

Montpelier Growth Center Study Population and Housing Projections: (4th DRAFT)

I. Overview:

Like many urban areas in Vermont, Montpelier’s population declined between 1960 and 2000. From its historical high of 8,782 people (1960), it dwindled steadily to an estimated total of 8,035 in 2000. Meanwhile, housing unit numbers climbed slowly, but steadily. This narrative will attempt to suggest what the next 20+ year period may hold for the City with respect to population and housing.

Table 1.
Montpelier Population, Housing Units
1940---2000
(US Census)

Year	1940	1950	1960	1970	1980	1990	2000
Population	8006	8599	8782	8604	8241	8247	8035
Housing Units	2249	2648	2958	2974	3437	3769	3899

II. Existing Projections:

In 2003, the Central Vermont Regional Planning Commission (CVRPC) contracted with Economic Policy Research (EPR) to do town-level projections out to 2020 for communities within its jurisdiction. These are the only “official” projections for the Region to date, and as such, are an appropriate starting point for an exploration of this topic.

Table 2.
CVRPC/EPR Population Projections for Montpelier

	2000 (Census)	2010	2015	2020	Net change
Population	8035	7982	7899	7,780	-255

Table 3.
CVRPC/EPR Housing Projections for Montpelier

	2000 (Census)	2010	2015	2020	Net Change
Housing Units	3739*	3904	3979	4153	+414
Average Household Size	2.15	2.02	1.97	1.87	-.28

These projections appear to make the case that Montpelier’s downward population trend, and low level housing unit growth (due primarily to decreasing household sizes) will continue into

the future. If true, it suggests that one could conclude the City may be ill suited for State Growth Center designation. Such a conclusion would be erroneous however, given new facts, emerging trends, as well as State, Regional and Local planning goals and initiatives. This application will attempt to show why these projections do not reflect a more likely future and will suggest/justify, an alternative approach.

III. The Case For Modification of Projection Methodology:

Four main arguments compel re-visitation existing projections. First, data suggests that a **housing shortage**, coupled with declining household sizes, may have been largely responsible for stifling population growth in Montpelier in recent years. Next, new data appears to demonstrate that this situation is witnessing a dramatic reversal - by virtue of both **market forces** and **public policy shifts**. Finally, relevant information reveals that Montpelier has the **infrastructural capacity/land capability** to accommodate substantial new growth.

A. Housing Shortage

It is our assertion that Montpelier's recent stagnant growth has had nothing to do with its lack of desirability as a place to live. In fact, the evidence suggests the opposite is true – more people would like to live in Montpelier but have not been able to find housing at an affordable cost for much of the past decade. Consider the following:

- Escalating housing prices: According to a 2004 Times Argus article the unmet demand for housing in Montpelier is illustrated by the fact that, *“The average selling price of a single family home in the capital is more than \$158,000, while the average appraisal of houses that sold in the last year was just over \$132,000.”* According to the 2000 Census, the median value of an owner occupied home *that year* was \$108,000. Assuming there has been no correspondingly dramatic increase in resident's wages since the 2000 Census (indicating a respectable \$51,818 median family income), it would now be difficult for the average family to afford the average home in Montpelier. There are even anecdotal tales of homes selling above the asking price in highly competitive bidding wars.
- Extremely low vacancy rates for rental properties: The US Census reported a vacancy rate for Montpelier of 1.8% in 2000. According to the Montpelier Housing Task Force a vacancy rate of about 5% is necessary to balance supply and demand.
- Conversion of rental units to office or commercial space: A net loss of 46 apartments has occurred since 1980 by such means.
- Dwindling Household Size: Montpelier's average household size of 2.15 persons/unit is now the smallest in the Region. CVRPC estimates show it declining to a remarkable (if somewhat implausible) 1.87 persons per unit by 2020. Less people per unit means that each unit is stretched thinner.

- Reduced construction of residential units in the 90's and early 2000's. Between 1980 and 1990, 508 residential units (over 50/year) were added in the City. Between 1991 and 2003 only 36 new units (about 3/year) were created, according to City data.

B. Changing Market Forces

Over the past four or five years there has been a dramatic change in the pace of new development in Montpelier. Between 2003 and 2007 about 119 net new residential units were created – a pace of 30 per year!

Because of this recent boom, EPR's Housing Unit Projections for Montpelier (and some of its surrounding communities) are not tracking accurately so far, as illustrated by **Table 3**. This is particularly true for Montpelier where housing unit growth for the period 2000-2005 appears to be underestimated by 456%.

**Table 4.
EPR Projections vs. Net New Units 2000-2005**

Municipality	EPR Projected Housing Unit Growth 2000-2005	Actual Unit Growth (Montpelier figure derived from City Permit Data with Field Verification) 2000-2005	% Error EPR Projection
Barre Town	75	236	- 215%
Berlin	112	50	+ 53%
East Montpelier	67	74	+ 11%
Middlesex	76	73	+ 4%
Northfield	39	103	- 164%
Montpelier	18	99	- 456%
Total	387	635	-64%

So, it is clear that the pace and prevalence of new residential development in Montpelier is now accelerating. Not only have the last five years quadrupled the output of the previous decade, but numerous new, mostly high density, residential projects have been proposed - particularly within recommended Growth Center boundary.

The following Table presents an accounting of pending proposals which could easily be built-out within the Growth Center planning period:

**Table 5.
Residential Projects Pending as of April 2008 (AKA “Pipeline Units”)**

Project Name	Status	Potential Units	% Multifamily/ high density	Zone/ location
Bianchi Building	Under construction	8	100%	GB/Barre St.
Capital Heights	Conditional Review	219	74%	MDR, GB /Off Berlin St.
Crestview Estates	Act 250 Permit Issued (inactive)	98	23%	LDR/Terrace St.
Riverside Center (Pyralisk)	Sketch Plan Review	30-38	100%	GB/Stonecutter’s Way
Sabin’s Pasture	No Formal Proposal	150-388	Unknown	HDR,MDR, LDR/Barre St.
Stonewall Meadows	Sketch Plan Review	16	100%	MDR /Off Berlin St.
TOTAL UNITS		521 to 767 units	NA	

In a promising development for these “pipeline projects” there appears to be an upsurge in demand for urban/village living in Vermont. A recent survey by the Vermont Forum on Sprawl indicates a growing interest among Vermonters in living in such locations for the convenience and sense of community such areas afford.

Soaring energy costs are likely to be another factor that will people to want live closer to jobs, schools, and shopping. The Vermont ideal of a big home on a big lot on a back road is fading for many, being replaced by convenience and community.

C. Public Policy.

Accompanying (or perhaps, in part, responsible for) the change in market activity are some notable changes/developments in public policy on housing related issues. Taken together, these can be expected to foster additional development in the City. These policy initiatives include:

- The report **Fiscal Impacts of Growth in the City of Montpelier**, 2005, Michael Crane and Associates in collaboration with Jeffrey Carr. (Narrative to be supplied by Michael Crane)
- Recent Montpelier municipal plan policies discouraging the conversion of apartments to office space.

- Recent statutory changes to Vermont’s Planning and Development Act (Chapter 117) liberalizing rules for accessory apartments and the City’s full compliance with the same. In response to these changes Montpelier has amended its zoning to allow accessory units “by right” and has established the “*One More Home Program*” which provides small grants to individuals for the development of accessory units.
- The establishment of the Montpelier Housing Trust Fund . This account (established in 2006 with an annual appropriation of \$52,000) is used by the City to award grants to non-profit organizations to preserve, construct, or rehabilitate affordable housing.
- The Central Vermont Regional Planning Commission’s (CVRPC) recently adopted Housing Distribution Plan allocates units to the City at a higher than existing percentage of Regional totals. CVRPC has done this in response to both a perceived Region-wide housing crises and a desire to locate residents in close proximity to jobs and in locations that have adequate infrastructure capacity to assimilate higher densities of development. Furthermore, the Commission has recognized that if Montpelier’s population (and percentage of Regional total) continues to shrink, the flip side of this trend is that the rapid growth is being experienced in many of Central Vermont’s more rural communities. CVRPC believes that such a future would threaten to undermine Vermont’s primary statutory planning goal: “*To plan development so as to maintain the historic settlement pattern of compact village and urban centers separated by rural countryside.*”
- Montpelier’s anticipated Growth Center Designation and the establishment of a TIF District.

D. Infrastructural Capacity/Land Capability

It would be difficult to argue that infrastructure constraints will inhibit Montpelier’s growth. In fact, there appears to be ample capacity in its water, sewer, and school infrastructure for the foreseeable future. The wastewater system has approximately 1.5 MGD of capacity (enough to accommodate over 7,000 new single family 3 bedroom residences, according to standard formulas) The water system has over 2.7 MGD excess capacity. The total rated capacity of the City’s public schools stands at 1,311 students. Current enrollment is between 1000 and 1,100 students, while the projected enrollment for 2009/2010 is 898, or 68% of capacity, based on recent trends.

In further illustrating the City’s *potential* for growth it is instructive to look at the results of a build-out analysis conducted for Montpelier by CVRPC (as part of the “*Northwest Vermont Project*”) in 2006. Taking into account zoning densities, road frontages, property boundaries, and land capability (based on the occurrence of various natural development constraints) it was calculated that the City could absorb almost 3,500 residential units.

IV. Housing as an Indicator for Growth in Montpelier

It is clear from the above information that the most reasonable and objective way to look at future growth projections for Montpelier is not through its historic population trends, but rather through its housing future.

We have seen that, even under the EPR projections, housing unit numbers are predicted to continue to grow in the City, even in the face of declining population. This can be attributed to a dramatically declining average household size. However, if 2005 unit data (derived from permit information with field verification by City staff) is applied to a straight *Linear Regression* model (the fit selected by our GIS program) the growth is more dramatic.

Table 6.
Linear Regression Housing Projection, City of Montpelier
2009-2029
(Incorporating actual unit data through 2005)

Year	2009	2019	2029	Net change
Housing Units	4204	4404	4775	+ 571

While the Linear Regression model far surpasses CVRPC’s 2003 housing projection figures, we believe that it may still underestimate housing unit growth, and therefore future population, as well. This is because the *Linear Regression* model does not fully account for the 521-767 known “pipeline units”, or the 779 units demanded by 2020 under the *Regional Distribution Plan*. If we were to use a figure that takes an average of the “pipeline units” (644), add the “fair share” total (779) and divide by two, we would arrive at a figure of 712 new residential units by the year 2020. This number assumes **no new development from projects yet unknown**. Neither does it take into account activity due to policy initiative, energy issues, or evolving consumer preferences. As such, we believe it to be a very conservative assumption.

If we assign the 712 units to the year 2020 and apply it to calculations using base data going back as far as 1960, we get a housing projection that closely matches that which would be derived from a *Geometric Projection* model. Accordingly we have applied a such a model to the data through the year 2029 to arrive at the results depicted on **Table 6**.

Table 7.
Geometric Model Housing Projections for Montpelier
2009-2029
(applying 712 units to 2020)

Year	2009	2019	2029	Net change
Units	4219	4575	5061	+842

Taking an **average** of the data points in **Tables 5** and **6**, we arrive at **Table 7**, the housing projection endorsed by the City of Montpelier for this application.

Table 8.
Average of Previous Housing Projection Models
2009-2029

Year	2009	2019	2029	Net Change
Units	4212	4490	4918	+706

If we apply EPR’s projected household size of 1.87 for 2020 (and project it out for another decade), to the data in Table 7, the population numbers displayed in **Table 8** might be expected.

Table 8.
Revised Population Projections for Montpelier
2009-2029
(Using Table 7 unit projections and applying EPR household size estimates)

Year	2009 (2.02/hh)	2019 (1.87/hh)	2029 (1.87/hh)	Net Change
Population	8508	8396	9196	+689

However, we contend that the 1.87 household size figure is unreasonably low, given:

- The fact that it is based on a model that doesn’t appear to recognize the approach of a “bottoming out” point for this statistic, which intuitively exists.
- Inflated energy, food and other living expenses are likely to work *against* a further downward trend for the foreseeable future.

As such, we contend that a terminal average household size of 2.0 persons per household by 2019 is a more realistic estimate. Using this figure, **the population estimate for the City in 2029 would be 9,836 people.** This represents the **addition of 1,801 residents after the year 2000 and 1,328 additional residents during the planning period (2009-2029).**

V. Conclusions:

For the reasons outlined in this section, we conclude that conventional population and/or housing projections, using only historic data, are likely to be inaccurate for Montpelier. Conversely, we believe that the previous section presents reasonable estimates for Montpelier’s future housing unit and population growth, respectively, through the relevant planning period.

While it is difficult to quantify market adjustments, energy futures and evolving land use policy, applying knowledge of recent permit activity, pending projects, and a Regional “Fair share” housing formula allows for more accurate, if still conservative assessment. These adjusted estimates predict that as many as 1,300 new people may be housed in 700 new housing units in Montpelier by 2029. Designation of a Growth Center for Montpelier is imperative if the City is to provide an orderly, efficient plan for accommodating such a future.