HOUSING COMMITTEE

DRAFT RECOMMENDATIONS

1. Introduction

Housing efforts within the City of Dayton have varied throughout the years from small projects with individual developers to large-scale, multi-partner neighborhood overhauls. Although no two projects were the same, each has served as a valuable lesson in determining best practices.

Today, with the housing market in a slump, the City experiencing budget challenges and banks less inclined to offer financing, it has become imperative to start thinking about downtown housing in a new way. The key to future development is a proactive approach to grow the housing market.

Since 1990, approximately 600 units have been built or renovated in the Central Business District (CBD) and 100 units within the surrounding neighborhoods. If the desire is to increase the number of housing units and residential impact within the CBD and neighborhoods, there must be a new approach to the economic viability of housing development.

In the past, most downtown projects were similar in their financial structure. There was a percentage of equity offered by the developer, a percentage of gap financing by the City or CityWide Development, and the rest was made up in bank financing. The challenge in this structure is that more often than not the cost to construct these units far outweighs the price for which the units can be sold.

In July 2008, the City of Dayton commissioned a Downtown Housing Assessment Study. The purpose, as stated by the study, was to review area growth trends and resident demographic characteristics, current housing market conditions for multifamily for-sale and rental housing types, and pending housing developments to quantify the number of multifamily housing units that could be supported in downtown Dayton during the next few years, 2008-2012.

The report stated that the most important ingredient for a thriving downtown is people, specifically, pedestrian traffic. The three major sources of downtown users currently are daily workers, permanent residents, and short term visitors. The report went on to say that the way to lure more people downtown is to have a strong job base, increase housing, and offer unique attractions.

The study offered a breakdown of rental housing versus the for-sale option for the downtown market.

Rental:
It was noted that in 2000, there were 3,012 units of rental housing in Greater Downtown and, by 2007, that number had only increased by 11, to 3,023. Calculations show that the greatest base of support for rental units downtown is market-rate units and that downtown could currently absorb 55 more units per year. There is some room for tax credit units, but the study predicts that it will take a few years to

manifest into sufficient demand for additional downtown development without attracting renters from beyond the downtown area.

Young and mid-age professional workers are the biggest market and often prefer to rent their housing initially, especially if they are new to the community. Incomes for this group are likely to be $40,000 annually and higher. Taking 30% of their income for housing cost would generate an affordable rent of up to $1,000 monthly, including utilities.

For-Sale:
There is a slightly smaller market for for-sale units, with the potential to absorb up to 28 new condo units yearly. It is notable, however, that there is a lack of product options, especially moderately priced alternatives, which has impacted downtown's ability to generate sales. For this reason, the current primary target markets for upper-end condos are buyers ages 45-74 who are purchasing a retirement residence.

Conclusions:
The most important findings in the market housing study were those articulated in the conclusions of the report. These are the items that need to be assessed to improve the successfulness of downtown housing.

- The development of a critical mass of market-rate housing downtown is likely to require a public/private partnership to achieve a broader range of housing types at varying price points.

- A greater variety of housing, both middle income and upper income, will enhance the vitality of downtown's evening entertainment environment and likely spur increased retail development.

- The expanding student base in the Dayton area presents opportunities to develop housing specifically to meet the needs of this market segment.

- Lack of available sites for new housing development is a challenge to meeting economies of scale in providing moderately priced housing units.

- Local organizations and the City should work in cooperation to identify potential funding alternatives to traditional federal and state programs.

- The successful implementation of core Greater Downtown Dayton Plan recommendations is critical to dramatically changing the number of downtown residents.

2. Vision

   Improve and expand neighborhoods in Greater Downtown by creating vibrant, socio-economically diverse residential areas that offer varied price points, a wide range of product choices and the types of amenities that residents in today's market expect.

3. Core Objectives

   - Build or renovate 5,000 housing units in Greater Downtown during the next 10 years (2010-2020).
     - The goal is to create 2,000 units by 2015 to help jumpstart the market for the additional 3,000 in the following five years.

- Improve amenities — such as a grocery store/food co-op and other related services — in the CBD that will serve downtown and inner-ring neighborhoods and make Greater Downtown a more competitive regional residential market.

- Create a balance between rental and for-purchase residential units.

- Offer options to residents, in both the type of housing and the price points for rental units and for-purchase units, to meet the needs of all income levels.

4. Recommendations and Action Steps

Rank each potential housing site using criteria developed by the Greater Downtown Plan Housing Committee to better understand which projects are more likely to have the highest success rate based on predetermined qualifiers.

Given the diverse nature and unique opportunities with each of the proposed housing project options, specific criteria were developed to help evaluate each location. For each site, the individual plan for redevelopment, the specific location of that development, and the broader implications of development must be further reduced to measures that may be better quantitatively assessed. An obvious benchmark is the number of units involved in each proposal, as well as the development cost per unit, as measured by the percent of the subsidy needed to complete the project. The time needed to complete any such development also requires evaluation. Because of the inherent urban nature of these potential projects, location considerations may incorporate potential contamination and necessary clean up, cost of land assembly per acre, and available parking. Other considerations must include site ownership, whether by the City of Dayton/CityWide Development/Montgomery County, a willing seller, or an outside party, and the eligibility of the development for new market, historic or affordable housing tax credits. Finally, broader location-based considerations should be looked at, such as the neighborhood's desirability and marketability, its closeness to amenities, and the impact as a catalyst any new development may have.

The following is the evaluation used by the committee to help rank housing development options:

<u>Criteria Definitions:</u>

1. Scale of Development: The number of units
2. Environmental: Level of contamination paired with the time and cost to clean the site
3. Low Cost of Land Assembly: Cost per acre and availability
4. Site Control: the site is owned by the City of Dayton/CityWide Development/Montgomery County; currently for sale; time it would take to acquire land (number of owners)
5. Marketability: Location, desirability; close to amenities and assets; market driven; catalytic impact
6. Tax Credit Eligibility: New Market, Historic, Affordable Housing
7. Per Unit Development Cost: Percent of subsidy needed to complete the project
8. Timing: Length of time it would take a project to develop from start to finish
9. Parking: Availability adjacent to housing project site

Raw Score:
Raw scores ranked 1-4, with 1 being the lowest and 4 being the highest
Scale of Development: >100 units (4 pts), >50 (3 pts), >25 (2 pts), <25 (1 pt)
Environmental: Greenfield (4 pts), Environmental Remediation (2 pts.), Brownfield (1 pt)
Low Cost of Land Assembly: low cost per acre (4 pts), medium cost per acre (2 pts), high cost per acre (2 pts)
Site Control: City/CityWide owned (4 pts), willing seller/developer (2 pts), outside party ownership (0 pts)
Location: Personal Opinion (rank 1-4 pts)
Tax Credit Eligibility: Historic (2 pts), New Market (1 pt), Affordable Housing (1 pt)
Per Unit Dev. Cost: <10% (4 pts), <15% (3 pts), <20% (2 pts), <25% (1 pt)
Timing: 2 years (4 pts), 3 years (3 pts), 4 years (2 pts), 5 years (1 pt)
Parking (one space per unit): on site (4 pts), within the block (3 pts), 2 blocks (2 pts), >2 blocks (1 pt)

It also would be helpful to gather the following information on each of the potential sites as a quick overview/reference for the property, including:

The name of the property, the address, who currently owns the property, the acreage of the site, square footage of the building, the type of product desired (i.e. loft, traditional housing, patio home, studio apt., etc.), and who the target market is (empty-nesters, young professionals, retirees, etc.)

- Revisit "in-progress projects" that have stalled for various reasons and find creative solutions on how to get them completed.

  Ventures such as Excelsior, Merc, Litehouse and The Schwind are in varying stages of development, but a significant amount of work has already been completed on each of them. These are viable projects that can bring additional housing on-line much faster than a new project or one in the early stages of pre-development. For this reason, it would benefit our efforts to focus on these projects first to get some early "wins" in the housing effort.

- Create and finance a Pre-Development Fund and an Equity Fund to assist in the overall development and gap financing of housing projects in Greater Downtown.

  Development within a previously built environment as found in all urban cores has not only unique challenges, but also added costs. No project that has been completed within the Greater Downtown area has done so without gap financing. This not only provides a challenge, but a valid need for a fund to aid in the redevelopment process, to make building housing in Greater Downtown an attractive option for developers.

- Develop a site assembly and land banking strategy to obtain properties determined prime for successful redevelopment.

  Site control will have a significant impact on both the speed to market and the overall cost of redevelopment. For this reason, it is imperative to set up a strategy to gain control of targeted locations. Roles and responsibilities between the City and CityWide need to be determined to complete this task quickly and sometimes discreetly. All possible tools available to facilitate the process should be considered including: Real Estate Acquisition Program (REAP), nuisance declaration, demolition, purchase, or creating partnerships with building owners as developers.

For any neighborhood redevelopment project, the Genesis/Phoenix model of acquisition should be considered.

- Begin speculative pre-development work on housing sites that demonstrate the most potential for success.

  Upon determining the sites and neighborhoods that seem to have the most promise, pre-development work should begin immediately. This would include environmental reviews, visioning illustrations, and cost estimates. This information would be used to facilitate redevelopment of the sites in question.

- Create a list of leading local, regional, and national developers who have experience in urban housing projects.

  Development within the previously built environment found in all urban cores offers not only unique challenges, but also added costs. For this reason, it is important to create a list of prospective local, regional and national developers who have experience with building in urban settings. It would also be helpful to do some of the general pre-development work of high-priority projects and send out a Request for Proposals to those selected developers.

- Build upon the Downtown Dayton Partnership's efforts through the Strategic Reuse Project - focusing on buildings that rank high based on the Site Evaluation Criteria - and work to develop cost estimates and development strategies to turn those projects into a reality.

  Significant work was completed by the Strategic Reuse Project, a visioning project spearheaded by the Downtown Dayton Partnership in conjunction with local architects who graciously volunteered their time and skill to create innovative drawings for underutilized buildings in the downtown core. This effort is not complete without a realistic cost assessment of the most promising structures. It should also explore how to best obtain control for development purposes, including purchase or partnering with the current owner.

- Incorporate the CityWide Development Neighborhood Development Strategic Planning Group's recommendations for MidPark, an area between the University of Dayton and Miami Valley Hospital. This neighborhood is a critical piece of the puzzle that will serve as an improved gateway while creating a livable district that will help fill Dayton's market gaps in both the housing and office/retail market. The location of MidPark not only serves as a visual gateway, but its proximity to many successful projects makes it a promising location for future development.

- Develop strategies to bring a grocery store/food co-op to the Greater Downtown area. Explore the potential of transitioning the Greyhound bus station to a grocery store with related services like dry cleaners, deli and other related services needed by residents.

5. Recommended and/or Potential Funding Sources

   The pre-development fund is for the following types of items:

   - Visioning illustrations
   - Appraisals
   - Environmental reviews
   - Title searches
   - Cost estimates

The fund may not recoup all its expenditures. Consequently, it may need to be sourced with public dollars. The fund should be capitalized with $250,000.

The Housing Equity Fund (HEF) will help close the funding gap between developer equity and bank financing. The HEF will be structured to recover all principal and generate a 15% return on investment. The HEF's funding goal is recommended to be $10 million.

6. Roles and Responsibilities/Implementation Teams

While it is still too early to begin discussing roles and responsibilities for proposed projects, there are many successful examples of project development in Dayton that can serve as examples.

For large-scale neighborhood redevelopment, the Genesis and Phoenix Projects offer a good comparison for the road ahead. These two projects were successful largely because of a balanced governing structure that guided the projects from their inception. A similar governing structure is recommended for future neighborhood development projects, such as MidPark.

For smaller projects and those contained within a single building, the roles and responsibilities may be very different. It will depend on who the partners are in each specific project and their level of involvement.

7. Supplemental Materials:

- Downtown Dayton Partnership (DDP) Strategic Reuse Project
- CityWide Development Corporation MidPark Development Recommendations
- DDP architect renderings