

Rental Market Needs Assessment for the City of Newark

Summary of Findings in Phase One

DRAFT

Submitted to:
City of Newark, DE

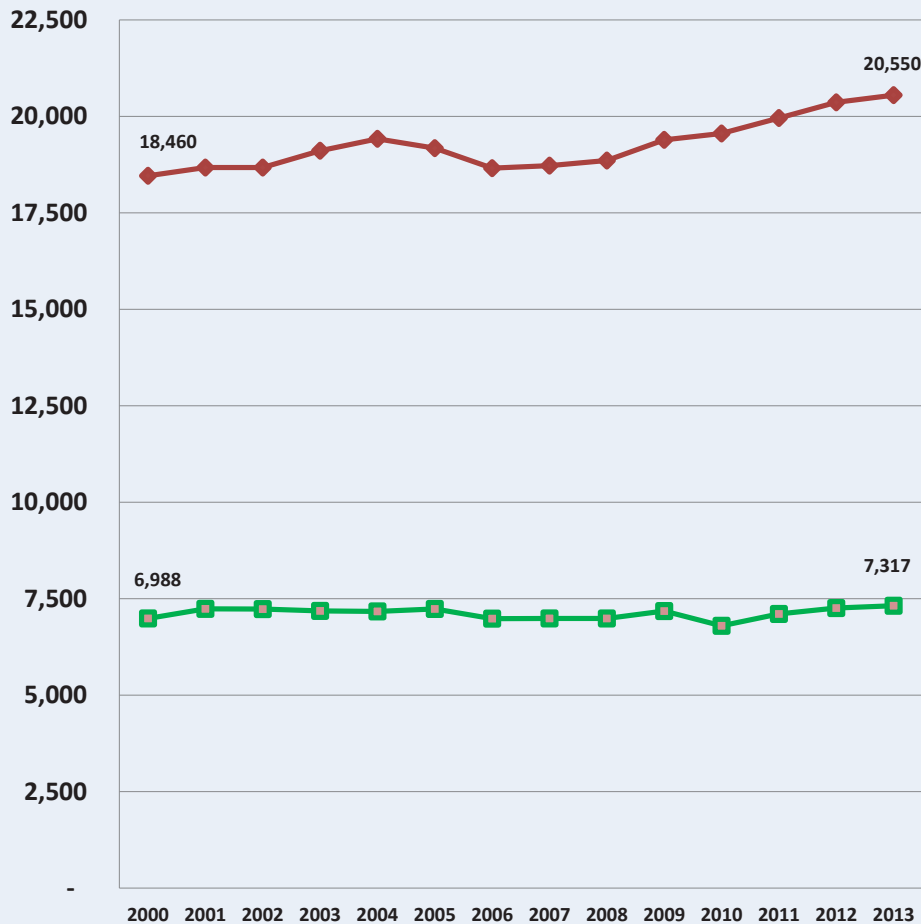
Prepared by:
URBAN PARTNERS

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Newark Rental Housing – UD Students

UD Enrollment/Dorm Residents



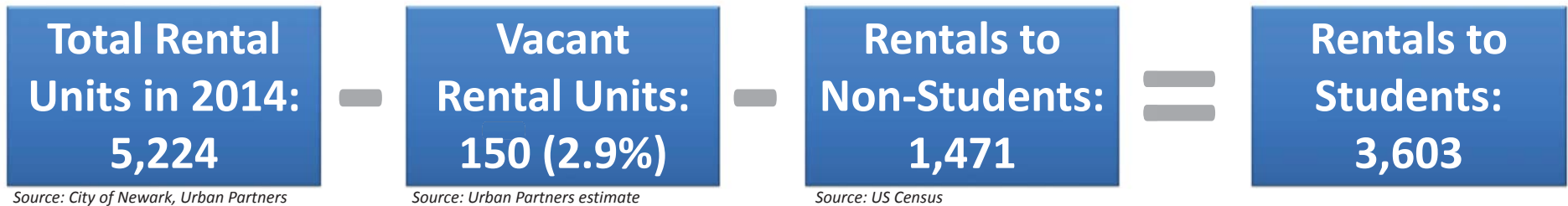
Student Residential Pattern ('13-'14)

- Total enrollment: 20,550
- Undergraduates: 16,871
 - 1st Year Students: 3,808 (91% in dorms)
 - 2nd Year Students: 3,492 (60% in dorms)
 - Upperclassmen: 9,571 (18% in dorms)
- Undergrads in dorms: 7,317 (43%)
- Undergrads living w/ relatives¹: 1,518 (9%)
- Undergrads off-campus: 8,036 (48%)
- Graduate students: 3,679
 - Full-time Graduate Students: 2,833 (77%)
 - Part-time Graduate Students: 846 (23%)
- Full-time grad students off-campus²: 1,980

¹ From UD student survey conducted by Biddison Hier on behalf of UD.

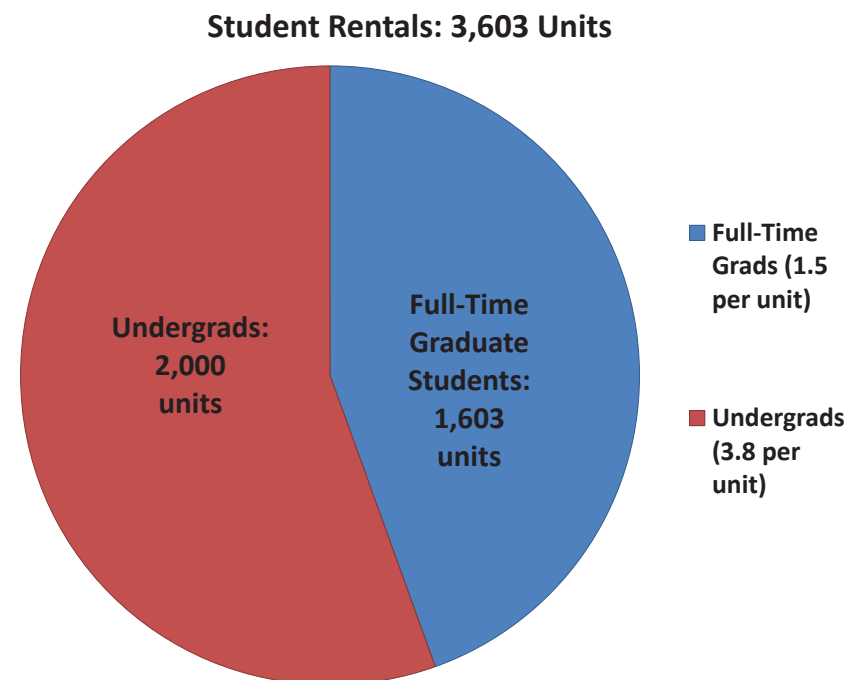
² Approximately 70% of all full-time graduate students live in the City of Newark. Estimated by Urban Partners.

Newark Rental Supply – Student Rentals



Off Campus Student Rentals

- Undergrads off-campus: **8,036** (including 243 in fraternity/sorority houses)
 - Undergrads who are boarders: **250**
 - Full-time grad students off campus: **2,408**
 - Variable - % of full-time grads living in the City of Newark: **85%**
 - Variable – average number of undergrad students per unit: **3.8**
 - Variable – average number of full-time graduate students per unit: **1.5**
- # of units occupied by undergrads: **2,000**
 - # of units occupied by full-time grads: **1,603**
 - Total # of student rentals: **3,603** (71% of all occupied rentals)



Newark Rental Supply – Non Student Rentals

Subsidized/Special Needs Rentals

- Low income seniors
 - Main Tower (150 units)
 - Marrows Court (50 units)
 - Independent Circle (36 units)
 - Low income families
 - Victoria Mews (81 units)
 - Newark Housing Authority Properties³ (20 units)
 - Special needs
 - Woodmont (16 units)
 - ARC (3 units)
 - Housing Choice Vouchers (Section 8)
 - Throughout the city⁴ (97 units)
- Total # of income restricted units: **453** (33% of all non-student rentals)

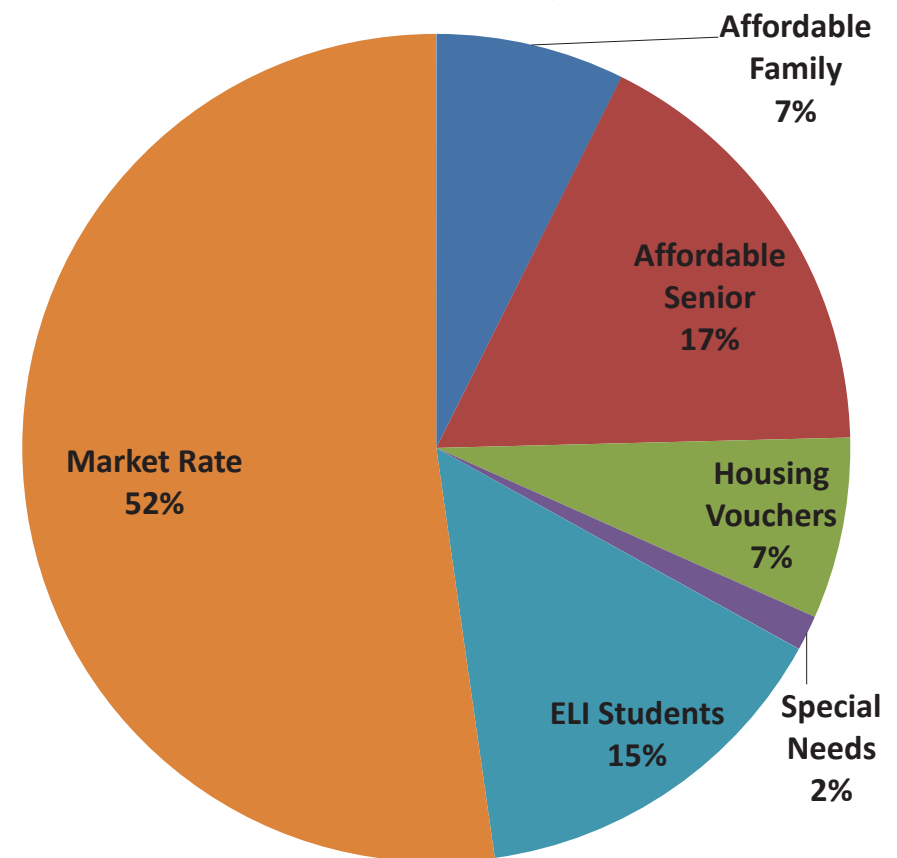
³ Cleveland Heights (42 units) is being replaced with Alder Creek (56 units), which will be completed by summer of 2015. There are more than 800 families on the waiting list.

⁴ More than 500 families are currently on the waiting list.

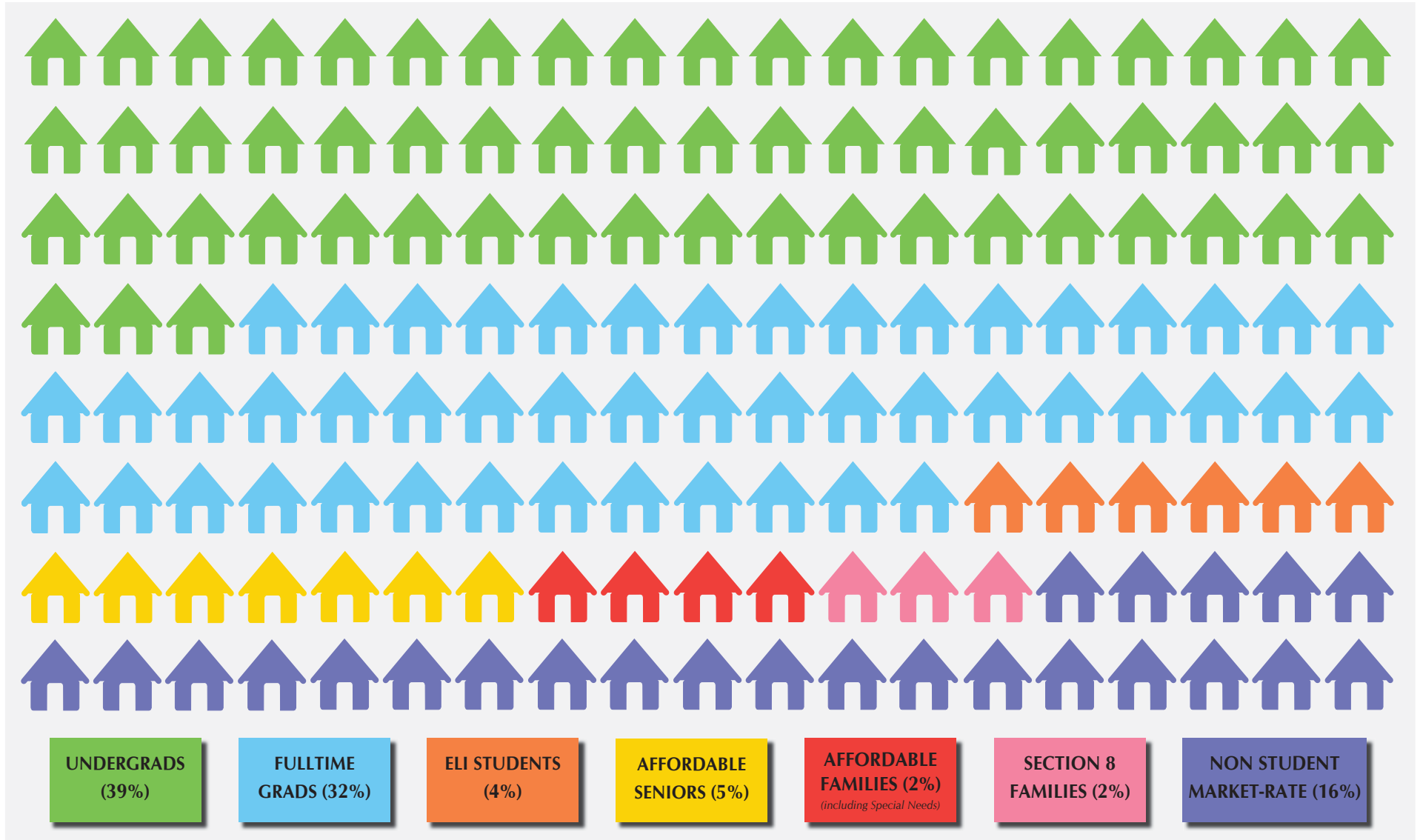
Non-Student Market Rate

- English Language Institute
 - Block leases with APT complexes (135 units)
 - Other apartments in Newark (66 units)
- Market Rate (817 units)

Non-Student Rentals: 1,471 Units



Who Lives in Newark Rental Homes?



GENERAL MARKET OBSERVATIONS

- Based on Urban Partners' polling of property owners and management companies, the vacancy rate for Newark's rental housing market as of December 2014 is estimated at 2.9%. The vacancy rate for the apartment complexes with more than 50 units is 3.5%.
- The vacancy rate is currently impacted by the lease-up process at the Retreat. As of this report, there are 68 units vacant at the Retreat which represents a 40% vacancy rate. The Retreat was completed in summer 2014 and missed the fall 2013 window when a large proportion of UD students were making housing arrangements for the following academic year (2014-2015).
- It is likely that by fall 2015, the Retreat will absorb the demand generated by the incremental annual growth in UD student population (see next section) and, as a result, the vacancy rate at the Retreat will be no more than 10%. The overall vacancy rate in fall 2015 for the City of Newark is projected at 1.9%.
- Most of the landlords interviewed by Urban Partners have reported that they have no, or very little, vacancies in their rental properties for the current academic year (2014-15). Some property owners reported that they've lowered their rents and offered special incentives to attract student renters this year. The landlords with newly built units report very strong demand for their apartments. Typically, these newer apartments that can rent as high as \$750 to \$850 per bedroom are off the market by October-November for the following academic year.
- For the student rental market, the apartments in highest demand are the newer units (both multi-unit apartments and townhomes) located in close proximity to campus. Students are willing to pay a premium for these units, even to the point of

keeping their apartments vacant throughout the summer months in order to continue the lease for the following academic year.

IMPACT OF UD'S STUDENT ENROLLMENT ON OFF-CAMPUS RENTAL HOUSING DEMAND

- Despite the stated policy of keeping a steady enrollment number, the University of Delaware has added over 1,450 students (undergraduates and full-time graduates) between 2005 and 2013. This represents a 7% annual growth rate.
- Based on the model formulated by Urban Partners to analyze the rental housing market in Newark, the additional 183 UD students arriving each year increased the demand for off-campus rental housing by 50 units per year from 2005 to 2013. Assuming that this growth rate remains constant for the foreseeable future, Newark must develop 50 additional units of rental housing each year to keep up with the demand for off-campus apartments.
- In fall 2014, UD accepted the largest freshmen class in the history of the University (4,150 students), which numbered approximately 350 more than planned and anticipated. In fall 2016, when the vast majority of this class will live off-campus, an additional 71 units of off-campus apartment units will be required to accommodate this unusually large class (with all other factors remaining constant).
- UD has stated publicly that there are no plans to change on-campus dorm capacity in the near future. Normal capacity for on-campus housing is 7,400 beds. There will be no interruptions of housing due to demolition or renovation of existing dorm facilities (i.e. Rodney and Dickinson Halls which will be decommissioned in May 2015). UD plans to open the new

Academy Street Dining and Residence Hall Complex and the renovated Harrington Complex in fall 2015. Even in 2014-15 when the University accepted 350 more students than usual, the dorms are accommodating 7,700 beds by converting some double rooms into triples.

- The current policies of requiring all freshmen students to live on campus (with small exceptions for students with families residing within commuting distance) and providing all upperclassmen dorm space if they choose to stay on-campus will also remain in place for the foreseeable future.

ENGLISH LANGUAGE INSTITUTE

- The University of Delaware English Language Institute (ELI) offers intensive English language programs for “degree-seeking students, business and legal professionals, English language teachers, and general English language learners.” There are six 8-week sessions throughout the year. At any given session, there are approximately 800 students enrolled, or approximately 2,200 unique students per year. About 650 ELI students matriculate into the University each year.
- ELI’s large growth started in 2008 when UD initiated the Conditional Admission Program through ELI. The usual prerequisite for international applicants to take the TOEFL exam is waived if he/she successfully completes the highest level of the ELI program.
- Current ELI students are technically not UD students and don’t count toward the official UD student enrollment figures.
- Conditionally admitted students are required to live with American households or live in a Global Community apartment which houses three ELI students and one American student.

Global Community apartment units are situated at Rittenhouse Station, the Retreat, and West Knoll.

- Of the 200 or so ELI students living with American households (i.e. not in a Global Community apartment), about half live in the City of Newark.
- We estimate that approximately 200 units of rental apartments in Newark are occupied by ELI students. Studio Green has 88 units, the Retreat has 4 units, West Knoll has 19 units, and Rittenhouse Station has 24 units. In addition, ELI students occupy approximately 66 units of rental homes scattered throughout Newark.

KEY QUESTION: DOES NEWARK HAVE ENOUGH RENTAL HOUSING?

- i) To maintain the current housing availability while accommodating projected modest student growth, then the community needs to add 50 rental units per year.
- ii) If Newark desires the share of its population that resides in market-rate, non-student rental units to grow beyond the current 4% of the total population, then additional rental units need to be provided (above the 50 units required to meet the growing student demand).
- iii) If Newark feels that the 453 affordable rental units currently available is less than optimal to meet affordability needs, then additional affordable units need to be developed.

- From the standpoint of simply responding to the incremental annual growth of UD’s student population and the assumption that it will continue at the current rate, Newark needs to add 50 units every year to maintain the status quo.

- If the supply of new apartment units does not keep pace with the growth of UD’s student population, it is likely that additional single-family or other owner-occupied dwellings will be converted to rental homes.
 - If ELI continues to grow, there could be even greater demand for rental homes in Newark.
 - From 2005 to 2011, Newark approved the development of 286 new rental apartment units, or 41 units per year. During this period, the growth of the UD student enrollment resulted in approximately 890 additional students living off campus. The incremental increase in off-campus rental housing demand was approximately 320 units.
 - In 2012 and 2013, the City has approved a total of 598 new rental apartment units. Included in this group are the Retreat (169 units) and the Newark Shopping Center project (220 units). Of the 598 units approved during this period, 269 have been completed as of December 2014. The units that are currently under construction, or are in the predevelopment phase, total 329 units (including the 220-unit Newark Shopping Center project).
- The off-campus rental demand is dictated by the size of the UD student population and thus it is a relatively “fixed” number in terms of demand.
 - If the development of new rental homes were to outpace the growth in UD student population, the older apartments and formerly single-family homes located relatively far away from campus will be most severely impacted. The likely result will be lower rental rates and increased vacancy rates for those properties.
- Currently, there appears to be a severe shortage of affordable rental homes in Newark.
 - Newark Housing Authority (NHA) owns and operates 20 scattered-site rental homes for eligible low income households. In addition, NHA administers 97 Housing Choice Vouchers (Section 8) in Newark. The current waiting list for NHA properties is over 800 households and the list for Section 8 Vouchers exceeds 500 households.
 - NHA, in conjunction with a residential developer, is in the process of developing Alder Creek, which will be completed by summer 2015. This development will result in 14 net additional rental homes for low income households in Newark.
 - All other privately owned affordable and/or special needs housing units add up to 336 units.
 - Newark currently provides 820 rental housing units at market-rate for non-student households. This represents 16% of all occupied rental units and provides housing for about 4% of Newark’s total population.
 - Is providing housing for this share of the total population consistent with public objectives or does the proportion of Newark’s total population that is non-student market-rate rental occupants need to increase?

TOPICS TO BE ADDRESSED IN PHASE TWO

- Should there be additional rental housing availability for the market-rate, non-student community? If so, what household or family sizes should be encouraged?
- Should there be additional rental housing availability for low-and-moderate income households? If so, what household or family sizes should be encouraged?
- Are there certain neighborhoods where the market should be shifted to non-student renters or owner-occupants?
- Should Newark continue its policy to concentrate student rental housing as close to campus as possible? How does that change the parking requirement for Downtown?
- What are the best practices in rental housing code enforcement?