



CITY OF BURLINGTON, VERMONT

Inclusionary Zoning Working Group

c/o Community & Economic Development Office

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

802-865-7144 VOX • 802-865-7024 FAX • www.burlingtonvt.gov/cedo

IZWG Members Present: City Council President Jane Knodell, Brian Pine, Michael Monte, Eric Farrell, Bruce Baker, Erik Hoekstra, Noelle MacKay, Nancy Owens, John Davis, David White

IZWG Members Absent: None

CEDO staff members: Ian Jakus

Other attendees: Earhard Mahnke

Inclusionary Zoning Working Group Meeting

Thursday, November 9th 2017

8:00 – 9:30 AM

City Hall Conference Room 12 (CR 12)

Draft Meeting Minutes

1. Approve Agenda

- President Knodell moved to adopt the agenda seconded by Nancy Owens
- No one opposed or abstained

2. Public Comment

- None

3. Approve minutes

- Michael Monte moved to approve the minutes and Eric Farrell seconded
- No one opposed or abstained

4. Data/research to fill gaps in January 2017 draft Inclusionary Zoning (IZ) Report – Responses to John Davis' one-page of follow up questions

- John Davis explained that the one page of questions he submitted was based off of the recommendations in the Inclusionary Zoning report.
- The group reviewed initial submitted responses to those questions and began with question #1 and #2 - what is the distribution in the **SIZE** of the residential projects approved by the City for new construction or adaptive reuse?

- It was requested that the pipeline for projects in progress be included in this analysis
- The group moved on to Question #3 addressing the option of raising the threshold at which IZ is required (currently the 5-unit threshold for new construction or the 10-unit threshold for adaptive reuse). Specifically the question asks how many FEWER projects/units would have been subject to IZ if the threshold had been higher – say 1.5 times higher, 2 times higher, or 2.5 times higher.
 - John Davis stated that the location of these units that would be lost at different thresholds is important because ‘inclusion’ of low-income housing is the goal of the ordinance and the amount of low-income housing varies by neighborhood.
 - It was requested that these results be mapped to ensure the lost units are not predominately located in high-income neighborhoods
- A discussion arose around the issue of so called ‘Naturally Occurring Affordable Housing’ (NOAHs). These are units of housing that are rented at affordable prices without subsidy.
 - Erik Hoekstra stated that NOAHs have been lost due to a lack of supply of new housing units, which is due in part to inclusionary zoning costs that deter development. Secondarily, he stated that the affordable housing units developed by non-profit entities were likely to be built regardless of whether IZ existed. He explained that while IZ can work at the individual project level it is not working to increase the supply of affordable units city-wide.
 - Bruce Baker added that in his experience for projects of 10 or less units adding IZ units is not financially feasible. Additionally, the historic preservation restrictions have prevented him from pursuing projects in Burlington.
 - Michael Monte responded that NOAHs have disappeared due to students impacting the rental market and raising prices. Additionally, in regards to the suggestion that non-profits would build housing without IZ, he explained that these projects happened faster because of IZ and that the commitment to affordability is deeper, for example including units dedicated to homeless populations. The non-profits are doing this in a completely different way in cooperation with the Housing Authority. Not just meeting the threshold and moving on. An important tradeoff to consider is the potential for more affordability versus more units.
 - Chair Jane Knodell clarified the question to be answered – if we didn’t have IZ how many NOAHs would have been preserved if there had been new housing to better meet market demand.
 - Brian Pine again raised that if inclusion was the goal of the ordinance rather than production, then we need to keep this in mind.
- Question #6 was discussed regarding the In-Lieu-Fee (where the developer pays a fee in-lieu of building an IZ unit as part of the development) of \$75,000 per unit that was recommended in the IZ report and what that contribution to the Housing Trust Fund can accomplish.

- Mr. Davis explained that the fee was originally intended to cover the gap in development cost between market rate units and affordable units that would allow for a unit to be purchased and made affordable.
 - Chair Knodell asked if developers are not using the in-lieu fee option then does that mean it's not working, or it is working? Should the fee be adjusted to allow for construction of affordable units or should it be reduced?
 - Mr. Davis explained the original concern with the fee is that it would lead to developers buying out of the requirement. Also it could allow for separating low-income housing to be physically separate, defeating the inclusionary aspect in areas that are in need of low-income housing.
 - David White stated that the in-lieu fee payments must be closely monitored, that it shouldn't be the case that nobody is using it. There needs to be an established threshold where, for example, no more than 25% of the units should be paying the in-lieu fee, and adjust the cost accordingly.
 - Mr. Pine added that in Boulder Colorado the in-lieu fees are considerably higher and are a linkage fee is required for office projects.
 - Mr. Monte suggested that 'in-lieu' payments could have a spatial component. For example in areas where there exists adequate low-income housing units the in-lieu fee would be preferable. For example, the downtown and the waterfront are locations where additional low-income housing is desired and thus the in-lieu fee should not be encouraged.
 - The question was raised regarding whether for-sale units should have a different fee than for-rent units. Erik Hoekstra offered that it should be kept simple with just two tiers.
 - Noelle MacKay gave an example where the Housing Trust Fund was used to build two homeownership projects for \$150,000.
 - Nancy Owens proposed another alternative to consider, where the payment in-lieu would be lower for smaller projects to address financing issues at the smaller scale.
- A general point was raised that much of what affects housing production and thus the production of IZ units is not actually contained within the ordinance. For example parking may be the biggest obstacle to development in the downtown but that it is regulated outside the ordinance. Density bonus in practice reaches beyond the ordinance.
 - Chair Knodell explained that the IZWG should think about these issues as a package that can be voted on collectively. For example a suite of recommendations that deals with payment in lieu and density bonus among others.
 - Mr. White asked how the density bonus gets accounted for given that the form based code no longer provides a density limit in the downtown.
- A discussion around question #4 addressed the IZ rents and how the rents for homeownership and rental units actually compares with market prices.
 - One issue was that income in Burlington is different than the Area Median Income, which is used to set the IZ rents, leading to higher rents.

- Ms. Owens recommended that if the IZ rents are greater than the HUD Fair Market Rent than it should revert to the FMR.
- Mr. Pine referenced a project that had an anomaly where homeownership condos were priced below the inclusionary prices.
- Michael Monte explained that CHT had to further subsidize IZ homeownership units. The IZ homeownership rents are higher than condos in the surrounding areas outside of Burlington.
- The next meeting is scheduled for December 7th and the following two meetings were scheduled for January 11th and February 8th
- The meeting was adjourned at 9:30 A.M.

DRAFT