

Rental Market Needs Assessment for the City of Newark

Phase Two Findings and Recommendations

Final

Submitted to:
City of Newark, DE

Prepared by:
URBAN PARTNERS

March 28, 2017



BACKGROUND

In 2013, the City of Newark retained Urban Partners to conduct an assessment of the current and future rental housing needs of Newark. First phase involved working with the Technical Advisory Committee to perform a quantitative analysis of the rental housing market, including the current rental inventory and a determination of the number of additional units needed to ensure the economic feasibility of the market. Phase One findings were presented to City Council on May 4, 2015.

Topics Addressed in Phase One

The seminal question posed in Phase One of the Rental Housing Needs Assessment Report (see Appendix 1) was “*Does Newark Have Enough Rental Housing?*” The three major findings below addressed these questions:

- i. To maintain the current housing availability while accommodating projected modest student growth, the community needs to add 50 rental units per year.
- ii. If Newark desires the share of its population that resides in market-rate, non-student rental units to grow beyond the current 4% of the total population, then additional rental units need to be provided (above the 50 units required to meet the growing student demand).
- iii. If Newark feels that the 453 affordable rental units currently available is less than optimal to meet affordability needs, then additional affordable units need to be developed.

Phase Two Topics/Planning Process

In Phase Two, the Advisory Committee charged the project team to address the following five topics:

- Additional rental housing availability for the market-rate, non-student community.
- Additional rental housing availability for low-and-moderate income households.
- Potential neighborhoods where the market should be shifted to non-student renters or owner-occupants.
- Current policy of concentrating student rental housing as close to campus as possible.
- Best practices in rental housing code enforcement.

To discuss these topics, the Advisory Committee held two meetings from March to June 2016 which were open to the general public (see Appendix 2 for Phase 2 Summary of Findings Memo). Additionally, the following topical focus group meetings were held: 1) Transitioning Neighborhoods; and 2) Code Enforcement, Affordable Housing and Homeownership. At the conclusion of these meetings, the Advisory Committee recommended four policy modifications for the City to consider:

Recommendation 1:

- Expand the number of blocks that are exempt from the Student Home ordinance.

Recommendation 2:

- Incentivize the shift to non-student renters or owner-occupants in targeted neighborhoods.

Recommendation 3:

- Leverage existing resources and opportunities to develop additional affordable rental homes.

Recommendation 4:

- Create incentives for landlords to participate in regularly scheduled property inspections.

1. EXPANDING THE STUDENT HOME ORDINANCE EXEMPTION

As presented in Phase One, the off-campus rental demand is a relatively “fixed” number that’s dictated by the size of the UD student population. To maintain the current housing availability while accommodating projected modest student growth, the community needs to add 50 rental units per year.

To alleviate any pressure that UD off-campus demand may put on the housing market in neighborhoods not traditionally occupied by students, the City has implemented a policy of encouraging new student rentals in neighborhoods adjacent to, or in close proximity to, the UD campus. In support of this policy, the City has issued exemptions for a number of residential blocks from the Student Housing Ordinance that limits the occupancy of a single-family detached dwelling to no more than three post-secondary students.

The Advisory Committee reviewed the location of the blocks currently exempt and recommends expanding these areas to include blocks shaded in red in Figure 1.

Specifically:

- | | |
|-----------------|--------------------|
| • Center Street | • Wollaston Avenue |
| • New Street | • Corbit Street |
| • Linden Street | • Terry Lane |
| • E. Park Place | • Kennard Drive |
| • Lowell Avenue | |

Additionally, Council should consider allowing single-family rental units on all streets exempt from the student home ordinance to be occupied by up to four unrelated tenants. This would allow for greater density in areas where students live close to campus, and alleviate pressure for student rentals in other neighborhoods. It would also make the City’s policy more uniform and less complicated for landlords and City officials.

Figure 1: Student Homes, Current and Proposed (Citywide)

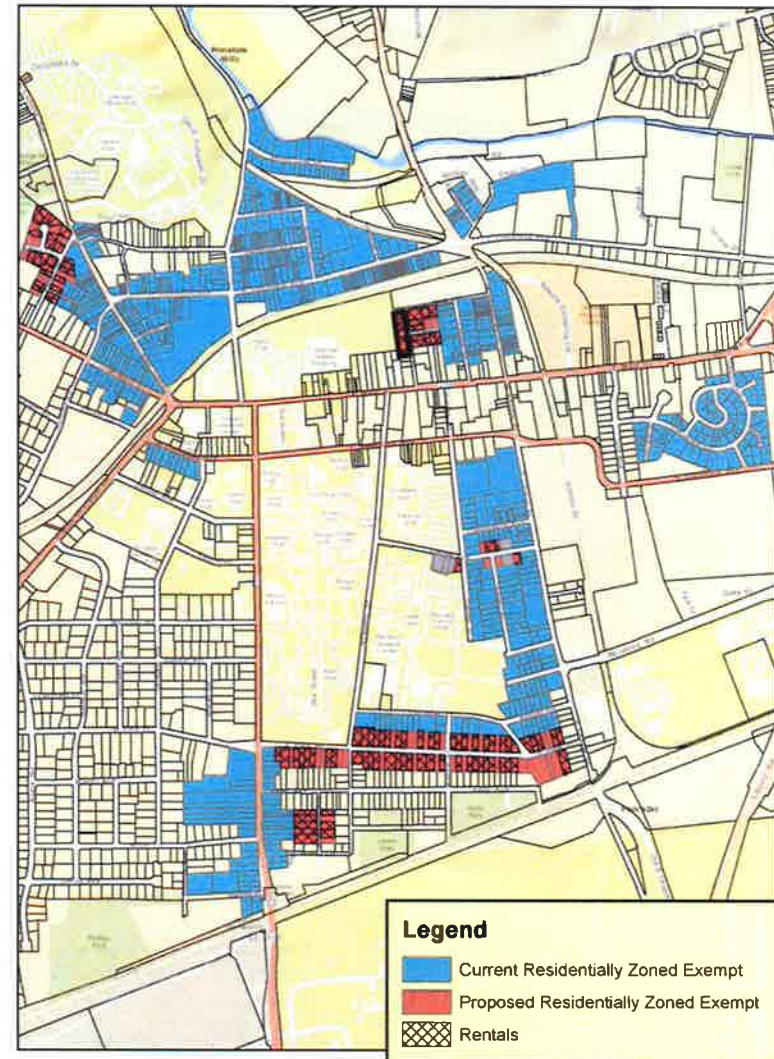


Figure 2: Student Homes, Current and Proposed (Center Street Area)

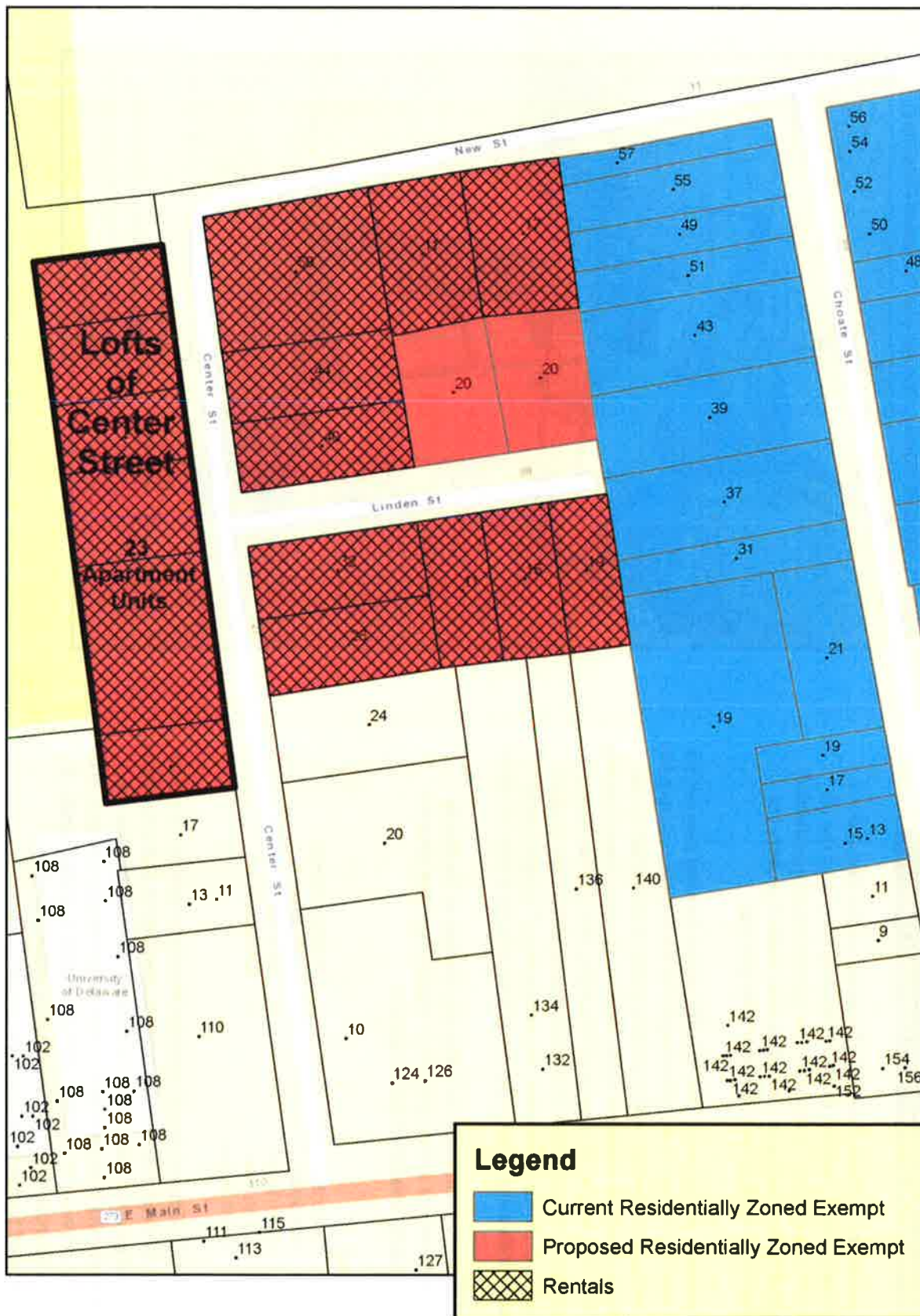


Figure 3: Student Homes, Current and Proposed (E. Park Place Area)

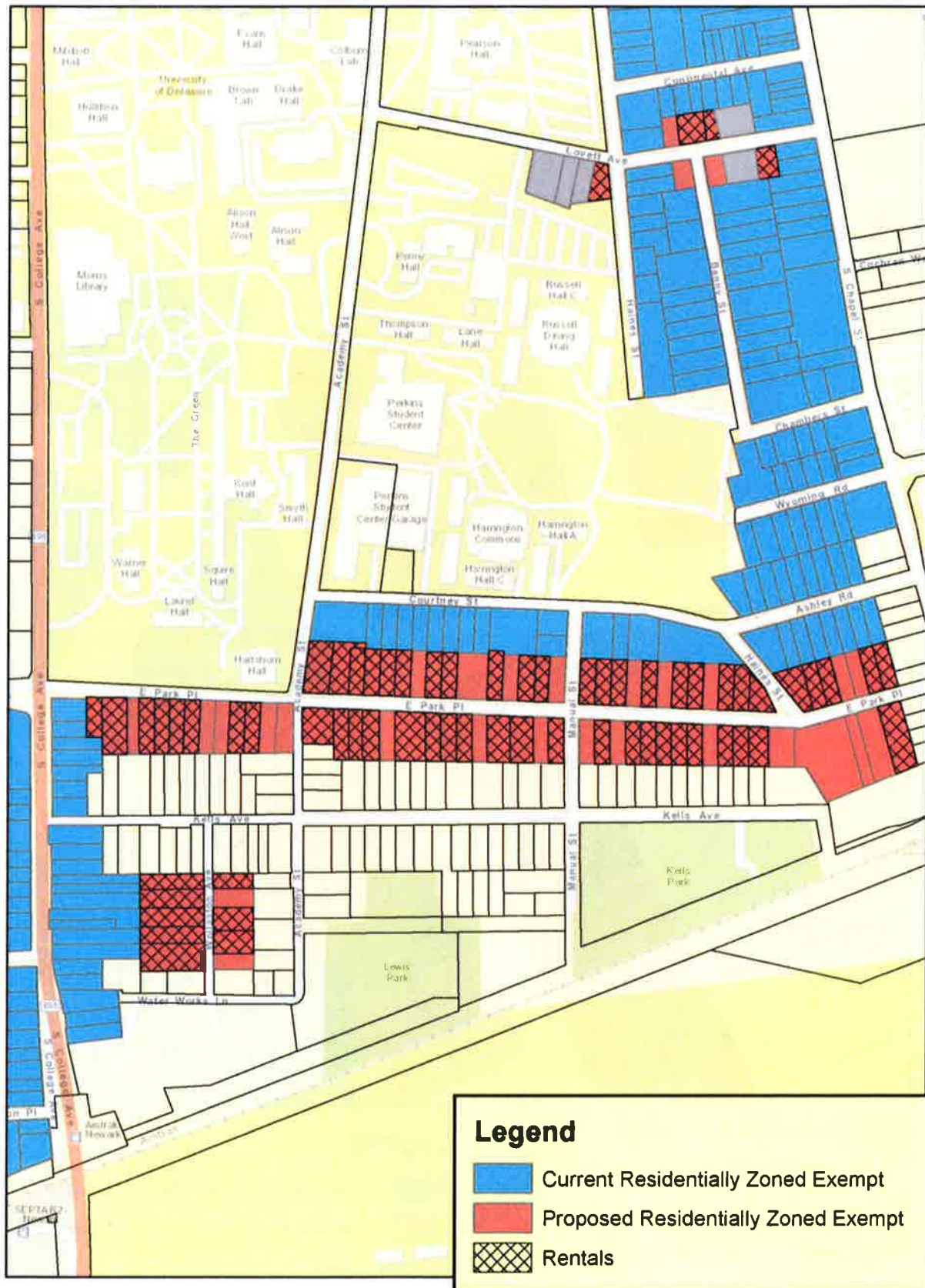
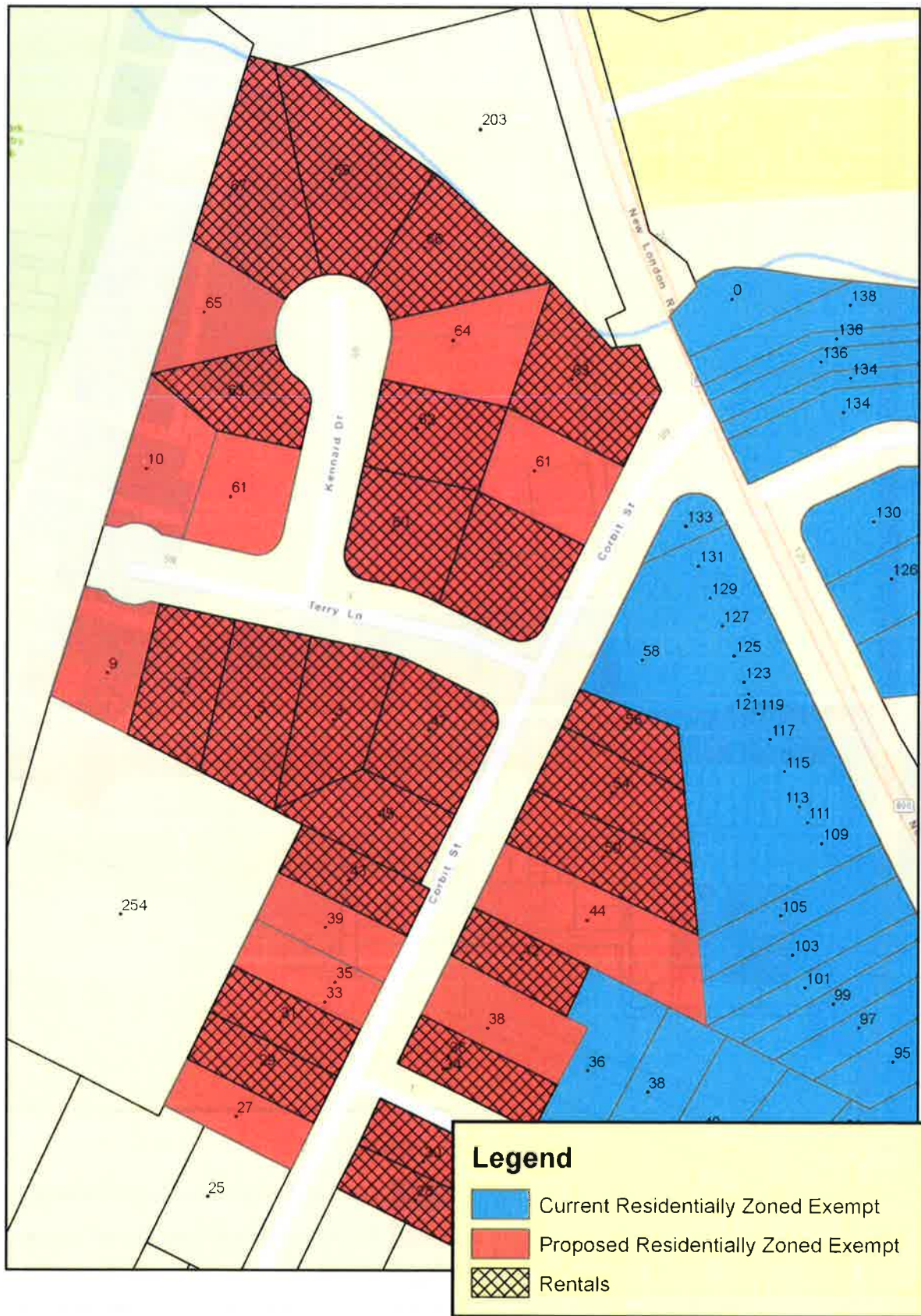


Figure 4: Student Homes, Current and Proposed (Corbit Street Area)



2. INCENTIVIZE THE SHIFT TO NON-STUDENT RENTERS OR OWNER-OCCUPANTS IN TARGETED NEIGHBORHOODS

As student rentals are shifted to blocks adjacent to, or in close proximity to, the UD campus, the neighborhoods that the student rentals are vacating can be shifted to non-student renters or owner-occupants. The Advisory Committee recommends that the City consider these two approaches to expanding non-student housing in these areas:

- Relaunch the Promoting Owner Occupancy of Homes (POOH) program or offer a similar program to incentivize rental conversion to homeownership. POOH is an existing city program to encourage the conversion of existing rental properties for owner occupancy. It provides interest free, deferred payment loans of up to \$30,000 towards the purchase of any single-family homes in the city with a valid rental permit. The City may consider a target area for the homeownership conversion incentive program, with a deeper subsidy or discount of loan recapture/share of net appreciation.
- The City may consider incentivizing the development of rental units for small households without children (e.g., one-bedroom, one-bathroom apartments with no more than 2 unrelated individuals in the unit). Designed correctly, this type of development can coexist well with student rentals in the mixed-use, downtown environment.

3. LEVERAGE EXISTING RESOURCES AND OPPORTUNITIES TO DEVELOP ADDITIONAL AFFORDABLE RENTAL HOMES

The Newark Housing Authority (NHA) has 209 vouchers associated with the tenant-based Section-8 program, of which approximately 100 are not currently being utilized. NHA may utilize up to 20% of its

vouchers (42 vouchers) for project-based assistance to benefit income-qualifying households. For such “project-based” Section 8 vouchers, NHA may enter into a contract with an owner of a unit receiving this assistance for an initial term of up to 15 years and an extension of the initial term of up to 15 years.

As of 2016, project-based rent support limits, including utility allowances, are as follows:

- 1 bedroom unit: \$1,003
- 2 bedroom unit: \$1,210
- 3 bedroom unit: \$1,502
- 4 bedroom unit: \$1,659

Therefore, NHA could utilize these project-based vouchers to expand the availability of long-term affordable rental housing for low- and moderate-income households. The Advisory Committee recommends that the City work with NHA to achieve such expansion in the supply of affordable housing.

Some additional public financing assistance will be necessary to attract landlords with well-maintained homes to participate in the program. The current market rent for a 3-bedroom home not occupied by students is approximately \$1,600 plus utilities. After adjustment for utilities payment by the tenant, the effective maximum rent for the landlord under the Section 8 program is about \$1,350 or \$250 per month less than anticipated from market rents.

Various approaches could be pursued to encourage landlords to participate in this effort by providing financial supports sufficient to cover this \$250 per month gap between market rate rents and project-based Section 8 rents. Potential financial supports could include:

- Real estate tax abatements: providing \$100 to \$125 per month in support;
- Zero-interest, zero-payment second mortgage financing of \$30,000 per home (similar to the POOH program) forgivable over 15 years assuming on-going participation by the landlord in providing affordable rental housing: covering \$160 per month of the gap through lowering of the first mortgage principal;
- Tax-exempt bond financing for the landlord: covering \$100 per month of the gap through lower interest rates.

The Advisory Committee also recommends that the City pursue with UD the feasibility of converting the former Dickinson Hall (a dormitory vacated in 2015) to affordable senior housing.

4. CREATE INCENTIVES FOR LANDLORDS TO PARTICIPATE IN REGULARLY SCHEDULED PROPERTY INSPECTIONS

Rental License Inspections are conducted by the City of Newark for the purpose of ensuring “public health, safety and welfare insofar as they are affected by the continued occupancy and maintenance of structures and premises.” The exterior of the premises is inspected annually by the city’s inspectors. For the interior of the property, the tenant or person in possession of the property can request or reject the inspection request. Voluntary participation with the rental inspection program, despite the stated purpose of ensuring safe living conditions for tenants, has been declining over the past several years.

To expand the opportunity for more complete inspection of rental properties and to increase the regular scheduling of rental property inspections, the Advisory Committee recommends that the City consider adopting the following procedures:

- As part of the requirement to obtain a new rental permit in Newark, the permit holder must include language in the rental agreement that tenants must make the unit available for inspection by City Code Enforcement officials.
- For existing rental permits that come up for renewal, the City should offer a 5-year discount on rental permit fees if landlords insert the above language in the rental agreement.
- For all properties added to the Student Home Ordinance Exemption Areas (as described in Recommendation #1), landlords must agree to add language to leases requiring access for property inspections.
- Consider offering landlords some extra benefit (e.g., discounts at participating home improvement stores, recognition as a “Gold Star” landlord that can be used in marketing their properties) in exchange for signing an agreement to have their property inspected. Tenants must agree to that as part of the lease agreement.
- Allow self-certification of rental properties (example from Sacramento):
 - If no violation exists on the property, the owner will be provided with a “Self-Certification” checklist to be completed as part of annual self-inspection.
 - City’s Code Enforcement officers will perform random checks of Self-Certified Properties (Sacramento verifies 10% of these properties randomly each year).
 - If a violation is placed on a property, it will be placed in the mandatory “continuing” inspection program at a higher cost.
 - Landlords must agree to add language to leases requiring access for property inspections.

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Appendix 1

Rental Market Needs Assessment for the City of Newark

Summary of Findings in Phase One

DRAFT

Submitted to:
City of Newark, DE

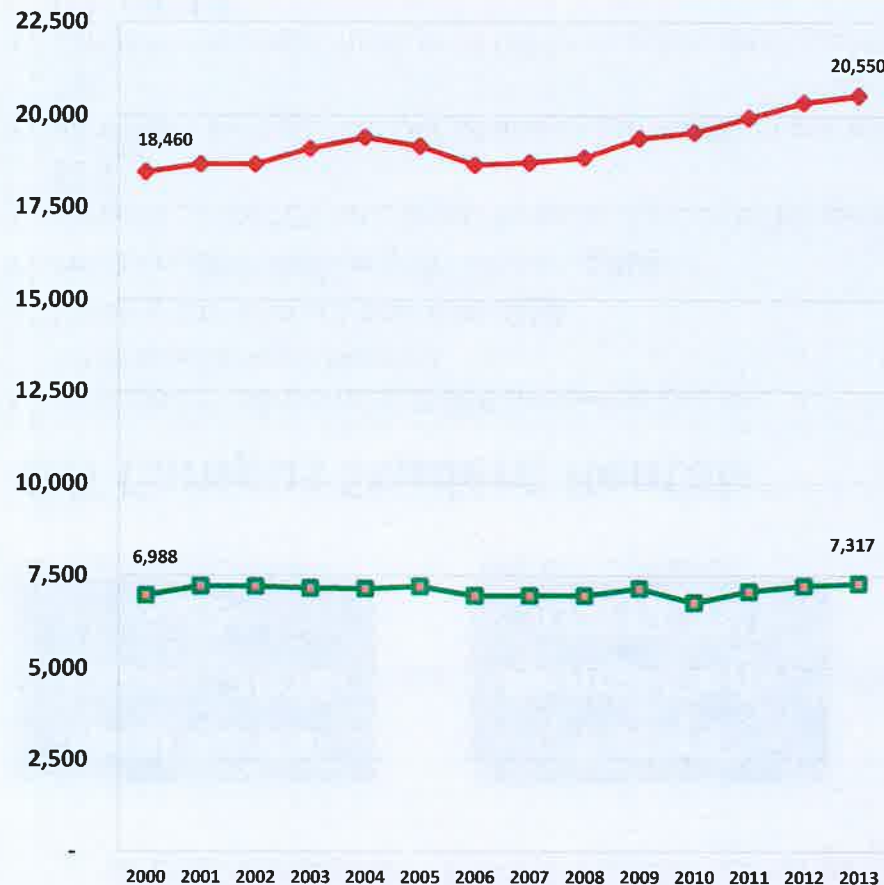
Prepared by:
URBAN PARTNERS

January 13, 2015



Newark Rental Housing – UD Students

UD Enrollment/Dorm Residents



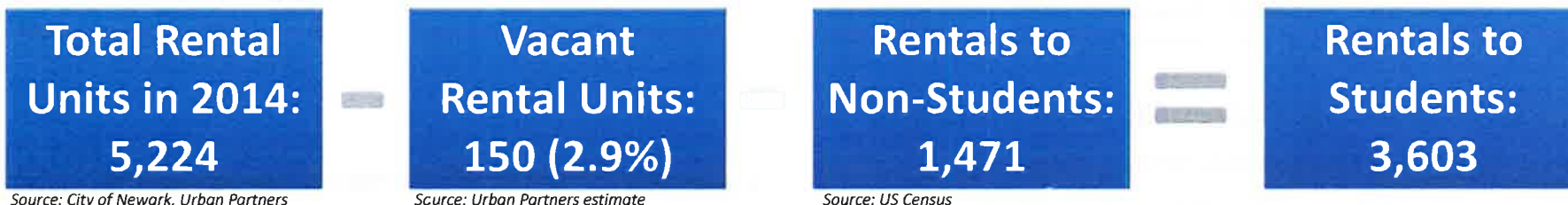
Student Residential Pattern ('13-'14)

- Total enrollment: 20,550
- Undergraduates: 16,871
 - 1st Year Students: 3,808 (91% in dorms)
 - 2nd Year Students: 3,492 (60% in dorms)
 - Upperclassmen: 9,571 (18% in dorms)
- Undergrads in dorms: 7,317 (43%)
- Undergrads living w/ relatives¹: 1,518 (9%)
- Undergrads off-campus: 8,036 (48%)
- Graduate students: 3,679
 - Full-time Graduate Students: 2,833 (77%)
 - Part-time Graduate Students: 846 (23%)
- Full-time grad students off-campus²: 1,980

¹ From UD student survey conducted by Biddison Hier on behalf of UD.

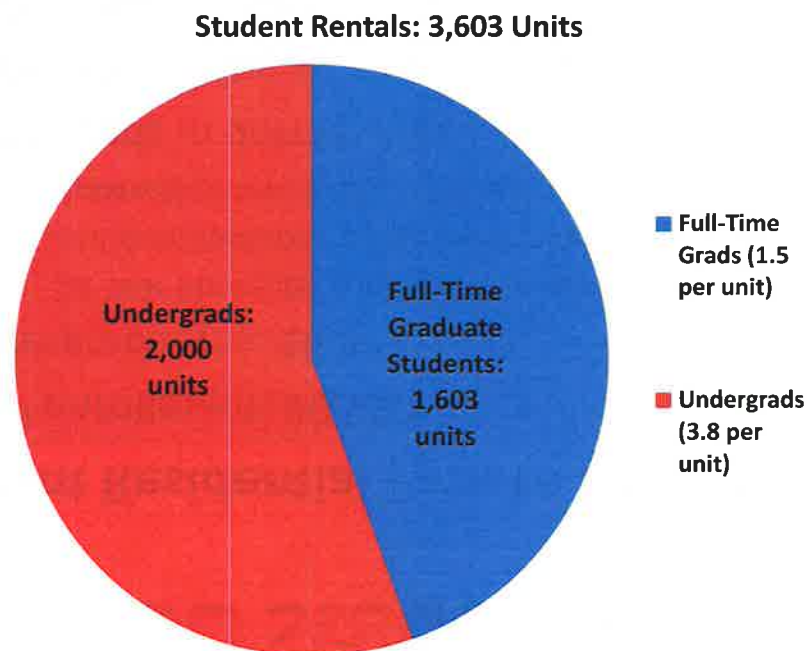
² Approximately 70% of all full-time graduate students live in the City of Newark. Estimated by Urban Partners.

Newark Rental Supply – Student Rentals



Off Campus Student Rentals

- Undergrads off-campus: **8,036** (including 243 in fraternity/sorority houses)
- Undergrads who are boarders: **250**
- Full-time grad students off campus: **2,408**
- Variable - % of full-time grads living in the City of Newark: **85%**
- Variable – average number of undergrad students per unit: **3.8**
- Variable – average number of full-time graduate students per unit: **1.5**
- # of units occupied by undergrads: **2,000**
- # of units occupied by full-time grads: **1,603**
- Total # of student rentals: **3,603** (71% of all occupied rentals)



Newark Rental Supply – Non Student Rentals

Subsidized/Special Needs Rentals

- Low income seniors
 - Main Tower (150 units)
 - Marrows Court (50 units)
 - Independent Circle (36 units)
 - Low income families
 - Victoria Mews (81 units)
 - Newark Housing Authority Properties³ (20 units)
 - Special needs
 - Woodmont (16 units)
 - ARC (3 units)
 - Housing Choice Vouchers (Section 8)
 - Throughout the city⁴ (97 units)
- Total # of income restricted units: **453** (33% of all non-student rentals)

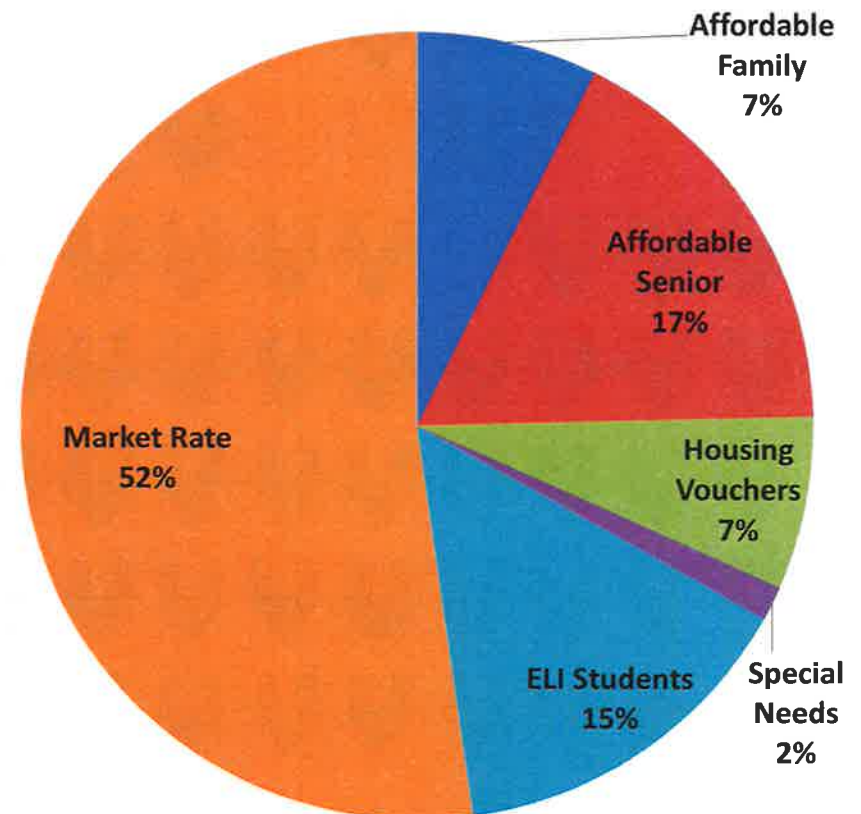
³ Cleveland Heights (42 units) is being replaced with Alder Creek (56 units), which will be completed by summer of 2015. There are more than 800 families on the waiting list.

⁴ More than 500 families are currently on the waiting list.

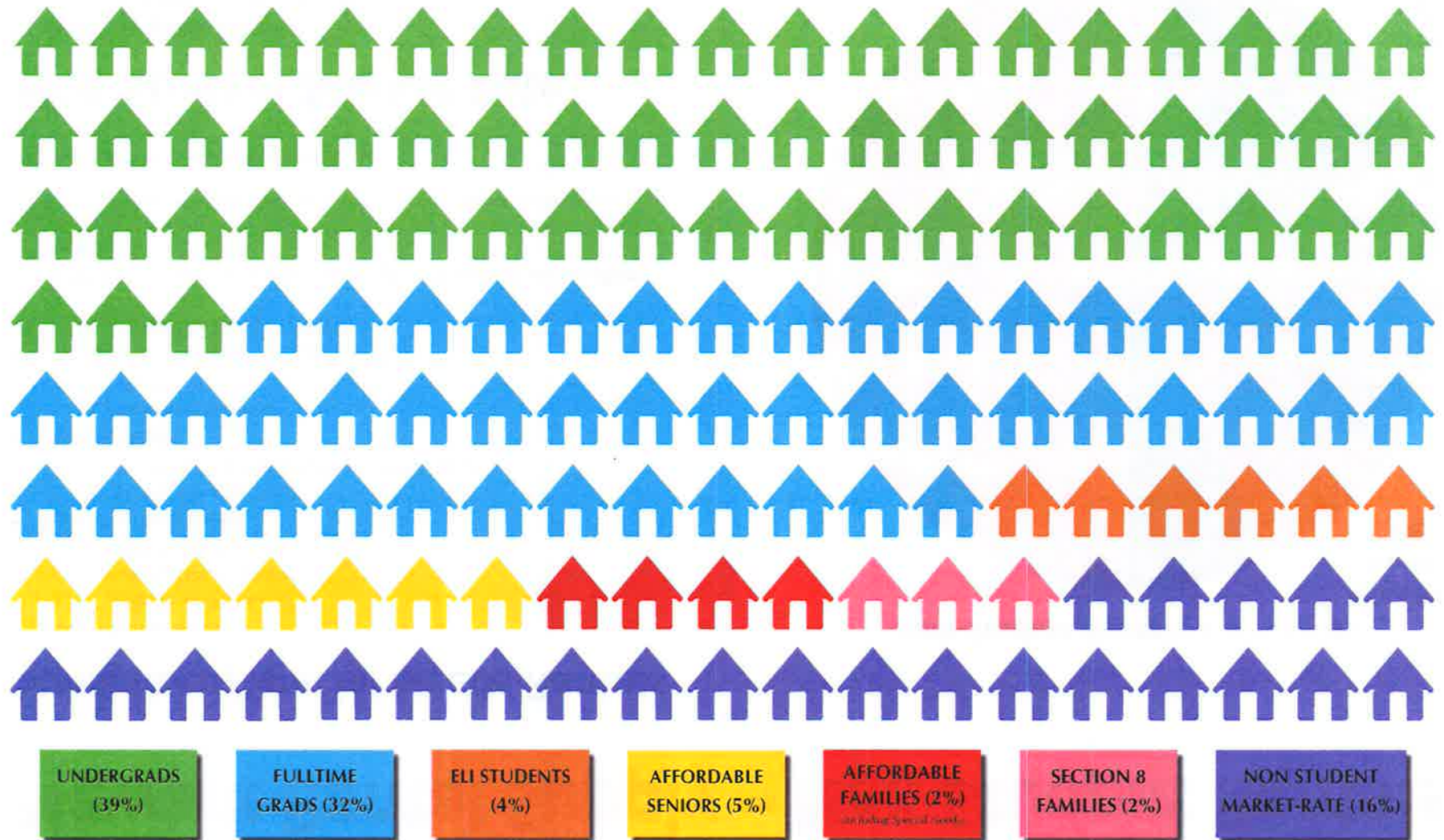
Non-Student Market Rate

- English Language Institute
 - Block leases with APT complexes (135 units)
 - Other apartments in Newark (66 units)
- Market Rate (817 units)

Non-Student Rentals: 1,471 Units



Who Lives in Newark Rental Homes?



GENERAL MARKET OBSERVATIONS

- Based on Urban Partners' polling of property owners and management companies, the vacancy rate for Newark's rental housing market as of December 2014 is estimated at 2.9%. The vacancy rate for the apartment complexes with more than 50 units is 3.5%.
- The vacancy rate is currently impacted by the lease-up process at the Retreat. As of this report, there are 68 units vacant at the Retreat which represents a 40% vacancy rate. The Retreat was completed in summer 2014 and missed the fall 2013 window when a large proportion of UD students were making housing arrangements for the following academic year (2014-2015).
- It is likely that by fall 2015, the Retreat will absorb the demand generated by the incremental annual growth in UD student population (see next section) and, as a result, the vacancy rate at the Retreat will be no more than 10%. The overall vacancy rate in fall 2015 for the City of Newark is projected at 1.9%.
- Most of the landlords interviewed by Urban Partners have reported that they have no, or very little, vacancies in their rental properties for the current academic year (2014-15). Some property owners reported that they've lowered their rents and offered special incentives to attract student renters this year. The landlords with newly built units report very strong demand for their apartments. Typically, these newer apartments that can rent as high as \$750 to \$850 per bedroom are off the market by October-November for the following academic year.
- For the student rental market, the apartments in highest demand are the newer units (both multi-unit apartments and townhomes) located in close proximity to campus. Students are willing to pay a premium for these units, even to the point of

keeping their apartments vacant throughout the summer months in order to continue the lease for the following academic year.

IMPACT OF UD'S STUDENT ENROLLMENT ON OFF-CAMPUS RENTAL HOUSING DEMAND

- Despite the stated policy of keeping a steady enrollment number, the University of Delaware has added over 1,450 students (undergraduates and full-time graduates) between 2005 and 2013. This represents a 7% annual growth rate.
- Based on the model formulated by Urban Partners to analyze the rental housing market in Newark, the additional 183 UD students arriving each year increased the demand for off-campus rental housing by 50 units per year from 2005 to 2013. Assuming that this growth rate remains constant for the foreseeable future, Newark must develop 50 additional units of rental housing each year to keep up with the demand for off-campus apartments.
- In fall 2014, UD accepted the largest freshmen class in the history of the University (4,150 students), which numbered approximately 350 more than planned and anticipated. In fall 2016, when the vast majority of this class will live off-campus, an additional 71 units of off-campus apartment units will be required to accommodate this unusually large class (with all other factors remaining constant).
- UD has stated publicly that there are no plans to change on-campus dorm capacity in the near future. Normal capacity for on-campus housing is 7,400 beds. There will be no interruptions of housing due to demolition or renovation of existing dorm facilities (i.e. Rodney and Dickinson Halls which will be decommissioned in May 2015). UD plans to open the new

Academy Street Dining and Residence Hall Complex and the renovated Harrington Complex in fall 2015. Even in 2014-15 when the University accepted 350 more students than usual, the dorms are accommodating 7,700 beds by converting some double rooms into triples.

- The current policies of requiring all freshmen students to live on campus (with small exceptions for students with families residing within commuting distance) and providing all upperclassmen dorm space if they choose to stay on-campus will also remain in place for the foreseeable future.

ENGLISH LANGUAGE INSTITUTE

- The University of Delaware English Language Institute (ELI) offers intensive English language programs for “degree-seeking students, business and legal professionals, English language teachers, and general English language learners.” There are six 8-week sessions throughout the year. At any given session, there are approximately 800 students enrolled, or approximately 2,200 unique students per year. About 650 ELI students matriculate into the University each year.
- ELI’s large growth started in 2008 when UD initiated the Conditional Admission Program through ELI. The usual prerequisite for international applicants to take the TOEFL exam is waived if he/she successfully completes the highest level of the ELI program.
- Current ELI students are technically not UD students and don’t count toward the official UD student enrollment figures.
- Conditionally admitted students are required to live with American households or live in a Global Community apartment which houses three ELI students and one American student.

Global Community apartment units are situated at Rittenhouse Station, the Retreat, and West Knoll.

- Of the 200 or so ELI students living with American households (i.e. not in a Global Community apartment), about half live in the City of Newark.
- We estimate that approximately 200 units of rental apartments in Newark are occupied by ELI students. Studio Green has 88 units, the Retreat has 4 units, West Knoll has 19 units, and Rittenhouse Station has 24 units. In addition, ELI students occupy approximately 66 units of rental homes scattered throughout Newark.

KEY QUESTION: DOES NEWARK HAVE ENOUGH RENTAL HOUSING?

- i) To maintain the current housing availability while accommodating projected modest student growth, then the community needs to add 50 rental units per year.
 - ii) If Newark desires the share of its population that resides in market-rate, non-student rental units to grow beyond the current 4% of the total population, then additional rental units need to be provided (above the 50 units required to meet the growing student demand).
 - iii) If Newark feels that the 453 affordable rental units currently available is less than optimal to meet affordability needs, then additional affordable units need to be developed.
- From the standpoint of simply responding to the incremental annual growth of UD’s student population and the assumption that it will continue at the current rate, Newark needs to add 50 units every year to maintain the status quo.

- If the supply of new apartment units does not keep pace with the growth of UD’s student population, it is likely that additional single-family or other owner-occupied dwellings will be converted to rental homes.
 - If ELI continues to grow, there could be even greater demand for rental homes in Newark.
 - From 2005 to 2011, Newark approved the development of 286 new rental apartment units, or 41 units per year. During this period, the growth of the UD student enrollment resulted in approximately 890 additional students living off campus. The incremental increase in off-campus rental housing demand was approximately 320 units.
 - In 2012 and 2013, the City has approved a total of 598 new rental apartment units. Included in this group are the Retreat (169 units) and the Newark Shopping Center project (220 units). Of the 598 units approved during this period, 269 have been completed as of December 2014. The units that are currently under construction, or are in the predevelopment phase, total 329 units (including the 220-unit Newark Shopping Center project).
- The off-campus rental demand is dictated by the size of the UD student population and thus it is a relatively “fixed” number in terms of demand.
- If the development of new rental homes were to outpace the growth in UD student population, the older apartments and formerly single-family homes located relatively far away from campus will be most severely impacted. The likely result will be lower rental rates and increased vacancy rates for those properties.
- Currently, there appears to be a severe shortage of affordable rental homes in Newark.
- Newark Housing Authority (NHA) owns and operates 20 scattered-site rental homes for eligible low income households. In addition, NHA administers 97 Housing Choice Vouchers (Section 8) in Newark. The current waiting list for NHA properties is over 800 households and the list for Section 8 Vouchers exceeds 500 households.
 - NHA, in conjunction with a residential developer, is in the process of developing Alder Creek, which will be completed by summer 2015. This development will result in 14 net additional rental homes for low income households in Newark.
 - All other privately owned affordable and/or special needs housing units add up to 336 units.
- Newark currently provides 820 rental housing units at market-rate for non-student households. This represents 16% of all occupied rental units and provides housing for about 4% of Newark’s total population.
- Is providing housing for this share of the total population consistent with public objectives or does the proportion of Newark’s total population that is non-student market-rate rental occupants need to increase?

TOPICS TO BE ADDRESSED IN PHASE TWO

- Should there be additional rental housing availability for the market-rate, non-student community? If so, what household or family sizes should be encouraged?
- Should there be additional rental housing availability for low-and-moderate income households? If so, what household or family sizes should be encouraged?
- Are there certain neighborhoods where the market should be shifted to non-student renters or owner-occupants?
- Should Newark continue its policy to concentrate student rental housing as close to campus as possible? How does that change the parking requirement for Downtown?
- What are the best practices in rental housing code enforcement?

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Appendix 2

Rental Market Needs Assessment for the City of Newark

Summary of Findings in Phase Two

DRAFT

Submitted to:
City of Newark, DE

Prepared by:
URBAN PARTNERS

January 20, 2016



- Comparative Analysis of University Communities

City	2014 Pop	Institution	Student Body	On Campus %	Est. Off Campus
Newark, DE	32,278	University of DE	20,550	49%	10,542
Amherst, MA	39,260	University of MA/ Amherst	28,635	65%	10,022
Binghamton, NY	46,771	SUNY Binghamton	16,695	52%	8,014
Burlington, VT	42,342	University of VT/ Champlain College	12,856	51%	6,299
Chapel Hill, NC	58,379	University of NC	29,135	53%	13,693
Charlottesville, VA	44,505	University of Virginia	23,732	41%	14,002
Clemson, SC	14,254	Clemson University	21,857	41%	12,896
College Park, MD	31,387	University of MD	37,610	44%	21,062
Corvallis, OR	54,735	Oregon State	28,886	18%	23,687
Durham, NH	10,288	University of NH	15,169	56%	6,674
East Lansing, MI	48,611	Michigan State	50,085	39%	30,552
Iowa City, IA	70,597	University of Iowa	31,387	26%	23,226
Morgantown, WV	30,133	WV University	29,175	15%	24,799
Avg	40,272		26,598	59%	15,805

- Ratio of Median Value of Owner-Occupied Home to Median Income

City	Median Value – Owner Occupied Housing	Median Household Income	Housing Cost Multiplier
Newark, DE	\$275,800	\$54,580	5.1
Amherst, MA	\$341,400	\$40,017	8.5
Binghamton, NY	\$85,100	\$30,978	2.7
Burlington, VT	\$253,300	\$42,677	5.9
Chapel Hill, NC	\$367,800	\$60,802	6.0
Charlottesville, VA	\$293,000	\$44,601	6.6
Clemson, SC	\$200,300	\$37,851	5.3
College Park, MD	\$273,100	\$56,957	4.8
Corvallis, OR	\$262,300	\$39,232	6.7
Durham, NH	\$315,300	\$51,697	6.1
East Lansing, MI	\$177,000	\$32,953	5.4
Iowa City, IA	\$180,900	\$41,410	4.4
Morgantown, WV	\$167,600	\$29,328	5.7
U.S	\$179,000	\$51,144	3.5
Case Study Cities	\$245,600	\$43,310	5.7

Case Studies of College Towns

1. Iowa City, IA

- UniverCity Neighborhood Partnership
 - City purchases homes, rehabs (up to \$50K) and then sells for up to \$235,000.
 - Renovation costs are not included in the final sales price and are forgiven once the home has been owner-occupied for five years.
 - Renovated homes are sold to households that meet income guidelines, with some preference given to employees of the University of Iowa.
 - Deed restrictions are placed on UniverCity Neighborhood Partnership properties to insure that they remain owner occupied for 20 years.
 - To date, 42 properties have been rehabilitated and transferred to owner-occupants with an additional 16 homes slated for completion this year.
 - The program has been funded through a \$1.25 million state I-Jobs grant (which finances the forgivable renovation costs), a \$200,000 contribution from the University of Iowa, \$100,000 from the Iowa City Housing Authority and by a \$2.6 million low-interest mortgage loan pool provided by five participating lenders.

Case Studies of College Towns

1. Iowa City, IA

■ Supportive Municipal Actions

- “Good Neighborhood Property Management” program. Area residents are encouraged to register concerns about problem properties – including lack of snow removal, overgrown yards, storage of inoperable vehicles/illegal off-road parking, trash, lack of rental permit, over occupancy, etc. -- through an online service operated by the City’s Housing Inspection Services.
- A rental permit look-up feature provides maximum allowed occupancy information for all registered rental units in the city as well as owner name and contact information.
- An online Complaint Tracking Map allows residents the ability to determine whether reports have already been filed against a specific property and to view all properties for which complaints are being investigated.

Case Studies of College Towns

2. Morgantown, WV

- Morgantown Homecoming
 - Existing homes are purchased and rehabilitated by the City in designated areas.
 - Leases the homes to families who had completed homeownership counseling and, eventually, sell the units once participating families were considered mortgage worthy.
 - The program has been expanded to allow for immediate sale and future projects will include infill new construction in targeted neighborhoods.
 - WVU has partnered with the City in providing forgivable down payment assistance for university employees who participate in the program.

Case Studies of College Towns

2. Morgantown, WV

■ Supportive Municipal Actions

- Recently, the City of Morgantown has applied for Pilot Home Rule Status with the State of West Virginia.
- Purpose is to more stringently regulate the presence of upholstered furniture on porches, which would be inconsistent with, and set a higher standard than existing West Virginia Code.
- Each year, following major sporting events, celebratory “couch fires” are set using mattresses, couches and other combustible material found on front porches and yards, and the City seeks to establish stricter controls in order to minimize damage to municipal streets, Fire Department costs and threats to public safety.

Case Studies of College Towns

3. Burlington, VT

- Owner-Occupied Multi-Family Dwellings
 - Homebuyers of multi-unit properties (up to 4 units total) are provided no interest down-payment assistance loans of \$10,000 under the condition that they reside onsite, displace no existing tenants as a result of the purchase and retain the affordability of rental units for a period of five years.
 - Unlike the other programs designed to encourage homeownership, the Burlington model does not attempt to return entire properties to homeownership.
 - Rather, it acknowledges the large size of many of the homes in the target neighborhoods and the income potential of these rental properties and seeks instead to control pricing of rental units while also inserting on-site owner oversight.

Case Studies of College Towns

3. Burlington, VT

■ Supportive Municipal Actions

- Extended a citywide zoning limit of four unrelated persons per housing unit into the most heavily populated student neighborhoods downtown and enforcement is reported to be ineffective. Already occupied units in the area grandfathered, with the new limitations applying only to units whose use has been suspended for a full year, further limiting the zoning's intent.
- Burlington is currently exploring redevelopment opportunities in its downtown area that include student housing. If sufficient development of this type were to occur, the City hopes that students will be drawn out of neighborhoods, thereby providing opportunities for the restoration of dilapidated multi-unit Victorians into single family homes for occupancy of young professionals and families.

Ideas to Encourage market-rate, non-student community

- Incentivizing non-student rental homes
 - Encourage small households without kids in downtown
 - One-bedroom, one-bath apartments (2 unrelated individuals in the unit)
 - Incentives: bonus density?

Increasing rental housing for low-to-moderate income households

Underlying data

- The Newark Housing Authority has 209 vouchers associated with Tenant based section 8 program.
- NHA is currently utilizing 92 of its vouchers.
- New Castle County absorbed 20 vouchers in Mays.
- Project-based rent support limits (includes utility allowance):
 - 1BR- \$1,003
 - 2BR- \$1,210
 - 3BR- \$1,502
 - 4BR- \$1,659

Increasing rental housing for low-to-moderate income households

Home Type 1:

- *Acquisition Price: \$180,000
(80% loan, 20% equity)*
- *Living Space: 1,380 SF, 3-4
bedroom homes*
- *Real Estate Tax: \$1,300 per year*

- 911 Pickett Ln
- 21 Westfield Dr
- 904 Kenilworth Ave
- 374 Paper Mill Rd

Monthly Operating Budget

- *Section 8 Payment: \$1,350*
- *RE Tax: \$108*
- *Vacancy (4%): \$54*
- *Operating expenses: \$375*

- *NOI: \$813*

- *Debt Service: \$780
(4.5%, 25 year amort.)*

- *Annual Return on Equity: \$396*
- *% Return on Equity: 1.5%*

Increasing rental housing for low-to-moderate income households

Home Type 2:

- *Acquisition Price: \$170,000
(80% loan, 20% equity)*
 - *Living Space: 1,350 SF, 3-4
bedroom homes*
 - *Real Estate Tax: \$1,300 per year*
-
- 49 Shull Dr
 - 41 Woodhill Dr
 - 958 Alexandria Dr

Monthly Operating Budget

- *Section 8 Payment: \$1,350*
- *RE Tax: \$108*
- *Vacancy (4%): \$54*
- *Operating expenses: \$375*
- *NOI: \$813*
- *Debt Service: \$735
(4.5%, 25 year amort.)*
- *Annual Return on Equity: \$936*
- *% Return on Equity: 3.6%*

Increasing rental housing for low-to-moderate income households

Home Type 3:

- *Acquisition Price: \$130,000
(80% loan, 20% equity)*
 - *Living Space: 1,200 SF,
3 bedroom homes*
 - *Real Estate Tax: \$900 per year*
-
- 74 Ethan Allen Ct
 - 5 Patrick Henry Ct
 - 20 Patrick Henry Ct
 - 165 King William St
 - 16 Madison Dr
 - 41 Madison Dr

Monthly Operating Budget

- *Section 8 Payment: \$1,350*
- *RE Tax: \$75*
- *Vacancy (4%): \$54*
- *Operating expenses: \$400*

- *NOI: \$821*

- *Debt Service: \$565
(4.5%, 25 year amort.)*

- *Annual Return on Equity: \$3,072*
- *% Return on Equity: 11.8%*

Increasing rental housing for low-to-moderate income households

Home Type 1 – Tax exempt bond

Monthly Operating Budget

- *Section 8 Payment:* \$1,350
- *RE Tax (with abatement):* \$75
- *Vacancy (4%):* \$54
- *Operating expenses:* \$375
- *NOI:* \$846
- *Tax Exempt Bond
Debt Service:* \$680
(3% , 25 year amort.)
- *Annual Return on Equity:* \$1,992
- *% Return on Equity:* 7.7%

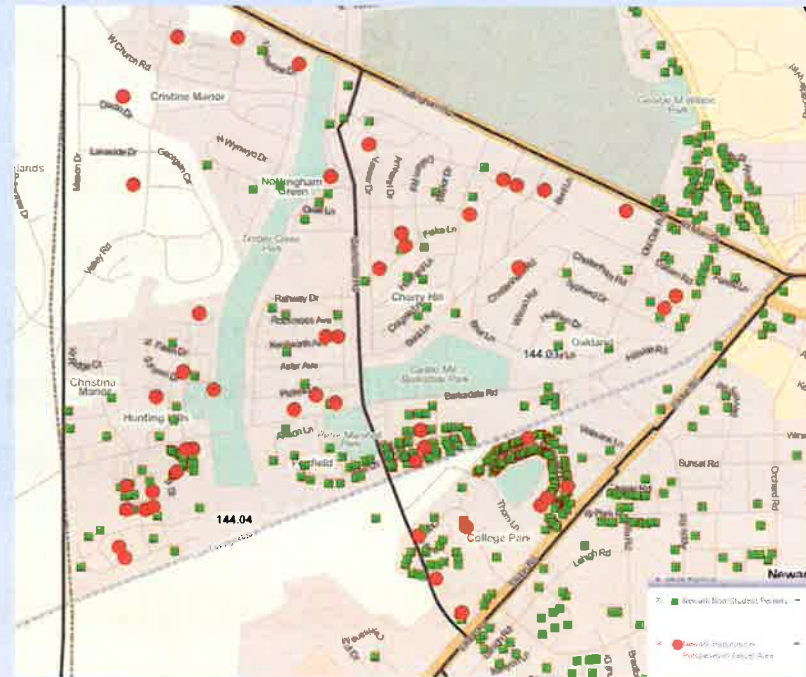
Home Type 2 – Tax exempt bond

Monthly Operating Budget

- *Section 8 Payment:* \$1,350
- *RE Tax:* \$75
- *Vacancy (4%):* \$54
- *Operating expenses:* \$375
- *NOI:* \$846
- *Tax Exempt Bond
Debt Service:* \$645
(3% , 25 year amort.)
- *Annual Return on Equity:* \$2,412
- *% Return on Equity:* 9.3%

Neighborhoods where the market should be shifted to non-student renters or owner-occupants

- Promoting Owner Occupancy of Homes (POOH) Program
 - Create a target area for POOH program, with a deeper subsidy or discount of loan recapture/share of net appreciation.
- Target areas
(Tract 144.03, 144.04)
Rental permits: 386
Recent owner sales: 48
Sale price range: \$98,000 - \$775,000
Median sale price: \$236,000
- Expansion of exempt areas for student homes



Ideas for code enforcement

- Requirement for new rental permits
 - Must include language in the rental agreement that unit must be available for inspection by City Code Enforcement officials.
- Requirement for renewing rental permits
 - Offer 5 year discount on rental permit fees for inserting the above language in the rental agreement.
- Self-certification (example from Sacramento)
 - If no violation exist on the property, the owner will be provided with “Self Certification” checklist to be completed as part of annual self inspection.
 - Random check of Self-Certified Properties (Sacramento verifies 10% of these properties randomly each year).
 - If a violation is placed on a property, it will be placed in the mandatory “continuing” inspection program at a higher cost.

Ideas for code enforcement

- Overcrowding issue
 - From the parking study by Tim Haas: guest permits may be utilized full-time by another resident of the household (beyond the first two) or used by a student or employee wishing to avoid downtown parking fees.
 - Expand the permit parking zones throughout the city.
 - Offer the parking permits for free or nominally priced for owner-occupants.
 - Devise a tracking system for the use of guest permits.