	Four years
PIONEER	60	1973	Public Housing	60 @ 30% of Income	0	0	0	<One year
LANE SHOPS 1 Mechanic & 14 N. Franklin St.	50	1979	Elderly/LIHTC & Sec 8	45 @ 30% of Income	5 @ 30% of Income	0	0	One year
CUMMINGS ST. 21-25 Cummings St.	20	1978	Family/LIHTC & Sec 8	0	5 @ 30% of Income	15 @ 30% of Income	0	One year
Section 8 Certificates	121						0	2.0-2.5 years
CVCLT								
BIANCHI 208 Barre St.	8	2008	Family/ LIHTC	6 @ $625	2 @ $800	0	1	8
RIVER STATION 191 Barre St.	36	2006	Family/Various	7 @ $625	27 @ $775	2 @ $913	6	24
WINOOSKI RIVER Bailey, Baldwin & Barre St.	15	1999	Family/Various	11 @ $498	2 @ $700	2 @ $863	2	17
BARRE STREET 39-47 Barre St.	24	1996	Family/HOME & McKinney	16 @ $458	6 @ $675	2 @ $863	1	20
NORTH BRANCH 73-87, 89-105 Elm St.	39	1993-Rehab	Family/LIHTC	17 @ $498	17 @ $700	7 @ $863	2	20
HEBERT FARM 21-23 Hebert Rd.	10	1980	Family/LIHTC & Sec 8	1 @ 30% of Income	7 @ 30% of Income	2 @ 30% of Income	1	15

** Includes all RCF services*

SOURCE: MHA & CVCLT, 11/08

New Housing Developments

Recent housing developments in the Montpelier area include three condominiums and one rental project that help frame the level of demand for attached units. These include:

- <u>River Station Apartments:</u> This 36-unit Low Income Housing Tax Credit (LIHTC) project is located less than a half-mile west of Sabin's Pasture along Barre Street. Eleven of the current residents bring Section 8 vouchers to help cover rent. The project was completed by CVCLT in 2006 and rented up quickly. By November 2008, however, the complex had six vacant units. Different observers offered varying reasons for this disappointing performance by a new and attractive building. These included: loss of focus and staff turnover by the management entity; some resistance to living along this section of Barre Street; difficulties qualifying residents given the rents and income requirements of the LIHTC program; demand from one-person households not eligible for the two-bedroom units; and the inability to meet increased demand for units by very low income residents needing deep subsidies. It is also likely that fear around the current economic instability is slowing the normal in-migration and formation of new households that drives rental demand generally. A number of these challenges would likely face any new rental development at Sabin's Pasture. While there are certainly many Montpelier and Washington County residents who need affordable rental housing, practically speaking, the chances of continuing to fund affordable rental development in Montpelier requires that the existing subsidized rental units remain fully occupied.

- <u>River Station Condominiums</u>: CVCLT developed this 18-unit mixed-income condominium development adjoining River Station Apartments along Barre Street. Most of these two-bedroom (1.0 and 1.5 bath) units are in a townhouse format. They range in size from 968-1072 square feet. The interior layouts are attractive and spacious. They include an attached one-car garage or carport. The project began selling units in the spring of 2007 at $169,900 to $179,900. CVCLT has sold 11 units to date, four to Montpelier residents. Six of these sales were to first time homebuyers who qualified for Homeland grants that brought the effective sales price down to $125,920-$128,320 and placed deed restrictions of the sale of these units. After a relatively quick start in 2007, the market for these units ground to a halt in 2008. Only one unit sold all year. For the first six months of 2008, it was difficult to get prospective buyers to even look at the property. Interest has picked up in recent months with several prospective buyers waiting to sell existing homes before committing to purchases. Prices have recently dropped by $10,000. Economic uncertainty is clearly the primary cause for the lack of buying interest since the beginning of last year. It does indicate, however, how much the larger market dynamics affect the performance of new, affordably priced, energy-efficient townhouse units in this community. As the project's

Realtor indicated, the performance at River Station frames the potential for affordable townhouse development at Sabin's Pasture.

- Mansfield Lane: This 24-unit development began marketing in 2006. To date ten units have sold in the $242,400- $308,000 price range. Only one unit has sold in the first eleven months of 2008. The three-bedroom units are located in four-unit townhouse style buildings. The developer has adopted a strategy of starting a new building when the previous buildings have sold. Buyers have generally come from 55 and over residents within Washington County. According to the developer and broker, Berlin's lower tax rate was a key motivation for locating the project just beyond Montpelier's borders. The site is attractive though it lacks Sabin's Pasture's in-town convenience. Mansfield Lane offers two basic designs with a variety of features, including first or second floor master bedrooms, cathedral ceilings, conventional and walkout basements, attached one-car garages, patios and three season sun porches. Existing homes have 1416 square feet of living space plus three-season sunrooms and full, unfinished walkout basements. The inability to sell existing homes is hampering the sale of new units for this project as well.

- Westview Meadows: This senior living development opened in 2003. The 36 independent apartments at Westview Meadows are available to residents on an entrance fee basis. When residents move from their apartments, and the next resident occupies the apartment, they receive an 80 percent refund of the entry fee. Currently, that entry fee ranges from $145,000- $245,000. Apartment residents also pay a monthly fee that covers property taxes, utilities, the main daily meal, weekly housekeeping, repairs and maintenance, insurance, snow and trash removal, grounds maintenance, replacement reserve fund, 24-hour emergency monitoring system and staff, and scheduled transportation. Fees range from $1,561- $2,095/ month. Apartments with two or more residents pay an additional monthly of $525 for each additional person. The development also has 20 units of Level III Residential Care allowing for a continuation of care for more frail and service needy residents. Westview Meadows is affiliated with The Gary Home, a licensed residential care facility in downtown Montpelier. The project was full within one year of opening and maintains a four-year waiting list currently. Turnover is about 33 percent of independent living units annually.

Large-Scale Development Statewide

It is important to recognize how rare have been efforts in the past decade to develop housing anywhere in Vermont at the overall scale (170-225 homes) envisioned for this site. Discussions with statewide developers, ANR Division of Regulatory Management staff, and a review of Act 250 approvals since 2000 indicate that no more than a half dozen projects of at least 150 new residential units have been approved in this decade, and all but one of these originated in Chittenden County.

Projects in the Local Pipeline

According to Montpelier's zoning administrator, there are no active pipeline developments moving toward construction at this time. There are three potential projects that have come before the City's Development Review Board (DRB) that could, if built, have some impact on the competitive housing market in the future. These include:

- Capital Heights: This Fecteau Residential development on Hebert Road and River Street involves a 78-acre parcel. The preliminary application submitted in 2006 included plans for three phases of development with a total build-out of one commercial lot, 114-condominium units, 45 single-family lots, and 60 units of elderly housing. The preliminary plan received local approval with 15 pre-conditions, none of which have been met. The preliminary permit is due to expire early in 2009; recently the DRB denied Fecteau Residential's request for an extension of that permit. The developer has not moved forward with Act 250 permits at this point. The property has comparable topography to the Sabin's Pasture site. It has a somewhat more attractive natural setting but is located about three miles from the city center and lacks the convenience of the Sabin's Pasture site. The site is served by public infrastructure. This is clearly the only large-scale development site with the active potential to compete with a Sabin's Pasture development. Its ownership by a developer active in the area and the investment in engineering and site planning undertaken to date suggest that the site will see relatively large-scale development at some point. The two projects offer a sufficiently different setting to attract buyers focused on different values. The likely development plans, however, have enough overlap that they would impact each other's absorption of units if development occurs simultaneously.

- Montpelier Co-housing: In 2007, a group interested in developing a 16-unit co-housing community on a 10-acre site at the corner of Towne Hill Road and Upper Main Street meet with the DRB to describe their preliminary sketch plans. The principals are continuing to develop the membership and financing needed to proceed with the development. They must go through the entire permitting process at some point in the future. The proposed site is a sloped southwest facing meadow, like Sabin's Pasture. It is also within walking distance of downtown Montpelier. It is embedded in a more residential neighborhood and is clearly of much smaller scale than envisioned for the Sabin's Pasture site. If it proceeds, the unique marketing features of a co-housing development will provide only marginal impact on the development of Sabin's Pasture. Still, the community and environmental values that motivate interest in co-housing are qualities that may be important elements to organize site planning and marketing efforts of this larger scale development.

- Stonewall Meadows: The Central Vermont Community Land Trust is currently in the early talking stages of a future affordable ownership development on Hebert Road. The developers are considering a 16-unit condominium in four buildings. This potential project has the site characteristics of the Capital Heights project and the small scale of the Town Hill Road site. Its development would compete with any affordable ownership option that emerges at Sabin's Pasture. If developed simultaneously, the two projects would offer differing products but would likely impact the rate of absorption for both developments.

- Windy Wood Orchards: This project proposes 64-units of single-family dwellings on 50 acres in Barre Town. The project is well along in the local permitting stage but has yet to receive its Act 250 permit. Such a development would dilute the demand for small-lot single-family housing should two such projects go on-line simultaneously.

The City's Zoning Administrator considers the Sabin's Pasture site one of only two large land tracts held by a single owner within two miles of Montpelier's city center. The other 100+ acre site is located further east along Route 2. Its current owner has never indicated any interest in developing the property.

E. Rental and Buying Power

The following lists HUD's current estimate of income by household size.

Fig. III.E.1
HUD Estimate of Household Income
Montpelier, By Household Size and Percentage of AMI, 2008

	One	Two	Three	Four	Five
50% AMI	$22,950	$26,200	$29,500	$32,750	$35,380
80% AMI	$36,720	$41,920	$47,200	$52,400	$56,608
100% AMI	$45,900	$52,400	$59,000	$65,500	$70,760

SOURCE: Huduser.org

By indexing census information, household changes, and changes in local wages, the study generated current models of non-elderly renter and senior household incomes as a percentage of Area Median Income. The model indicates that 70 percent of the city's renters would qualify as low-income, with 39 percent earning less than 50 percent of

AMI, and 31 percent earning between 51-80 percent of AMI. Just over half of these low and very-low income renters live alone.

Fig. III.E.2
Estimate of Non-elderly Renter Household Income
Montpelier, By Household Size and Percentage of AMI, 2008

Persons	1	2	3	4 or more	Total
<50% AMI *very low income*	322	171	68	40	601
51-80% AMI *low income*	224	143	65	50	482
81-100% AMI *moderate income*	112	60	28	21	221
More than 100% AMI	112	78	24	22	236
Total	770	452	185	133	1540

SOURCE: Development Cycles, 12/08

There are about 350 (45%) non-elderly single-person renter households who cannot afford the cost of a median one-bedroom unit in Montpelier using 30 percent of their income; another 250 (39%) two- and three-person renter households cannot afford the current median two bedroom rent; and at least 60 (45%) larger households cannot afford a median price three bedroom unit using 30 percent of their income. Eighty to eighty-five percent of these rent-burdened households are very-low income.

Fig. III.E.3
Renter Households Paying 30 Percent or More of Income for Gross Rent
Montpelier, 1990-2008

	Montpelier	Washington County	Vermont
1989	38%	34%	37%
1999	40%	35%	36%
2008	42%	37%	38%

SOURCE: Vermont Housing Data with 2008 estimate by Development Cycles

Given the incomes of non-elderly renters in Montpelier and to a lesser extend the rest of Washington County, only a relatively small percentage of renter households can reasonably hope to purchase a home in Montpelier. More than half of all renters could not afford a home priced at $100,000. About 13 percent of current renters can afford to own a home in the $150,000- $200,000 range and an equal number can afford prices over $200,000. This top quarter of local renters represents a key target for first time home buying in the city.

Fig. III.E.4
Buying Power of Non-elderly Renter Households
Montpelier, 2008 Estimate

	Number	Percent
<$100,000	800	52%
$100,000- $149,999	340	22%
$150,000- $199,999	200	13%
$200,000- $249,999	80	5%
$250,000- $299,999	80	5%
$300,000+	40	3%
Total	1540	100%

SOURCE: Development Cycles, 12/08

Among older residents, existing home equity impacts buying power dramatically. The following two tables model elderly owner income and buying power. They indicate that nearly 60 percent of senior residents have the means to purchase a home of $200,000 or more. For this group, housing designed for accessibility, community, and minimal monthly costs tend to be more significant factors than purchase price.

Fig. III.E.5
Estimate of Elderly Household Income
By Household Size, By Tenure and By Household Income As a Percentage of AMI

Elderly Owners	1	2	Total
<50% AMI	120	52	172
50-80% AMI	120	64	186
80-100% AMI	50	50	100
100% or More AMI	40	219	257
Total	330	385	715
Elderly Renters	1	2	Total
<50% AMI	74	12	86
50-80% AMI	54	12	66
80-100% AMI	20	10	30
100% or More AMI	16	12	28
Total	164	46	210

SOURCE: Development Cycles, 12/08

Fig. III.E.6
Buying Power of Elderly Owner Households
Montpelier, 2008 Estimate

	Number	Percent
<$150,000	141	20%
$150,000- $199,999	151	21%
$200,000- $249,999	208	29%
$250,000- $299,999	107	15%
$300,000+	108	15%
Total	715	100%

SOURCE: Development Cycles, 12/08

IV. SUMMARY OF MARKET NEEDS

This section of the report summarizes supply and demand characteristics for various types of housing in the Montpelier market area.

A. "Age Appropriate" Ownership

The next decade will see a growing number of senior households living in owned housing with incomes and equity higher than their predecessors. By 2020, the consultant estimates that over half of all owned housing in Montpelier will belong to residents 60 and over. This group will have relatively little need for the traditional subsidized rental housing for seniors and will increasingly focus on housing needs not currently met by their existing housing. Given the age and character of the city and county's housing stock, combined with its climate and topography, an increasing number of current residents will be looking for "age appropriate" senior ownership housing.

The key characteristics of "age appropriate" housing includes improved accessibility in and around the home, a first floor master bedroom and full bath, reduced floor space, attached garage(s), adaptability to more advanced stages of physical disability, reduced maintenance responsibility, thoughtful storage design, and energy efficiency. Montpelier offers a limited supply of some of these housing characteristics and no development, rental or ownership, which includes all of these features.

With the availability of such housing, the city's share of both county and out-of-area in-migration of seniors will also increase. Without it, there will likely be increased levels of out-migration by Montpelier residents to the Burlington area or to out-of-state destinations.

Over the next several years, there will be a need for at least 80-100 new "age appropriate" ownership units for residents 55 and over in Montpelier. Given the limited competition from new developments to meet this need, a project at Sabin's Pasture could reasonably hope to capture at least half of the total demand for such housing. A new "age appropriate development at Sabin's Pasture starting in 2011, could hope to absorb these 40-50 units over a four-year period. This level of new absorption represents 50-60 percent of the average absorption of new units citywide and 10-12.5 percent of the average number of arms-length sales transactions. While these capture rates are high by normal standards, they reflect a long-term pattern of underdevelopment in Montpelier and a build up of demand for this home type once market confidence returns.

B. First-time, Single-Family Homeownership

There are roughly 280 Montpelier renters with household incomes capable of affording homes in the \$150,000- \$250,000 price range. We can expect at least a quarter of these moderate and median income renter households will purchase homes locally between 2011-2014. Given the lack of affordable new single-family housing in Montpelier, new construction in this price range could expect to capture 25 percent of this local first time buyer demand. That represents 18-20 new home sales over this time period to moderate-income first-time homebuyers currently living in Montpelier. Such housing would need to be located on small individual lots and marketed to moderate and median income young families. Such homes will have to offer base prices below \$200,000 (allowing for some add on features) and incorporate most of the following amenities: small private yards, energy efficient construction, fee simple ownership, and capacity for future expansion.

Four other market components add an additional 30-40 such new homes to the city's core demand over the next several years:

- ❖ There are roughly 150 similarly qualified renters living in the rest of Washington County who can be expected to purchase homes between 2011-2014. Their interest in purchasing affordably priced new construction in Montpelier could expect to add an additional demand for 8-10 homes between 2011-2014.

- ❖ New buyers from outside of the county would expect to generate an equivalent demand for 8-10 homes over that timeframe.

- ❖ There will likely be additional demand of 6-8 homes over this time period for more expensive single-family homes within a predominantly moderate-income development to serve existing owners relocating to a development of new homes for new construction, energy efficiency or for a neighborhood with more children.

- ❖ The capacity to provide Homeland Grants that trade prices under \$150,000 for resale limitations would allow such a project to reach another 8-12 lower income residents over the four year time frame.

In all, this constitutes a need for 48-60 new, single-family homes targeted largely to younger families over the next several years. Sabin's Pasture could hope to capture at least 50 percent of this need given the limited number of alternative sites to meet this need. This would account for 24-30 units of such housing or 6 to 7.5 homes per year over a four-year period starting in 2011. This level of new absorption represents 25-33 percent of the average absorption of new units and about five percent of the average number of arms-length sales transactions citywide.

C. Subsidized Rental for Non-Seniors

At this time, the focus of rental housing need for non-elderly residents concentrates almost exclusively among those earning less than 50 percent of AMI (less than $22,950 for one person; $26,200 for two persons; $29,500 for three persons; and $32,750 for four-person households.) This group of roughly 600 households makes up the vast majority of those who pay an excessive portion of their income for rent. For the rest, the current market provides an ample range of affordable options. This creates only a limited capacity to develop a new mixed-income rental development based on current market conditions. Moreover, the viability of the major funding source for affordable rental housing –Low Income Housing Tax Credits – is in crisis. While there is a need for a significant number of new rental housing with deep subsidies for very low-income residents, there is no funding mechanism nor is there much political likelihood that one will develop for a project solely for very low-income residents. As with some of the senior housing needs, the market and funding capacity for another 25-30 unit mixed-income non-elderly rental development may grow slowly over the next several years. If it does, the lower portion of Area A within Sabin's Pasture is an appropriate site for such a project, probably no earlier than 2012.

D. Subsidized Rental for Seniors

Forty-four percent of the 75-and-over households in Washington County and 60 percent of its low-income senior households live in either Barre City or Montpelier. Over the next decade, that number will likely increase by about six percent. This concentration of low-income seniors is typical of Vermont's regional centers where the predominance of independent subsidized rental housing for seniors exists.

The demand for low-income independent rental housing has been stable for more than a decade in Washington County. Indeed, over this period, an increasing number of tenants in this housing are non-elderly households with disabilities. The next decade will see only a limited increase in the need for subsidized, independent rental units for a very-low income senior population. Funding for independent senior housing will likely focus on updating the existing stock and finding ways to extend residents capacity to remain in their units. Given the advanced age of the area's senior rental stock and the emergence of "baby boomers" eligible for senior housing, it is likely that Montpelier will see another new 25-30 unit independent senior housing project sometime after 2015. The lower portion of Area A within Sabin's Pasture would be an appropriate location for such a long-term development.

E. Older Seniors Needing Assisted Living

The market area also has only a limited need for more market rate assisted living units. The existing facilities in Barre City and Montpelier are full but continue to market actively to keep up with the greater turnover rates of these units. Over the course of the next decade, however, the need for additional market rate assisted living units will rise. Another 35-50 such units will likely come on line sometime around 2015 to serve Washington County's needs. Montpelier or Berlin will be the likely locations for such a new facility. The lower portion of Area A within Sabin's Pasture would be at best second-tier location for such a development to occur.

Perhaps the greatest unmet need for seniors in the next decade will be for assisted living housing to persons 75 and over who cannot afford the cost of market rate assisted living facilities. Unfortunately, there are currently few resources to meet that need. There is a need for at least 100 units of such housing if the financing mechanism existed to bring the monthly cost of assisted living serves down to the $1,500/ month range (with no entrance fee). The lower portion of Sabin's Pasture is an appropriate location capable of capturing up to half of the demand for such a development if it should ever prove financially feasible.

With an overall development strategy capable of delivering single family homes from under $150,000-to $250,000, and properly sited, age-appropriate, single-family and townhouse units in the $200,000 to $300,000 range, Sabin's Pasture can hope to absorb between 16-20 new units per year for a project marketing in 2011-2014. It would retain the development capacity in the lower portion of Area A to provide for two of the three long-term needs that may develop over the next decade: mixed income family rentals, subsidized senior housing, and subsidized assistance living care.

Fig. IV.1
Projected Absorption of New Units
At Sabin's Pasture

Housing Need	Market Segment	Pricing	Location on Site	Sabin's Pasture Potential	Build out	Occupancy Beginning
Age appropriate Single-Family and Townhouse	55 & Over	$175,000-$300,000	Area A-2 & Area B	40-50 units	4 years	Not Before 2011
Small lot, Fee Simple Single Family	Young Families (80% AMI- Market)	<$150,000 (Homeland Grants)-$250,000	Area A-2 & Area B	24-36 units	4 years	Not Before 2011
Mixed Income Family Rental	Family (<30%-80% AMI)	Tax Credit & Below Market Rents	Area A-1 & Area A-2 lower section	25-30 units	1 year	Not Before 2012
Subsidized Senior Rental	Senior/ disabled	30% of Income	Area A-1	25-30 units	1 year	Not Before 2015
Total				114-146	5 years	2011-2015

SOURCE: Development Cycles, January 2009

V. SITE ANALYSIS AS IT RELATES TO MARKET NEEDS

The following section looks at how effectively the 15-20 acre Sabin's Pasture development site can address the key housing needs identified by the needs assessment portion of this report.

The Sabin's Pasture Working Group has proposed that development of the parcel occur in two phases. Area A is a roughly 15-acre parcel that slopes both north and east from Barre Street. Area B is a five-acre parcel that starts about 440 feet up from the Barre Street just north and east of an existing power line right of way. The first 300 feet back from Barre Street in Area A, comprising roughly seven acres, is currently zoned HDR for high-density residential development (referred to hereafter in this report as Area A-1). This zone allows for a range of multi-family and mixed-use development. The City has zoned most of the remaining eight-acres in Area A as MDR for medium-residential development (referred to as A-2), allowing for duplexes and zero lot-line single-family dwellings. The five additional acres in Area B is currently zoned LDR for low-density residential development that allows single-family dwellings only. It is likely that the project will develop under a Planned Unit Development (PUD) that allows for a mix of single and multi-family residential throughout the site, thus erasing the current zoning distinctions.

A. Overall Site Location

Sabin's Pasture is located north of Barre Street roughly one mile east of Montpelier's city center. The site is largely open pasture, bounded to the west by the campus of the Vermont College of Fine Art, and by the relatively attractive College Street residential neighborhood. The proposed parkland portion of the site will abut the development parcel to the north and east, providing an attractive mix of trails, views areas, and recreational uses. A mix of relatively poor quality commercial, industrial and warehouse and distribution buildings abut the property to the south. In their current state some of these uses will have a negative impact on the marketability of the site. The 100-acre property is the largest undeveloped parcel abutting Montpelier's downtown. Previous large-scale efforts to develop the pasture for housing give indication of its recent attractiveness as a development parcel.

The open quality of the site and its access to the proposed parkland give it some of the attractiveness of the Hubbard Park and Meadows neighborhoods. These are two of the city's most desirable locations because they combine proximity to both downtown and nature. The site does not have the long views available at the Murray Hill/ Cityside developments, but does have some attractive shorter views near the top of the development area.

At 1.1 miles from the intersection of Main and State streets, the site has near walk-to proximity to the commercial and employment opportunities of Montpelier center, though the route along Barre Street is not the most attractive gateway into the city. The region's primary medical facility, Central Vermont Hospital, is located about 2.6 miles from the site along Route 302 in Berlin. Barre Street connects the site conveniently with all of the city's main local and regional throughways. Interstate 89 is located about two miles from the site. The site is convenient to both regional employment centers in Barre and Montpelier. The Green Mountain Transit Authority runs bus service along River Street between these two communities within a half-mile of Sabin's Pasture. Public utilities serve the site.

Interviews with area developers highlighted one non-physical aspect of the site's location that will have a significant bearing on the site's attractiveness for development. There was a fairly consistent impression that Montpelier is a difficult community in which to work and that this site in particular will be fraught with potential permitting and legal delays. Whether such opinions are justified is, in many ways, beside the point. In order to be truly marketable to the development community, especially in a difficult economic environment, the city government will have to take extra steps to indicate its active willingness to support this housing as a community need.

B. Area A-1 High Density Residential

This is the area of the site with greatest capacity for the highest density uses, such as rental housing, age appropriate senior condos or an assisted living facility. It may also be appropriate for commercial uses integrated into the project (*Note: the market demand for commercial uses was not undertaken for this assessment).* Area A-1 is relatively flat from east to west along Barre Street (2%+/- grade) with a five percent east to west grade at 300 feet from the centerline of Barre Street. Area A-1 also rises at an average grade of eight to ten percent from south to north as it moves away from Barre Street. Cut and fill should allow for two tiers of relatively flat, high-density construction in that zone. The 25-30 foot south to north elevation rise allows for the more northern tier to sit well above the first housing tier and capture the solar gain at that location. There are no real views from this lower portion of the site. Creating a tiered development with two flat building envelops in Area A-1 should address most of the site-related accessibility needs of an older population. To serve this population, the plan should insure a relatively flat apron to Barre Street and unobstructed site lines at the primary entrance to this portion of the site.

Area A-1 sits closest to Barre Street and so is most affected by abutting uses. The stretch of Barre Street across the road from Sabin's Pasture is a mix of commercial, warehouse and distribution, residential, and industrial uses. Neighbors along this stretch of Barre Street include an old farmhouse, a veterinary clinic, a property management company, an auto body repair and salvage yard, a granite supplier, and a parking facility for large vehicles. While the quality of these buildings varies from moderate to poor, they are not an attractive mix of immediate neighbors for the high-density residential development that would abut them. Ibey's Auto salvage yard is the most problematic neighbor. A serious effort by city government to find a more appropriate location for this use would be of significant value.

The following summarizes the evaluation of the site for several specific high density housing needs:

- Age Appropriate Ownership or Rental Housing: There is not a significant local market demand at this time for dense, multi-family ownership development typified by a central access elevator and multiple units located off a central corridor. Age appropriate ownership housing for seniors will have to be more of a moderate density and will need to incorporate some views and open space to prove competitive in this market for the foreseeable future. Such characteristics are better provided for on other portions of the development parcel.

- Age Appropriate Rental Housing: Developers Dousevicz, Inc. of South Burlington have developed successful mixed-income 55 and over rental communities in Williston and St. Albans utilizing a 60-unit single building with underground parking. They consider the larger scale of the building as necessary to support the added cost of underground parking. These projects serve largely one and two-person households with a significant share of low-income residents, utilizing tax credits to maintain lower rents. The projects are sited near highways to be attractive to working individuals. At least one of the projects provides space for the delivery of service enrichments to tenants. Unfortunately, there is not an overwhelming need for this type of development in Montpelier at this time. Area A-1, however, could support this type of development. Indeed, the sloping nature of the site makes it easier to provide the underground parking.

- Subsidized Assisted Living Facility: There is no real need for additional market rate Assisted Living apartments in the Montpelier area at this time. Even if there was, Area A-1 simply does not have the cache or the convenience to medical facilities to be the ideal location for such a facility. As the Director of the Montpelier Housing Authority indicated there is a very large unmet need for subsidized assisted living services. If a sponsor could figure out how to provide assisted living housing to a low- and moderate-income clientele, they could build such a facility here and market it successfully. That said, a sponsor could develop almost anywhere near major roads in Montpelier, Berlin or Barre City and market such a product successfully. In trying to site an assisted living facility, a typical developer would look for a central location with public infrastructure (this site qualifies) with excellent road accessibility (ok here, but nearer to I-89 would be better), a natural tie-in with medical services (none here), and allowable zoning (provided here). In all, the site will have no better than average value to developers for this purpose.

- Low-income, non-elderly rental housing: for the most apart, the city's real rental housing need concentrates among its very-low income residents who need deep Section8-like subsidies to make rents affordable. The demand for higher tax-credit rents are limited as are the needs for market rate rents. While Area A-1 could support a smaller scale rental development aimed at this group, it will be better to wait until the site's value as an attractive residential neighborhood is much better established.

Normally, a developer would work in this part of the site first because it is the easiest to access with minimal infrastructure and because the new construction would provide some buffer between the later phases and the less attractive neighbors. Having established some value for the location with the new construction, they would move up the hill with more expensive offerings. The challenge for that approach is that the market demand for the high-density uses that might go here is weak. It may be necessary for the value to be established higher up the hill in order to make Area A-1 a stronger location for future development. In all, Area A-1 should be reserved for future development of age appropriate rental, assisted living facilities or commercial activity as such demand arises over time.

C. Area A-2 Moderate Density Residential

This roughly eight-acre portion of the site begins about 300 feet back from the road and extends another 900 feet or so northward up the hill. This parcel slopes at an 8-9 percent grade from south to north and a roughly 12 percent grade from west to east. These grades will challenge the siting of a moderate density development. As this portion of the site rises, some limited views become available across to the other side of the Winooski River valley. Southwest facing, Area A-2 will have excellent solar orientation but also some exposure to northwest winds in the winter. The grade changes make walkout basements and under-unit garages feasible for many of the homes. Area A-2 is set back far enough to feel separate from the commercial/ industrial activity along Barre Street.

The following assesses the appropriateness of this portion of the site for single-family and townhouse development:

- Detached or zero lot line single-family: this portion of the site is marketable for single-family development. Small lot sizes, even some garage-connected zero lot line homes should be marketable at price points below $200,000 where the market for young families currently exists. What is needed to effectively market to young families is dedicated private yard space with access to the larger open space areas. Condominium ownership, even in the detached or zero lot line configuration, will be significantly less marketable to this group of buyers than development that gives them ownership of the underlying land, some capacity for future expansion, and responsibility for individual home maintenance (thus no monthly condo fees).

- Townhouse development: Area A-2 could also fit the needs of 55 and-over singles and couples looking for the convenience of townhouse living. The garage under design feature offered by the sloping site would be a marketing plus. The zero lot or detached single family concept could work for this cohort provided the units offered the capacity for single-floor living if needed over time.

D. Area B: Reserved for Future Development

This Sabin's Pasture Working Group recommended reserving this parcel for a much later stage of development should parcel A fail to support the 175-225 units of housing recommended for the site.

The five-acre parcel sits up about 440 feet from Barre Street east of building Area A-2. This long, narrow parcel is relatively flat from west to east but steeply sloped from south to north (18% +/-). The drop off on the south side of this building envelope is especially steep (25%+). Protruding ledge is evident in this area. There are some attractive limited-distance views from this portion of the site.

The following assesses the appropriateness of this portion of the site for single-family, zero lot line, and townhouse development:

- Detached or zero lot line single-family: as currently located, only the northern half of Area B is suitable for single-family or zero lot line homes to serve a family market. The steep grades at the southern edge of the Area B building envelope do not provide appropriate private yards for young families. Had Area B been located on the flat plateau just north of its current location, it would represent perhaps the most developable portion of the lower pasture, and the most appropriate for single-family development for young families. As it stands, only the northern portion of the existing Area B offers safe grades for children to play.

- Townhouse development: Area B is highly appropriate for townhouse development aimed at the 55 and over market. With a two-tiered development pattern, the west to east axis along the existing dirt road is relatively flat. This portion of the site provides for accessibility, solar gain and some near-distance views, and would back up on very attractive conservation land. The steep grades on the southern edge of Area B should be less of a marketing detriment for older residents. The way the land slopes away from the access road in this area will eliminate most of the garage under units thus impacting the number of units that can fit on this portion of the site.

VI. SUMMARY OF FINDINGS AND RECOMMENDATIONS

The following represent a summary of findings and recommendations for the development of the Sabin's Pasture site.

A. Summary of Findings

1. It is going to be challenging to attract serious developer interest at this time

While Sabin's Pasture has significant long-term development potential, it is going to be challenging to attract serious developer interest at this time. The reality is that all of the factors that quell new housing development are present. Montpelier is in a period of high employment uncertainty, uncertainty in state and federal housing resources, limited to no access to speculative capital, and increased inventories of homes for sale and rent. Add to that, a site with a controversial development past, a market history of declining population and job base, limited access to its most developable land, and visible ledge, and you have some powerful obstacles to investing time and money into this opportunity. There are good reasons to believe that all of these factors will eventually turn around and that Montpelier has the capacity to see a strong rebound in population and employment over the next 20 years, especially if it can expand development capacity with the successful designation as a growth center. This all suggests the need for patience, and for continued efforts, especially on the part of the City, to help reduce those development risks so that the site can address the real housing needs that do exist once market confidence returns. It is hard to see development on this property occurring before 2011.

2. There are significant housing needs

Montpelier does have a number of housing needs that Sabin's Pasture could hope to help address. These include needs for: a) new "age-appropriate" ownership housing for single-persons and couples 55 and over; b) affordable single-family homeownership for younger families; c) subsidized housing for very low-income non-elderly renters; and d) subsidized assisted living for low- and moderate-income seniors 75 and over.

Each one of these housing needs has market or funding challenges to overcome. For the two ownership options, it is hard to see development occurring before 2011 in the face of the current economic and housing market crisis. For first time buyers, access to credit and stronger economic stability are needed. For older buyers, the market for existing homes must pick up before housing need can become market demand.

For subsidized family rentals, there is currently no funding mechanism, nor is there much political likelihood that one will develop for a project solely for very low-income residents. The need for mixed-income family rental housing is weak now, but it should develop in three to four years. It may be possible to address some of the need for very-low income renters at that time.

Finally, despite a strong need for subsidized assisted living, there is no realistic funding mechanism to underwrite the operating costs of serving a low- and moderate-income population. Until and unless that funding develops, it will not be possible to address this housing need.

<u>3. The combination of market needs and site capabilities will probably not sustain the density of development envisioned by the working group</u>

Over a four-year development period starting in 2011, Montpelier can realistically expect to absorb 80-100 new, age-appropriate ownership units for older residents and 48-60 new single-family homes on small individual lots primarily for moderate and median income families. Given the community's limited range of alternative development sites, a properly designed and priced development at Sabin's Pasture could hope to capture as much 50 percent of this need or 64-80 ownership units. This corresponds to 16-20 new units/ year located at Sabin's Pasture in the upper part of Area A and in Area B.

Sometime after 2012, there should be sufficient new demand for a new 25-30 unit, mixed-income family rental development. If sited at Sabin's Pasture, the market would likely absorb these new units within one year of units becoming available to rent.

Sometime after 2014, there should be sufficient new demand for a new 25-30 unit subsidized independent rental housing development for senior and disabled residents. Sabin's Pasture represents an appropriate site for such a development. Absorption of these units would similarly occur within a year of availability.

In all, a realistic build-out for Sabin's Pasture is 64-86 ownership units in the upper portions of Area A and Area B and 50-60 units in the portion of Area A currently zoned for high density residential development. This represents 114 to 146 total units.

<u>4. Successful development of this site will require both time and vision to realize</u>

Having done their due diligence, it is still possible for a developer to see Montpelier as a declining market or as an untapped and underdeveloped market. Both perspectives are more or less equally true. The risks associated with purchasing this property for development are significant. They include permitting uncertainty, challenging site conditions, and what can best be described as a "thin" market for a number of different and potentially conflicting housing needs. The safest course of development would be to move slowly: build small-lot, fee-simple, single-family homes as affordably as possible in the uphill portion of Area A; create the potential for and build interest in some townhouse development higher up the hill in both Area A and B; and reserve the High Density Residential portion of Area A for future use as age-appropriate senior housing or as family rental housing once the rest of the site has yielded its value and as need for those types of housing grow more pressing. At this point in time, it is unclear that the risk-reward ratio is there for anything but this general course of action.

Still, when reflecting on what "big idea" can reverse the city's slow spiral of declining population, fewer young families, and loss of jobs and financial resources, one is drawn to the potential of emerging job growth in green technology industries. Montpelier is as well suited as any small community can be to build on its existing core of new energy and environmental technology companies, attract innovative individuals and start up companies, and secure energy and environmental technology grants and investments from the state and others. Moving in that direction can create new, meaningful livelihoods for those very individuals most likely to value "smart-growth" development over the rural lifestyle. In this context, it is possible to see housing at Sabin's Pasture helping the city energize efforts to redefine itself as an emerging "green technology" center. By creating a truly *next generation* green neighborhood and converting the Barre Street corridor to incubator and employment space for green technology enterprises, the critical mass begins to form to put the community on the map for this emerging opportunity. This entails significant risk and requires a much larger vision of Sabin's Pasture than that which has already engendered so much discussion, but the potential reward for the community and those who live may be great enough to consider what actions could help make it happen. The silver lining in the current economic uncertainty is that there will likely be time to explore this option before market conditions allow for development to occur.

B. Recommendations

The following recommendations focus on the project's program and design, the role of the city in promoting development on this site, and the next steps for the TPL in building development interest in this property.

Housing Program and Site Design

1. <u>Focus initially on two housing types</u>: Focus on single-family, detached homes on small lots for young families, and low- and medium-density, age-appropriate housing for singles and couples 55 and over. Housing for young families should aim at offer basic housing models for under $200,000 (before application of deed-restricting grants). The age appropriate housing can hit a range of price points up to at least $300,000 if well-designed and sited.

2. <u>Reduce expectations of overall project scale</u>: The site and surrounding neighborhood may be best served by a combination of greater development flexibility but reduced overall project scale (114-146) units.

3. Allow for development of Area B as market conditions permit: From a marketing perspective, the optimal approach may very well be to start development in Area A-2, move next to Area B, and reserve Area A-1 for future development. This will allow for the developer to build value in the site away from the unattractive Barre Street neighbors and to give time for the development of market need for the more high density uses. Waiting 15 years to develop this parcel dramatically reduces the development potential of the site.

4. Relocate Area B: Allow this area to retain its current size and shape but place its southern edge on the centerline of the existing access road so that it sits on the relatively flat plateau instead of perching on the area of 25 percent grades and exposed ledge.

Role of City Government

5. Facilitate expedited local permitting and growth center designation: To the greatest extent possible, the City's permitting efforts should focus on assuring any developer of the town's support for this level of development. Given the history of development in the city and especially at this site, such efforts will have an enormous impact on the ability to attract a good development to this site.

6. Help relocate IBey's Auto Salvage Yard: Whatever capacity the City has to provide positive or negative encouragement for the relocation or major cleanup of this site, will also substantially increase the capacity of this site to meet the real housing needs of the community.

7. Explore investment in this area of Barre Street as a green technology corridor: The "high bar" for development of this site is a project that helps the City create jobs, redefine its market niche, and begin to reverse the city's downward population and economic spiral. The summary of findings above suggests an approach that integrates a model "green community" housing design with the creation of a green technology work corridor along this section of Barre Street. Obviously such a vision entails large risks and unknowns, but if such a development is going to occur anywhere in Montpelier, it will find no better place than Sabin's Pasture and the adjoining Barre Street corridor. It maybe worth considering, especially as nothing is likely to be developed on this site short term.

8. Work with development partner, state government, and other interests to create "buy local" incentives especially for state employees. Demographic, employment and commuting trends provide compelling evidence that the decisions of where to live made by state government workers over the last two decades have been a driving force creating sprawl within Washington County. It may be possible, with the help of state government, to begin to address that trend and create a pilot smart growth project in the state capital. An integrated approach by the city, state, and developer of

Sabin's Pasture, work with private employers, realtors and financial institutions, can help create real incentives for state government workers, to live within the city.

Next Steps for TPL

9. Discuss findings and recommendations with working group and city government: A key action will be to determine the level of support for changing some of the recommendations that came out of the working groups efforts based on market realities. These include: shifting Area B northward; allowing for Area B to be developed at any time; and trading off reduced project scale for greater zoning flexibility in Area A-2 and Area B. It will also be important to gauge the likelihood of getting meaningful city support in any efforts to help relocate IBey's Auto Salvage, explore a green technology corridor, provide for expedited permitting support, and partnership with the state and others to create a "buy local" campaign.

10. Complete preliminary Act 250 submission currently underway: Moving this stage of the planning process forward without locking the developer into a specific plan will reduce development risk substantially.

11. Perform preliminary ledge tests in key development building areas: Without at least rudimentary testing for the depth of ledge in the key development envelops, the master plan is essentially hypothetical. It will likely be the first question any prospective developer asks when they visit the site.

12. Prepare edited version of market assessment and master planning work: A relatively small package of highlights from this market assessment combined with a summary of the key engineering and site-planning efforts should be made available to potential developers.

13. Meet with most likely potential developers for the site: There have been no more than a dozen developers who have taken on 100+ unit developers in Vermont in the past ten years. This assessment interviewed several of them. Specific invitations should be made to each of these prospective developers to come look at the site, review the efforts made to date, and discuss their interest, needs and timing in considering development at this site.

14. Find patient capital: Housing development at this site will not move forward quickly, nor will there be much chance for the purchase of the development rights with much upfront cash. It will likely be necessary for finding some entity capable of financing the development portion of the acquisition of Sabin's Pasture with the capacity to wait several years for return on this investment.

APPENDICES

Appendix A. Sources of Information

The research utilized the following sources and individuals to obtain the data and opinions provided in this report:

- US Census for 1990 and 2000: http://www.census.gov
- Vermont Housing Data website: http://www.housingdata.org/
- Montpelier Planning Department's Draft Application for Growth Center Designation provided information on population and employment projections
- Vermont Labor Market Information: http://www.vtlmi.info
- Vermont Department of Taxes income and property transfer information: http://www.state.vt.us/tax
- Housing sales data provided by the Vermont Housing Finance Agency
- MLS On-Market homes from Heney Real Estate, Montpelier
- Market rents from the Times-Argus newspaper http://www.timesargus.com and Craigs List: http://www.burlington.craigslist.org
- Vermont Housing & Conservation Board provided data on homeland Grant projects in Vermont

Kathy Beyer	Housing Vermont
Brad Dousevicz	Dousevicz, Inc.
Rick DeAngelis	VHCB
Clancy DeSmeth	Montpelier Zoning Administrator
John Fairfanks	VHFA
Jeffry Glassberg	Renaissance Development
Gwen Hallsmith	Montpelier Planning Dept
Tim Heney	Heney Real Estate
George Malik	Central VT Chamber of Commerce
Eileen Peltier	Central VT CLT
Lori Pinard	Century 21 Realty
Peter Richardson	Housing Strategies, Inc.
Cindy Reid	VHFA
Andrew Rowe	Lamoureux & Dickinson, Engin.
Ed Stanek	VT Natural Resources Board
Andrea Taylor	Westview Meadows
Nina Thompson	Montpelier Planning Dept
Dawn Torre	Central VT CLT
Joanne Triano	Montpelier Housing Authority
Michael Wisniewski	Duncan-Wisniewski Architects
Michael Zoner	VT Natural Resources Board

APPENDICES

Appendix B. Qualifications

D E V E L O P M E N T   C Y C L E S is a research and consulting firm specializing in housing, economic development, tourism, and agriculture. Our professional staff is experienced at working with developers, communities, and real estate professionals, as well as business tenants through the entire cycle of development from initial planning to occupancy.

Since 1985, Development Cycles has engaged in over 200 development projects throughout Massachusetts and the northeastern United States. Our clients have included numerous community-based non-profit organizations, private developers, lenders, state agencies, and local municipalities. We provide our clients with quality information and professional advice on housing need, market feasibility, marketing, financing and permitting for real estate, and economic development projects. Our public clients have included the Vermont Housing Finance Agency, the Vermont Housing & Conservation Board, Housing Vermont, the Brattleboro Area Community Land Trust, and the Regional Affordable Housing Corporation in Bennington; the Massachusetts Division of Housing and Community Development; the Massachusetts Housing Partnership, the Massachusetts Department of Food & Agriculture, numerous municipalities, and the USDA Rural Development Agency.

JOHN RYAN, Principal

As the Principal of Development Cycles since 1985, Ryan has managed projects for public and private clients involving both residential and commercial, as well as community and neighborhood economic development efforts. Ryan has performed housing needs assessment for the numerous communities in the Vermont; feasibility work for educational and resort clients including Shelburne Farms, the Stratton Mountain Corporation, and the Mt. Mansfield Company; for over 100 residential and assisted-living care projects in throughout New England; and for over 30 farms as part of the MA Department of Food & Agriculture's Farm Viability Program. Ryan has also conducted a variety of studies on adaptive reuse developments in Massachusetts and New Hampshire. Experienced in hands-on development, Ryan has managed the creation of co-housing communities in Amherst and Northampton, MA and is currently assisting the development of an Environmental Retreat Center at Shelburne Farms in Shelburne, Vermont.