3.20.24 meeting memo 1 – Buttermilk next steps

**Key point #1: Buttermilk cannot build building 2 without financing, and commercial borrrowing is difficult right now.**

In speaking with a local commercial lender, I have gained the following information: the cost of construction is very high at the moment, so banks are looking to lend to projects that will have a favorable economic value, as the appraised value may suffer from the high construction costs. Thus lenders are not interested in projects with features that will impact cash flow or overall economic value. For Buttermilk, these features include requiring commercial space or placing income-restricting conditions on the residential units. **This is a different development landscape than was present in 2014-15 (**interim zoning**), 2016** (building 1 permit) **or in 2020** (permanent zoning adopted). **If it is not possible to get financing, there will be no building 2 in the foreseeable future.** This is why some of the historical details of this project are no longer relevant to our current discussion, and why we need to think very carefully about any income-restricting conditions we place in the zoning for this project.

**Key point #2: Richmond needs more housing**.

The PC has stated that we are committed to finding opportunities for increased density, especially infill, especially in areas served by W&S. **If there is no building 2, there will be no 31 units of housing** in an area served by W&S and walkable to the village center. This is directly counter to our stated goal of increasing housing. It is also feasible to increase the number of units in building 2 beyond 31 to allow for even more housing, and to create housing that is "more affordable" at market rate, due to the smaller size of the units. This is an additional housing opportunity for us.

**These two points need to be our bottom line.**

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**Strategies for enabling a financeable project:**

All strategies include removing the commercial requirement. The building would remain the same size as currently planned thus allowing 8,000 sf additional space for residential or commercial uses (such as small gym, coffee shop etc., if commercial tenants can be found) . – PC agreed

Variety of studio, 1- and 2-bedroom apartments to be offered in building 2 – PC agreed

Then, when revisiting the number of units, we could:

A. Leave residential density at 15 U/A - the 31 units already allowed would likely be bigger, possibly less workforce-affordable, but at least we would add 31 units
B. Increase residential density to 24 U/A to match the VD district (potentially adds 27 units) - could also consider some smaller number such as 20 U/A (potentially adds 15 units) with no additional restrictions – this is the strategy that would generate more units – smaller and less costly - and would be the most likely to promote favorable lending options for the project. It is a simple and consistent strategy that can be thought of as creating a "village downtown neighborhood."
C. Increase residential density by allowing some number of **density bonus units** to be applied for up to a maximum total density (consider 24 U/A or 20 U/A) allowing **only** those additional units that meet our criteria – the developer would have to calculate whether or not the bonus units were financially worthwhile – this may place restrictions on the project that are likely to reduce lending options, and result in the

developer selecting the “no additional bonus units” thus creating the 31 units originally permitted..

D. Increase residential density by placing requirements directly into **district specific development standards** (see previous “strategy #1”) – the types of units that might be appropriate here are senior (ageing-in-place) or workforce- units. For example, we could require that 2 units be workforce housing and 4 units be ageing-in-place etc. – this has similar lending issues as with C. above, only more restrictive as the developer would have no choice but to comply, whether or not it was financially sound or acceptable to a lender. The least number of restrictions the better from a financing point of view.

E. Some combination of B. with C. or D. - for example: increase base density to 20 U/A and then offer a possible density bonus of up to an additional 12 units of specified types

In speaking with the local lender, equipping units to be ageing-in-place (senior) seems to be the least problematic, and would be the least discouraging for a lender, as it is a one-time cost and not too expensive. There would be no requirement that the units were actually occupied by seniors., but they could be offered as such. Workforce housing, as a small % of the total units (2-3 units), might be okay if there were more market-rate units to make up the income lost on the workforce units. A building that is part rental and part condos would likely be discouraging for a lender, as the condo owners’ HOA would not be able to control the oversight of the building. True income-sensitive affordable housing is not part of the Buttermilk project, so is not considered an option.

Parking: discuss

- requirement reduced to 1 space per residential unit (so for 31 residential units = 31 parking spaces ) - Act 47 requires this
- commercial parking space requirement – how many spaces would be needed for 3,000 sf of small offices, cafes and gym? at 2 spaces per 1,000 sf, 6 spaces would be required
- Provide parking for RCK (?) - 4 spaces (?)
- What is Buttermilk’s exact arrangement with the Railroad concerning parking spaces?
- paid public parking spaces – is this an option? how many?

Amenities: more grass, trees, sidewalks tenant amenities – discuss

- must meet Multifamily Housing Development Standards 6.13 – do we want to work on these standards before requiring them? – discuss
- other amenities?