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# BELLOWS FALLS CLINIC & DIAGNOSTIC SMALL GROUP SUMMARY & NEXT STEPS

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**Project:** Bellows Falls, Vermont – Implementation Clinic & Code Diagnostic

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*This general findings summary memo identifies key gaps in knowledge, tools, processes, and relationships in Bellows Falls, VT with respect to its real estate environment that could impede small-scale, incremental development. It outlines key takeaways from a research of existing regulations, stakeholder input gathered in a series of Small Focus Group Meetings, and a Regulatory Review Analysis.*

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## *Project Overview*

The Incremental Development Alliance (Inc Dev), a national non-profit has been retained by the Brattleboro Development Credit Corporation to diagnose and identify obstacles to small-scale and incremental real estate development in Bellows Falls, a Village of the Town of Rockingham, Vermont.

Members of the Incremental Development team gave presentations late 2020 and early 2021 on topics relating to small-scale development. These included an introductory lecture, a Dirty Dozen lecture, and Step Buildings lecture. The purpose of these lectures was to describe the project but also educate interested parties on the philosophy and application of small-scale development for their community.

In addition, Small Group meetings were held in order to speak with and solicit feedback from community members closely associated with real estate development, property management, finance, business, and the local development regulatory framework. Alliance faculty spoke with more than 20 individuals including members of the local development review boards, real estate developers, and housing providers (both for-profit and non-profit).



Concurrent with these lectures and interviews, the Alliance faculty performed data collection and research of previous studies, current zoning standards, permitting fees, property tax structure, and current market trends. This information will be particularly useful in informing the subsequent phase of engagement. That involves modelling a handful of most promising building types, both physically and financially, in yet-to-be locations to better understand any opportunities or challenges to local small-scale development.

Comments and topics that are both outside of this project scope and the influence of both the Incremental Development Alliance and the local municipality have also been captured and noted as such. They include construction labor shortages, high construction costs, and depressed incomes.

### *Small Group Discussions Key Takeaways*

Several topics emerged from our conversations during the Small Group conversations and are summarized below, grouped by categories of community needs and desires, along with funding, development, and zoning opportunities and challenges.

Overall, we found strong respect for, and knowledge of, the history of the community along with helpful city leaders who try to find ways to 'yes'. While there might be some skepticism about change, there is an acknowledgment that some things will need to change in order to accommodate issues and opportunities stemming from broader forces such as changing demographics and their real estate needs compared to existing residential formats, configurations, and housing supply.

Lower incomes and property values coupled with a labor shortage and high construction costs create additional development challenges requiring creative solutions. Fortunately, there are local resources available to aid in closing some of these cost gaps.

Bellows Falls is not alone in its challenges, many communities nationwide are experiencing almost identical development challenges. Wages across the nation have not kept pace with housing costs. Housing costs have also been rising over the last decade or more. During the Great Recession, many established contractors were put out of work and never returned to the construction workforce. This, and fewer young people going into the trades have contributed to a skilled labor shortage. In recent years materials costs have been escalating as well. Causes include market disruptions (such as regional fires, periodic natural disasters and subsequent rebuilding, tariff policies, and other global shifts in demand (e.g., China). More recently, the global pandemic has constrained outputs of material supplies causing backorders and material costs, (especially lumber) to skyrocket.



## Community Needs and Desires

- Folks are skeptical of change. Would like to show community examples of communities that have done incremental development and help people believe in change.
- The community needs better housing development. For example, there is a need for new housing units (rehabbed or new construction) to serve the current manufacturing workforce that is living elsewhere but could be living closer to work.
- Good housing is needed for a new generation of employees coming to Bellows Falls.
- There is a cadre of folks who want to grow local tourism.
- An aging community but some who would like to live closer in-town.
- A local contractor list would be nice.

## Development Opportunities and Challenges

- Housing downtown for empty nesters and doubles for younger generations to build wealth.
- Vermont tenant laws are more stringent compared to New Hampshire, just across the river.
- The historic building stock in Bellows Falls is its strength. Need to protect but also accommodate change.
- The second and third-story units require an elevator. This is a costly upgrade. Some suggested an elevator cost offset fund to induce redevelopment of vacant upper stories of older buildings.
- Cannot buy properties under appraisal value.
- Bellows Falls incomes are low.
- Achievable rents are not able to support property maintenance costs.
- Vermont property values are depressed.
- There are large houses with people who cannot afford to maintain them but there are barriers to taking old homes and making them apartments, mainly zoning and local economics.
- Redeveloping abandoned properties requires contemporary code compliance. Any change of use is difficult.
- Condos may be an opportunity.



### **Funding Opportunities and Challenges**

- There are USDA grants/loans available that people may be unaware of and should investigate.
- There is a local non-profit that can help with 10-20% down payment assistance.
- Small rehab projects are an opportunity. There is a program available from the governor and it is working.
- Low-income Housing Tax Credits (LIHTC) programs are not useful due to such stringent requirements. Unless the project is at least \$2 million, it is not worth doing.
- One suggestion was that the city give small business incentives to help build the town and grow the property tax base.
- We are mostly seeing renovations, not much in the way of new construction.

### **Zoning Opportunities and Challenges**

- City review boards and officials are helpful.
- Rules are administered at the town level - people enforcing rules are willing to look at alternate options to get to the result.
- Current standards not conducive to reuse.
- Would like fewer variances.
- Variances ride with the parcel which helps with renovations.
- Parking requirements conflict with the stated desire of being a walkable community.
- The minimum parking requirements are cumbersome.
- Most projects go through a Conditional Use review because the community is extremely focused on the design of projects.



## Regulatory Review Key Findings

Keeping in mind the comments from the Small Group discussions around zoning, the Incremental Development Alliance team conducted a review of current zoning standards of the most prominent zones coupled with an existing parcel analysis to identify opportunities or challenges to implementing small-scale development.

The zones analyzed include:

- *R7 - Residential*
- *CB7 - Central Business*

What we found were development standards that were suburban in their nature overlaid onto older urban and traditionally designed development patterns. They are not reflective of the actual built environment realities that exist on the ground and limit many by-right options to build or add more buildings of the type that already exist or would be compatible and complementary. So, while comments from the Small Groups mention historicity and Village character as a value, the current zoning standards suggest a development pattern that runs counter.

As it stands, a significant portion of the existing parcels in the zones we analyzed are non-conforming. That means that many of the buildings that exist and are valued, are not legal to build today. What is required are multiple variances and review by discretionary bodies to gain approval for many types of development or redevelopment. Fortunately, City officials and review boards are said to be helpful in administering these processes, but these processes are avoidable hurdles.

## R7 and CB7 Zones Location Map Bellows Falls, Vermont

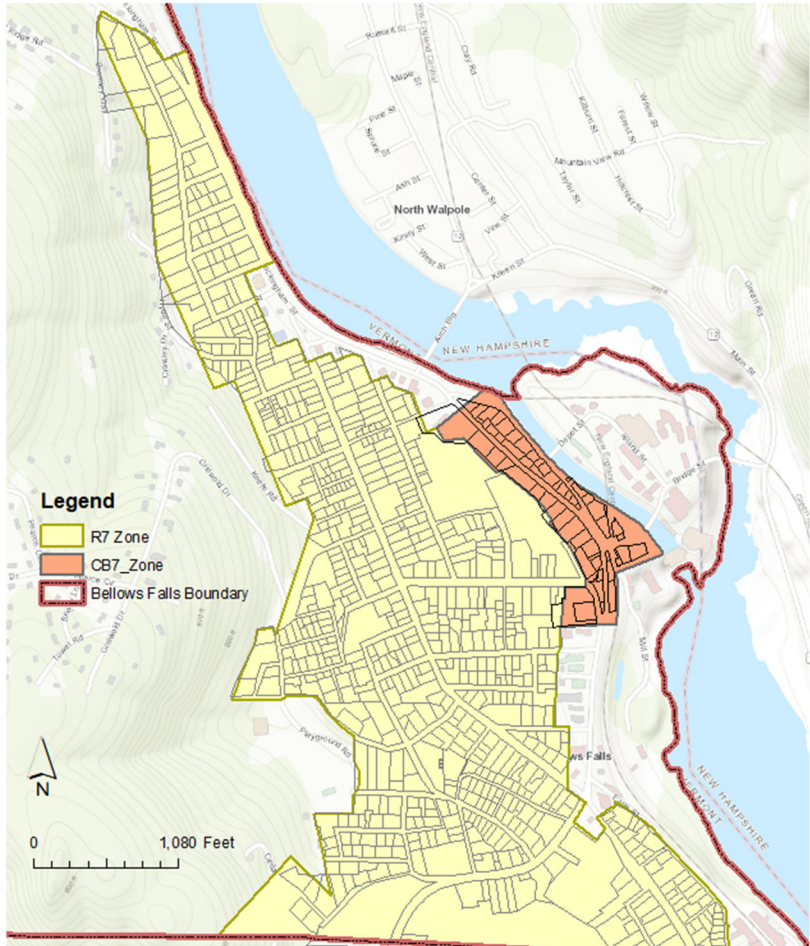


Figure 1: Location of R7 and CB7 zones within the Village of Bellows Falls.



To understand the impact of such regulations and requirements on some of the most feasible new buildings that could respond to contemporary needs and desires of the local government and residents, the team will test fit a few demand building types determined to be in demand in a Spot Test exercise. This will identify opportunities for adjustments in the regulatory framework to enable and perhaps accelerate their development.

## R7 - Residential

The R7-Residential zone is the second-largest zone by area but contains the largest number of residential parcels in the village. The R7 zone makes up 30% of the total

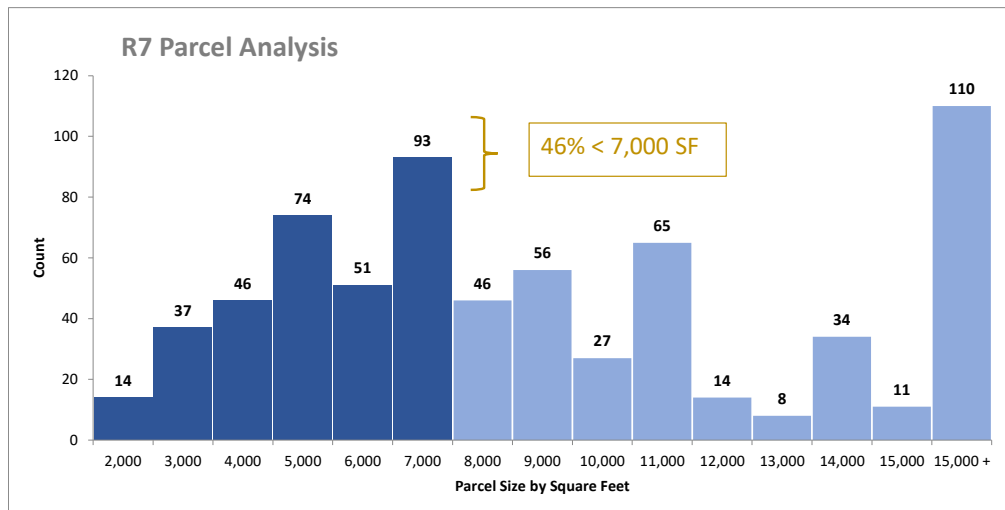


Figure 2: An R7 parcel analysis reveals that almost half of existing lot in this zone are nonconforming.

Village area and contains 686 lots. Of these 696 lots, 46% are less than 7,000 square feet indicating a history of fine-grained, compact platting patterns but also a significant share (38%) in the medium lot size range, and over 100 considered large lots, over 15,000 square feet.

The effect of this large minimum lot size requirement is to limit (re)development potential on underutilized lots. In places where a house sits on a large lot and the built square footage to lot ratio is small, the opportunity to subdivide to accommodate new infill is severely limited. Development is limited to lots with large minimum size, a condition many parcels do not meet. This mismatch in required size and actual size is likely pushing any new development outside of the Village core into a large greenfield subdivision format where property availability and allowed uses are not in conflict. Where large parcels do exist, the path of least resistance under the current regime is to build large lot single-family subdivisions.

Small-scale development works best in infill scenarios where it can take advantage of the reduced cost by using existing infrastructure the public sector has already paid for. This



conserves local government expenditures as it does not require new capital expenditures, or additional repair and maintenance cost liabilities. However, under the current zoning regime, by-right small-scale infill is unlikely.

Further, current front and side setback standards appear to be larger than what is observed in the existing built fabric, suggesting a pattern that is out of character with existing neighborhood residential buildings.

These standards and their relative impact will be explored in the subsequent Spot Testing phase.

### Bellows Falls: R7 Zone Nonconforming Lots 47% of Lots in the Zone

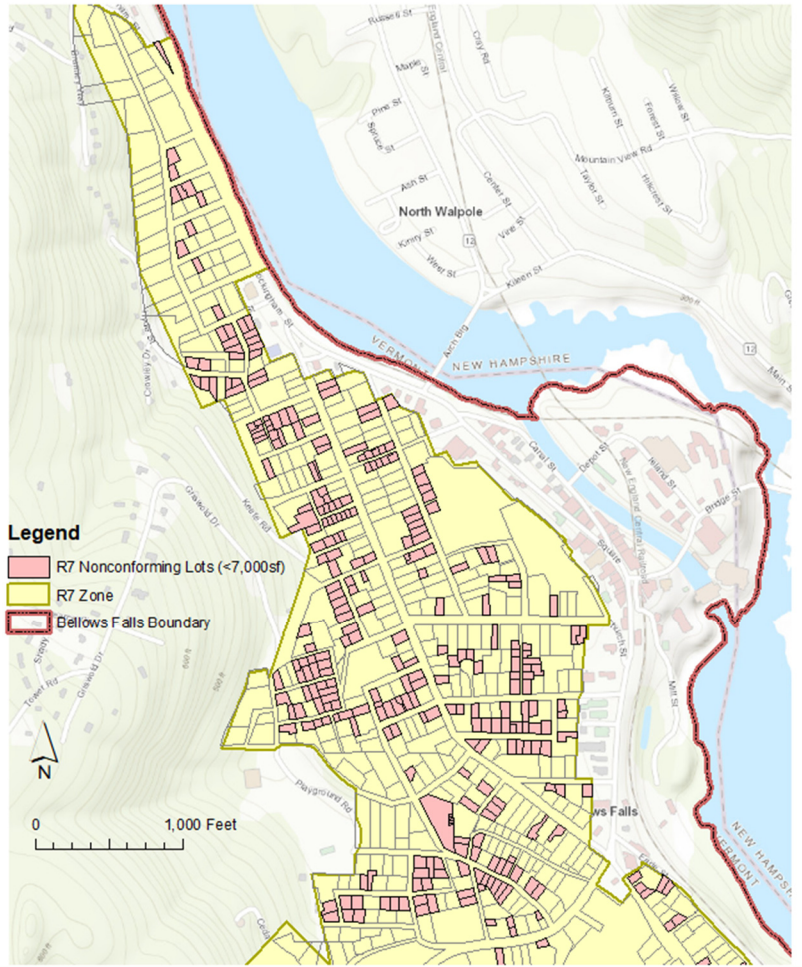


Figure 3: Map identifying locations of nonconforming lots in the R7 zone (Large lot at bottom center is condos).

### CB7 - Central Business

The CB7 - Central Business zone is considered the primary walkable location for social, commercial, cultural, and civic activities for the community, including mixed-use residential.

A histogram parcel analysis of the CB7 zone reveals a total of 52 lots with 48% of these 7,000 square feet or smaller in size, rendering them non-conforming due to the current minimum lot size requirement. Another 31% of lot in this zone represent the middle range size lots, from 7,000 to 15,000 square feet, with the remainder 11 lots larger than 15,000 square feet.

The large minimum lot size requirement renders close to one-half of the downtown non-conforming leading to small development and infill constraints on both vacant and developed lots. One prominent location, 7 Rockingham Street, is a vacant lot fronting both Rockingham and Canal Streets presenting enormous opportunity for visibility and prominence.



Unfortunately, due this lot being approximately 3,300 square feet, any new development proposal at this location will require multiple variances, extending the approval time and leading to an increase in carrying costs for the developer. This has the potential to push asking rents and commercial lease rates beyond what is achievable in the current market.

Built examples in this zone include the beautiful and prominent, Flatiron Building, at the intersection of Bridge and Westminster Streets. Any changes to this building will also require a list of variances coupled with potential historic preservation requirements creating a challenging project for an emerging small-scale developer, or any developer for that matter.

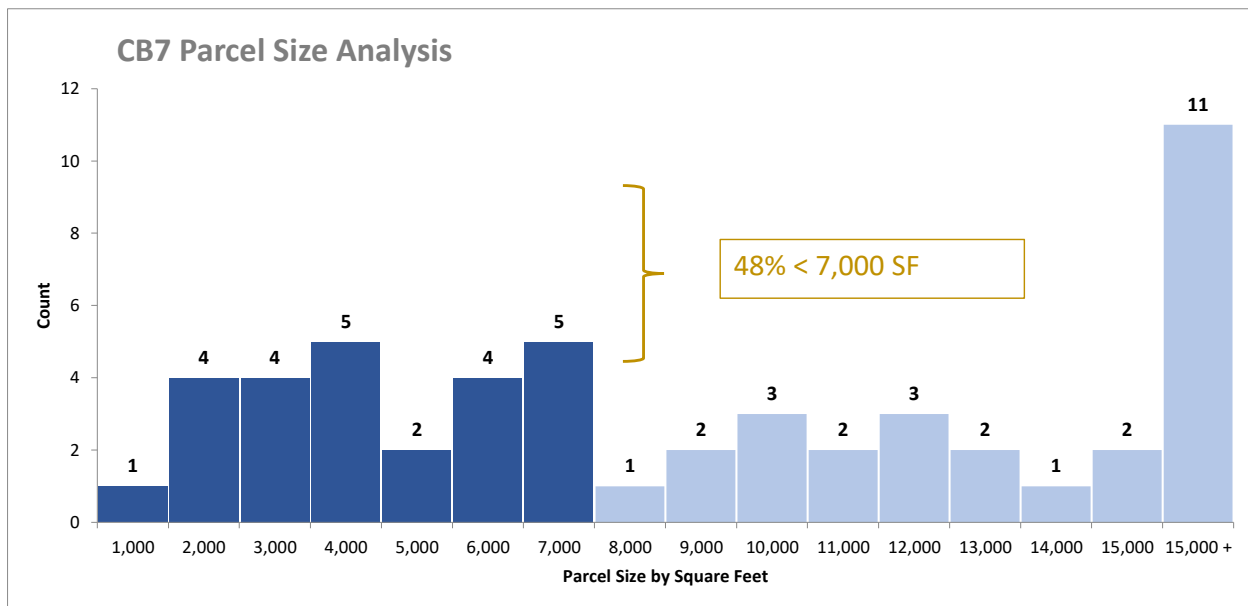


Figure 4: CB7 Parcel histogram analysis identifying quantity of lots that are currently nonconforming.



## Multifamily

Placing higher densities like multifamily units close to shops and services is considered a best practice. Multifamily development is not allowed in the R7 zone and in the CB7 zone, a Conditional Use review is required. Though the Zoning Administration attempts to be expeditious, a Conditional Use review can add a minimum of six weeks to the development timeline. With a lack of new construction, we are unable to tell if this is a hindrance to multifamily development in the local market.

Further research revealed in Census Tract 9670 of Windham County, Vermont that only 39.2% of all housing units in the area housing units are single-family detached format. The

national average is 62%. This census tract demonstrates a higher share of middle scale multi-unit properties than single-family. Seeing that the community already contains a high number of multi-unit buildings, considerations should be made to accommodate potential future construction of multi-unit buildings more easily (see Table 1).



Figure 5: The Flatiron Building provides an example of a nonconforming developed lot in the CB7 zone.



Figure 6: A triplex in the CB7 zone on a 3,500 square foot lot.



**Total Housing Units in Structure**      **1570**      **Pct**  
 Vermont Census Tract 9670

1-Unit, Detached	615	39%	
1-Unit, Attached	39	2%	<b>42%</b>
2-Units	279	18%	
3 or 4 Units	294	19%	
5-9 Units	148	9%	
10-19 Units	25	2%	<b>48%</b>
20-49 Units	58	4%	
50+ Units	92	6%	
Mobile Homes	20	1%	
Boat, RV	0	0%	

*Table 1: Total Housing Units in Structure, ACS Tract 9670*

### **Carriage Barns, also called, Accessory Dwelling Units – (ADUs)**

Conversations with residents indicate that ADUs, or Carriage Barns, as they are known locally, might present an opportunity to transform existing structures into habitable living space. It would be interesting to know what the cost to build such structures is and the resulting rents to help local understanding of whether and for what kinds of people an ADU might be beneficial.

In general, ADUs as a building option should be promoted and clearly defined in any future zoning code updates. The benefits of ADUs are many and reasonably well researched. A recent report from the AARP, [The ABCs of ADUs](#), outlines many reasons why creating or living in an



ADU responds to a variety of living arrangements and individual needs. General experience nationwide suggested some reasons why ADUs are created, and by whom:

- **EMPTY NESTERS** can build an ADU and move into it, then rent out the main house for supplemental income or make it available to their adult children.
- **FAMILIES WITH YOUNG CHILDREN** can use an ADU as housing for a nanny or au pair or even a grandparent or two, who can then help raise their grandkids and be assisted themselves as they age.
- **INDIVIDUALS IN NEED OF CARE** can reside in an ADU to be near family members, or they can use the ADU to house a live-in aide. (In fact, ADUs can be an affordable and more comforting alternative to an assisted-living facility or nursing home.)
- **HOME BUYERS** can look forward to the rental income from an ADU to help pay their mortgage or finance home improvements, especially in expensive housing markets.
- **HOME-BASED WORKERS** can use an ADU as their office or workshop.
- **HOMEOWNERS** can use an ADU for guests or as housing for friends or loved ones who:
  - are not yet financially independent, such as new high school or college graduates
  - need temporary housing due to an emergency or while renovating their own home
  - have disabilities but can live independently if family reside nearby



Figure 7: Local example of a Carriage Barn that could be converted to habitable space.



Further, we feel it is important to share commonly found local rules to be aware of that discourage the development of ADUs:

- ADU-specific regulations that do not also apply to primary dwellings (e.g., owner-occupancy requirements)
- complex design compatibility criteria and approval steps
- off-street parking requirements beyond those required for the primary dwelling
- restrictions that limit ADUs to certain geographic areas, particular zoning categories or to large lots
- caps on square footage relative to the primary house that make it easy to add an ADU to a large home but hard or impossible to add one to a small home

### **Off-Street Parking Requirements**

In the commercial CB7 zone, the maximum lot coverage (by a built structure) allowed is 50%. It is assumed that the rest of the lot is intended for utilitarian space like trash dumpsters and oil cleanouts, but also parking and loading. These parking and lot coverage limitations should be tested in the subsequent Spot Testing phase.

With current high construction costs and small lot sizes, it may prove that more units are required to amortize the construction costs to keep the lease rates lower for the end-user tenant. It is likely that adding additional square footage will compete for space with current off-street parking requirements. Any tuck-under or underground parking strategies range from \$15,000 - \$40,000 per space, so keeping parking on the surface will likely be the suggested strategy in order to restrain unnecessary development costs.

*“BELLOWS FALLS DOESN'T HAVE A PARKING PROBLEM;  
IT HAS A ZONING PROBLEM.”*

Parking is often raised as a concern. Sometimes the specifics of a problem are oftentimes hard to get at, leaving the question, “What is the problem and where?” The problem might also be whether parking in a particular place is a problem, a preference, or a perception. One of the group participants remarked. *“Bellows Falls doesn't have a parking problem; it has a zoning problem.”* This and other observations suggest that in some places, more actionable data is needed: if there is a suspected parking problem--defining for whom, where, under what conditions, and what are the indications of a problem from observation and other evidence.



Potential parking solutions could be evaluated from multiple perspectives (e.g., by municipal fiscal impact (both short and long term), resident impact, resident impact by income, opportunity costs of the use of land for parking, the utilization rate and cost of existing right of way for parking, among several others. Parking strategies are beyond the Alliance’s current scope, but we encounter this concern almost everywhere we work.

In principle, using existing municipal or other governmentally funded infrastructure assets (existing roadway) for parking is a fiscally conservative option. Policies that promote physical places for people and economic activities are preferential to those that favor accommodation of cars, especially when right-of-way, which cannot be used for people or economic activity, are available. Small group sessions did reveal certain landlords report having challenges renting units without certain parking guarantees. Whether such situations merit action or expenditure by the public sector, are for the local municipality to determine.

Resident and business customer-friendly practices exist, such as permit parking, and there are effective and less effective ways to administer such practices. We would recommend more deliberate observation of areas thought to be problems, and with more data engaging other local governments or associations or parking planning firms who share your local priorities and have been successful addressing them through their own, or recommended, parking solutions.

### *By Right vs. By Discretionary Approval Process*

At its best, a well calibrated regulatory system is clear in what it wants to see resulting in the landscape and promotes it by making the pathway to realizing it as easy as possible. Not every aspect or possibility can be predicted or enforced by a regulatory system. For those exceptions, a discretionary approval process is best suited to deal with such complexity or ambiguity. A signal to whether a local code is calibrated to local conditions is the number of variances required each year. If variances are required for most cases, that’s a good sign the regulations could be further calibrated.

A local government’s zoning code can be a clear signal to the market as to what kinds of building types and configurations are most desired and where. Speediness toward realization can be a cost-free way to incentivize the private sector to build more of what the community has decided it wants. With development, time is literally money. Interest rates of construction loans compound daily, so with every day required by an approval process the cost of the



project increases. These potentially avoidable costs add to those already identified cost escalations that are beyond local control (labor shortages, materials price increases, etc.).

All development assumes a certain period of time for approvals. Worse than cost, however, is uncertainty. A developer will endure the cost of approvals if there is a general assumption that the process will play out reasonably within expectations. If a developer is unsure a certain approval will come at all, however, that can cause the project to seek a location with less uncertainty. Across the country, we see this force pushing new development beyond existing developed areas into greenfields with far fewer restrictions and uncertainty. Making legal (and easy) the desired types of development in already developed areas is one competitive factor to capture your fair share of economic growth. It is also one that is completely within the local government's control.

By-right development standards mean the standards are clearly articulated by local government. If the property owner meets that bar that the community helped set, approval is automatic or, "by-right." The best standards effectively incorporate community aspirations and desires and codify them. If a community is clear about what it wants, that clarity can be converted into the conditions for automatic approvals. Where there is variation, ambiguity, or other need for discretionary intervention, a variance or other process is the appropriate track.

The analyses in this project aim to help reveal the most impactful changes to local regulation to enable local goals to be met through small-scale, incremental development. Making as many of these changes as practical, "by-right" will increase the chances of attracting the development the community wants.

## Developable Area? Perception vs Reality

The question of where new development can be accommodated came up multiple times during the residential market study presentation.

The perception of being fully built-out is common but as the Step Buildings presentation demonstrated, a wide range of historic and contemporary small building types are possible in a surprising variety of property conditions. We identified not only vacant properties but properties with an existing building but still large enough to accommodate an additional small building.

These spaces could accommodate small buildings if current regulations were adjusted. What remains unknown is a property owner's willingness to add an additional small building.

Other often overlooked opportunities exist as described below:

- Vacant lots
- Underutilized surface parking lots
- Double lots
- Backyards (ADUs - Accessory Dwelling Units)
- 2nd or 3rd stories of commercial buildings.
- Renovations of underused space in large structures
- Fronts of homes (ACUs - Accessory Commercial Units)

## Bellows Falls: Underutilized Residential Parcels

A Visual Survey of Parcels With Additional Development Potential

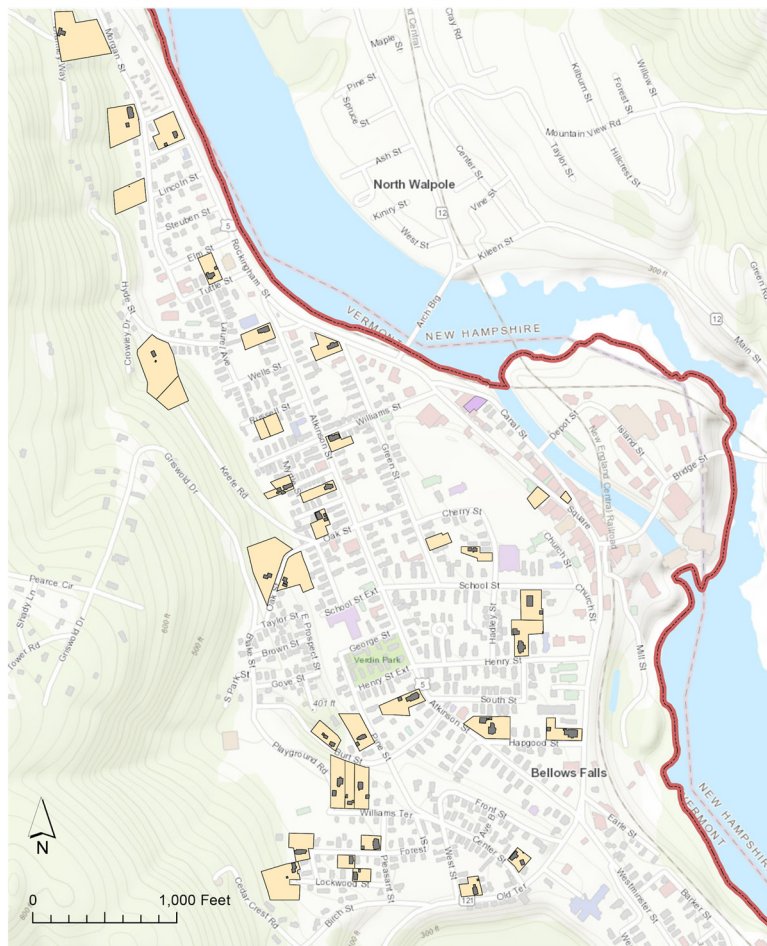


Figure 8: Vacant and potentially underutilized parcels based on a visual survey.



### *Next Step Implications for Spot Testing of Market Study*

It is important that emerging small developers respond to the realities of current market demands. The market study provided by Sharon Woods of LandUse USA indicates that there is demand for the creation of new residential units. This includes single-family detached housing, but also attached single-family unit types with a private entrance. This suggests an opportunity to Spot Test with a townhome format in the next phase of the project, particularly when attempting to hit the lower end of the in-demand sale price points that range from \$150,000 to \$375,000.

While demand for ownership types is somewhat limited, there is additional opportunity to provide rental opportunities. The market study identified up to 150 new and existing renters could potentially migrate into and within the village each year for the next five years. One focus of the project's next phase will be to identify residential unit types that meet the renter target market's tolerance range of \$650 up to \$1,600 per month, with the vast majority demand coming in the range of \$1,000 or less.