
Student Rental Housing Task Force

Final Report &
Recommendations
May 2015

Bill Wright, Chairperson
Linda Ford, Vice-Chairperson

DATE: May 18, 2015

TO: The Honorable Walter Maddox
Council President Harrison Taylor
Councilor Phyllis Odom
Councilor Cynthia Almond
Councilor Matt Calderone
Councilor Kip Tyner
Councilor Eddie Pugh
Councilor Sonya McKinstry

FROM: Student Rental Housing Task Force

RE: Final Report & Recommendations of the Reconvened Student Rental Housing Task Force

Dear Mayor Maddox and Councilors:

The Student Rental Housing Task Force (SRHTF, Task Force, Members, Committee, We, Our) was reunited, per your request, and held a series of four meetings in 2015 – beginning February 5 and ending on March 26. The purpose of the reunion of the Task Force was to review our findings from the prior report and ascertain if those recommendations:

- Had been successfully implemented;
- Had been effective in regulating the trajectory of the student housing market; and/or
- Required updating or tweaking to better meet the original goals.

We also wanted to ascertain if any new recommendations were needed to address current market conditions.

As in 2013, The SRHTF received input from a wide variety of experts in the student housing industry: local and regional landlords (owners), local and regional apartment complex managers, researchers and for-profit analysts who crafted and authored the latest ACRE report, and, unlike in 2013, we heard from commercial leasing brokers who addressed the state of City's commercial retail market. We also listened to reports from, and asked questions of the managers from Planning and Development Services (PDS) about a variety of related topics.

We heard, examined, and analyzed current market data which, in our collective judgment, confirmed that our assessment of the student housing rental market in 2013 was accurate -- and our recommendations were needed. Not surprisingly, the student housing rental market still appears to be overbuilt relative to the University's on-campus enrollment. Empirical data and testimony to the Task Force suggest both the occupancy rate (number of leased bedrooms divided by the total number of bedrooms available for lease) and market rental rate (rental cash flow net of giveaways, givebacks and other non-cash incentives) are declining. We feel these negative indicators will become more pronounced as the hundreds of new student bedrooms that are currently under construction enter the rental market in the near term.

Yet despite these mis-matched supply and demand conditions, local commercial leasing agents believe that student housing developers will continue to enter the Tuscaloosa market.

Consequently, *we stand by the nine recommendations we made in our first report* – they are still necessary to help modulate this over-built market segment. Because of the on-going attractiveness of the student housing market to developers, we also believe our two conditional recommendations – (a) updating the City's Comprehensive Plan (in step with the University's Master Plan) and (b) reviewing the utilization of impact fees to offset the related costs of

upgrades, ongoing maintenance, and improvements to our infrastructure systems – should be addressed as soon as is feasible to do so.

As we discussed the utility of our prior recommendations, we learned that much of the ground floor, retail space in mixed-use student housing complexes was unleased – some of it for several years. When we questioned why this was happening both PDS and local commercial brokers noted that the retail space proffered by developers was (a) too small (square footage) by national standards to accommodate the average-sized retail business and (b) that developers had also priced the small spaces at levels that most small business owners could not pay.

Local commercial brokers further explained that the empty retail space was never intended to be leased as it was not part of the underwriting criteria that was presented to financial institutions that funded the developments. The cash flow from the retail space was never part of the collateral or repayment equation – it was dead space incorporated into designs to satisfy the zoning requirements for commercial uses in a commercial district. Yet retail sales are a critical component of high-density projects and neighborhoods – new housing complexes must provide not only bedrooms but also vendors offering goods and services to residents who live there. PDS presented research that suggested the design, layout, size and location of retail space within the building's footprint are critical to such areas' commercial viability. This lifestyle synergism (housing *plus* retail) was the principal reason the code allowed residential units as an accessory use in commercial developments in certain zones.

Compounding the urgency of addressing this issue (providing viable retail space in mixed-use, high-density buildings), PDS studies also showed that local, county, state and federal governmental bodies, religious and social organizations (churches with their sanctuaries, activity centers, parking lots, YMCA, historic homes, etc.) and extant businesses already occupy a significant portion of the land in the areas around Downtown and the University. Thus, there are only a limited number of lots available for future development.

To make certain this scarce real estate is developed to its full economic potential and can and will serve current and future tenants' needs, we believe future high-density developments should be required to fully adhere to the Standards and Guidelines outlined in Section 24-220(b) of the Zoning Ordinance regarding the Downtown/Riverfront Overlay District's Standards and Guidelines. These standards and guidelines require buildings exceeding three (3) stories in height to devote the street-facing ground floor area to commercial or office uses. We recommend that this portion of the code be revised to state that this commercial or office space must be *economically viable* and that PDS staff create standards for this revision.

Additionally, we recommend that Section 24-229(a) of Zoning Ordinance be amended to change the permitted uses in the Downtown/Riverfront Overlay District. Ground floor residential uses should not be permitted in all of the Central Business District (BC), nor should they be permitted in the Neighborhood Commercial Districts (BN) in the Downtown/Riverfront Overlay District on properties that front University Boulevard and Greensboro Avenue. Multifamily dwellings should *only* be permitted above an office or commercial use in these areas. Single-family dwellings in combination with a business use and townhouse dwellings should continue to be permitted in areas zoned General Business-Office District (BGO).

In addition to having retail space that is correctly sized, configured and located in buildings, we heard that retailers also need/want to attract customers who do not live/work in the immediate surrounding area. To induce this market segment to travel to and shop in these areas, there must be adequate and safe parking options.

We listened to merchants, landlords, commercial leasing agents and city officials speak about the parking issues in the downtown area. These issues included:

- Residents and workers absorbing most of the on-street parking, leaving shoppers with limited parking places;

- Parking signage needs improvement – in quantity and quality;
- Bus routes need to be implemented to shuttle shoppers/tenants so parking is not perceived as a disincentive to shop in these areas; and
- The intermodal parking deck needs better lighting, security and an external staircase to be viewed as an attractive option.

We believe the parking issues listed above need to be addressed through code and enforcement changes.

We recognize that there are substantial concerns regarding parking and the necessity of adequate parking to encourage redevelopment in the central business district. We recommend that the Mayor and City Council retain a recognized parking consultant as part of the budgetary process for Fiscal Year 2016 to conduct a study and make recommendations to the Planning Commission and City for appropriate parking options before the end of 2016.

The Task Force respectfully requests that these above recommendations be submitted to the Planning Commission at its next public hearing and asks that the Planning Commission adopt a Resolution of Support for said recommendations to be presented to the Mayor and City Council as soon as possible.

With Highest Regard,



Bill Wright
Chairperson



Linda Ford
Vice-Chairperson