Evaluation of the City of Burlington's Inclusionary Zoning Ordinance

How well is it working and what role can it play in shaping the future of affordable housing in Burlington?

czb

JANUARY 2017

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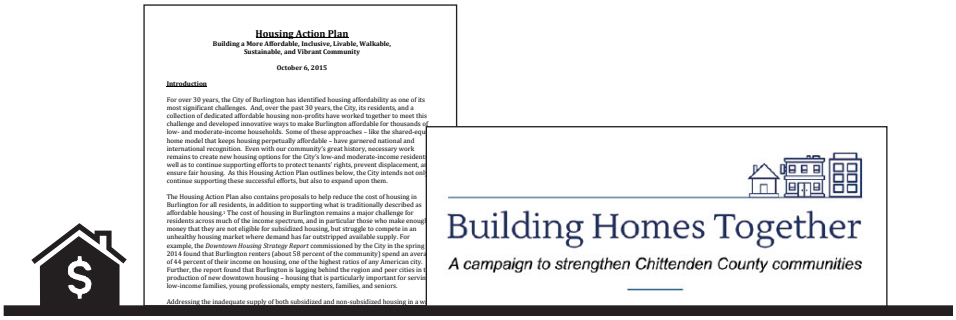
INTRODUCTION

The 1980s and early 1990s marked a period of considerable experimentation in Burlington, Vermont, with regard to the production and preservation of affordable housing. Facing cutbacks in federal housing resources and escalating prices and rents, community leaders sought ways to generate affordable housing by local means and ensure broad access to new housing in rapidly redeveloping areas. Those efforts included city support for the creation of what is now known as the Champlain Housing Trust, the establishment of a Housing Trust Fund with dedicated local funding and, by 1990, the passage of one of the nation's earliest inclusionary zoning ordinances.

Today, Burlington has one of the nation's most diverse and sophisticated affordable housing delivery and financing systems overseen by a broad network of public and non-profit agencies. These include the Champlain Housing Trust, Cathedral Square, Housing Vermont, the Vermont Housing Finance Agency, the Burlington Housing Authority, and the city's Community & Economic Development Office (CEDO). Over time, this system has succeeded in helping to create a market where – according to the city's 2013 Consolidated Plan for Housing and Community Development – fully one-quarter of rental units have been made affordable through public subsidy, regulation, or deed restriction.

But Burlington's parallel success at cultivating a very high quality of life –and therefore high demand – has meant that affordable housing remains one of the city's most critical issues and a public policy priority. Each increment of desirability – brought about by ever increasing quality of life – becomes an increment of demand over supply that makes the market more expensive and less affordable than the community wants it to be. This is made clear in the city's **2015 Housing Action Plan**. It is also made clear by **Building Homes Together**, a recently announced campaign supported by housing and planning agencies that recognize a need to accelerate production of both market-rate and affordable housing.



This evaluation of Burlington's inclusionary zoning ordinance by the urban planning and housing strategy consultant czb is an outgrowth of the city's Housing Action Plan, which recommended an assessment of the policy's impact and ways that it might be improved upon. In doing so, the evaluation is divided into three parts:

PART 1 looks back at what Burlington's inclusionary zoning policy has accomplished. It finds that the ordinance has largely succeeded at producing economically-integrated housing units. But, together with the rest of Burlington's affordable housing system, the ordinance has fallen short when it comes to total production, a problem due, in part, to what might be described as an imbalanced "give and get" equation.

PART 2 looks forward by examining key questions that must be answered in order to guide action on affordable housing policy – questions that get at the specific problem that the Burlington community would like to solve, how willing it is to invest in actually solving the problem, and the extent to which inclusionary zoning can be part of a solution.

PART 3 provides a set of choices and recommendations designed to help frame decision-making in Burlington on inclusionary zoning and related policies.

Throughout, this evaluation strives to maintain the critical context of inclusionary zoning as just one piece of an affordable housing system in Burlington, a community with a proven capacity for self-reflection, risk-taking, and principled action – a capacity that will need to be tapped still more as the community redoubles its efforts on the affordable housing front.

General Overview of Burlington's Inclusionary Zoning Ordinance

As of 2014, when a national inventory of inclusionary housing programs was compiled for the Lincoln Institute for Land Policy, Burlington was one of 487 jurisdictions across 27 states and the District of Columbia to have some form of policy. While details differ from place to place, the basic elements in Burlington's ordinance reflect common approaches in mandatory inclusive housing programs.

Adopted

1990

Legislative intent

(a) To meet the specific mandates of 24 V.S.A. Chapter 117 related to housing opportunities for all of Vermont's citizens, particularly for those citizens of low or moderate income; (b) To ensure the provision of housing that meets the needs of all economic groups by precluding construction of only market rate housing on the limited supply of available land within the City; (c) To improve the quality of life for all residents by having an economically integrated housing supply throughout the City; and (d) To prevent overcrowding and deterioration of the limited supply of affordable housing, and thereby promote the public health, safety and general welfare.

Development threshold

The ordinance applies to any development of 5 or more dwelling units, including new construction or substantial rehabilitation. With adaptive reuse, the threshold is 10 units.

New Construction & Substantial Rehab
5 UNITS

Adaptive Reuse
10 UNITS

Proportional requirement

15% of all dwelling units must be affordable at the ordinance's income targets if the average sale or rental price within the development is affordable to households at or below 139% of area median income (AMI). That base requirement rises to 20% if the development's average unit is affordable between 140% and 179% of AMI, and to 25% if the development is in a waterfront district or if the average unit is affordable at 180+% of AMI.

Average price range of units	% of units to be income restricted
0-139% of AMI	15%
140-179% of AMI	20%
180+% of AMI, or waterfront district	25%

Income targets

There are two income targets: 65% of AMI for rental housing and 75% of AMI for purchasable units.

65% AMI

RENT

75% AMI

SALE

Cost offsets

Developers that comply with the ordinance are entitled to density and lot coverage bonuses of between 15% and 25%, depending on the zoning district. They are also entitled to a waiver of up to 50% of required parking spaces and a waiver of a portion of the impact fees tied to the inclusionary units.

15-25%
added density & lot coverage

Up to
50%
waiver of required parking spaces

Compliance options

Off-site option: If a developer can demonstrate to the Development Review Board (DRB) that site conditions prevent the inclusionary units from being built on the same site as market-rate units, the requirement may be met off-site within the city at 1.5 times the on-site quantity. The sole exception is that this option is not available for projects in a waterfront district.

Payment in lieu: At City Council's discretion, a per-unit payment in lieu may be made in exchange for not providing the required number of inclusionary units. That per-unit fee was set at $100,000 in 2007 and is indexed to inflation (2016 value: $115,000).

Unit comparability

To ensure that inclusionary units are comparable to their market-rate counterparts, the ordinance requires a similar bedroom mix between a development's market-rate and affordable units. It also sets minimum square footages for units (750 square feet for one-bedroom units, 1,000 for two-bedroom, 1,100 for three-bedroom, and 1,250 for four-bedroom).

Minimum SQ FT

750
1,000
1,100

Other notable features

Permanent affordability: Developments must carry deed restrictions that make the inclusionary units affordable for 99 years.

99 YRS

City's right to purchase: When purchasable units are produced, the manager of the city's Housing Trust Fund has the right of first refusal for a 120-day period.

Administration

The Manager of the Housing Trust Fund, an employee of the city's Community and Economic Development Office (CEDO), oversees compliance activities.

PART 1

LOOKING BACK:
How well has Burlington's inclusionary zoning policy worked?

INCLUSIONARY PROJECTS, 1990-2015

56 PROJECTS

1,773
TOTAL DWELLING UNITS

270
INCLUSIONARY UNITS

95 CONDO UNITS

155 RENTAL UNITS

19 CO-OP UNITS

1 SINGLE FAMILY UNIT

In the 25 years since the adoption of Burlington's inclusionary zoning policy, 270 affordable housing units have been produced through projects that complied with provisions of the ordinance – with several dozen more units in the proposal or production pipeline as of August 2016. This roughly equates to a dozen new affordable housing units coming on line each year since 1990 as a result of the ordinance – a pace that is a function of overall housing production activity that has averaged around 90 units per year over the same period. This is a valuable way to think about the program because it prompts important questions: is adding one inclusionary unit per month enough to keep pace with the housing needs of Burlington's growing low-wage workforce? If not one per month, what number of units would be sufficient to meet these needs – and how does that translate to wider market activity?

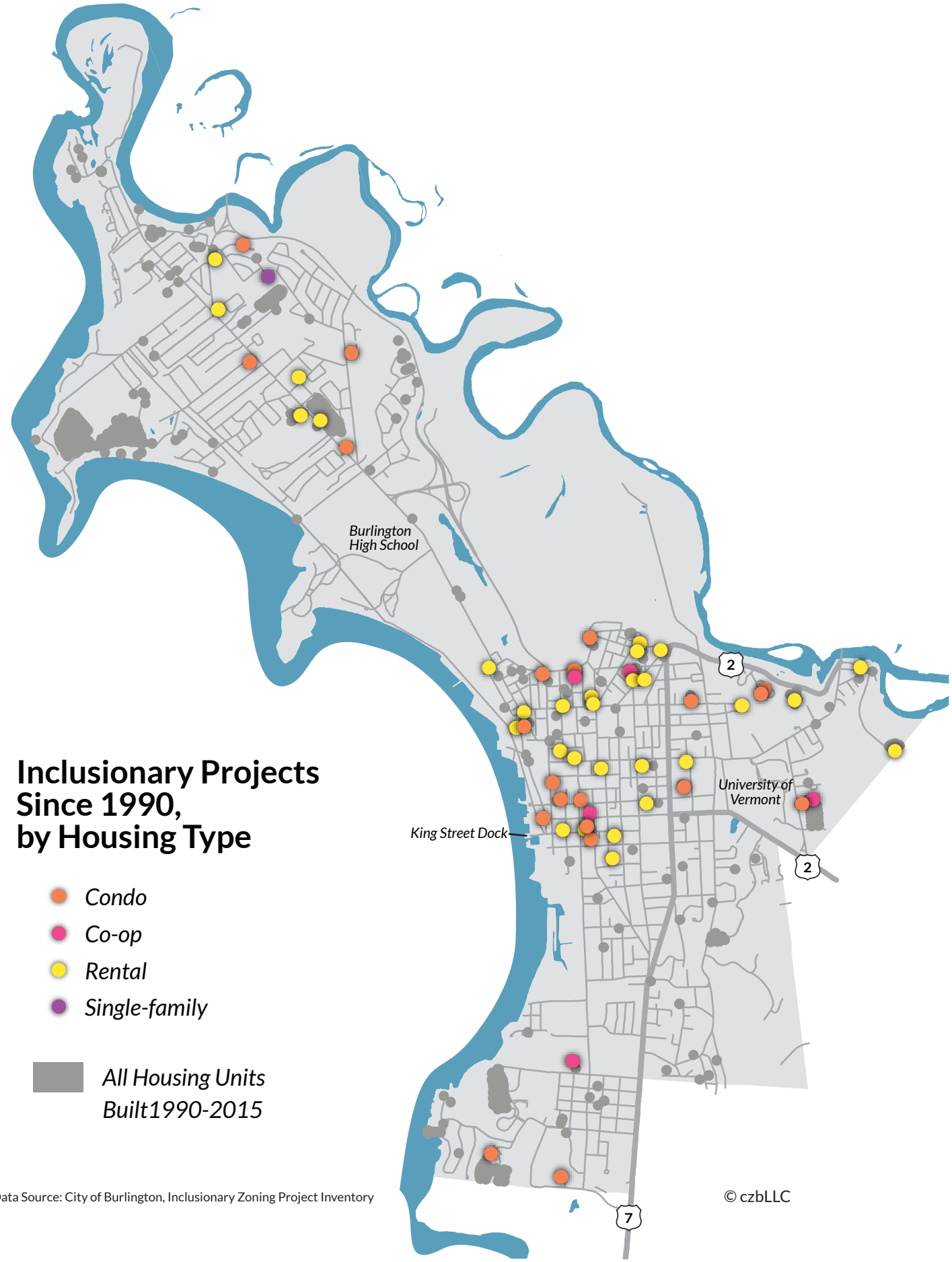
While important, it is essential to remember that the units produced because of the ordinance are program outputs. They may influence but are themselves not program outcomes. What are the outcomes? For example, to what extent has the ordinance succeeded in realizing a Burlington that "provides an economically integrated housing supply that meets the needs of all economic groups"? Are present outputs "sufficient" in the eyes of the Burlington community to do that? And did the ordinance sufficiently address local affordable housing challenges without generating unintended negative consequences for tenants, neighbors, or developers?

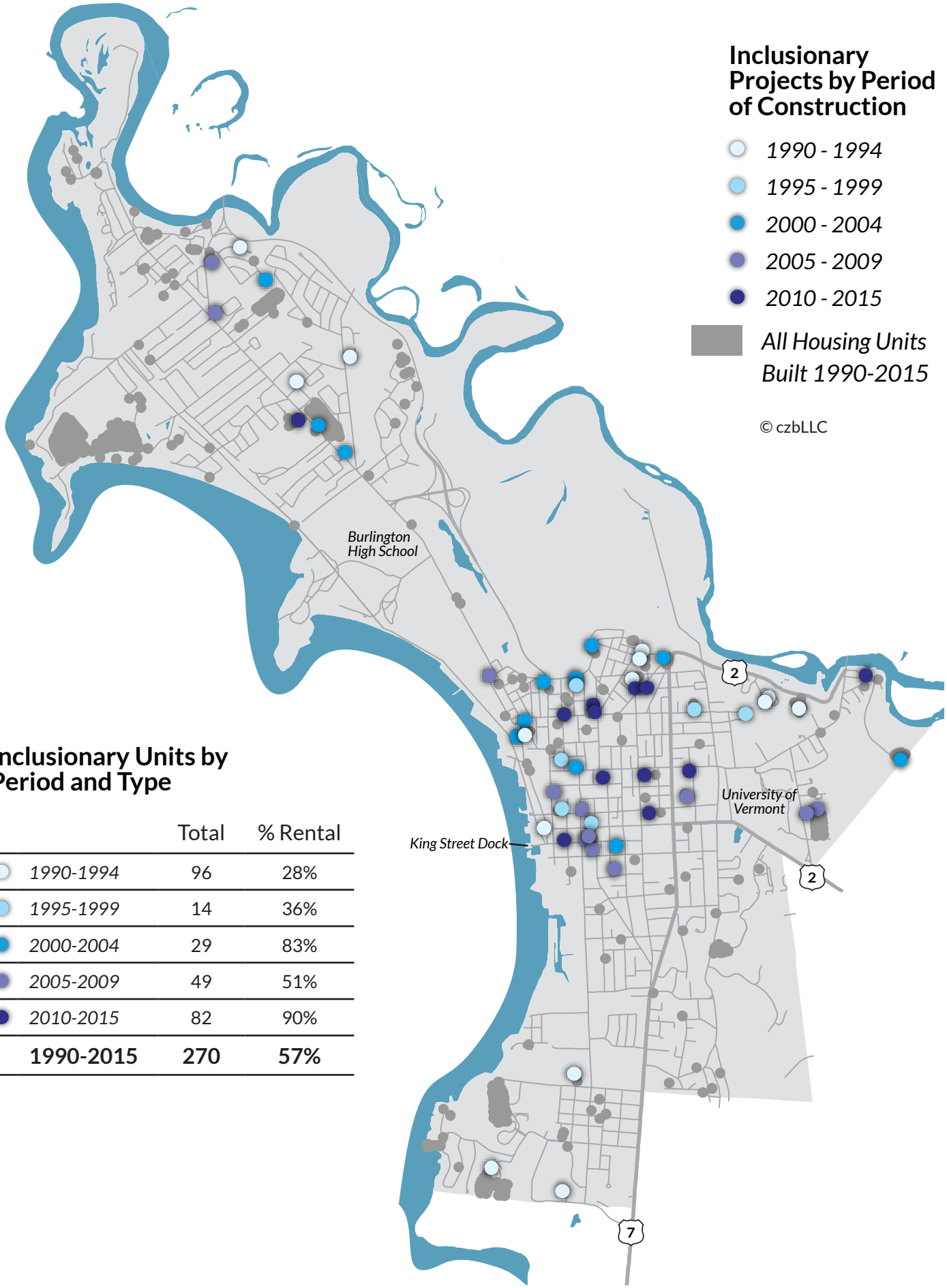
The answers to these questions – owing to their complexity and the many angles from which the policy may be scrutinized – are best divided into three areas. These are as follows:

1) a line of inquiry that looks at the question of **inclusion**;

2) a line of inquiry that looks at the question of **housing opportunities** (or production); and

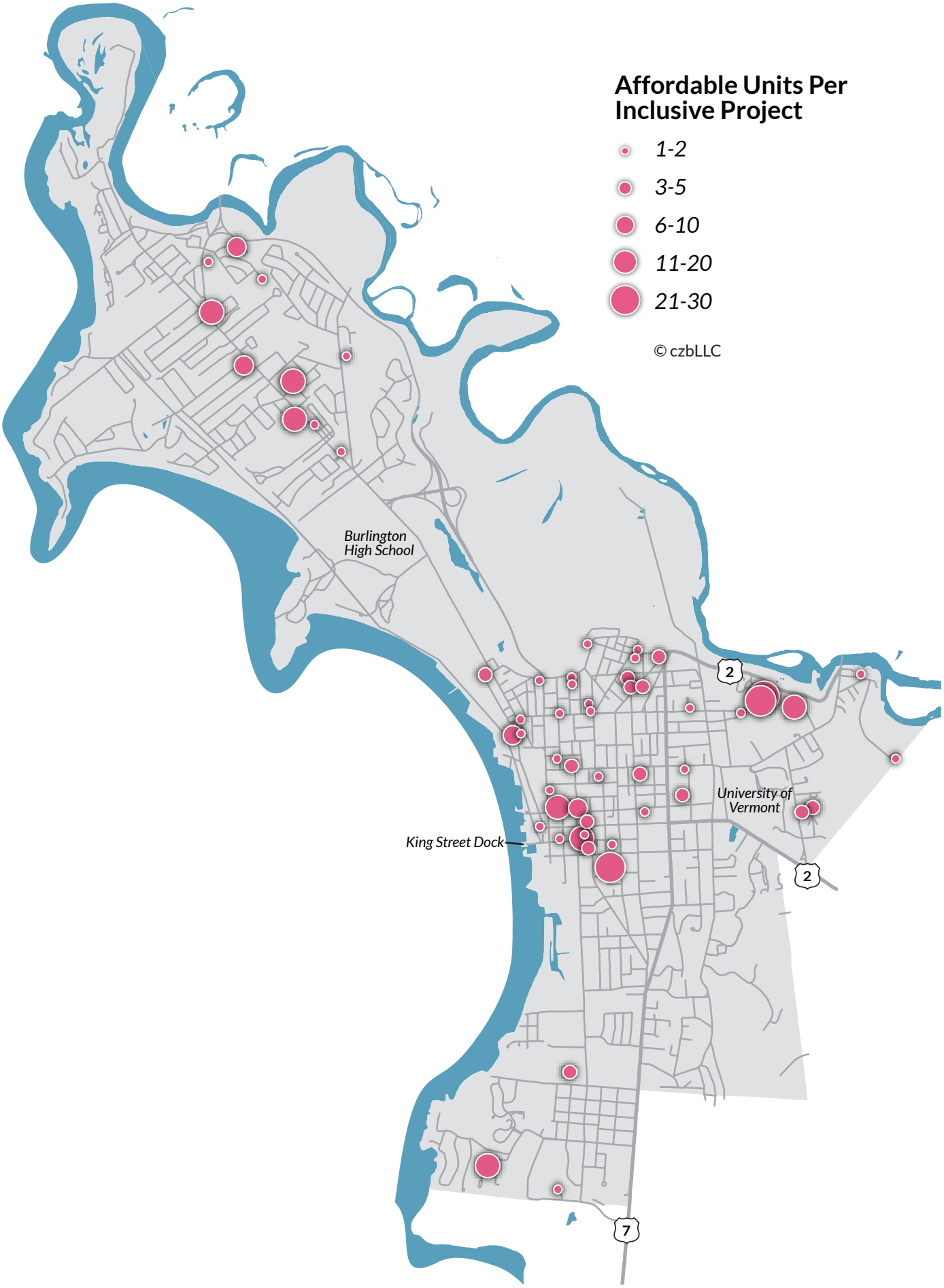
3) a line of inquiry focused on the **policy's inner workings**.


Burlington High School
University of Vermont
King Street Dock
2
2
7
Inclusionary Projects Since 1990, by Housing Type
Condo
Co-op
Rental
Single-family
All Housing Units Built1990-2015
Data Source: City of Burlington, Inclusionary Zoning Project Inventory
© czbLLC



Inclusionary Units by Period and Type

	Total	% Rental
1990-1994	96	28%
1995-1999	14	36%
2000-2004	29	83%
2005-2009	49	51%
2010-2015	82	90%
1990-2015	**270**	**57%**


Affordable Units Per Inclusive Project
1-2
3-5
6-10
11-20
21-30
© czbLLC
Burlington High School
King Street Dock
University of Vermont
2
2
7

A Has the policy created economically integrated housing?

Very much so. Burlington's inclusionary zoning policy has succeeded at integrating new affordable housing units with new market-rate units.

An analysis of the 56 projects developed through 2015 in accordance with the city's inclusionary zoning requirements reveals that the vast majority of those projects have resulted in the co-location of affordable and market-rate units — either together in the same building or on adjacent sites. Additionally, many of the projects have had the incidental benefit of locating market-rate units in areas of modestly lower socioeconomic strength than areas without IZ projects — thus cultivating mixed-income environments at both a project-level and a neighborhood-level.

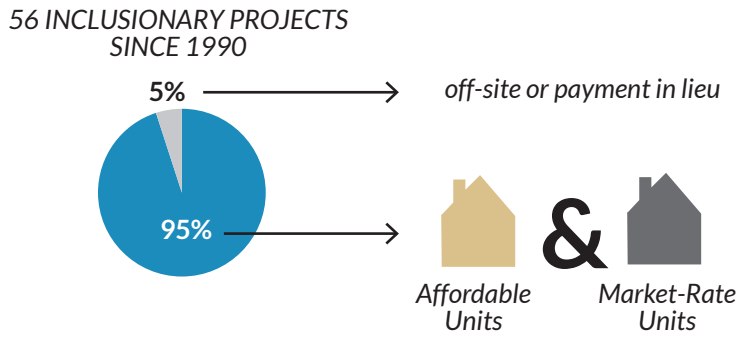
On this front, it is important to recognize that, generally speaking, the private sector does not find an economic rationale to develop mixed-income projects. Instead, such projects have to be a goal that is set and supported by the public sector. The mandatory nature of Burlington's ordinance has done this for 25 years, resulting in mixed-income developments that would not have happened otherwise.

OBSERVATIONS AND FINDINGS

Fully 95% of projects that have complied with the ordinance have blended affordable units with market-rate units to some degree.

Only two projects have used the payment in lieu option to satisfy all of their mandated units. One project did a partial payment in lieu – building one unit and paying not to build the other. And one project exercised the off-site option by placing units at two other IZ-compliant project sites. This high degree of project integration has been achieved, to some extent, by making the ordinance's payment in lieu and off-site options unappealing or infeasible to exercise – an intention of the policy that has both positive and negative ramifications for inclusive housing, which will be addressed later in this evaluation.

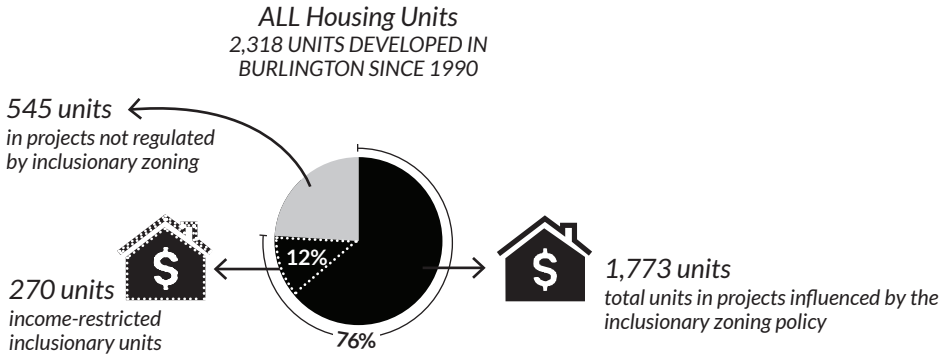
Of the 53 projects that have integrated affordable housing with market-rate units, 51 did so within the same building or as part of the same multi-structure development and two involved partnerships with non-profit developers that built the required units in an adjacent building.

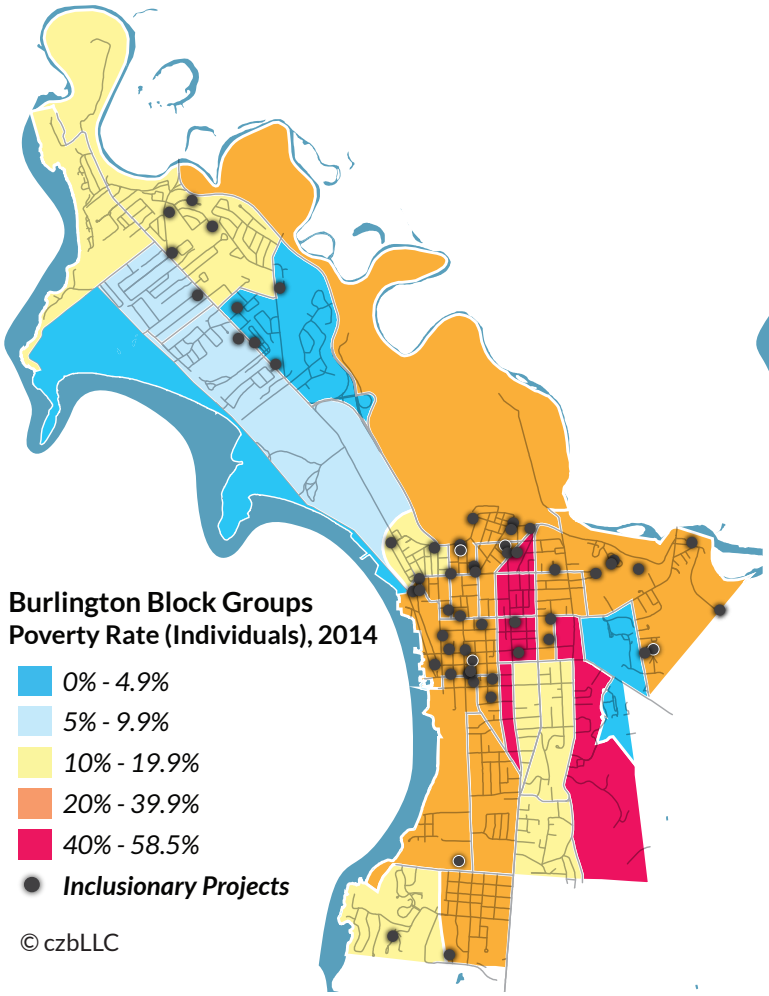


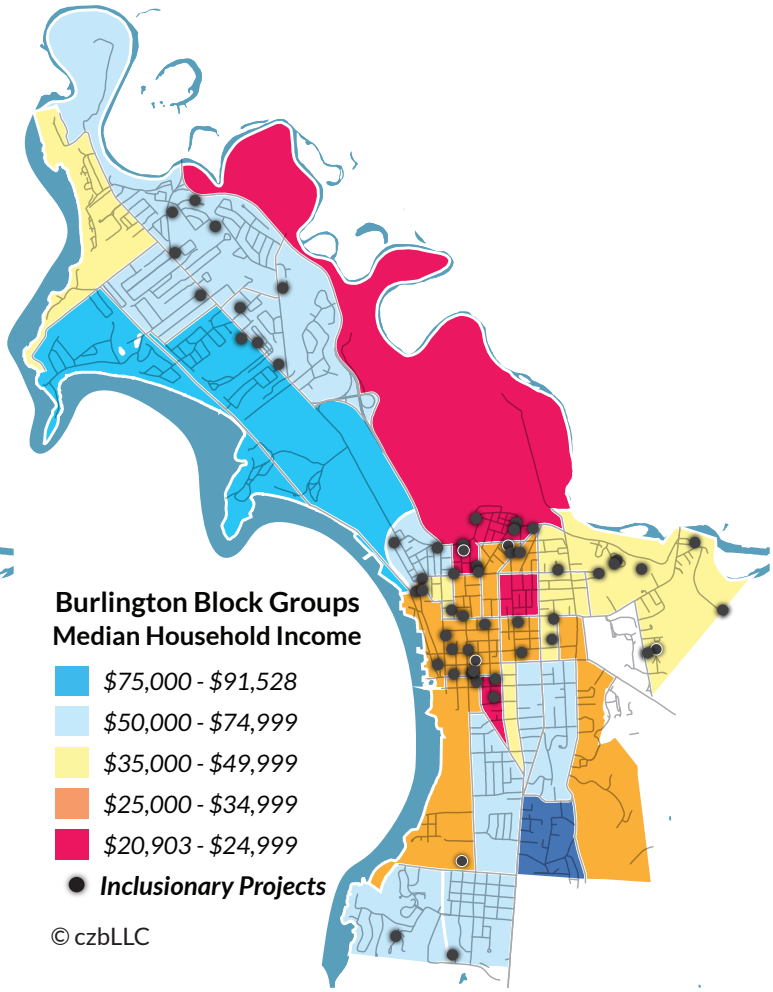
Projects that were required to comply with the ordinance represented 76% of ALL housing units produced between 1990 and 2015 and thus mirrored, to a large extent, the geographic range of overall multi-unit housing production.

The 56 projects permitted between 1990 and 2015 that complied with the inclusionary ordinance had a total of 1,773 units – inclusive of affordable units. Total production in the city during that period was 2,318 units.

A majority of these projects were distributed throughout Burlington's core – within approximately one mile of the intersection of Battery Street and Main Street. This pattern is largely a reflection of where zoning regulations allow multi-unit residential or mixed-use projects, as well as the availability of vacant or underutilized land. Large sections of the city have not received inclusive units because they are not zoned to accommodate the medium density residential developments that have been the vast majority of Burlington's inclusionary projects.



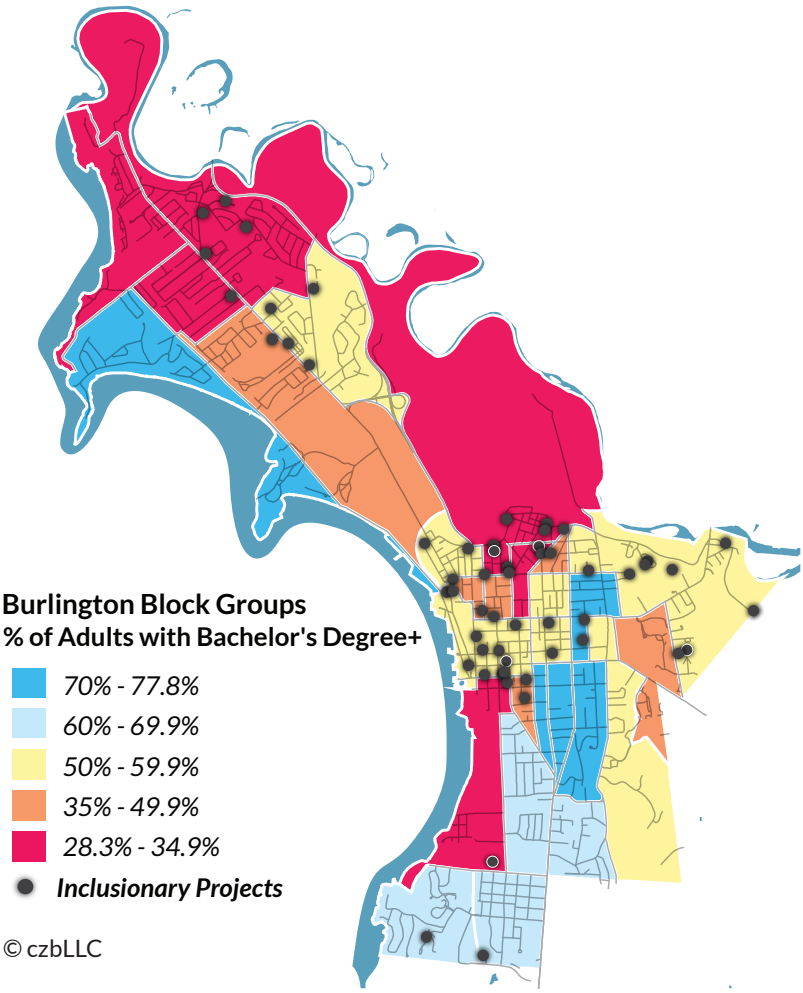




Data Source: 2014 American Community Survey 5-Year Data

Mixed-income projects generated by inclusionary zoning, where units are predominately market-rate, have tended to locate in areas of the city with modestly lower socio-economic strength than areas where no inclusionary projects have occurred – creating patterns of income and housing diversity that help to counteract income segregation and concentrated poverty.

This pattern of inclusionary projects strengthening income and housing diversity in areas of lower socio-economic strength can be attributed, in part, to the fact that developments with five or more residential units are confined to certain parts of the city – including older parts where apartments with non-family households are more common, and in emerging downtown and waterfront areas where the same is true. Areas that, per zoning, are exclusively single-family or low-density residential in character – and can therefore be expected to have more families and higher income levels – have been largely unaffected by inclusionary zoning and its five-unit threshold for compliance.



Nonetheless, inclusionary zoning has ensured that the projects themselves provide modern housing opportunities to existing residents in areas with lower incomes and higher poverty rates. An examination of the inclusionary project locations and underlying socio-economic conditions reveals the following:

Compared to census block groups in Burlington where no units were added between 1990 and 2015 through inclusionary zoning, those that did have such units had:

1. Fewer adults with at least a college degree (45.5% vs. 59.6%)
2. Lower typical median household income ($44,222 vs. $54,860)
3. Lower percentage of homeownership (39.4% vs. 44.1%)
4. Lower typical median home values ($259,578 vs. $401,467)

Inclusionary units were also more likely to be located in areas of higher poverty than the average Burlington resident, but not areas of extreme poverty. While 15% of Burlington residents live in block groups where poverty exceeds 40% (a level considered extreme), the same is true for only 3% of inclusionary units. At the same time, 68% of inclusionary units were located in block groups where poverty was between 20% and 39% compared to 46% of Burlington residents.

A look at family poverty rates (families account for 40% of all Burlington households; the remaining 60% are non-family households, such as student renters, single householders, or unrelated adults living together), reveals that 78% of inclusionary units are located in block groups with family poverty rates below 10%, while the same is true for only 50% of Burlington families.

B Has the policy led to the production of housing that meets the needs of all economic groups – especially citizens of low and moderate incomes?

Burlington's inclusionary zoning ordinance is part of a sophisticated set of affordable housing tools that has improved access to housing for thousands of households – but which has ***not succeeded*** *at helping the city's housing market catch up or keep up with strong demand.*

The perennial struggle with housing affordability in Burlington is a problem borne of success. As a consequence of the city's immense natural beauty, its distinctive culture, and efforts to cultivate a very high quality of life, it has long been a desirable place to live. Desirability increases the demand for local housing among households with plenty of options and discretionary income. This, in turn, increases demand for neighborhood amenities like restaurants, salons, and boutiques, which require lower-wage service workers to staff them. With more higher-income households competing for Burlington housing, more lower-wage workers trying to find housing, and a few thousand college students seeking off-campus housing each year (often with help from parents, and often in well-worn units that are targeted to the student market), more and more pressure is put on housing prices and rents. Combined with insufficient housing production during a time of sustained regional population growth, these forces have blunted gains achieved by the city's affordable housing systems.

The extent to which inclusionary zoning has, on its own, contributed to insufficient development activity in Burlington – even while generating integrated residential environments – is difficult to precisely separate* from other factors, such as scarcity of vacant land and resistance to new development or greater density. Nonetheless, it is clear that while inclusionary zoning has made a real difference for those living in the 270 units generated by the policy, it has not – on its own or in concert with other policies – changed the underlying dynamics of supply and demand that make the Burlington market unaffordable for a large portion of the city's households.

*A multivariate regression analysis is a useful tool for isolating the impact of a single variable, though it may prove inadequate to drawing an actionable conclusion.

OBSERVATIONS AND FINDINGS

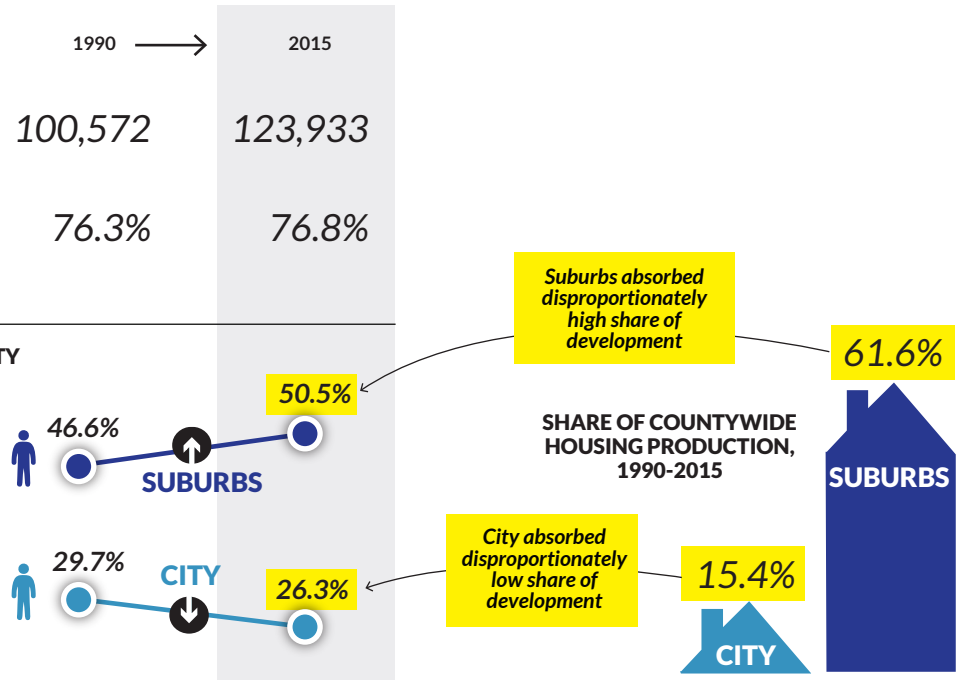
Since 1990, Burlington has fallen short of producing its regional share of housing, generating an estimated 2,500 fewer units over the past 25 years than it should have – despite high demand for city housing.

This significant gap in production was largely absorbed by surrounding jurisdictions, allowing the city to shift its share onto neighbors – exacerbating congestion, land consumption on the urban periphery, unhealthy levels of low residential vacancy throughout the county, and, not least, chronic affordability challenges.

A growing urban area that kept pace with countywide growth...

POPULATION	1990	2015
POPULATION OF BURLINGTON AND SUBURBS	100,572	123,933
% OF COUNTY POPULATION	76.3%	76.8%

...but a city that didn't keep pace and added to suburban growth pressures.



What would it have taken for Burlington to keep up with demand since 1990?

+5,478 additional residents → ***+2,501 additional housing units*** → ***+290 additional inclusionary units***

If the City of Burlington had maintained a steady share of the county's population between 1990 and 2015, ***it would have had 5,478 additional residents****.*

To house these residents at the city's average household size of 2.19, an ***additional 2,501 housing units would have been needed*** *– a number that was instead absorbed by a region that shares Burlington's supply/demand imbalance and chronically low vacancy rates.*

If these 2,501 additional housing units had been developed, an estimated ***290 additional inclusionary units would have been generated*** *between 1990 and 2015.*

Data Sources: czb analysis of Census Bureau population data and housing production data from the City of Burlington and Chittenden County Regional Planning Commission; "suburbs" include Essex, Colchester, Winooski, South Burlington, Shelburne, and Williston

OBSERVATIONS AND FINDINGS

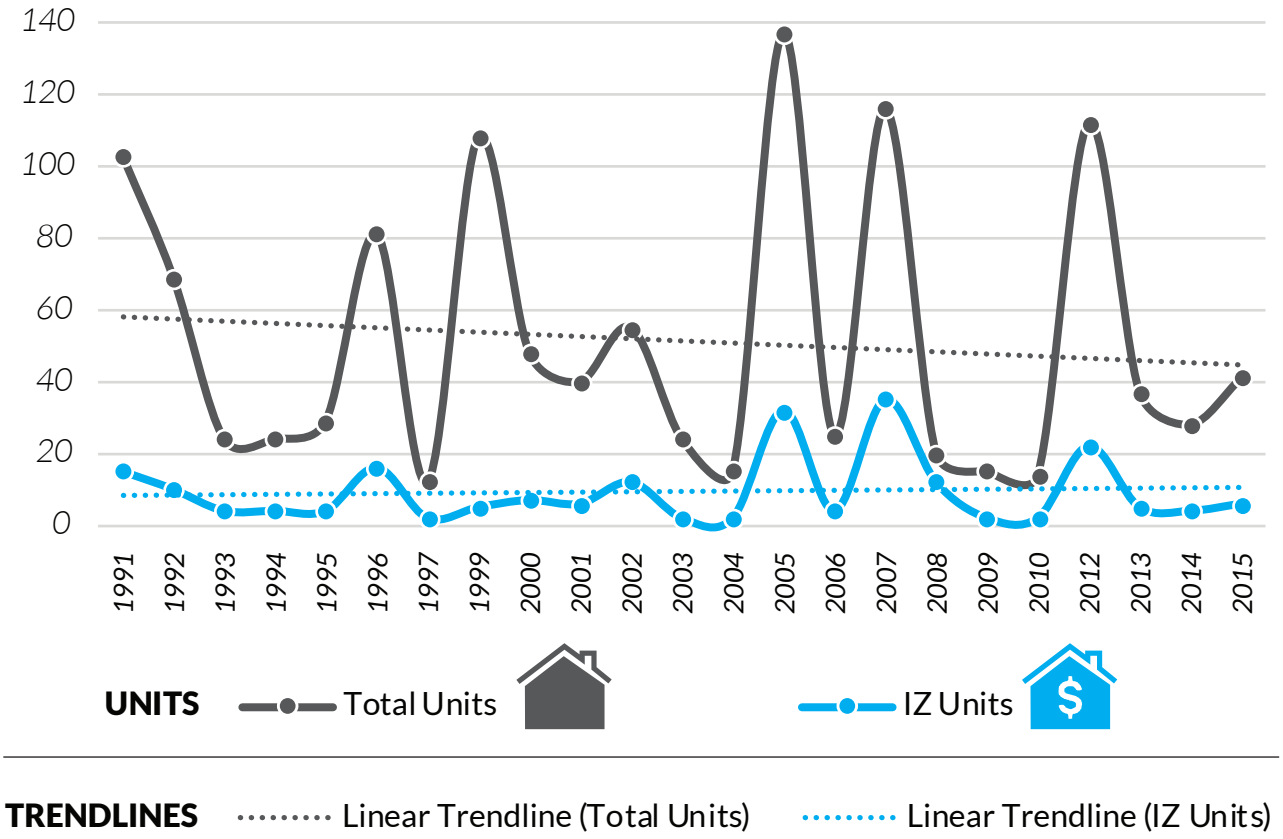
Numerous variables – in addition to the requirements of the inclusionary zoning ordinance – influence the trend lines of both market-rate and inclusionary unit production in Burlington, which have been remarkably stable since 1990 despite considerable fluctuation from year to year.

These variables, which are always changing, include:

- **Land scarcity and its relationship to land pricing**, which is often higher than $500,000 per acre near downtown where jobs and amenities are concentrated. This creates situations where densities often need to exceed 20 dwelling units per acre for a project to be financially workable.
- **Construction costs in Vermont**, which, when combined with scarce land supply, makes it difficult to bring a good quality rental unit on line for less than $225,000 per unit.
- **Cost to finance**, including interest rates, the availability of tax credits, and the expense of syndication.
- **Profitability thresholds**, which are linked to how these variables uniquely coalesce on any given project. The Burlington rental market is such today that very little profit can be obtained for target markets paying less than $1,300/month without some combination of tax credit equity, density allowances, or cash subsidy.
- **Unpredictability of development review**, which is a challenge in many communities, regardless of whether or not inclusionary unit requirements are part of the review.

There is no way to assert definitively that any one of these variables – or inclusionary zoning – accounts for slowing down housing production in Burlington. The best explanation is the simplest: that high quality of life and high demand, when met by a decreasing supply of developable land and the complexities of redevelopment, will most often translate to reduced rates of production. When such a condition exists, the introduction of one more variable becomes an added increment of cost and complexity for a housing developer. Addressing this requires a commitment to flexibility and assurances that the costs of inclusionary units are met by adequate offsets by the public sector – a subject covered through the remainder of this report.

Inclusionary Zoning Production in Burlington, 1991 - 2015



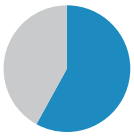
*Note: This table excludes 1990 for the purposes of establishing trend lines that reflect typical production activity. In 1990, 442 units were generated by four projects that included 63 inclusionary units. High production volume that year may have resulted from pent-up demand combined with then-still-new tax provisions from the 1986 Tax Reform Act.

Housing affordability remains an acute challenge for many households. In fact, high proportions of renters, at a range of income levels, spend more than 30% of their incomes each month on housing.

High housing costs, the result of high demand for local units and insufficient production to accommodate that demand, are certainly an important driver of housing unaffordability. But another important cause is insufficient income among Burlington households. In the health and social services sector – the Burlington area's largest sector accounting for one-fifth of all jobs – the median wage of $43,000 is just enough to afford the city's median gross rent of around $1,000. The median wage in retail, the second largest sector, is $27,000. For households supported by a single wage-earner in these sectors, housing costs take a substantial bite out of every paycheck.

Specifically, czb's analysis of recent American Community Survey data revealed the following:

- 58% of households that rent in Burlington pay more than 30% of their income on housing. This includes 86% of renting households with incomes between $20,000 and $34,999 and 46% of renting households with incomes between $35,000 and $49,999.
- 33.8% of households that rent pay more than 50% of their income on housing. This includes one-third of renting households making between $20,000 and $34,999.



58%

PAY MORE THAN 30% of their income on housing

33.8%

PAY MORE THAN 50% of their income on housing

There are sizable gaps between the number of households at certain income ranges and the number of units that are affordable at those ranges.

By performing a gap analysis of the number of existing households at various income ranges and the number of housing units affordable to each range, czb found the following:

Owner units and owner households

523 homes in Burlington valued at a level considered affordable to a household making $50,000

↓

2,061 households in Burlington that own homes and make $50,000 or less

-1,538 GAP between homes and households

Rental units and renter households

3,554 rental units that are priced at levels considered affordable to a household making $35,000

↓

5,694 households that rent and make $35,000 or less

-2,140 GAP between rental units and households

Data Sources: czb analysis of 2014 American Community Survey 5-Year Data

C Does the policy function well from a technical and administrative standpoint?

Burlington's inclusionary zoning mandate has been successfully applied to developments of five or more units for 25 years – *but not without revealing some basic flaws that undermine or muddy the essence of the city's original ambitions for the policy.*

Inclusionary zoning ordinances have many moving parts – all of which need to be attended to and calibrated to achieve consistency, fairness, and effectiveness in practice. While Burlington's ordinance has been consistently enforced on applicable projects, some of its moving parts have functioned poorly or have not been well-calibrated to Burlington's market environment. Recalibration requires a look ahead (see Part 2), but it also requires a look at key elements and practices that have been, or could be, problematic.

OBSERVATIONS AND FINDINGS

Cost offsets for developers – which in theory were designed to cover the cost of affordable units – appear to have failed in practice.

Inclusionary zoning, at its core, requires a give and a get. Cities get additional affordable housing stock in mixed-income environments and, in return, they give developers incentives or subsidies to offset the cost of those units and the risks incurred in building them. In Burlington's ordinance, as in most inclusionary zoning ordinances, **developers are eligible to receive density bonuses to build at a greater intensity** than allowed by the base zoning – thus giving them the opportunity to generate revenue to cover the cost of compliance.

Interviews with both for-profit and non-profit developers with considerable experience in Burlington suggest, however, that in practice **the density bonuses are rarely, if ever, realized.** The ultimate density of a project is, instead, subject to an unpredictable development review process that may yield a project with a lower density than even the base zoning allows.

Verification through a comparison of eligible densities versus realized densities on a project-by-project basis was not part of this evaluation but should be undertaken as the city considers its options relative to inclusionary zoning. If it is true that the bonuses are not being realized consistently and that there is a pattern of project densities being whittled down from their maximum allowable levels, then **corrective action must be taken to ensure that the process is fair** (developers get something in exchange for giving something) and that Burlington, a city with a short supply of vacant land and developable parcels, is not surrendering opportunities to expand the production of housing in general and affordable housing in particular.

The payment in lieu and off-site options are rarely exercised.

Through 2005, payments in lieu were negotiated on three projects, generating $590,000 in place of 29 units – or an average of just over $20,000 per unit. Considering these amounts to be a giveaway, **City Council amended the inclusionary zoning ordinance** in 2006 to raise the payment to $100,000 per unit and fix it to the consumer price index (CPI). (The per-unit payment in lieu cost now stands at approximately $115,000.)

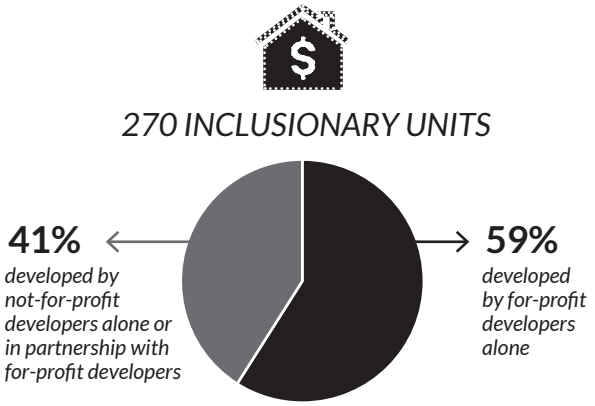
The payment in lieu option has not been exercised since that change was made; while the Burlington housing market is strong, it is not strong enough make $115,000 workable for the development community. On the positive side, this means that the vast majority of projects have met their inclusionary requirement on site and, in turn, furthered the city's goal of economically integrated housing. On the negative side, by making it essentially infeasible to exercise the payment in lieu and off-site options (especially if the ordinance's cost offsets are largely inoperable), **Burlington's ordinance provides little flexibility for developers and undercuts inclusionary zoning's potential to provide revenue to the city's Housing Trust Fund** to support the preservation and creation of affordable housing – through production subsidies, rehab loans, rental vouchers, monitoring the development and management of inclusionary units, etc.

Insufficient monitoring activity has made the achievement of permanent affordability an uncertainty for some units.

A RAND Corporation study of inclusionary zoning from 2012 noted in its review of several ordinances (including Burlington's) that **insufficient monitoring activities** – to ensure that inclusionary units are re-rented and re-sold to income qualified households – is a very typical shortcoming of inclusionary housing programs. This is a problem that often stems from ordinances that provide little guidance on the subject of administration and how to cover administrative costs.

This has been the case in Burlington, where monitoring has been the domain of a single CEDO staff member who also ensures that new projects comply with the ordinance. Because inclusionary zoning is only a small part of their duties to begin with, a **sufficient long-term monitoring system has never truly developed**. Such a protocol is now in the process of being developed at CEDO.

On the other hand, **units managed or otherwise controlled by not-for-profit agencies (approximately 46% of all inclusionary units), are routinely monitored by those agencies**. These include 48 homeowner units controlled by the Champlain Housing Trust – which has exercised the city's right of first refusal to purchase many condos and homes generated by the ordinance.



The practice of allowing not-for-profit agencies to fulfill the inclusionary requirements of for-profit developers has had positive outcomes, but also raises questions.

A handful of recent and proposed projects have featured **partnerships whereby the city allows one or more non-profits to develop units that fulfill the inclusionary requirements of for-profit developers** – usually on adjoining land that the for-profit developer sells to the agency at a deeply discounted price. The results have been positive: the for-profit developer focuses on their market-rate units, the non-profit gets inexpensive land to develop affordable units, and those units are then managed by an agency with affordable housing expertise.

However, the practice raises questions that go to the core of the inclusionary zoning ordinance. For example:

- Is it acceptable or unacceptable that, in these cases, the affordable units have been segregated into buildings adjacent to the market-rate units rather than fully integrating the two?
- Is this practice really just a modified payment in lieu, since the developer is providing resources for affordable housing (discounted land) in return for not developing inclusive units? If it is, should the practice be recognized as such by the ordinance?
- Is it possible that, in some instances, affordable units developed through this practice are merely replacing subsidized units that would have been developed elsewhere – thus generating a net production of less than one unit for every mandated inclusive unit?
- And, to what extent would such partnerships between for-profit and not-for-profit developers be necessary if the ordinance had functioning cost offsets? In other words, **do such partnerships point to weaknesses in the Burlington housing supply chain caused by the way that inclusionary zoning currently functions?**

In addition to such partnerships, it is also notable that just 59% of all inclusionary units (or 160 units) have been developed by for-profit developers alone, with the remaining 41% developed through partnerships or by not-for-profit entities by themselves. This does not diminish the importance of inclusionary units developed by not-for-profits, but it underscores the possibility that Burlington's inventory of inclusionary projects reflects weaknesses within and beyond the ordinance.

Examining Burlington's experience with inclusionary zoning from these three broad angles, combined with an understanding of the ordinance's intent and a review of the national policy literature (see Appendix), yields **two broad categories of work** – technical and adaptive – that the Burlington community may wish to consider as it transitions to a new stage in its application of inclusionary zoning.

1 **Technical challenges** are those best solved by fine-tuning existing systems using known tools. In Burlington's case, some fine-tuning is likely to improve the functionality of inclusionary zoning and the production pipeline of market-rate and inclusionary units – or it may lead to outcomes that suggest a need for further fine-tuning. Recommended areas of adjustment, which are explained in greater detail and contextualized into a set of options in Part 3, include the following:

Monitoring:

It is critical that the city adopt a monitoring protocol (now in development) to ensure that IZ units continue to be rented or owned by eligible households. But it is also critical that the city review IZ outcomes on a much more regular basis – preferably yearly – to ensure that it stays calibrated to a constantly evolving market.

Cost offsets:

The density bonuses, parking reductions, and impact fee waivers included in the ordinance are fundamental to inclusionary zoning and should be granted consistently by the city to offset costs borne by the developers of IZ units.

Payment in lieu and offsite options:

Flexibility is an important part of leveraging market-rate activity to achieve public goals such as inclusionary units and resources for affordable housing. Without flexibility, market-rate activity and its leveragability for the public good can be diminished. Making Burlington's payment in lieu and offsite options more appealing to developers – while sustaining a focus on economic integration – can provide greater flexibility.

Development threshold:

Burlington's ordinance applies to developments with 5 or more units – a relatively low threshold from a national perspective, and probably too low for Burlington's current housing market. A ten unit threshold is a reasonable adjustment to test at this time – and to monitor for impact on infill activity in the 5 to 9 unit range.

Square footage minimums:

This element of the ordinance is uncommon in other cities with IZ. A more common and flexible approach is a general requirement for unit comparability.

Income targets:

The existing income targets of 65% of AMI for rental units and 75% for purchasable units are similar to commonly used IZ income targets (though 75% for purchase is on the low side). However, Burlington should consider switching to variable income ranges for both rental and purchasable units – a switch that would have to coincide with functioning cost offsets and a carefully structured set of incentives to facilitate production at different points on the income range.

2 **Adaptive challenges**, by contrast, generally require a shift in the community, often characterized by the work of letting go of old assumptions and habits and replacing them with new learnings and new approaches. When made, such "second order" changes can – and very often do – result in non-incremental forward progress towards important community goals. While there is a clear commitment in Burlington to thinking seriously about inclusive and affordable housing and taking sustained action, there is also a harmful tendency towards cost shifting as expressed in the following ways:

Cost shifting from the city to its neighbors:

When Burlington's neighbors absorb the city's unmet housing demand, they gain in terms of tax revenue and other benefits that accrue from development, but they also take on certain costs with long-term implications for themselves and the region – environmental, cultural, infrastructural, and others. The city, meanwhile, benefits from being at the center of an expanding regional labor market and consumer base.

Cost shifting from the public to developers:

The public has a right to set high standards for development in Burlington. After all, careful stewardship of the city's assets has created tremendous value that would be silly not to leverage. But that does not mean developers should be expected to provide a public good without incentive or compensation of some kind – that is why cost offsets are a fundamental part of any inclusionary zoning ordinance. Developers are no less rational than other economic actors and need to obtain a return comparable to any risk-taking entity; expecting them to do otherwise will limit the realization of community goals that mandate their participation as partners.

Cost shifting from employers to the affordable housing sector:

Labor costs are often lower in small cities because cost of living is lower. But in Burlington, the cost of living index is fairly high (124 overall, and 150 for housing) and the median household income relatively low (80% of state and national levels). When employers pay small town wages and expect others to make up the difference on housing, it is no different than Wal-Mart or McDonald's paying low wages and relying on public assistance programs to meet employees' needs.

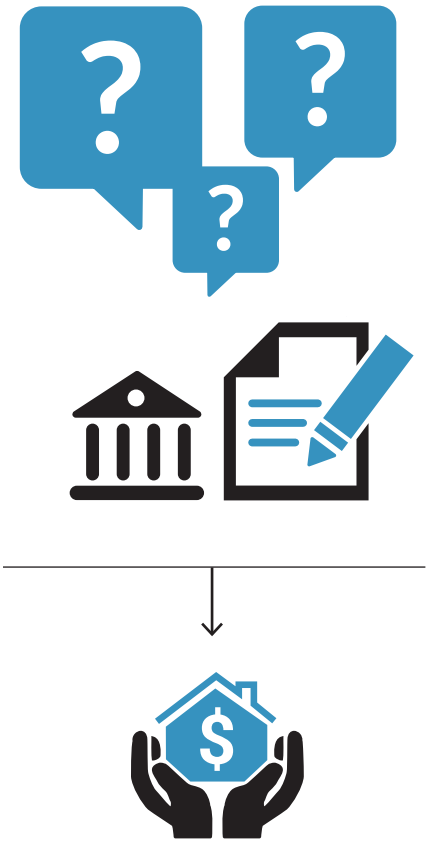
Cost shifting from current to future generations:

The cumulative effect of all forms of cost shifting is that problems do not really get solved. Instead, they become the policy priorities of 2025 and 2030 while contributing in the meantime to greater levels of air pollution (via commuting and congestion) and land consumption on the urban periphery.

The bottom line is that inclusionary zoning and the promotion of housing affordability in Burlington have made laudable strides. There is much for the community to be proud of. But there is also much to do going forward to improve access to economically integrated housing on a larger and more impactful scale.

PART 2

LOOKING FORWARD:
What role can inclusionary zoning play in shaping the future of affordable housing in Burlington?



Twenty-five years into Burlington's work on inclusionary zoning, the policy's record – of generating economically inclusive units, of being part of a wider system that has produced too little housing to meet market demand, and of falling short on technical components – offers hints about the policy's value and what might be done to make it stronger.

But a more fundamental series of questions need to be asked before considering inclusionary zoning's future – questions that relate to the purpose of IZ as a tool to aid in the achievement of a community's affordable housing goals.

What problem does Burlington want to solve?

To what extent, if at all, can inclusionary zoning be modified or supplemented to aid in addressing that problem?

And to what extent is the Burlington community willing to pay to achieve what it wants – through adjustments to inclusionary zoning or through other programs and policies?

So, what problem does Burlington want to try to solve? Clearly, housing that is still too expensive for too many households remains a central problem – but it is one with numerous dimensions that defy blunt solutions.

Beneath that wider problem, however, there is a more specific problem that can provide a valuable sense of policy direction when it comes to inclusionary zoning – because it is a problem that Burlington's ordinance is already partly positioned to address: **pressure on the key households in the 30% to 50% AMI range of affordable housing and *insufficient public incentives to make significant strides within that range.***

Households in this range – who account for approximately 25% of all renting households in Burlington – are those that currently make between $25,000 and $42,000 per year (based on the 2016 AMI of $84,000). They are school teachers, recent college graduates with entry-level work, people with one or two low-wage jobs, health-care workers, and others who play a vital role in Burlington's daily life and economy. They can afford to spend between roughly $625 and $1,050 on housing each month, depending on where they fall within that range. But with median gross rent in the city at just over $1,000 and median monthly owner costs of over $1,700, housing in Burlington is often beyond or at the very top of their affordable price range.

Although several public and not-for-profit programs in the Burlington area are calibrated to assist households within this range when it comes to renting, buying, or fixing a home, such programs are constrained by resource limitations and the same supply insufficiencies (not enough apartments and homes to meet demand) that strain the rest of the housing market. Simultaneously, Burlington's affordable housing providers and human service agencies grapple with meeting demand from households at even lower income ranges (below 30% AMI) – where need is even more acute.

If the 30% to 50% AMI range is a key problem to focus on and channel resources to, how can inclusionary zoning be adapted to assist in a substantial way? There are at least two ways.

One is by using inclusionary zoning as a tool to significantly boost production in the 50% to 80% AMI range – a range that inclusionary zoning is best suited to address and why Burlington's ordinance was created with income targets of 65% of AMI for renters and 75% of AMI for owners. It is also a range that the private market is unlikely to serve – via production of new units – on its own. Stimulating greater production in this range will reduce the degree to which these households are forced to compete for housing with their neighbors in both the 30% to 50% range and above 80%.

The second way that inclusionary zoning can assist is by generating revenue that can be channeled into supporting affordable housing initiatives in the 30% to 50% range. This, of course, means revenue to the Housing Trust Fund from the payment in lieu option – which is flexible enough to support production, preservation, rehab, rental vouchers, and a wide range of other programs.

These two supportive roles that inclusionary zoning might play require a significant shift from the status quo. As a July 2016 report on inclusionary zoning by the Urban Land Institute makes clear, the production of inclusionary units (or revenue generated from a payment in lieu option) is a function of total market-rate activity – which has not been strong in Burlington despite an otherwise robust market and despite a growing region. Additionally, that report concluded that production is often tied to the degree to which incentives make projects feasible for the private sector.

In Burlington, neither condition has been met to make inclusionary zoning truly successful and to make durable progress on affordability. Market-rate activity has lagged and incentives or cost offsets have, for all practical purposes, been absent from the policy's implementation. While market-rate activity may have been sluggish since 1990 regardless of inclusionary zoning, the lack of flexibility and incentives did not help the situation.

The good news is that this can be corrected. And, more than that, inclusionary zoning can play a role in actually stimulating market-rate development – the necessary antecedent of inclusionary units. **But it requires an acknowledgement that to get something that is valuable to the community and meets long-term civic goals, the community must be willing to give more and to pay for what it values.**

That means that density bonuses, if they are offered, need to actually work – which further means that the community needs to make some choices. Are marginally higher densities a fair exchange for accelerated production of market-rate and affordable units in a city with a severe supply shortage? Are the Development Review Board and neighbors of projects willing to let developers build at densities allowed by current zoning and grant them their eligible bonuses – consistently and predictably?

As important as they might be in helping the city realize the development potential of its limited land supply, density bonuses on their own are unlikely to change developers' math dramatically enough to alter Burlington's long-term supply/demand dynamic. Doing so would require both using those bonuses and supplementing them with other incentives and cost-saving measures (such as reducing the time cost of permitting processes) to soften the financial risks of inclusionary projects and provide the levels of confidence necessary for production to rise over a sustained period. This means a more streamlined and predictable project review process and the generation of local financial resources that would allow Burlington, rather than federal or state officials, decide where and how to spend them.

This is familiar terrain for Burlington, which has dedicated a small portion of its property tax revenues to its Housing Trust Fund since 1989, averaging a few hundred thousand dollars annually in recent years. That is a good start. But other cities offer a glimpse of how Burlington can take its Housing Trust Fund and make it a far more powerful force for affordable housing.

Seattle is, perhaps, one of the best examples of a city with a substantial and long-standing commitment to providing local resources for affordable housing (rather than relying solely on a dwindling supply of federal and state funds). On five occasions since 1981, Seattle residents have voted to approve a housing levy – each one spanning a specific time period and each one tied to a set of goals and a detailed resource allocation plan. This fall, Seattle will vote on a sixth housing levy – one that would raise $290 million over seven years from local taxpayers, costing the median Seattle homeowner $122 per year.

Seattle's seven-year plan for the $290 million would invest in the following areas:

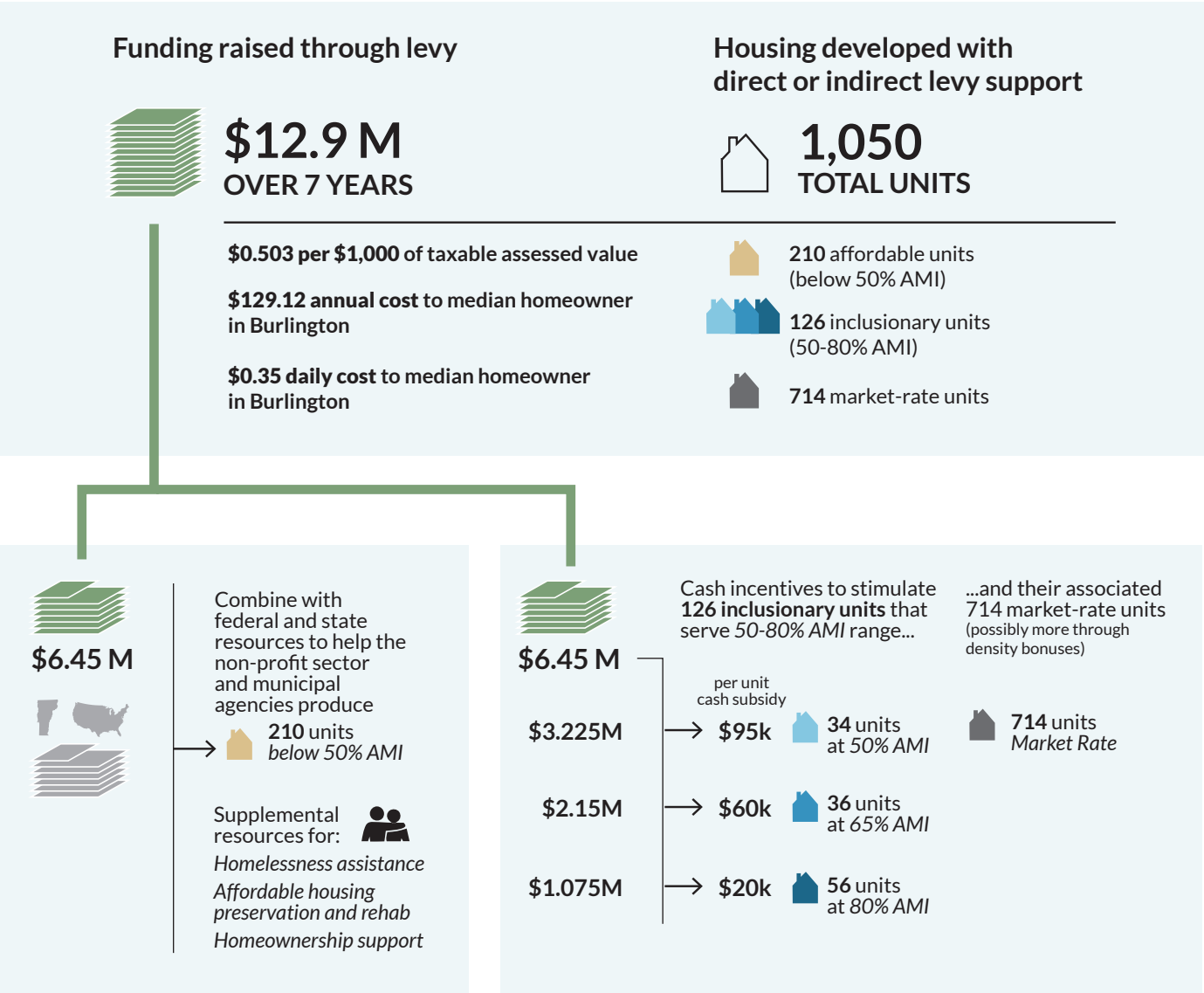
- Rental unit production and preservation
- Homeless prevention and housing stability services
- Homeownership promotion
- Foreclosure prevention assistance
- Acquisition and preservation of the existing affordable stock
- Administration of programs and enforcement eligibility guidelines

If Burlington did something on a similar scale (proportional to tax base), that would mean passing a $12.9 million housing levy for the same seven year period– or $1.84 million citywide per year and $114, on average, per household. That would be an almost ten-fold increase over the average amounts dedicated to Burlington's Housing Trust Fund annually over the past decade.

Goals for such a fund, in terms of supporting housing production, could be tied to the goals of the "Building Homes Together" campaign, which calls for 3,500 new units in Chittenden County through the early part of the next decade, including 700 affordable units. If Burlington committed to realizing a share of that amount equal to its 1990 share of the county's population, it's goal would be 1,050 total units, 210 of them affordable. If one assumes that the remaining 840 units in that goal are split between 714 market-rate units and 126 inclusionary units, that would equate to an annualized inclusionary unit production pace (18) that would be over 60% higher than the 1990 – 2015 period.

How could resources from a housing levy be used to support market-rate and affordable unit production at this level through inclusionary zoning, while also supporting other components of Burlington's affordable housing systems – especially those operating in the 30% to 50% AMI range? The following diagram provides some ideas for how a funding plan might be structured.

Allocation Plan for a Hypothetical Burlington Housing Levy

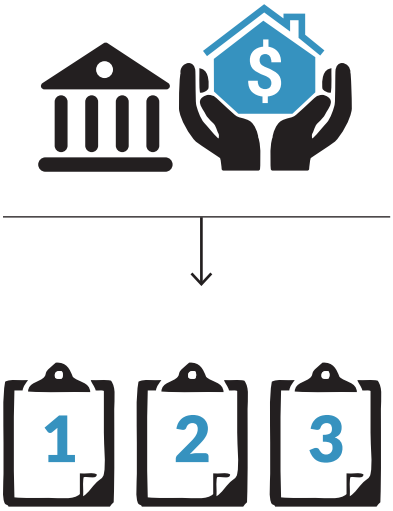


Such a program based on dedicated local resources – and supplemented to a small degree by more payments in lieu achieved through a lower per-unit fee – would put Burlington squarely into catch-up mode on supply and be a strong signal that a healthier housing market with a wider range of affordable options is something Burlingtonians are willing to invest in. A levy similar to Seattle's would provide those resources, as would a bond issue similar to that in **Austin, Texas**, where voters approved the issuance of $65 million in bonds in 2013, along with a levy to pay principal and interest, to fund a range of programs similar to the Seattle levy. (A bond issue of a similar per-capita scale in Burlington would be $3.1 million.)

But generating local resources is a choice the community needs to make. Without additional resources and a commitment to making existing cost offsets more functional, inclusionary zoning is unlikely to play anything but a marginal role going forward – in a market that will continue to be significantly challenged by housing affordability.

PART 3

CHOICES & RECOMMENDATIONS:



A look back at the performance of Burlington's inclusionary zoning policy since 1990 and a look forward at the policy's potential to help the city substantially address a critical problem suggests that the community has roughly three ways to think about the policy's future. This assumes that doing nothing at all or repealing the ordinance are not true options because they go against the grain of Burlington's values and the community's interest in continuous self-improvement.

The following three paths are presented in ascending order of effort and reward – with the first path representing a course of minor tinkering, the second path achieving a fully-functioning inclusionary zoning policy, and the third path leveraging local resources and a functional IZ policy to significantly boost the city's supply of affordable and market-rate housing. Recommendations listed under the second and third paths are contingent upon making existing cost offsets work and providing an additive layer of developer incentives.

1 Status quo plus

Enact largely non-controversial changes to the ordinance that would address some outdated or obsolete components but have only a marginal impact on production. Recommended changes under this option include:

- **Increase development threshold:** Ordinances across the country have thresholds for inclusionary zoning (the size of a project that triggers the inclusionary policy) that range in size from as low as one to as high as 20 or more. Burlington's current threshold of five units is at the low end of this range. In a city where small infill projects will constitute a considerable share of future development and redevelopment work, raising this threshold from five to 10 will decrease the likelihood that small projects – which generally have a harder time absorbing the inclusionary mandate than larger ones – will be rendered infeasible. But increasing it much higher than 10 would surrender the city's potential to make mid-sized projects inclusive.
- **Generalize unit comparability:** The ordinance currently prescribes minimum square footages for rental units, which is a blunt and somewhat outdated way of ensuring that inclusive units are well-blended within a development – especially when the levels set in 1990 (such as 1,000 square feet for a two-bedroom apartment) are on the high side of market-rate expectations today. A more flexible approach that is commonly practiced today can be seen in ordinances that require general comparability between market-rate and affordable units in terms of size, appearance, and bedroom-mix, and that inclusionary units be dispersed rather than concentrated. Instead of re-calibrating the square footage minimums, the language in Burlington's ordinance should be simplified and generalized.
- **Monitoring:** CEDO, the city agency that oversees the administration of inclusionary zoning, is currently in the process of developing a monitoring protocol to guide future efforts to keep track of inclusionary units and to whom they are rented and sold. Options in this regard include yearly auditing of a certain percentage of inclusionary projects – those not already monitored by a non-profit agency – or outsourcing those monitoring duties to a qualified non-profit.

2 Fully functional inclusionary zoning

Enact changes recommended in the "Status quo plus" option AND incorporate the following to ensure that Burlington's ordinance (and its execution) generates the production of inclusive units while providing flexibility and realizable cost offsets for developers:

- **Provide density bonuses by right**: As a critical part of the current ordinance that has failed to function as intended, density bonuses need to be addressed by ensuring that developers receive what they are eligible, by law, to receive. This can be achieved in a few ways. One path is for the Development Review Board to have an internal policy prioritizing the granting of density bonuses and striving to maintain them throughout the course of the review process. Another is for City Council to request that the Development Review Board furnish a "Production Impact Statement" for all inclusionary projects, describing the proposed density of the project, a detailed rationale if the approved project had a lower density than originally proposed, and a statement of the number of housing units surrendered by the review process.
- **Lower the payment in lieu:** The fact that the payment in lieu option has not been exercised in ten years is a sign that it has been poorly calibrated and that, while strong, the market is not strong enough (or has too many relief valves in the form of surrounding jurisdictions) for a $115,000 payment per unit to be a true option. It is an important option, though, for a few reasons: (1) It provides a basic level of flexibility for developers, especially those who do not wish to be limited by the permanent affordability restriction on inclusive units, and (2) the revenue from the payments in lieu can be flexibly allocated not just to support production but to support other affordable housing activities.

  czb recommends that the city experiment by decreasing the payment to $75,000 – roughly one-third of the cost of developing a new market-rate unit – and reassessing this level every two years. If it becomes the go-to option for developers, it should probably be increased. If it's never utilized, additional decreases should be considered.

- **Offer a less restrictive off-site option for low-poverty receiving areas:** Currently, exercising the off-site option involves proving that the chosen site for a project cannot accommodate the inclusionary units – and then building them elsewhere at 1.5 times the original requirement. To provide greater flexibility, this could be modified to allow common use of the off-site option, at a one-for-one unit exchange, when the census block group receiving the inclusionary units has a poverty rate of less than 10% – thus achieving the desired outcome of economically integrated housing. This change could be made while leaving the waterfront district exception in place.
- **Adjust the income target for owner-occupied units from 75% of AMI to a flexible range of 80% to 100%:** A household at 80% of AMI ($67,200) can afford to spend roughly $1,700 per month on housing – which matches the current median monthly homeownership cost in Burlington. That should be the floor for inclusionary for-sale units. At the same time, a household at 100% of AMI ($84,000) has purchasing power nearly equal to the median home value. That should be the ceiling for inclusionary for-sale units. This floor and ceiling, though currently forming the 80% to 100% range, should be monitored regularly to ensure that it remains appropriate to the Burlington market.

  For buyers within this range, a second mortgage and down payment assistance could be offered within a shared equity arrangement through the Champlain Housing Trust.

3 Moving the needle

Enact changes recommended in the "Fully functional inclusionary zoning" option AND provide additive local resources to stimulate an accelerated pace of production that will put Burlington on a path of catching-up with demand. Recommended actions here include::

- **Craft a funding plan that relies on local resources to boost production of affordable housing:** As with the model outlined in Part 2 of this report, craft a plan that would use revenue provided by an affordable housing levy or bond to provide resources across a wide range of initiatives – including incentives for inclusionary unit development.
- **Achieve support for an affordable housing levy or bond from city voters:** A citywide referendum on a levy or bond issue to support a carefully crafted funding plan will be a true test for the city. Are Burlington's citizens willing to invest in a strategy that has the potential to boost supply and affordability in a substantial way – and point the city in the direction of catching-up and keeping-up with demand? Or is affordable housing only a mid-tier priority to be addressed primarily by dwindling federal resources?
- **Adjust income targets for rentals from 65% of AMI to a range of 50% to 80%:** Having functional bonuses and incentives in place for inclusionary zoning would make it feasible to go below the current target of 65% of AMI while extending up to 80% for greater flexibility. This new range would be tied to incentives for developers at different points on the range – recognizing that building a unit with rent capped at 50% of AMI is a significantly greater cost burden than a unit with rent capped at 80% of AMI.

  Operating within this broader range would also provide an opportunity to vary the required proportion of inclusionary units – which is now set at a base level of 15%. Within a 50% to 80% range, the proportion could vary between 10% of units at 50% AMI, to 15% of units at

65% AMI, to 20% of units at 80% AMI. Along with other changes, this would provide more flexibility on a project-by-project basis.

- **Contribute levy resources to inclusionary homeownership:** Within the new for-sale range of 80% to 100% of AMI (see option #2), consider contributing levy resources to bolster second mortgage and down payment assistance, toward per-unit development subsidies for units at 80% of AMI (but no higher), and to providing funding to aid Champlain Housing Trust in exercising the city's right of first refusal to purchase inclusionary units that are sold or resold.

Within the realm of "Moving the Needle," czb also recommends that the following issues related to inclusionary zoning and affordable housing – many of which are addressed in the city's 2015 Housing Action Plan – be thoughtfully considered:

- **Address the intersection of affordable housing and college student housing:** The off-campus student population in Burlington is one of the biggest drivers of low vacancy and tight supply. The inclusionary zoning ordinance exempts dwelling units developed in institutional zones (including college dorms and apartments), but the city should consider addressing student housing in two other ways:
  - **Treat privately developed student housing as a special case and a payment in lieu revenue source:** Many communities with large student populations feature apartment-style developments that are built by for-profit developers and geared towards student populations – without any involvement – financial or otherwise – from a university or college. Development of this kind in Burlington should be treated differently from typical residential development. Instead of a normal inclusionary requirement, consider a per-bed fee on such facilities, with revenues going into the Housing Trust Fund to help rehabilitate rental properties deteriorated by long-term student use.
  - **Prevent cost-shifting:** Consider negotiating a PILOT agreement with the University of Vermont designed specifically to help the city deal with housing conditions (from code violations to price escalation) exacerbated by a large off-campus student population. Base the annual payment on the number of undergraduates living off-campus in private housing – this will add revenue to the Housing Trust Fund for projects that promote affordable housing and give UVM an incentive to develop more on-campus housing or support the development of off-campus housing that takes students out of the private rental market.
- **Identify and address factors that limit the creation and utilization of accessory units:** Lifting inclusionary zoning's development threshold from 5 units to 10 will make it less likely that inclusionary projects will happen in lower-density residential neighborhoods – but those are areas where accessory units can play a vital role in supplementing the city's affordable housing stock and making ownership more feasible through a stream of rental income. Identify and review factors, such as off-street parking requirements, that may be limiting the full potential of this segment of the housing market.

APPENDIX

This appendix includes the following supplemental resources: (1) a summary of key research that provided critical context and background on inclusionary zoning for this evaluation (all listed in the bibliography to this report), and (2) a comparative policy matrix of inclusionary zoning policies in six housing markets with broad similarities to Burlington.

Summary of Key Research

The Economics of Inclusionary Housing, Urban Land Institute, 2016

This report – the most recent national-level review of the practice of inclusionary zoning – puts a particular focus on the economic forces that influence development activity and how inclusionary zoning shapes decision-making by developers. It recognizes, for example, that the most important factor determining the success of IZ policies is "a significant and sustained level of market-rate development." Without that, there is little that IZ can do to influence access to affordable housing.

Additionally, the study argues that, in all but the most overheated real estate markets, incentives are needed to ensure that projects can meet IZ policy requirements while remaining financially feasible to developers. Density bonuses and reductions in parking requirements are frequently-used incentives, but direct subsidies to developers and tax abatements are also tools to consider. Individually or in combination, these subsidies and incentives have the potential to increase the effectiveness of IZ policies. But, as the authors make clear, IZ should not be viewed as a singular tool, but as one of many tools that collectively enhance access to affordable housing.

Making Inclusionary Housing More Flexible, Center for Housing Policy, 2015

Noting that the number of communities with inclusionary housing policies has been expanding year by year, often into new territory and new types of housing markets, this policy brief identifies a common struggle in designing ordinances: striking the right balance between generating new affordable units and ensuring that development remains feasible for developers. With flexibility often being a key to achieving this balance, this brief discusses four current practices that are designed to provide flexibility:

1. Permit off-site development in multiple low-poverty neighborhoods – thus achieving economic integration while providing greater flexibility with site acquisition (see San Diego).

2. Offer options to preserve or increase the affordability of existing housing by accepting the conversion of existing market-rate units into deed-restricted affordable housing as a contribution to IZ requirements (see Montgomery County, MD, and Boulder, CO).

3. Restrict fee-revenue spending to broad, designated areas to achieve economic integration without confining geographic scope too narrowly (see San Diego and Boston).

4. Provide flexibility on the incomes served through variable income targeting – thus tying unit production requirements to the AMI range served by developers (see Santa Monica and San Mateo, CA).

Achieving Lasting Affordability Through Inclusionary Housing, Lincoln Institute of Land Policy, 2014

A national inventory of inclusionary housing policies is at the heart of this report, which focuses particular attention on whether and how such policies ensure long-term affordability protections. Out of the 307 policies for which data were obtained on periods of affordability, the authors found that one-third of the policies required 99-year or perpetual affordability for rental and/or for-sale housing and that around 80% of policies required at least 30 years of affordability.

From 20 case studies (including Burlington), the authors concluded that many jurisdictions struggle to ensure that affordability protections on inclusionary units are maintained due to insufficient administrative resources and a failure to adequately plan for long-term monitoring. They cite strong legal mechanisms, administrative processes, and third-party partnerships as key elements of successful monitoring among the communities studied.

Is Inclusionary Zoning Inclusionary? A Guide for Practitioners, RAND Corporation, 2012

Through analysis of IZ unit locations in 11 communities (including Burlington), this report finds that inclusionary zoning programs have tremendous potential to provide low-income families with extended exposure to low-poverty environments – and that the 11 jurisdictions analyzed have largely succeeded in creating conditions where that can occur. The authors found, for example, that the IZ units analyzed were generally located in neighborhoods where

poverty is low and where schools perform at a higher level than the average school in their respective states.

The report notes, however, that IZ performance is difficult to compare to other affordability programs, most of which serve households that are more distressed than the income groups that are most often targeted by IZ (above 50% of AMI). For example, while the typical IZ unit in the analysis is located in a neighborhood with a 7% poverty rate, the typical recipient of a housing assistance voucher (making 30% of AMI or below) lives in a neighborhood with a 19.5% poverty rate.

The Effects of Inclusionary Zoning on Local Housing Markets: Lessons from the San Francisco, Washington, DC, and Suburban Boston Areas, Center for Housing Policy, 2008

Through a longitudinal study of IZ policies in three large metropolitan regions where numerous communities have such policies, this report concludes that wide variations in how IZ policies are structured and the range of markets they operate within make it difficult to broadly analyze their influence on local markets or to compare the mechanical effectiveness of certain IZ features. However, the authors distilled several lessons for IZ practitioners based on their region-level observations:

- Each individual ordinance should be considered on its own merits.
- Many IZ policies produce affordable units, but IZ is not a panacea for solving a community's housing challenges.
- More flexible IZ policies may lead to greater production of affordable units.
- IZ policies that provide meaningful and achievable density bonuses or other benefits to offset the profits lost on affordable units should be less likely to adversely impact the price and supply of market-rate housing.
- Different cost offsets may be needed in different communities and in different market cycles.
- Cost offsets need to work in practice, not just on paper.
- Broad-based consultations with stakeholders may be helpful in designing effective policies and monitoring their implementation.

Delivering on the Promise of Inclusionary Housing: Best Practices in Administration and Monitoring, PolicyLink, 2007

This policy brief begins its overview of the administrative mechanics of inclusionary housing by noting that this component of IZ is sometimes an afterthought that leaves a community scrambling to locate resources and assign administrative duties. It identifies nine administrative responsibilities that need to be addressed to some degree – from overseeing the production of new units, to monitoring of existing units and overall enforcement – and provides examples of how administrative programs are often structured and paid for.

It notes, for example, that administrative duties are often covered by one or more of the following: a department of local government, a multi-jurisdictional collaboration, a private company (under contract), a nonprofit housing agency, or a community land trust. While the right combination of local partners can provide efficient and effective oversight of inclusionary housing units, the costs of on-going monitoring can often be an unwelcome surprise to communities that practice IZ. But, as the author notes, those costs are quite modest when compared to the resources that go into the creation of inclusionary units in the first place.

Comparative Policy Matrix

	Burlington, VT	Annapolis, MD	Boulder, CO	Cambridge, MA	Chapel Hill, NC	Davis, CA	Evanston, IL
Voluntary/ Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Threshold for compliance	5 units	10 units	1 unit	10 units or 10,000 sq.ft.	5 units	5 units	5 units near transit stations; 10 units elsewhere
Inclusionary set aside	15% to 25%	Rental: 6%; Owner: 12%	20%		15%	10% to 25%	10% if privately funded; 20% if subsidized
Income targets/ ceilings	Rental: 65% AMI; Owner: 75% AMI	100% AMI	Rental: 60% AMI; Owner: 80% AMI	65% AMI	65-80% AMI	Rental: 50-80% AMI; Owner: 80-120% AMI	Rental: 50-80% AMI; Owner: 80-120% AMI
Off-site option	Yes	No	Yes	No	Yes	Yes	No
Payment In lieu	$115,000/unit	4% of total project cost or donation of land suitable for affordable housing	Varies by average unit size; option to dedicated land for affordable housing	No	$85,000/unit	See fee schedule	$100,000/unit near transit stations; $75,000/unit elsewhere
Cost Offsets	Fee waivers, density bonus, parking reduction	Density bonus	No	Density bonus	Density; fee waivers	Density bonus	Expedited application, fee waivers, density bonus, parking reduction
Product similarity requirements	Minimum square foot requirement	Dispersal; consistency with market-rate design and mix	Dispersal; similar bedroom mix	Consistency with market-rate design and unit mix	Consistency with market-rate design and unit mix	Rental: Dispersal and variety in unit size; Owner: 50% of units must be 3BR	Minimum square foot requirement
Duration	Permanent	Rental: 20 years; Owner: 10 years (period starts over if sold to eligible buyer within 10 years)	Permanent	Permanent	99 years	Permanent	Rental: 25 years; Owner: Permanent

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Data Sources

Data utilized during the course of this evaluation were accessed from the following:

A complete inventory of inclusionary zoning projects was generated by the City of Burlington's Community and Economic Development Office (CEDO)

Geographic information system (GIS) files, including datasets for zoning and residential development activity, were provided by the Vermont Center for Geographic Information, the Chittenden County Regional Planning Commission (CCRPC), and the City of Burlington's Department of Planning & Zoning

Demographic, socioeconomic, and housing data for Burlington and its census block groups were accessed from the U.S. Census Bureau's 2014 American Community Survey

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