



**CITY OF BURLINGTON, VERMONT**

**Inclusionary Zoning Working Group**

c/o Community & Economic Development Office

City Hall, Room 32 • 149 Church Street • Burlington, VT 05401

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**IZWG Members Present:** Chair Jane Knodell, Brian Pine, Michael Monte, Noelle MacKay, David White, Bruce Baker, John Davis, Nancy Owens

**IZWG Members Absent:** Eric Farrell

**CEDO staff members:** Todd Rawlings, Ian Jakus

**Public:** None

Thursday April 26, 2018

8:15 AM – 10:00 AM

City Hall Conference Room 12 (CR 12)

**DRAFT MEETING MINUTES**

**1. Approve Agenda**

Nancy Owens moved to approve the agenda and Noelle seconds – unanimous approval.

**2. Public Comment**

None.

**3. Approve minutes 4/12**

Michael Monte moved to approve the minutes, Brian Pine seconds – unanimous approval.

**4. Recommendations - 2017 draft IZ Evaluation Report – Discussion Continued**

***IZ rents and Payment In Lieu***

Chair Jane Knodell summarized the discussion of recommendations to this point, explaining that the changes around the payment in lieu (PIL) were the major component. She expressed concern that the small project scale as previously discussed (5 - 19 units) needed to be reduced on the upper end. She noted that based on information from CEDO the current payment in lieu regulations lead to a payment that is effectively \$182,208.75 per unit. The concern is that in reducing the PIL significantly it would become too attractive.

Erik Hoekstra pointed out that the data has shown we have seen few projects at the small scale below 20 units.

There was agreement that the current multiplier of 1.5 for the number of IZ units when calculating payment in lieu was unnecessary and confusing and rather to just have a single dollar amount.

David White said that the current PIL cost of over \$180,000 is not feasible for developers which is why no one is using it. He suggested determining the delta here between what it costs to build one unit and the payment in lieu fee and monitoring that difference over time.

There was a discussion about the project scales, and where the breaks occur. For example a 16 unit project at 15% IZ rate requires 2 units and a 17 unit project requires 3 units. By determining where these breaks are the project size ranges were set to line up with these.

Chair Jane Knodell suggested increasing the small and large project PIL fee and proposed the following:

- Small Project (5 - 16 units) \$35,000 / unit – by right in ‘higher’ or ‘lower’ income areas (TBD)
- Medium Project (17 - 49 units) \$70,000 / unit - by right in ‘lower’ income areas
- Large Project (50+ units) \$85,000 / unit – by right in ‘lower’ income areas

The substantial rehab component from the IZ ordinance will be kept as is.

John Davis asked for a case in which a project in a high-income area should be able to use payment in lieu.

The group agreed that there would be no payment in lieu option for projects in ‘higher income’ areas at the medium or large scale.

John Davis expressed concern that the inclusionary units are not serving the low-income population as intended as the market conditions have changed significantly over the years. If using the HUD Area Median Family Income (AMI) estimate (that is calculated using data from several counties) it may not serve those people who live in Burlington who have lower incomes. Additionally using the family income standard versus the household income standard yields different results.

Michael Monte stated that the IZ rent could be reduced to 60% of Area Median Family Income because that is the rate used for federal tax credits.

Brian Pine clarified that while the IZ rent price is set at the 65% of AMI standard, the units can be rented to families that are making up to 100% AMI. Also he recommended the Vermont Housing Finance Agency standards be examined to determine if IZ standards can be tied to theirs.

Noelle MacKay suggested narrowing the income eligibility standard to less than 80% AMI which received general agreement.

Nancy Owens pointed out that the recommendations from the IZ Evaluation Report allowed for raising the target rents but the IZWG is not proposing this, and the recommendations that were not accepted should be recorded as well as the ones that were.

### ***Provision for offsite units***

Erik Hoekstra provided a hypothetical project where the IZ unit requirement is met offsite through a Champlain Housing Trust affordable housing project that was being built separately. In this case the developer would pay CHT for the units. This would not go through the Housing Trust Fund, but would be an arrangement between the developer and their designee.

Todd Rawlings expressed concern that a developer could negotiate favorable terms for the units as part of an affordable housing project that was already being built. He suggested that this only be allowed in cases where the project would not take place 'but for' the offsite IZ funds.

Michael Monte and Erik Hoekstra felt that determining when a project would happen using the 'but for' standard is difficult because often projects need funding until the very end of the process. Michael Monte explained that CHT can offer an increased value when leveraging developer offsite funds.

Jane Knodell pointed out that the payment for offsite units will never be bigger than payment in lieu because developers would just opt to use that option instead.

Nancy Owens pointed out that in the case of Cambrian Rise the perpetually affordable units in the CHT building are not considered offsite units because they are part of the original project site.

### ***Geography of Inclusionary Zoning***

There was concern about allowing payment in lieu in lower income neighborhoods as leading to gentrification, such as the Old North End.

Michael Monte said most of the housing currently being developed in the city is not 'high income' but marketed to middle income renters, including Redstone projects.

Erik Hoekstra pointed out that such a large number of perpetually affordable units are located in the Old North End that it will remain predominately low income and there will always be a commitment to serving this population by the nonprofits. He suggested Burlington conduct a gentrification study similar to what was done recently in Winooski.

Nancy Owens said that if the newly constructed homes are market rate, then the lower income people will remain in the worst condition apartments.

Noelle MacKay said that making the PIL by-right would add significant funds to the HTF which would then be used for furthering affordable housing projects in key areas.

Nancy Owens stated that the PIL fees generated could be used for down payment assistance as part of a shared equity homeownership program in single family areas of the city that lack perpetually affordable housing.

Michael Monte raised that he doesn't understand why institutions are exempt from IZ.

David White responded that the exemption is for student housing within the institutional zone which is much larger than campus. With a project like 194 Saint Paul the inclusion kicks in if Champlain College is no longer managing the property for the use of their students.

Chair Knodell asked if the exclusion for educational institutions that are building housing off campus should be removed.

Chair Knodell suggested David White quickly discuss the IZ bonuses.

David White said the recommendation should be to make approval by-right explicit in Sec. 9.1.14, and include a limitation or prohibition on the ability of the DRB to require they be reduced in order satisfy the Development Review Standards. He said he would follow up with more details as part of the summary of recommendations for the next meeting.

### ***Next Steps***

John Davis suggested staff should go through each recommendation in the report to determine what the working group decided and why.

Noelle MacKay said that having a minority report is not ideal, that the group should be unanimous in its core recommendations. Other general recommendations can be passed on.

There was agreement that an additional meeting was needed for a comprehensive review of the recommendations and where the IZWG ended up on them.

Monday May 14th @ 8:15 - 10:00 AM

Monday June 11<sup>th</sup> to be held for a public hearing

By May 4th a draft comprehensive review of the IZ Evaluation Report recommendations for rental and homeownership should be composed with the IZWG response to each recommendation and rationale.

The meeting was adjourned at 10:05