

2022

Waterbury, VT Housing Study



Acknowledgements



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28 North Main Street
Waterbury, VT 05676

December 22, 2021

To: The Residents and Public Officials of Waterbury

To begin with, thank you for allowing us to conduct the meaningful work that a Housing Study entails on behalf of your community. Your open-mindedness, willingness to participate and ability to facilitate relationships that increased our stakeholder engagement efforts were profoundly inspiring and impactful. As a consequence, the quality and quantity of the data we were able to obtain increased. Much of this data was useful in informing the subsequent recommendations to follow.

Throughout our collective experiences working in Planning, Economic Development, Government Administration, and Public Health, we've had ample opportunity to become professionally and personally acquainted with numerous towns and small cities. Some of these municipalities represented consummately rewarding professional challenges, while others, we frankly just liked their local food scene.

In Waterbury, we found both to be the case. Our work on-the-ground in Waterbury enabled us to better understand your town's housing needs and the people advocating for them. On multiple occasions, we had the pleasure of enjoying Waterbury's local color, too. From cider donuts at Cold Hollow, a meal at The Reservoir on a beautiful summer day, to a few more beers at Pro Pig than our expense budgets permitted, we truly appreciated our time spent in Waterbury.

As Project Manager, I'm confident that the following Study represents the culmination of an extremely thorough qualitative and quantitative analysis conducted by our staff between June 2021 and December 2021. It is hoped that the recommendations derived from these analyses will bring value to your future planning efforts.

A final thought-I'd like to make clear that I've had the opportunity to enjoy Waterbury during Summer, Fall, "Stick Season," and most recently during Winter. You truly have a beautiful town nestled within a beautiful region with caring and engaged people. To that end we hope that the findings presented herein, and subsequent recommendations will be instructive in formulating plans that will continue to foster Waterbury's exceptional reputation and quality of life.

Sincerely,
Maxwell Vandervliet

Quotes

“I’ve lived in seven cities, ten-plus towns within a dozen countries and there’s no place more like home than here in Waterbury.”

– 20-year resident of Waterbury

“My partner and I both commute over 45-minutes to work in Waterbury (and) because we have conflicting schedules, we can’t even carpool. We’d totally move here if we could, but there’s just no housing for rent or sale. When something does come up, we’re not even close to affording it.”

– Late 20’s and Early-30’s couple who work in Waterbury.

“Mike and I moved here in 2020 since his office permanently closed (job went remote). I’d visited a few times and Mike went to college at UVM and had been out this way. We felt we couldn’t keep our heads above water in Prospect Heights (Brooklyn), but here we live like kings. I’ve lost 12-and-a-half pounds!” –

-Early 30’s couple who moved during Covid-19, from Brooklyn.

Waterbury’s actually changed more than people realize over the last 20-years. I grew up here. When we have kids, I’m hoping my wife will be down to move here. There’s no better place to raise a family.

– Early-30’s individual visiting parents from Philadelphia

FAST FACTS

\$98,155.18

The amount by which the median sale price of Waterbury homes rose between 2019 and 2021 (approx. 30.4%)

51

Short term rentals operational in Waterbury

92.2%

The percentage of housing survey participants who felt repurposing existing structures was most appropriate way to create more housing

33

The number of short term rentals that can easily and inexpensively be converted to year-round use

87.5%

The amount of housing survey participants who felt Studio, 1-bedroom, or 2-bedroom houses best fit their current and future needs

Summary of Recommendations

- Permanently adopt the Interim Zoning Bylaw to maintain increased density within Waterbury and to provide for increased ADU size to meet One and Two-bedroom housing needs.
- Town Planning Staff should recruit developers who will construct housing intended for year-round residential. Additional covenants may be utilized to ensure a percentage of new housing remains in use for full time residences and/or for those who qualify for housing assistance.
- Conduct a review of existing structures (commercial, industrial) within town that can be repurposed into housing.
- Work with local landlords, builders, and developers to maximize the use of underutilized structures while simultaneously planning for legitimate new housing development opportunities.
- Partner with other nearby municipalities to identify mutually advantageous locations for construction of higher density housing.
- Create an outreach campaign to short term rental owners that appeal to their sense of community and bottom-lines to convert studio, one and two-bedroom units into annual or six-month leases.
- Waterbury should prioritize development of Studio, One, and Two-bedroom homes. The town should not focus on construction of three+ bedroom dwellings because a faction of existing residents (ex. seniors scaling back, empty-nesters etc.) will move into smaller new builds. In turn, this will free up existing three-bedroom+ units to satisfy the modest demand for them.
- Waterbury should create a streamlined process including reduced application requirements and decreased fees to increase ADUs throughout town.
- The town and/or local nonprofit should create a revolving fund that provides assistance to create ADUs providing certain requirements are met (ex. Utilization of local labor to construct and must not be used as a short-term rental).

Community Overview

Waterbury is a thriving community of approximately 5,300 people nestled in the heart of Central Vermont. Spread out over 49 square miles, this picturesque municipality encompasses a diverse geography including significant conserved and agricultural lands, traditional suburban development, and a denser Downtown and Center area. The Downtown and Center serve as the primary commercial corridors for the municipality, the former of which maintains the aesthetic of a quintessential New England main street.

Waterbury's proximity to significant resources underlies its widespread popularity as a place to live, work, and of course visit. To that end, Waterbury is approximately 35-minutes to Vermont's largest city, Burlington, and just under 20-minutes to the State's Capital, Montpelier.

The town's well-esteemed reputation as an access point to Vermont's nature-oriented and outdoor amenities further elevates its eminence. Several of New England's most popular multi-season resorts are within a 30-minute drive including Stowe, Sugarbush, and Mad River Glen. However, it's worth noting that the smaller ski resort, Bolton Valley, is just outside of town limits and is extremely popular among locals.

In addition, Waterbury has a significant amount of conserved lands and trails and is also home to Waterbury Center State Park which includes a reservoir, one of the region's largest and most popular bodies of water for recreation. Access to other outdoor destinations including Camel's Hump and Mount Mansfield are within a short drive as are numerous swimming holes, farm stands, and local artisan's shops.

Within the Downtown, a plethora of charming independently owned commercial and retail uses populate the streetscape of Stowe and Main Streets. Anchor institutions such as Prohibition Pig, a brewery and restaurant, Ben & Jerry's and the Farmer's Market complement these boutiques, culminating in a vibrant commercial corridor. In Waterbury Center, the secondary commercial thoroughfare, several other key services exist, including Cold Hollow Cider Mill, another anchor institution that attracts visitors from across the country.

To that end, Waterbury derives a significant share of its economic activity from the tourism sector. While opportunities exist to capitalize further from tourism dollars, an underlying dichotomy prevails including a bifurcation of opinion regarding tourists and second homeowners. In part, this is mentioned because the following report makes clear that housing is inextricably tied to the impact of tourism. Short-term rentals, second homeownership, and organic market forces that elevate housing prices are just a few of the unintended consequences of a strong tourism economy.

Finally, a review of Waterbury's resources and assets would not be complete without mention of its residents. Residents of Waterbury feel adamantly that it is a wonderful place to live, work, and recreate and this became evident during our kick-off meeting. This sentiment was continuously reiterated during the course of community engagement and surveying events that Main Street Group conducted during Summer and Fall 2021.

Project Background

Similar to many communities across Vermont and New England, Waterbury is facing a “housing crisis.” Affordability of homes (for rent and for sale), as well as low inventory across all price points are primary issues warranting correction. In addition, a lack of housing options that can meet the needs of current buyers and renters remains another prominent barrier that mirrors similar trends observed nationally.

Underlying these issues is a multitude of factors that collectively yield a significant impact. Stringent State regulations and Act 250 severely constrain the ability to construct new homes and further make this process prohibitively expensive. At the local level, municipal zoning regulations often create additional impediments to building an adequate supply of new homes as density maximums prevail. Planning Commissions, Town Planners, and Selectboard members are not equipped with proper tools or understanding of how to increase density without degradation of their community’s respective key assets. To that end, the regulations at the State and local level are intended to help Vermonters protect their natural resources, environmental, historical, and agricultural assets yet these protectionary measures are often at-odds with practical realities and consistently fall short of providing useful tools and guidelines for contemporary issues. Rather, local and state regulations need not be eliminated, but amended through careful consideration of present issues and challenges.

Additionally, second homeownership proliferates, especially within the Central Vermont region surrounding Waterbury. Due in part to its aforementioned proximity to many resorts and outdoor amenities, Waterbury and adjacent towns are extremely popular among residents of the New York and Boston metro areas. Homes are often purchased across all price points for use as seasonal and weekend residences further contributing to a lack of adequate supply. Exacerbating this issue is the growing abundance of short-term-rentals. Many homes that could be utilized by year-round residents are instead being rented to visitors as Vermont’s multi-season tourism sector continues to expand. While no singular town is at-fault for this shortage, the collective impact of these short term rentals on the region collectively constrains the rental and sale housing markets.

To be clear, housing shortages and affordability issues endured long prior to 2019. However, the Covid-19 Pandemic intensified these issues. As individuals and families deemed cities less safe from a public health perspective, and with remote work options gaining popularity, the area has noted a significant increase in new full-time residents. Some of these residents were already second-homeowners turned year-round, while others are perceived as true newcomers. In addition, low interest rates, a byproduct of Covid-response measures, catalyzed an uptick in second-home acquisitions within the region which further limited availability of properties.

Project Brief

The following report is Comprehensive Housing Study, hereby referred to as, “the Study.” The Study will identify Waterbury’s housing needs, analyze encumbrances and barriers preventing the town from meeting those needs, and will culminate in strategic and realistic recommendations to mitigate identified barriers. The recommendations of the Study are not necessarily required to be implemented in succession, nor do they hinge on each other’s foundation.

Given financial and staff constraints, recommendations can be implemented individually and over time. However, taken together, they have the ability to seamlessly ameliorate all of Waterbury’s present housing limitations. Moreover, these recommendations will enable Waterbury to effectuate measurable change at the local-level and on behalf of the town’s constituents. By developing a housing framework that will meet the town’s current needs while simultaneously planning for those of the future amid shifting population and demographics, Waterbury can utilize the subsequent recommendations to create an enduring plan that exceeds the needs of the town for years to come.

To accomplish this, the Study will include a comprehensive review of current and changing demographics of Waterbury’s population and existing housing stock. The Study will also incorporate an analysis of current municipal land use and zoning legislation pertaining to housing. Next, key MLS data will be reviewed to identify the impact of the local housing market within the last several years, especially as a result of the surge in real estate activity resulting from Covid-19 actions.

Short term rentals such as Airbnb and VRBO will also be analyzed to evaluate the true extent of this relatively newer phenomenon on Waterbury’s housing availability and affordability. Finally, the Study will evaluate input received from the Community Housing Survey that Main Street Group and Revitalizing Waterbury worked together to distribute. Collectively, the data analyzed and will formulate a reliable depiction of Waterbury’s current housing status. This baseline will then serve as the foundational blocks from which recommendations are derived, ultimately leading to strategies that will help Waterbury plan for the appropriate balance for its current and future housing needs.

Zoning and Development

The following is a review of Waterbury’s current zoning legislation as applicable to the Housing Study. Zoning, an often misused tool, maintains the ability to help municipalities strike their appropriate balance when planning for the organized development of housing. Proper zoning protocol can allow municipalities to orient certain types of housing within locations most conducive to meeting resident’s needs. Likewise, protectionary measures can be undertaken to limit any potential externalities.

Interim Zoning Bylaw – Density + Downtown

In 2021, the town of Waterbury passed a two (2) year interim bylaw for the Downtown Zoning District, with an ability to extend for an additional year thereafter. The Bylaw, Section 1604, provides for concentrated Retail, Service, Office, Housing and other compatible mixed-uses within Waterbury’s historic downtown. Most notably, these interim measures will allow for the following:

- Increased density (by eliminating existing density maximums)
- Permits five (5) + dwelling units on a lot, as-of-right (previously capped at 15 dwelling units per-building)
- Permits additional contemporary retail/commercial uses in keeping with market-demand, that will incentivize future residents to choose living downtown

The interim zoning Bylaw directly increases density downtown and, in so doing, orients future growth in this already urban area. This measure will assist Waterbury in protecting its rural character and is largely a positive step that will help the town protect its open space and natural resource-based assets.

Interim Zoning Bylaw – Accessory Dwelling Units (ADUs)

The Interim Zoning Bylaw further amends current standards for Accessory Dwelling Units (ADUs). Previously, the district permitted only efficiency (studios) and 1-bedroom ADUs. These structures were limited in size to 30% of total habitable area. The Interim Zoning Bylaw increases the size and number of bedrooms as follows:

- 1,400 sq. ft., or 50% of habitable floor area
- Two (2) bedroom maximum

The new standards also make clear that these can be attached or detached structures and do not place restrictions on which unit may be utilized by the original owner. Importantly, an increase in One (1) and Two (2) – bedroom homes will directly help Waterbury meet its housing needs to accommodate shifting dynamics such as seniors who wish to scale back, single

Recommendation

Permanently adopt the Interim Zoning Bylaw to maintain increased density and to provide for increased ADU size to meet One and Two-bedroom housing needs.

individuals, and young, smaller families. A forthcoming section of the Study that analyzes the current needs of Waterbury residents and prospective residents, notes that the demand for Studio, One, and Two-bedroom units is, by far, the largest demand type, representing over 87% of the current need.

Interim Zoning Bylaw – Short Term Rentals

The Interim Zoning Bylaw establishes short term rentals (Airbnb, VRBO etc.) as-of-right. Please note: a subsequent chapter in this report directly evaluates Waterbury’s short-term rentals and makes additional recommendations on this issue.

As it pertains to the applicability of zoning to regulate this relatively new use, future zoning legislation should not take any additional measures to regulate or deregulate. Rather, short term rentals should organically align with current market-demand given the significant contributions of tourism to Waterbury’s economy. However, this may be reevaluated during the time at which the Interim Bylaw is up for extension in 2023 based on a review of the number of existing units and planned units that are intended for year-round habitation versus short term rental.

Recommendation

Town Planning Staff should recruit developers who will construct housing intended for year-round residential. Additional covenants may be utilized to ensure a percentage of new housing remains in use for full time residences and/or for those who qualify for housing assistance.

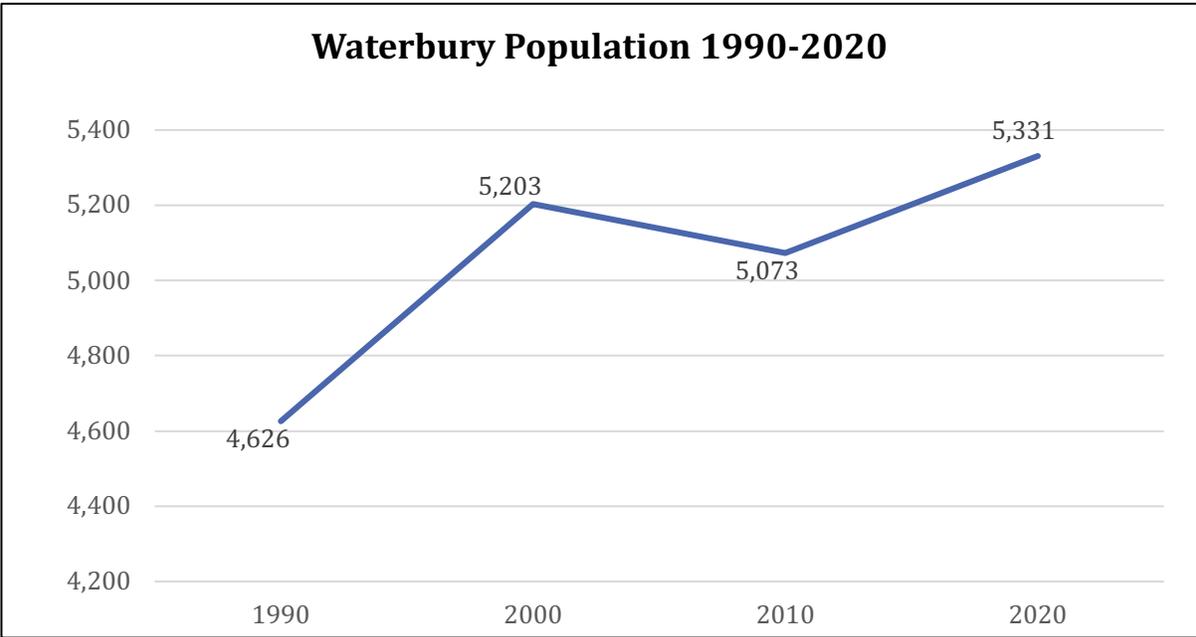
It is the recommendation of this report that the town actively seek out developers who will construct housing intended for full-time residents as opposed to units intended for short term rentals. Likewise, a recommendation within the ensuing chapter entitled, Short Term Rental Analysis, will call for an outreach and educational campaign to existing operators of short-term rentals. This campaign will provide local short term rental owners the tools and occasionally funds necessary to convert their short-term into annual or six-month leases.

Existing Conditions

A summary of existing conditions and corresponding analysis of these underlying socioeconomic and housing conditions is an indispensable first step in identifying themes and trends of a community. In some instances, themes derived from this analysis suggest important pillars of stability, while others are indicative of concerning challenges in need of addressment. Collecting and analyzing these data points is paramount for an accurate understanding of a community’s present status as it is for informing future planning strategies and throughout the implementation level.

Residents + Population

Waterbury, Vermont has approximately 5,331 residents as of the 2020 census and 2,138 total households. The municipality has seen significant growth since 1990, however this growth has not been linear as noted in the chart below around 2010. Between 1990 and 2020, Waterbury increased its population by approximately 15.2%. The decade between 2010 and 2020, however, the population only increased by 5.1%.



**It is anticipated that the current 2022 population exceeds the Census 2020 estimate of 5,331 due to the inflow of newcomers and change in status from second homeowners to primary residents resulting from covid and remote work*

Irrespective of rate, Waterbury is on a trajectory poised for continued growth. It is likely that this trend will continue at its current pace, or, more likely, accelerate as a direct result of the Covid-19 Pandemic. An increase in work-from-home capabilities and individuals or families departing from denser nearby metro areas of Boston and New York will contribute to this projected growth. Additionally, it has been anecdotally noted that a share of Vermont’s newcomers are “climate

refugees” coming from the United States’ West Coast and seeking refuge from drought, wildfires, and the high costs of living associated with the country’s largest urban metros.

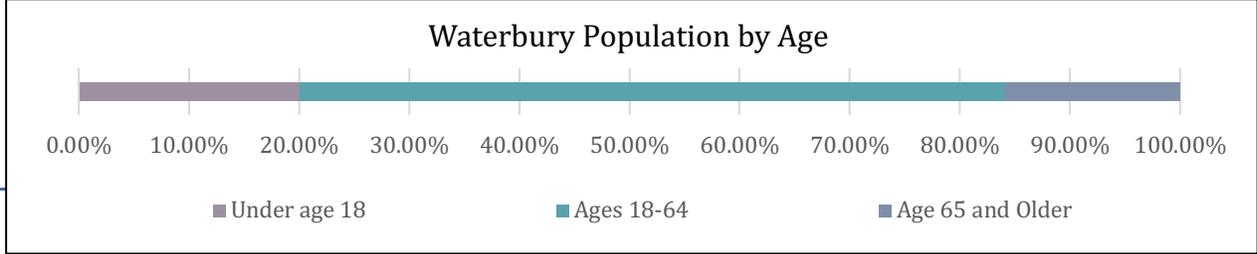
Location

To that end, Waterbury already ranks in the top 25 of most populous cities and towns within the State of Vermont. When filtering out for the conglomerate of municipalities within Chittenden County directly attributed to Burlington, Waterbury falls into the top 20. The municipality is positioned along the Western Border of Washington County and maintains a boundary line with both Lamoille County (to the North) and Chittenden County (to the East). Given this proximity to Burlington (35-minutes) and to the State Capital, Montpelier, (20-minutes), Waterbury can realistically expect to grow as a direct result of its specific proximal location to each. With that in mind, it is important to note, that both Burlington and Montpelier are experiencing accelerative growth at-present. Assuming the State will also continue to gain population, it is likely that further growth will occur in the State Capital as more services are added. Likewise, Burlington, too, is poised for additional growth given its widespread popularity and as the city undertakes efforts to attract new and retain/support its existing corporate talent.



Distinguishing Factors

Waterbury distinguishes itself from many municipalities within Vermont across several key data points. Waterbury’s median age, 38.6 is significantly lower than the Vermont median of 42.9. Likewise, the town has a median household income of \$ 77,963.00 which is higher than the 2020 State median household income of \$ 66,902.00. Taken together, these distinguishing factors are suggestive of a competitive local housing market, in turn, underpinning the need for diversified housing across a variety of price points.



Existing Conditions - Housing

Waterbury remains fairly diverse with regard to housing type. The town has approximately 64.4% (1,419) single family homes, 31.6% (741) two-or-more unit structures, and 8.0% (188) “other”

structures such as mobile homes and yurts etc. The total structures classified as homes per 2019 is 2,348. Although there are a significant amount of multi-family structures, Waterbury is not diverse with regard to the size of its housing stock as most constitute single-family homes with three, or more bedrooms.

Of the 2,348 homes within Waterbury, 67% are owner-occupied (2019). This number represents a notable reduction from 72% during 2015. Together, Increasing prices of homes for sale and conversion of some existing homes to short-term rentals with Airbnb’s growing popularity account for this decline.

Housing Units

	2015	2019
Owner-Occupied	72.00%	67.00%
Single Family	1,648	1,419
2 or More Unit Structures	552	741
Mobile home or other Housing Type	171	188
Total Housing Units	2,371	2,348

As it pertains to second homeownership versus dwellings used as primary residences, Waterbury, unsurprisingly stands out as an outlier within Vermont as well. This is due to its well-established proximity to year-round resorts and other amenities. Approximately 63% of Waterbury’s housing stock are considered primary residences, while the remaining 37% are either seasonal residences, classified as second homes, or are used for short term rental. In contrast, 17% of Vermont’s total housing stock is largely considered to be used for second homes.

Please note, however, that Waterbury’s second homeowner percentage data can have a larger margin of error due to a portion of second homeowners that either purposefully or mistakenly misclassify the status of their home. In recent years, this ongoing practice has become additionally convoluted to track because a segment of second homeowners also utilize their property’s as short term rentals.



63%	<i>Primary Residences - Waterbury</i>
37%	<i>Secondary Residences or Short-Term Rental - Waterbury</i>
17%	<i>of Vermont homes are considered second-homes/seasonal residences</i>

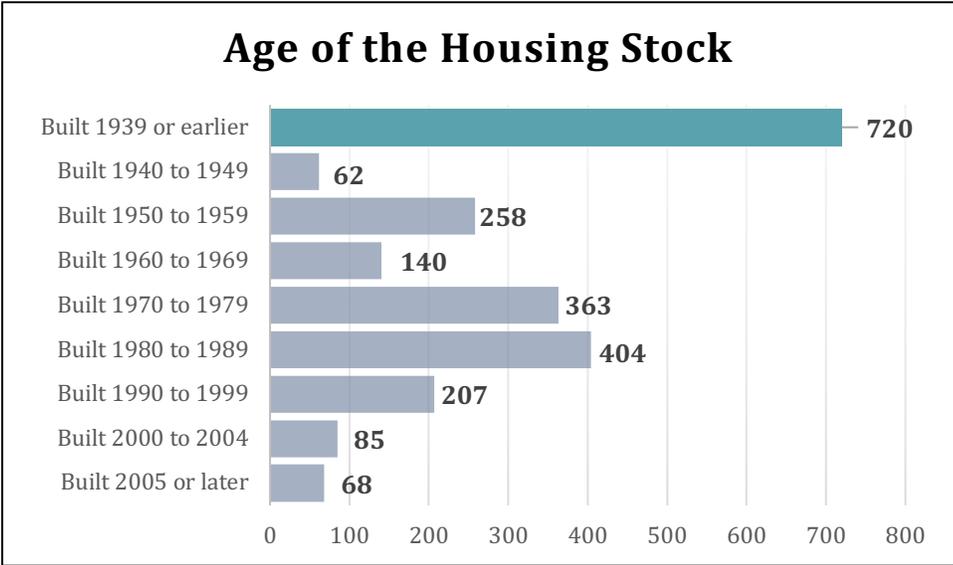
Impact

The consequence of a high rate of second homeownership and properties used for short term rental has a negative effect on the local and local-regional housing market. Year-round residents are finding it difficult to locate housing in town or in adjacent municipalities. Likewise, many of those who work within Waterbury engage in lengthy commutes because they are unable to afford or find housing within Waterbury or immediately nearby. A forthcoming section which includes an analysis of the Housing Survey will have additional information on commuting patterns, distance, and time for those work and/or live in Waterbury.

It is clear that market pressures from second homeownership and properties utilized to satisfy the short-term rental demand has created a multitude of barriers for local residents interested in buying or renting within town. These market pressures, leading to a decreased supply, directly elevate the price of homes for sale and those for rent, too.

Waterbury has taken positive first-steps with enactment of the Interim Zoning Bylaw that allows for increased density downtown and increases in size and bedroom-number of Accessory Dwelling Units. However, the town must actively recruit developers who will construct new housing at a market rate within downtown to begin to satisfy the pent-up demand. Doing so will have additional positive outcomes to include maintaining the ability to capitalize on the inflow of newcomers who will be working remotely. Likewise, additional housing will help ameliorate the well-documented issue of high turnover of staff at many of the local food and beverage industry establishments. At present, a significant share of these employees commute from a location that is either cost prohibitive or time deconstructive.

Age of Housing Stock



The age of Waterbury’s housing stock is an issue indicative of imbalance in housing needs. It should be noted that higher percentages of old homes are common within Vermont and throughout New England. However, an aging housing supply is also illustrative of misaligned housing needs given

that the size, characteristics and needs of families have changed dramatically within the past century

To that end, almost one-third (31.2%) of Waterbury's housing stock was constructed prior to 1938. This represents the single largest period of time category tracked. Conversely, only 6.6% of total houses have been built since the year 2000. The next two highest periods evaluated were 1970-1979 and 1980-1989 which constitutes 15.7% and 17.55 respectively. These sharp increases around the middle of the century is likely attribute to two key factors. A national trend that saw a shift away from cities during this era and the proliferation of the Vermont ski industry in the 1970's and thereafter are likely the key attributing factors. Nevertheless, it is evident that Waterbury's housing stock is severely outdated and inconducive to the needs of current and prospective residents.



Above, a recently sold 2,600+ Sq Ft home with 4-bedrooms build during the 19th century is typical of Waterbury's aging housing stock.

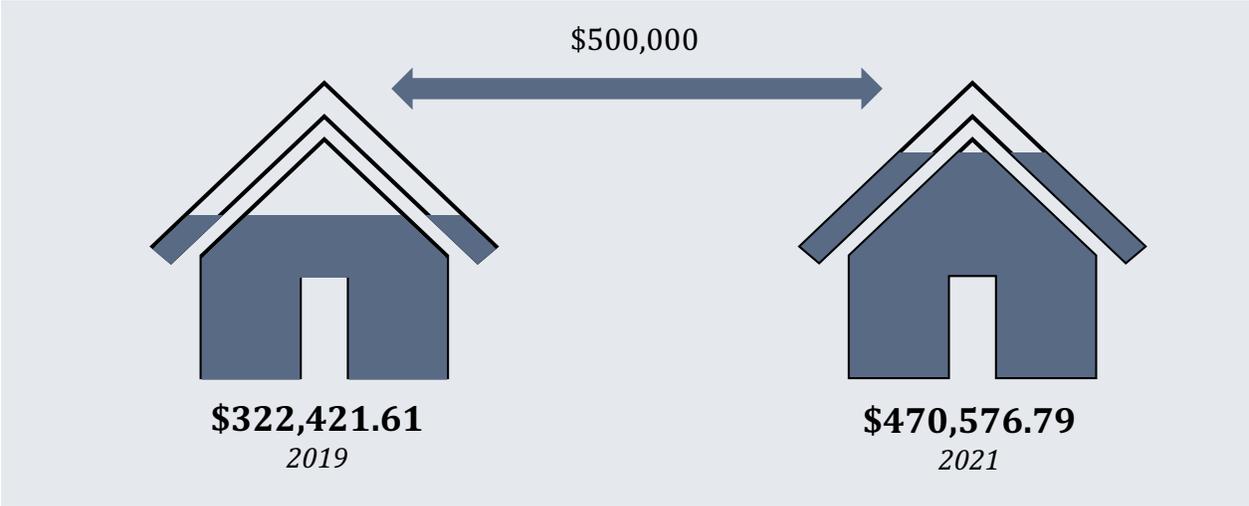


Above, a 3,600+ Sq Ft home is illustrative of Waterbury's 1990's and 2000 development which are oversized for current needs

MLS Data

To gain a better sense of the current status of Waterbury’s housing market, a comprehensive review of MLS data was conducted. Specifically, it was envisioned that utilization of this data may shed light on the yet-to-be quantified impact of Covid-19 on Waterbury’s already-constrained housing supply.

It has been anecdotally hypothesized that housing prices and number of homes sold increased dramatically since the time immediately prior to Covid-19. In part, these thought processes are attributed to an increase in individuals and families who became eligible for remote work. Compounding this trend, negative connotations from a public health perspective made cities less attractive while making greener and less-dense Vermont municipalities such as Waterbury very enticing. Finally, historically low interest rates are thought to have further catalyzed home buying, specifically, second-home acquisitions.



MLS data for the years 2019-2021 were analyzed to identify themes including price point and availability of housing stock. For example, in 2019, there was a total of 85 homes sold throughout all of Waterbury. The median sale price of these homes was \$322,421.61. In comparison, throughout 2021, to-date (12/17/2021), there were 107 homes sold in Waterbury. Most significantly, the median sale price of homes elevated to \$420,576.79, reflecting an increase of \$98,115.18 in under two-years.

$$\mathbf{\$98,115.18 = 30.4\%}$$

Increase in median housing sale price between

Impact

The impact of Covid-19 on Waterbury’s Sale housing market is quite severe. While it is true that supply increased, theoretically creating more home-buying opportunities, it is clear that demand outpaced supply such that it significantly elevated home prices. Between 2019 and 2021, there was a \$98,155.18 increase in the median sale price (roughly 30.4%).

Recommendation
Conduct a review of existing structures (commercial, industrial) within town that can be repurposed into housing.

Given that Waterbury’s median household income remained relatively stable during these years, the surge in home prices continued to make homeownership unattainable for a larger group of Waterbury’s residents and prospective

residents. These market-driven actions will continue to strain the local housing market, and, considerably more so given that adjacent municipalities saw similarly unusual price increases. Waterbury residents, workers and those of surrounding municipalities are continuing to get priced-out of the local housing market.

Strategies for Sustainable Development

It goes without saying that Waterbury needs to increase its housing supply and do so in a way that creates homes across a diversity of price points and sizes. However, aforementioned zoning regulations and preservation of natural and open space resources must be considered thoroughly. Because the Covid-19 pandemic has created bottlenecks in supply chains which has led to increased costs in building materials, temporary strategies must be considered and even work in tandem with longer term plans to alleviate shortages.

To begin with, Waterbury should work directly with local landlords and property owners to identify vacant properties suitable for redevelopment into housing. Repurposing industrial, commercial, and other underutilized structures may be a valuable interim tool to ameliorate the constrained housing supply. Irrespective of this strategy, Waterbury must also begin evaluating long term plans for growth.

Recommendation
Work with local landlords, builders, and developers to maximize the use of underutilized structures while simultaneously planning for legitimate new housing development opportunities.

For instance, Waterbury should look to partner with developers to construct new multi-family and mixed-uses near downtown and along the Route 100 corridor in the future. As building supplies remain prohibitively expensive at this time, the former strategy is recommended for the present and may also be quicker based on the physical characteristics of given structures. However, given the lengthy development process including the intentional delays build into Act 250, the municipality must begin recruiting and vetting new development opportunities that offer a diversity of housing styles, options, and price as soon as possible. Undertaking these actions now, will lay groundwork for properties that can be slated to “come online” by 2023.

Short-Term Rental Analysis

Anecdotally, it seems each week a Vermont local newspaper features a story of an Airbnb stay gone awry, an editorial espousing the negative implications of short-term rentals or, occasionally, a call-to-action asserting that Vermonters should accept the numerous benefits of the tourism sector and look beyond any associated externalities.

To that end, the effect of short-term rentals on Vermont’s built environment, natural resources, local economies, and housing markets has been the subject of conjecture and speculation. However, few attempts to quantify these impacts, especially since the outset of the Covid-19 Pandemic, have been executed. The following section of this report quantifies some of this data in the context of Waterbury and within the Central Vermont region more broadly. It includes a review of Waterbury’s active short-term rentals, possible implications of these rentals, and recommendations on how to balance the need for short term rentals with the needs of year-round residents.

Active Rentals

Waterbury has exactly 51 short-term rentals that have been operating throughout 2021 and/or are planning to continue to operate in 2022. To obtain this number, listing platforms to include Airbnb, VRBO, Home To Go, and others were consulted. Listings were then cross-referenced to ensure that properties listed across multiple platforms were not counted more than once. It is important to note that the number of short-term rentals does not reflect a specifically selected date. Rather, this review constitutes an inclusive analysis of all listings that have been active within the previous year in addition to those that plan to operate within the upcoming calendar year.

51	<i>Airbnb Listings in Waterbury</i>
33	<i>Airbnb Listings capable of conversion to long-term rental</i>

51 short-term rentals do not constitute a major share of Waterbury’s existing housing. In fact, this number represents just over 2% of Waterbury’s overall housing stock. Moreover, of the 51 active rentals, the analysis conducted suggests that only 33 of these properties are capable of conversion into year-round residences for either rent or sale.

To that end, of the 33 short term rentals capable of conversion to year-round use, 28 are ready to go as-is and would not require any modification. Five (5) of these rentals, would require minor and relatively inexpensive renovation (such as adding a stove, a door, etc.). Diving a little deeper into property-type, these 33 potentially convertible structures can be categorized into three (3) primary groupings.

Eighteen (18) single-family homes comprise the most significant share of listings. The middle classification group includes eleven (11) in-home or attached accessory units, such as a basement apartment, an attached garage, or attic. Finally, there are four (4) detached accessory units such as a converted barn or detached garage which exist as accessory structures sharing a property, but no wall or foundation with the principal dwelling.

Irrespective of the extent of short-term rental's reach into Waterbury's housing stock, it is imperative to consider where the balance of appropriateness lies when planning for the divergent needs of year-round residents. In addition, however, it is also important to consider the market driven need for short term rentals given the share of Waterbury's local economy derived from a multi-season tourism sector.



Striking a Balance – Strategies

Local municipal policy should not prohibit the use of properties for short term rental; and many of Waterbury's short-term rentals are run, not as portfolio properties, but as modest supplementary incomes for their owners. Moreover, short term rentals provide collective benefits via their contribution to the local economy as many tourists don't just stay in Waterbury, they spend discretionary income at area businesses, too.

In contrast, it is equally important, if not more so, to consider the needs of Waterbury's cost-burdened residents and those who work within the town but have to embark on extremely lengthy commutes to-and-from their places of employment.

To help increase housing within the area while also continuing the viability of short-term rentals, Waterbury should take a multi-step approach. While the merits of short-term rentals have been noted, conversion of *some* of these rentals to mitigate the severe lack of housing is recommended. Again, this should not be accomplished from a municipal mandate or ban, rather, these actions should be encouraged and owners incentivized.

Specifically, properties that represent the largest housing need, such as one-bedroom and two-bedroom units, should be targeted for potential conversion. To accomplish this, Waterbury should undertake an outreach campaign to these short-term rental

Recommendation
Partner with other nearby municipalities to identify mutually advantageous locations for construction of higher density housing.

owner/operators that illustrates to them the stability of annual or six-month leases. Likewise, because many owner/operators are also local full-time residents, they should appeal to their sense

of community by suggesting that stable leases can still generate supplementary income, while also providing a tenable home for another individual or small family that wishes to be a part of the Waterbury community. This strategy will likely result in many short-term rentals continuing to operate, however, a segment of them will transition to year-round rentals. In turn, this will begin to provide a much needed housing type within Waterbury and, when coupled with earlier mentioned increases in ADUs, will make measurable inroads on alleviating current housing shortages.

Secondly, Waterbury should embark on a long-term planning process with neighboring municipalities. Identifying mutually advantageous locations for future density-driven developments is essential. This will prove to be a better approach than each municipality singularly attempting to solve their housing crisis in isolation and out of context with each other. Because Waterbury and adjacent municipalities are so interconnected with regard to their year-round and short-term rental issues, the most cogent path toward a shared regional outcome is through collaboration. Most importantly, a cooperative housing plan will add value in in the areas of conservation, historic preservation, and protection of natural, agricultural, and open space resources.

Recommendation

Create an outreach campaign to short term rental owners that appeal to their sense of community and bottom-lines to convert studio, one and two-bedroom units into annual or six-month leases.

Housing Survey – A Qualitative Perspective

A Housing Survey was distributed digitally and in paper format for residents and those visiting or doing business within town to provide their feedback and input with regard to Waterbury's current and future housing needs. This survey ran during the period of October 15 – November 15, 2021 and was distributed in paper at key areas of interest such as the Farmer's Market and Senior Center. It was further distributed electronically via social media platforms. Revitalizing Waterbury sent the survey out through their own newsletter and social media channels, too, and the survey ran in the local newspaper.

The following results include the presentation of raw data captured in addition to a comprehensive analysis of these findings. This section will culminate in strategies and recommendations based on the tabulation and statistical analysis of all data collected.

Demographics of Housing Survey participants

The Waterbury Housing Survey had 97 respondents via digital distribution and an additional 17 through traditional paper means. Although this number was a little lower than was hoped, it is felt that the survey captured a fairly representative and encompassing sample of Waterbury's population. Specifically, household income data, age of respondents, and several other key metrics almost mirrored completely the distribution of those same data sets from the recent Census Bureau surveys.

Shaping Waterbury's Future – Needs + Preferences

Survey respondents were ubiquitous in their assertion that Waterbury is in need of additional housing, and in many instances, even agreed on how to accomplish this. When participants were provided check-box multiple choice options on how best to provide for new housing, an overwhelming amount, 92.2% felt that repurposing existing structures was the best way to achieve this. Candidly, 92.2% is the largest quantified response to this question that the consulting team has seen to-date and recommends that from a local-political perspective, subsequent applications to do so would be well-regarded by the Planning Commission as it would the general public. Additionally, this may be an interesting leverage point when looking to partner with or recruit future developers.

Because participants were allowed to "select" multiple options, the next closest method of increasing the housing supply was to permit accessory dwelling units (ADUs) which included 64.3% of respondents in favor of this option. Again, this is a fairly large sample of coalescence on a particular strategy given the diversity of options that were presented.

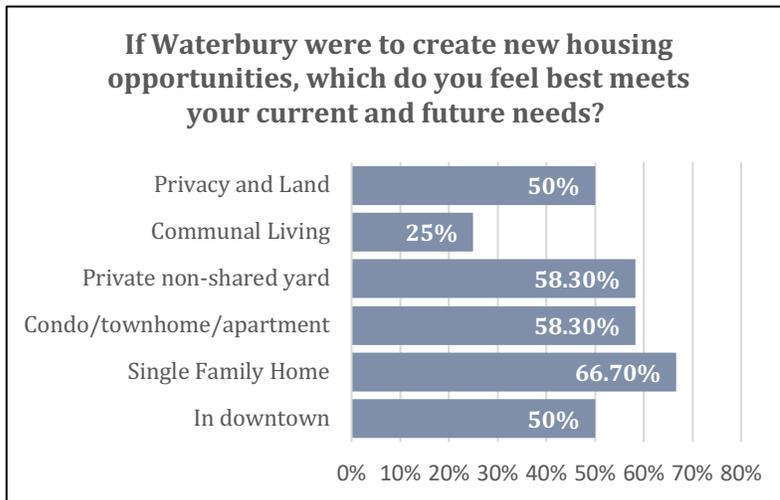
Once again, survey respondents tended to agree when asked about the location of new housing they felt was most appropriate. 65.2% felt that it was best to locate new housing in the downtown area. Solidifying this same trend from a reciprocal perspective, survey respondents had a negative connotation of adding new housing on the periphery of town, or otherwise in areas where nature and open space prevailed. These results, outlined in the graph above are representative of Waterbury's sophisticated perceptions surrounding density. These well-formulated opinions are likely informed by participants' interest in and commitment to preservation of open space and

natural and environmental resources. To that end, it is clear that residents of Waterbury are cognizant of the importance of encouraging density where density already exist and that density clusters tend to mitigate the negative externalities associated with the historical approach to new development.

Next, the Housing Survey asked respondents to select which type of housing best met their current and anticipated future needs as related to the number of bedrooms in a desired home. The largest category selected was two bedrooms, accounting for approximately 54.2% of the respondents.

The next largest selection was the grouped-category of Studios and one-bedroom units.

This classification constituted 33.3% of survey respondents. Taken together, Studio, One, and Two-bedroom units represented 87.5% of the current or future need of the representative sample. This is particularly noteworthy because it aligns with national increases in demand for these categories and affirms that family size is decreasing and that those who wish to have families are delaying these important life milestones until later points in their lives.



*Question from Housing Survey



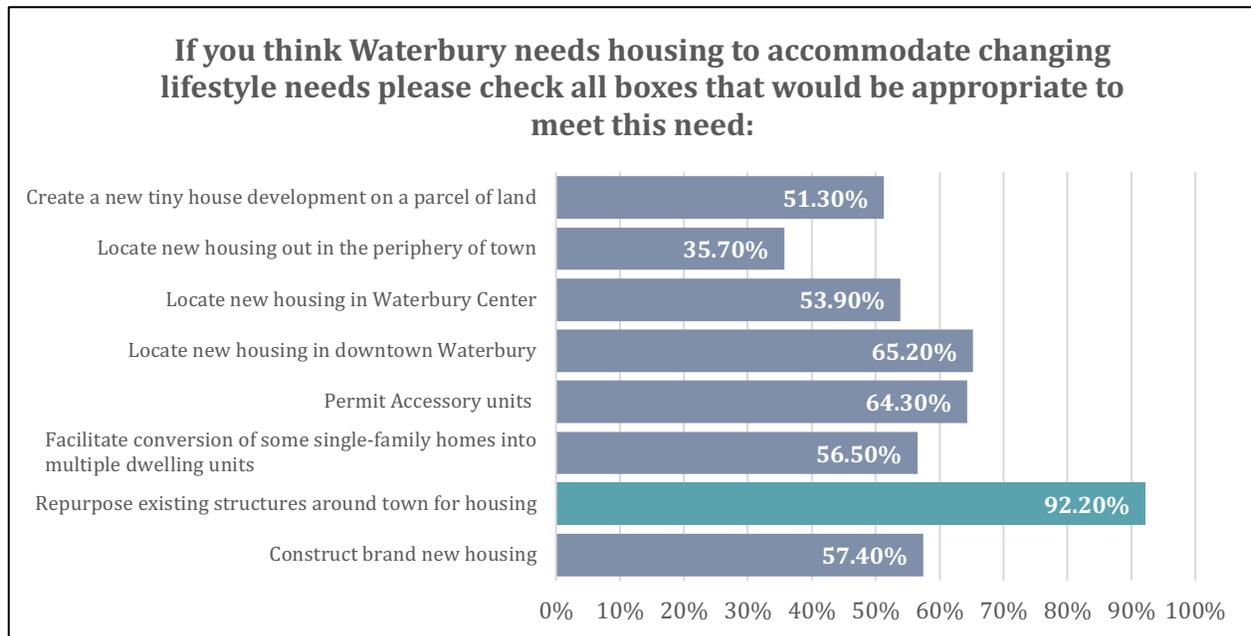
Strategies For Growth

It is clear that the needs of Waterbury residents and prospective residents are incongruent with the existing housing need. Irrespective of the blanket-requirement of additional housing stock, Waterbury residents prefer accommodations that are not in currently in abundance within the town at present. The existing housing stock offers larger homes than the need requires. Waterbury should take proactive steps in prioritizing new development of Studio, one, and two-bedroom homes. Although there very clearly is still a demand for three-bedroom homes (33.3%), the municipality should not focus on development of homes this size. Rather, by

Recommendation

Waterbury should prioritize development of Studio, One, and Two-bedroom homes. The town should not focus on construction of three+ bedroom dwellings because a faction of existing residents (ex. seniors scaling back, empty-nesters etc.) will move into smaller new builds. In turn, this will free up existing three-bedroom+ units to satisfy the modest demand for them

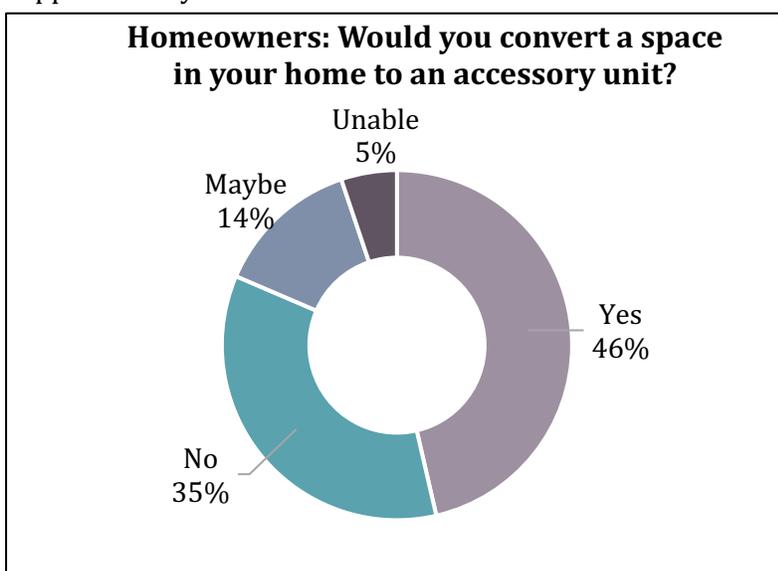
increasing the housing supply of studio, one, and two-bedroom homes, a faction of existing residents such as seniors scaling back and empty-nesters etc. will likely give up their larger homes thereby freeing up some of the three-four-bedroom stock for those who truly do need or prefer it.



**Question from Housing Survey*

Accessory Dwelling Units (ADUs)

The Housing Survey asked participants their feelings toward Accessory Dwelling Units (ADUs). Accessory dwelling units are typically smaller, secondary structures attached-to or within the same property boundary as a primary building. They are often used for caretakers, adult-children, or supplementary income as rentals or short-term rentals. As discussed in the Zoning & Development



**Question from Housing Survey*

section of this report, Waterbury has recently undertaken an Interim Zoning Bylaw that has increased the size and applicability of ADUs.

Just 35.05% of survey respondents felt ADUs were **not** something they would be interested in constructing if they were financially or physically able to. In contrast, 46.39% of respondents stated they would be in favor of constructing an ADU if their property was able to accommodate it. Due to formatting

of the digital survey, this number may be significantly higher because over 5% stated it would not be an option, likely because they were constrained by the physical limitations of their home, or personal financial limiting factors. An additional 13.4% stated they may be open to it under the right circumstances.

ADU Strategies

Allowing for the construction of ADUs alone will not solve Waterbury's housing shortages or alleviate the gap in housing-type needs. However, encouraging ADUs is a very practical method that can work in tandem with other strategies (such as repurposing vacant or underutilized structures), to collectively meet the current demand and needs of residents and those wishing to move into Waterbury. It is recommended that Waterbury should permanently adopt the Interim Zoning Bylaw to increase ADUs within town. Moreover, this specific housing type is well-suited to meet the contemporary needs of residents given that most ADUs are studios, one, or occasionally two-bedrooms.

Recommendation - ADU

Waterbury should create a streamlined process including reduced application requirements and decreased fees to increase ADUs throughout town.

To pair with the permissibility of accessory dwelling units, Waterbury must provide additional assistance to catalyze conversion of existing structures or retrofitting of basements, attics, garages etc. into ADUs. Specifically, Waterbury should create a streamlined application process for those interested in creating an ADU. Such a process might include lowering application fees and other costs typically associated with development. Finally, the town may consider creating a revolving fund that has the ability to provide financial assistance to those who meet certain criteria (ex. Will not be utilized as a short-term rental, or for seniors looking to age-in-place).

Recommendation - ADU II

The town and/or local nonprofit should create a revolving fund that provides assistance to create ADUs providing certain requirements are met (ex. Utilization of local labor to construct and must not be used as a short-term rental).

Conclusion and Themes

The Study conducted by Main Street Group substantiates that Waterbury, a well-regarded Central Vermont town, is experiencing a myriad of housing-related issues. From affordability of homes for sale and for rent, to availability of these homes, these issues proliferate throughout town and are creating tangible impacts on all stakeholders. In addition, the types of housing required by existing residents and those who would like to move to Waterbury are incongruent with the housing types presently available in town. For instance, over 87% of the current and projected need is for Studio, One, and Two-bedroom units, while the majority of existing homes are minimum-three-bedroom units.

Adding a layer of complexity to this issue is the increasing pressure on affordability and availability of housing due to the growing Vermont tourism sector. Waterbury's proximity to multi-season resorts and outdoor activities, and the combined effort of these resorts and the Vermont Department of Tourism & Marketing to illustrate Vermont as a year-round destination has had inadvertent negative repercussions. Such consequences include the recent development of properties being used for short term rentals instead of supplying stable annual leases for Vermont residents and also the surge in second homeownership. The result of each phenomenon includes skyrocketing home prices and decreased availability.

Although the aforementioned issues began prior to 2019, they were exacerbated by an increase in newcomers as a result of the Covid-19 pandemic. Individuals who were eligible for remote telework and those who wanted to escape denser, perceivably less-safe cities contributed to increased housing prices as demand grew throughout the Pandemic.

Compounding these issues is the key fact that these issues are not unique to Waterbury. Rather, municipalities throughout Vermont, but especially within Central Vermont are in the midst of affordability and availability crises.

The consulting team, Main Street Group has presented herein the findings of a comprehensive analysis pertaining to Waterbury's current housing status and future needs. Numerous recommendations have been presented that can be undertaken individually. However, when implemented in concert, these strategies have the ability to successfully guide Waterbury to toward the equilibrium of housing affordability, availability and contemporary size-based needs.

Appendix



Waterbury Housing Assessment Survey



**** Please only fill out survey if the first question applies to you.**

Where do you live?

- I live in Waterbury
- I live in another Vermont town within a 20-mile radius of Waterbury

How many adults live in your household? _____

How many children under 18 live in your household? _____

Which age category best describes you:

- Under 17 35-50
- 18-24 51-65
- 25-34 66+

Do you rent or own where you live?

- Rent Live expense-free (with parents, friend, etc.)
- Own Presently experiencing homelessness

Which of the following best characterizes your annual household income? (circle one)

- | | |
|---------------------|----------------------|
| Less than \$ 10,000 | \$ 50,000 – 74,999 |
| \$ 10,000 – 14,999 | \$ 75,000 – 99,999 |
| \$ 15,000 – 24,999 | \$ 100,000 – 149,999 |
| \$ 25,000 – 29,999 | \$ 150,000 – 199,999 |
| \$ 30,000 – 49,999 | \$ 200,000+ |

What is your current occupation? _____

In what town do you work? _____

If you think Waterbury needs housing to accommodate changing lifestyle needs (ex. Seniors on a budget, New/Beginning Families, Young Adults etc.), please check all boxes that would be appropriate to help meet this need:

- Construct brand new housing
- Repurpose existing structures around town for housing
- Facilitate conversion of some single-family homes into multiple dwelling units
- Permit Accessory units (garage/barn apartments, basement apartments, rear cottages etc.)
- Locate new housing in downtown Waterbury
- Locate new housing in Waterbury Center
- Locate new housing out in the periphery of town
- Create a new tiny house development on a parcel of land

Use the blank space below to articulate any concerns/ideas you have about housing in Waterbury:

A - RENTERS – (Homeowners, please skip to the bottom)

Approximately how much do you spend per-month on rent? (If you share rent with one or more other people, please also share the total amount of monthly rent paid for your residence).

Your rent/portion of monthly rent: \$ _____

Your combined household's rent: \$ _____

How many bedrooms (including spaces that are being used as bedrooms) are in your home? _____

I currently live in a:

- Single-family home
- Condo/Apartment/Townhome
- Single family home converted into multiple units
- I am currently experiencing homelessness

At what age do you currently hope to buy a home _____

Where do you hope to buy a home in the future (*ideally*) _____

If Waterbury were to create new housing opportunities, which do you feel best meets your current and future needs? (Check ALL that apply)

- Studio or One-Bedroom
- Two-bedroom
- Three-bedroom
- Four+ bedroom
- In downtown Waterbury
- Single-family home
- Condo/Townhome/Apartment
- Private non-shared yard
- Communal living
- In an area with privacy and land

What is most important to you (besides affordability) when looking for a home to rent or buy? _____

How long have you owned your home? _____

B - Homeowners

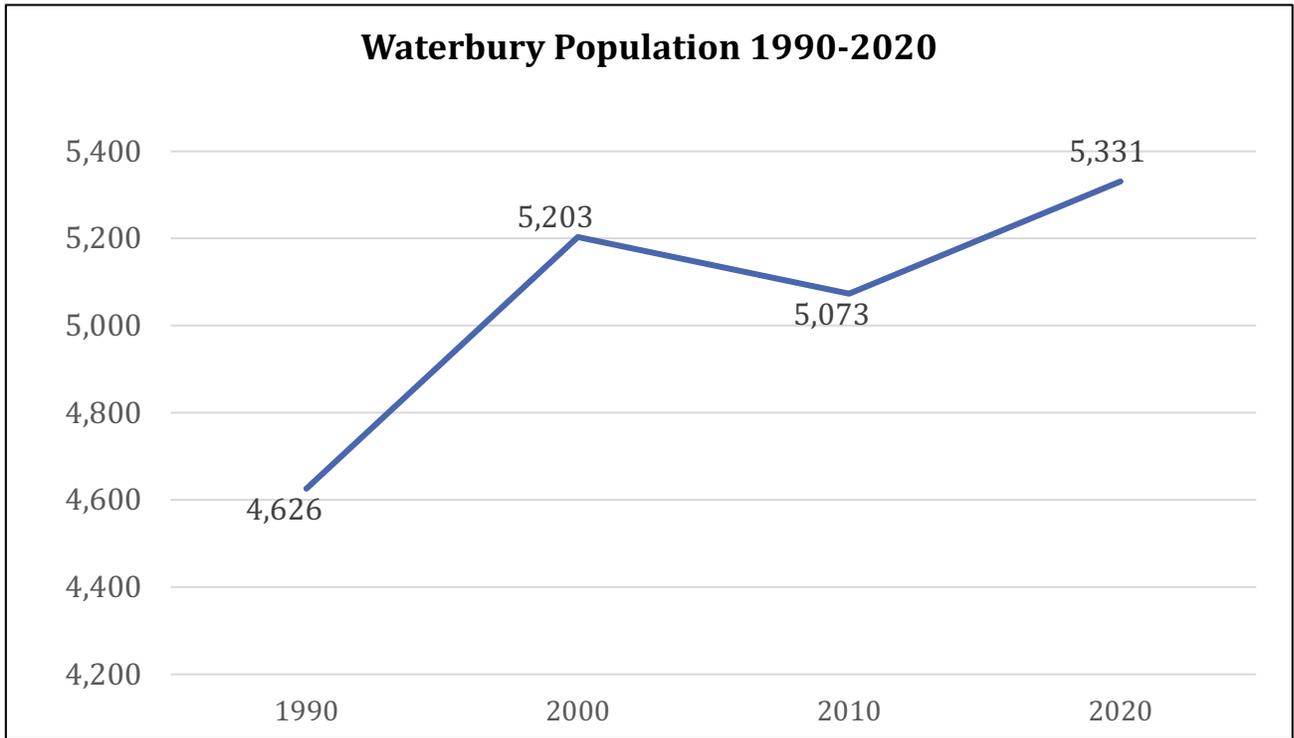
How many total years of homeownership have you had? _____

Does the size, character, layout, geography, cost of homeownership expenses, and proximity to essentials currently meet your needs and expectations? (*circle*) → **Yes** or **No**

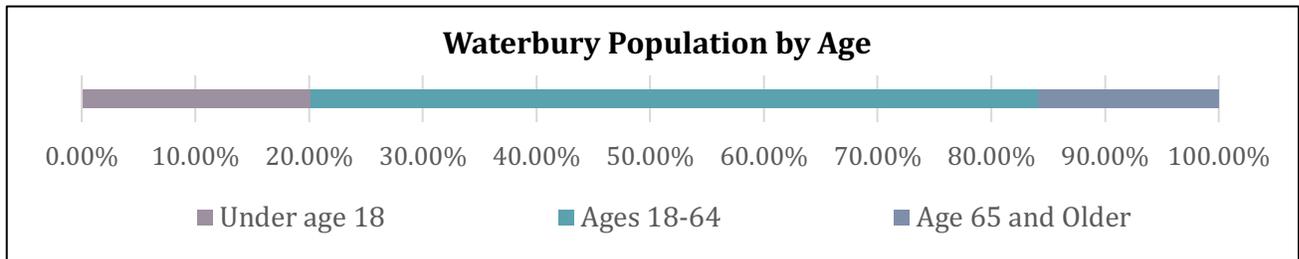
If you answered, "No" to the above question, what would you change about your current residence? _____

If you could easily convert a space in your home, garage, barn, into a one-bedroom for a family member or to generate additional income, would you be interested in doing so under the right circumstances? _____





**It is anticipated that the current 2022 population exceeds the Census 2020 estimate of 5,331 due to the inflow of newcomers and change in status from second homeowners to primary residents resulting from covid and remote work*



Housing Units

	2015	2019
Owner-Occupied	72.00%	67.00%
Single Family	1,648	1,419
2 or More Unit Structures	552	741
Mobile home or other Housing Type	171	188
Total Housing Units	2,371	2,348

