

**CITY OF NEWARK
DELAWARE
COUNCIL MEETING MINUTES
May 4, 2015**

Those present at 7:05 p.m.:

Presiding: Mayor Polly Sierer
District 1, Mark Morehead
District 3, Rob Gifford
District 4, Margrit Hadden
District 5, Luke Chapman
District 6, A. Stuart Markham

Absent: District 2, Todd Ruckle

Staff Members: City Manager Carol Houck
Deputy City Manager Andrew Haines
City Secretary Renee Bensley
Planning & Development Director Maureen Feeney Roser

1. The special Council meeting began at 7:05 p.m. in the Council chamber.
2. Ms. Sierer gave an overview of the agenda of the meeting for the evening: presentation of the Phase 1 preliminary report by Urban Partners regarding the Rental Housing Needs Assessment and potential action to authorize Phase II of the study.

Jim Hartling and Isaac Kwon, Urban Partners were present to discuss the findings. Mr. Kwon reviewed how many students are enrolled in UD and how many students live off campus. Urban Partners obtained the enrollment from the year 2000 to present. Enrollment has increased steadily with an enrollment of 20,550 in 2013. Dorm room capacities have remained fixed at 7,300-7,400 beds. First year students required to live on campus (unless they obtained a special exemption) account for 91% of dorm students. The balance live off campus or commute from home. Second year students living in dorms account for 61% of the students. Upper classmen account for 18% of dorm students. Graduate level students account for 3,680 (approximate) and 77% are full-time students.

The estimate of undergraduate students living off campus is approximately 8,000. There are approximately 2,000 full time graduate students living off campus.

The supply of rental houses as of 2014 was 5,224. Mr. Kwon stated there are approximately 150 vacant units (2.9%) in 2014. The number of rentals to students based on census data was estimated to be 3,600. About 2,000 are undergraduates and about 1,600 are graduate students. About 817 units (55%) are non-student rentals. The rest of comprised of affordable family, affordable senior (income restricted) Housing Choice Units (Section 8) homes, special needs homes and English Language Institute (ELI). The amount of market rate rentals (non-income restricted and non-student) was estimated to be 820 units. The majority of rental units are occupied by students of some variety.

Catherine Ciferni, District 2, asked how the number of on campus housing units compared to other universities of comparable size in terms of provided on campus housing. Mr. Hartling responded there are widely different policies regarding this issue. Newark has a higher percentage than some universities provide and it is also a lower percentage than many others provide. Different universities have different perspectives and objectives in having students reside in dormitories. Increasingly universities are turning to off campus housing to meet growth in their housing demand. Public universities have to use "bonding". Dormitories are a substantial economic cost on their capital budget and is restricted. Thus, they turn to off-campus providers to provide the housing. However, there are varying attitudes based upon the university. Ms. Ciferni asked about the methodology used to determine the market rate for non-student housing at 55%. Mr. Hartling stated they were able to "back out" the number of students living off campus. Most live in Newark. They modeled different densities of students per unit and assessed how many are sharing units. Significant information was collected from landlords about

how many students reside in their units. Census data was used to determine the age of people living in rental units. From that they determined that approximately 3,600 units are being occupied by students, and 1,400-1,500 are occupied by non-students.

Mr. Morehead asked for clarification on the amount of graduate students living in the City. Mr. Kwon stated the assumption is not all full-time graduate students are living in the City. Mr. Morehead asked if Mr. Kwon was aware how many students are living in graduate housing. Mr. Kwon replied he did not.

Bob Stozak, District 1, reported that the UD had discussions on building more graduate housing when the Chrysler property was purchased. He does not believe there are any more plans to do so.

Mr. Kwon detailed the general market observations listed in the presentation:

- Total vacancy rate as of 2014 was estimated at 2.9%. The vacancy rate for complexes with more than 50 units was 3.5%. The Retreat as of the end of 2014 still had a 40% vacancy rate.
- The overall vacancy rate for fall of 2015 is projected to be 1.5%.
- Landlords report low vacancy for the 2014/2015 school year.
- New apartments are renting as high as \$750-\$800 per bedroom.
- The newer apartments are off the market by October and November for the following academic year.
- Between 2005 and 2013 UDEL has added 1,450 students to its enrollment (7%) total growth rate which equates to a demand for 50 new units per year.
- 2014 had the largest freshman class in history (4,150) which will require an additional 71 off campus units as they move to off campus housing.
- ELI (English Language Institute) has expanded rapidly since 2008 (approximately 2,200 students per year) with 200 units occupied by these students.

Ms. Ciferni asked if it would be accurate to assume that the Retreat will absorb the demand generated by the incremental annual growth in UD student population since that complex isn't on Main Street and centrally located. Mr. Kwon stated it was an accurate assumption since the trend is for students to go after the newest built units. It was their opinion the Retreat will have an occupancy rate of about 90% by fall of 2015.

Mr. Hartling stated the key question is whether Newark has enough rental housing. The first conclusion is to keep the 1.9% vacancy rate, 50 rental units have to be added per year because UD is adding 50 units of demand every year. Mr. Hartling added from a public policy point of view, is the City happy with fact that only 4% of the total population are renters in "market rate" units. That is very low for any community and the City want to have more rental units available for the "non-student" population. This should be considered, because if the City wants that then there should be additional rental above the 50 necessary to keep abreast of the student demand.

Mr. Hartling added the typical price point for a non-student unit is significantly below the typical price point for a student unit. Therefore, the landlords will rent to a student first because they will pay more money. Additionally, if ELI continues to grow, there will be additional demand from that market as well.

Mr. Hartling addressed past growth, noting the following:

- From 2005 to 2011, 286 new units were approved for development. The demand was 320, so there was a shortage.
- In 2012 and 2013, 598 new units were approved, with 269 completed by December 2014.

Mr. Hartling stated there are long waiting lists for affordable housing in the City, pointing out that the Newark Housing Authority properties waiting list is over 800 households and list for Section 8 vouchers exceeds 500 households.

The conclusion is that there is significant demand for housing that is affordable over and above the 453 units that are currently available. Mr. Hartling added the Alder Creek project will add 14 net units

Mr. Morehead asked how "affordable" is being defined. Mr. Hartling stated affordable is whether it is income restricted or the payment is made by the tenant is tied

to their income level. Mr. Morehead stated a comment was made in the January meeting stating that we currently have enough rental housing through 2019. Mr. Hartling stated to capture the 50 unit increment needed every year to keep up with student growth, if all the units the City approved to this point were constructed that would handle four more years of growth (i.e. 200 incremental units of student housing).

Mr. Morehead asked what the average number of non-student rentals are in other non-university towns. Mr. Hartling stated for a non-university town it is 65% of housing units are owner occupied, 35% are renter occupied. Typically, a fraction of those would be affordable housing (25-30% of the entire rental stock being units "at market."). When a campus community is added, the dynamics change, but 4% is very low.

Mr. Morehead asked what the average rental costs for student units in the City are. Mr. Hartling stated \$2,600 for 4 students and about \$1,600 if it's occupied by families.

Mr. Chapman asked about the units mentioned that would take care of the current demand of 50 additional units necessary for the next four years. Mr. Chapman asked if that number was the total units available inside the City or is that filtering out non-student rental, ELI rental and market rate non-student rentals. Mr. Hartling stated assuming 1,471 units remain available for rent by non-students and the absorption of the likely growth in the student market could be accommodated by the number of approved projects that have not yet come on the market. Mr. Chapman wanted the assumption made that the new units not yet on the market but in various Phases are likely going to be rented to students. Mr. Hartling said that if there are 100 units of new construction that are not rented by students there is probably 100 units that were occupied by non-students that students will be substituted and the 100 units will end up moving to the new product. The reality is that the students are grabbing whatever new product is there first.

Mr. Chapman asked if they were able to break down the multi-family structures. Mr. Hartling stated they do not know that number precisely. Mr. Hartling stated currently there are only 150 vacant rental units of all types and in his opinion most of them are the Retreat and/or further away from campus and less than ideal condition.

Mr. Markham stated Council does not have the capability to direct people to certain neighborhoods. It was possible however to provide housing stock to pull rentals out of the neighborhoods. Mr. Markham asked if there was a suggestion on how to fill the neighborhoods or if the study covers it in Phase 2. Mr. Hartling stated it is covered in Phase 2 however he can say some of the programs the City is implementing (i.e. financial support to encourage home ownership) are good models. In addition, Mr. Hartling stated there is the capability to design new construction to be less attractive to students and more attractive to families.

Mr. Markham stated he has spoken to developers who have expressed interest in building homes for families but the banks will not finance as they require the income stream. Mr. Markham would like to see that covered in Phase 2 and a possible solution to this issue.

3. Ms. Sierer opened the discussion to the public.

Ms. Ciferni stated in her complex, Colonial Gardens, there is a large international population in the complex. Her opinion is these students are looking for something less costly to rent. Therefore, she felt ELI students will not necessarily be looking for new housing. Mr. Hartling noted these individuals eliminate the non-student individual from being able to find reasonably priced rental units because they are looking for those same units. Ms. Ciferni stated the people seeking leases are CAP students (students that have been added to the University) but are still technically foreign students.

Ms. Ciferni stated there is a huge gap between market value and what someone can pay and NHA qualified affordable housing. It is her opinion, there is a huge unmet need between those two extremes. She would like that noted.

Ms. Ciferni stated there has been a push from DHSS on the topic of ADA affordable units and independent living and asked if there was an affordable or special needs gap that is not being provided for within Newark. It is her opinion that even though there is not a waiting list with DHSS, when she speaks with people in the community who are not

ambulatory or recently released from hospitals, they are not able to find housing. Mr. Hartling reported they do not have any data on this. He would suggest segmenting that need by income requirements. Mr. Hartling stated there may be individuals that can afford to pay the market price once a unit is modified to accommodate their requirements. Ms. Ciferni stated the issue becomes once the units become modified there may not be easy access to get to the modified unit (i.e. elevators, ground floor apartments, etc.).

Mr. Albert Porach, City resident asked if Urban Partners was aware of a rental housing Code Enforcement program that was successful for comparison to the City of Newark. Mr. Hartling stated that was being researched and was part of Phase 2.

4. There being no further questions from the Public, the presentation was returned to Urban Partners.

Mr. Hartling addressed topics for discussion in Phase 2, which included:

- The right mix of household types being supported by rental housing. Is there a need for more rental housing for non-students and what are the implications of doing that or not doing that going forward.
- Is there a need for additional affordable housing, how would that issue be addressed and how have other communities addressed this.
- If the rental housing market is expanded for non-students, what would be the likely impacts on certain neighborhoods and how would policies be adjusted to support these objectives.
- Should student rental housing be located as close to campus as possible and resulting additional issues, such as parking.
- Concern that the current practices of Code Enforcement rental housing may not be the best practices and what needs to be fixed.

Mr. Hartling wanted to thank the advisory group for their diligence in providing very valuable input. The January workshop with public comment was also very helpful.

Ms. Sierer stated that Planning & Development had provided four options for consideration for Phase 2 as well. Mr. Hartling stated all the technical issues were addressed in Phase 1. However, the issue of a steering committee remains as they only had an advisory committee for Phase 1.

Mr. Chapman stated that he was disappointed with the specifics of the rental inventory in Phase 1. He would like more detail of what is expected to come before them in the next 18 months in terms of proposed development including locations. In general, it was his opinion by increasing the housing stock in a concentrated area (greater Main Street corridor) and making those multi-family units, the economics of supply and demand are going to negate. He believed the City should stay out of creative policy strategies. There will be a large proportion of students willing and able to pay extreme prices for the newest and best locations. The ideas of bringing the previously family owner occupied detached units inside of neighborhoods that in the previous few decades became rental units moving back to family owner occupied or become market rate non-student rentals. Mr. Chapman believed this is already happening within the last 2-3 years because of the abundance of newer, more attractive student rental housing.

Mr. Chapman believed some of the issues raised by Ms. Ciferni of the older units become aged out location wise just outside of the most preferable locations. They could and should be transitioned to be more attractive to the market rate non-student market and possibly making the modifications, which become policy opportunities for Council.

Mr. Morehead wanted the issue of blight considered should this go forward. At what point does that affect the town such that it affects our finances with the police, with young families being willing walk through the areas to get downtown. He would prefer to take a more holistic approach not just address these few questions. Mr. Morehead states he concurs with Mr. Chapman regarding supply and demand and it is our responsibility to address if we are to be a proactive planning Council.

Ms. Hadden would like the path forward to include the assessment of the programs that are available that promote owner occupancy in Newark.

Mr. Gifford would like Phase 2 to assist with trying to understand if the regulations can be opened a bit more to promote student developments to be in an area that puts less pressure on the residential areas of town. For example the Retreat is a rezoning and it seems we are making it up as we go along. It is his opinion the City should be more proactive and asked if rezoning would address some of these issues. Mr. Hartling responded that is more involved as they would have to have an understanding of the Zoning Code in its entirety. Mr. Gifford stated he brought the matter up as we are in the middle of addressing the Comprehensive Plan and land use. Mr. Gifford also wanted to reinforce the Code Enforcement issues, especially in District 4.

Ms. Sierer stated she is in agreement regarding the need to move to Phase 2 and wanted to confirm the issues raised by Council would be addressed in Phase 2. Mr. Hartling stated they can address the range of issues. He stated that consultants cannot answer public policy questions as they pose the questions.

Mr. Markham stated one important topic is how much is enough (meaning how many rental units are enough). Mr. Markham stated he understood there was not enough information at this time to answer that question. Mr. Markham stated that Council has choices when projects come before them, such as setting the number of people. From a Code Enforcement standpoint, best practices need to cover all types of housing.

Mr. Chapman stated he did not care who was going to be the renter when rental stock was increased and believed that the economics of supply and demand and the capitalist market were going to answer the question of when is enough. We have enough when there isn't a backlog of low income housing and when there is enough ADA housing. Additionally, it is his opinion that when there is an overabundance of high priced rental units then the rents will decrease and a trickle down effect allowing an opening for the bottom end. The City then has the ability to promote and market that. Mr. Chapman believed certain decisions should be made with the impact on traffic and parking and that location was important. The Retreat, in his opinion, was a terrible idea to be rezoned. The Newark Shopping Center units are not in a bad location due to proximity to greater Main Street, however he felt there was no ingress or egress, making it a terrible location due to density, traffic and parking issues. There was not enough in the Code or policies to outweigh the approval. He hesitated to have Council policy make their way into a solution.

Mr. Morehead stated he understands the premise, but to him it's a question of location and concentrating student rental housing close to campus. Additionally, it a question of diversity: do we want families, urban professionals, a mix, etc. Mr. Hartling stated those issues would be addressed.

Ms. Sierer opened the floor to the public for questions regarding Phase 2.

Ms. Ciferni understood that students drive the market. She would caution the City on becoming more of mono market relying more on the student housing and student commerce and a less diversified market in the off season for the local businesses. She would also like to add that at the last University Trustees meeting, it was stated that UD was recruiting more international students because they were predicting a decline in domestic attendance in state and out of state.

Mr. Stozak asked when Urban Partners planned to have the Phase 2 report completed. Mr. Hartling stated the technical work will take 3-4 months. He cannot predict the community process and how long that will take at this point.

Ms. Sierer returned the matter to the table.

Mr. Gifford stated he believed some of the new units are focused to rent to urban professionals and it will be interesting to see if it will indeed go in that direction.

Mr. Chapman asked if the data needed for Phase 2 was attainable and to include the five bullets noted in the report for Phase 2. The City has a certain amount of units but how does that explain how many students, how many occupants per unit, are they multi-family or detached homes, age of the stock, etc. and asked if that could be included in Phase 2.

Mr. Hartling stated it would be best served as an addendum to Phase 1. Age of units can be covered. What specific units are occupied by students and which are not

occupied by students may be more difficult and would have to include interviewing all landlords. Success at that level of interviewing has not been successful at this point.

Mr. Morehead stated in the housing discussion, economic growth always comes into play and asked if the region's economic growth supported increased housing, a requirement for increased rentals for the market rate and if that would be discussed in Phase 2. Mr. Hartling stated any recommendation would start with the suggestion to monitor carefully any data from UD. The question of regional growth and its impact was thought of, but the absorption of market rate rental housing is so skewed away from the norm at this point that whether or not the overall market is growing, pressures still exist if units are still available.

Ms. Hadden stated she was inclined to go with Option 1 and have Urban Partners continue their work on Phase 2 regarding examining regulations and code enforcement practices, going through case studies of comparable cities and what has worked in other places, encouraging homeownership, etc.

Mr. Gifford was in agreement with Ms. Hadden and further stated he would like to see an evaluation of the programs (i.e. homeowner initiatives) that the City offered.

MOTION BY MR. MOREHEAD, SECONDED BY MR. GIFFORD: THAT COUNCIL AUTHORIZE URBAN PARTNERS TO CONTINUE WITH PHASE 2 USING OPTION 1 OF THE DOCUMENT DATED MAY 1, 2015.

MOTION PASSED UNANIMOUSLY. VOTE: 6 to 0.

Aye: Chapman, Gifford, Hadden, Markham, Morehead, Sierer.

Nay: 0.

Absent: Ruckle

5. Ms. Sierer discussion and a decision needs to be made on the steering committee and the process for Phase 2.

Ms. Hadden stated she likes the idea that the Planning Commission take on the task even though there would be consideration to be reviewed. She likes full City representation and their knowledge about development and zoning, which could be supplemented.

Ms. Sierer asked Ms. Feeney Roser the number of people on the Commission. Ms. Feeney Roser stated 7. The only question would be if the recommendation resulted in changes needing to be made to the Zoning Code could be a conflict of interest. The City Solicitor would need to be consulted.

Ms. Sierer asked what other options are available. Ms. Feeney Roser stated using the current Technical Advisory Committee (6 members), going through the Boards & Commissions application process or using the existing committee now with a few members added such as Planning Commissioners.

Mr. Morehead asked if Urban Partners had a preference. Mr. Hartling stated any option would work with the exception of asking others not connected with any of the other boards. The only concern would be that the Steering Committee articulated the range of issues that the community is concerned about and can bring Council advice they will feel comfortable acting on.

Mr. Chapman's opinion would be to use the Planning Commission. They are community members that are experienced in these issues.

Mr. Haines stated the recommendations made to Council would advisory and guiding to Council and it would not be a conflict.

Mr. Gifford stated the existing Steering Committee is a good array of community representation. However, he is not set on either direction.

Ms. Houck stated there has been a lot of discussion about the members of the technical committee have been in attendance at all the public meetings and participated and have the benefit of the information expressed by the community.

Ms. Sierer stated that 13 members would be too many to continue with on that committee.

Mr. Markham asked if the advisory group for Phase 1 was appropriate for Phase 2. Mr. Hartling felt they had the background. He did not know to what extent they represent the breadth of opinion about community objectives. They are competent and diligent. Mr. Markham asked for a ruling for Planning Commission from the City Solicitor. He further stated it is difficult to find a balanced and acceptable group that represents enough people.

Ms. Sierer noted there are other individuals that volunteered to consider. Ms. Sierer asked if 6 was a good number. Mr. Hartling stated up to 9 members is acceptable.

Mr. Hartling stated the committee could be supplemented with a few Planning Commission members. Ms. Hadden concurred with that idea.

Ms. Sierer stated that Kevin Mayhew, the new President of the Newark Landlords' Association, should serve on Phase 2 if he is so willing to do so.

Mr. Morehead stated he had a concern with the Planning Commission taking on this added work.

Ms. Sierer stated the matter will be taken to the Planning Commission and they will vote on a representative or two from that Board. Ms. Feeney Roser will broach the subject at the next Planning Commission meeting to be held the following evening. Ms. Feeney Roser will also follow up with the City Solicitor to ensure there is not a conflict.

If there is a conflict then then current 5 will go forward. Bruce Harvey will be replaced with Kevin Mayhew with the addition of two Planning Commissioners, if they can be added. If there is a conflict, then the existing 5 members will be used in addition to Kevin Mayhew.

MOTION BY MR. MOREHEAD, SECONDED BY MR. MARKHAM: TO REPLACE BRUCE HARVEY ON THE TECHNICAL ADVISORY COMMITTEE WITH KEVIN MAYHEW.

MOTION PASSED UNANIMOUSLY. VOTE: 6 to 0.

Aye: Chapman, Gifford, Hadden, Markham, Morehead, Sierer.

Nay: 0.

Absent: Ruckle

MOTION BY MR. CHAPMAN, SECONDED BY MR. MOREHAD: THAT COUNCIL AUTHORIZE THE ADDITION OF A TOTAL OF TWO PLANNING COMMISSIONERS TO THE ADVISORY COMMITTEE TO BE RECOMMENDED BY THE PLANNING COMMISSION PENDING AN OPINION BY THE CITY SOLICITOR AND IF NOT DEEMED LEGAL, REMAIN WITH THE CURRENT COMMITTEE.

MOTION PASSED UNANIMOUSLY. VOTE: 6 to 0.

Aye: Chapman, Gifford, Hadden, Markham, Morehead, Sierer.

Nay: 0.

Absent: Ruckle

6. Meeting adjourned at 8:02 p.m.

Renee K. Bensley
Director of Legislative Services
City Secretary