Buttermilk LLC

Developing Brightfields in Vermont and Beyond.

November 15, 2023

Planning Commission:

In advance of our discussion on November 15, 2023 on housing in Richmond, we want to provide some background, considerations and a proposal.

To many of you, this discussion will sound familiar as much has been discussed with you in the past 8 years. We have provided a timeline to help this review and discussion. In 2015, we started this journey to remediate a derelict brownfield but required a change in zoning to make the high cost of brownfield clean-up and future development possible. Throughout, we shared the looming housing crisis, changes in residential behaviors, and the commercial real estate market reality. Together, we adjusted some elements of the zoning to encourage success but often we were forced to compromise.

Since 2015, the market conditions we reviewed have only worsened causing the current housing crisis. This crisis is a simple supply and demand. This summer the State of Vermont passed Act 47 to supersede restrictive local zoning policies of individual Vermont towns to support more housing. But many, even the authors of that bill, do not believe it will be enough to solve the 40 years of diminishing supply. Please watch this [recent interview of Josh Hanford, the recently resigned Commissioner of Housing](https://www.mynbc5.com/article/nbc5-in-depth-vermont-housing-crisis/45459333) (https://www.mynbc5.com/article/nbc5-in-depth-vermont-housing-crisis/45459333). It echoes everything we have been discussing and should discuss to support the housing crisis.

In 2020, we supported the Town's successful grant application to fund a comprehensive housing study. Our letter of support is included. In 2022, that report identified the Creamery as being a top priority to add housing opportunity to Richmond. Together, with that Town Planner / Zoning Admin (Ravi) we explored various options to offer more housing in Richmond both workforce and affordable. We explored finance options with the Vermont Housing Finance Association and they explained that the best way to proceed with the Town's housing goal at the Creamery and in Richmond would be to increase density for our district.

A year on from those discussions, market factors have worsened – and are unprecedented. And the forecast shows no sign of improvement. Our ability (not interest) to support Richmond and Vermont's housing goals has been further compromised. If Richmond wants to achieve the Town Plan and help alleviate the housing crisis in Richmond and Vermont, there is a solution. Significantly increase density and remove commercial constraints on the Creamery development.

Market Conditions & Background

- **For 8 years, we urged increase housing density.** Our requests have ranged from 95-72 units on the high end. Yet, since the 2015 residential cap, no density increases have been implemented.
    - From our 2015 proposal to now, we encourage smaller units and range is level to support a range of community members. Our current building - provide a range of units from low income 'affordable' at 60% AMI or to 'work force' housing. We have 14 units with less than 1% vacancy in 3 years.
    - The 45 units - the residential density cap - was established in 2015 through Interim Zoning. In 2019, with the Planning Commission, we discussed increasing that cap with affordable

density bonus up to 72 units. This 45-unit residential cap was adopted as permanent Jolina Court zoning in April 2020. That took over 18 months of meetings, proposals, plans, etc in which we requested additional residential units to ensure viability and affordability. Limiting units makes them less affordable (e.g. supply / demand). The SB declined to support these requests and maintained the 45-unit cap into current Zoning. We warned that it would likely be a barrier for progress.

- **Future speculative commercial space development at the Creamery is highly unlikely.** Based on current zoning we have at least 8,000 square feet of commercial to fill before any loan or construction is started. We have had little to no interest. Our bank and others lenders are unwilling to fund any commercial construction without signed long-term lease from a Grade A client. In the US, Vermont and in Chittenden County, there is a significant oversupply of commercial real estate. The pandemic worsened the interest and opportunity in commercial further. Commercial owners are walking away and surrendering commercial properties. Commercial rental rates do not justify the costs of construction – rental income are at 20-40% of the costs of construction. With the current commercial zoning requirement, we will not be able to proceed with development. This was highlighted in 2020 and the market condition has only gotten worse.
- **Cost of construction has skyrocketed in recent years and are not anticipated to come down.** Since 2022 (when our last proposal was provided), construction costs have increased 33% that is after several years of increasing costs. Our forecast for future buildings budget is nearly triple from previous building in a cost per square foot. Due to lack of housing for workers, increasing interest costs, inflation and diminishing supply chains, those costs are forecasted to continue to increase. All these increased costs must be both financed and our monthly cash flow is required to fund.
- **In perpetuity.** Historically, there was a request for us to considering offering affordable units in perpetuity. Last year, we researched this option in good faith – spoke to lenders, other developer, VHFA, and commercial real estate experts – and provided clear feedback. This is not something we can consider. According to our lenders, it is a 'deal-breaker.'
- **In 2022, Vermont Housing Finance Associations recommendation for the Town of Richmond and our development was to increase density on our property to provide affordable and workforce housing.** No other grants and funding are suitable for the location (eg Town of Richmond size and lack of infrastructure), building size / unit size and type of project.

November 2023 Proposal

1. <u>Increase residential density of Jolina Court District from 45 to 125 units</u>. In 2022, we purposed a 95 unit cap after extensive analysis. This increased request equal to the increase of cost of construction (33%) from 2022 costs. With 125 total units, we will provide 15% of units as workforce / affordable units (80-100% of AMI for Chittenden County) for at least 10 years. Please note <u>today</u> and for 3 years, we offer affordable units without incentive or density bonus as we are committed to alleviating the housing crisis in Vermont and the intent of this project as purposed in 2015. The additional 'at market' units will help us finance the affordable units and cover the increase cost of construction.

2. <u>Remove the 'street front commercial requirement' on the non-public main street located or accessible buildings in the development (e.g. those directly located on Bridge Street).</u> The regulation requiring non-public or main street commercial is un-necessary. Most of the buildings proposed for the Creamery development are not visible to the main street (e.g. Bridge street) and only accessible

via our private road and visible within our private development only. Allow for more reasonable approach to commercial based on demand and needs. For example, we plan to offer commercial in future buildings that is relevant and logical to the development. For example, small offices, gyms, potentially a small café. And if the market improves and a commercial tenant is interested, we will have ample space to provide commercial space. Please note that commercial tenant are easier and ensure a healthy balance in a mixed use development – when they are available and interested.

3. <u>Ratify Act 47 into Zoning. Including parking, height restrictions and density bonuses.</u>

4. <u>Achieve Downtown Designation requirements so we avoid part of Act 250 Fees. Prior zoning admin, had been exploring this in Oct 2022.</u>