



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:** 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:** Todd Rawlings, Ian Jakus

**Other attendees:** Erhard Mahnke

1. Approve Agenda

- Michael Monte moved to adopt the agenda seconded by Noelle MacKay
- No one opposed or abstained

2. Public Comment

- None

3. Approve minutes

- Brian Pine moved to approve the minutes and John Davis seconded
- No one opposed or abstained

4. Discussion of IZ report recommendation: 'Adjust the income target for owner-occupied units from 75% of AMI to a flexible range of 80% to 100%'

- The working group resumed discussion of the recommendations from draft IZ evaluation report beginning with the recommendation to adjust the income target for owner-occupied units from 75% of AMI to a flexible range of 80% to 100%. To review, under the current ordinance, the maximum price is what would be affordable to a hypothetical household earning 75% of median income adjusted for household size. For the purposes of this calculation the household size is tied to the number of bedrooms per a formula in the ordinance. "Affordable", for the purposes of this calculation, is based on the household paying 33% of this hypothetical household income on principal, interest, taxes, and insurance.
- The current IZ inventory is roughly 60% rental units and 40% owner occupied units
- Discussion centered on the need for greater subsidy for these units than is currently provided by the IZ ordinance as well as the difficulty that developers have in financing projects that require IZ units because of the loss of revenue.
- Champlain Housing Trust currently manages the majority of IZ homeownership units which they use their shared equity model to maintain as perpetually affordable units. For these units CHT typically provides additional subsidy to further reduce costs. This is partly due to the fact that

the resale price restriction reduces the perceived value, and they have to compete with cheaper condos in surrounding region.

- It was noted that while CHT has managed these units and the City has is in the process of doing compliance on these, so it would be possible to ensure long term affordability absent CHT.
- There was an interest in further exploring the idea that the IZ ordinance could be adjusted to provide a greater subsidy for less units, thus not requiring as much additional subsidy by CHT. The subcommittee will consider this possibility and report back.

### Condo Development

- It was pointed out that there is also a need for affordable housing at higher AMI levels including the 'missing middle' up to 125% AMI. Erik Hoekstra felt there is a market for these units priced at the 100% AMI level, potentially allowing developers to sell these units without additional subsidy. Although there is flexibility in the current ordinance that allows someone to qualify while making up to 100% AMI.
- Constraints on condo financing, specifically the requirement for pre sales (70% have to be sold), already make it very difficult to develop condos. Even if a bank is willing to do less than 70% pre sales then they want a highly qualified buyer for the mortgage.
- Redstone is building high-end units, which are more expensive, making the affordable standard even more difficult to meet. He said that the issues with condo production have very little to do with IZWG -- it has to do with availability of capital.
- Chair Jane Knodell stated if we keep on the same path we are not likely to get many more of these homeownership units.
- John Davis stated the ordinance was not created to stimulate development. Also in the original ordinance there was a provision to allow developers to open their books if the IZ requirement was to make the project infeasible, but this piece of the ordinance was removed.

### Condo Fees

- Todd Rawlings explained that an additional challenge for calculating the IZ unit price is taking into account the condo fees because if condo fees are higher, then the sales price has to be lower. For example, if condo fees are 150/month for a two bedroom unit, then the max sales price dips to \$215,000 compared to a two bedroom single family home max IZ sale price of about \$248,000.
- There was general consensus that there needs to be a plan on how to address condo fees including the potential issue where the fees start off unrealistically low and then are subsequently raised to an unaffordable level.
- There was debate over how much condo fees should be taken into account when calculating the IZ price, where certain maintenance fees are being taken into account through condo fees that are not included in other shared equity affordability calculations. Also the issue of luxury amenities included in the fees could be a problem when calculating the price.
- It was suggested that there could be a set % of the condo fees for the IZ unit price calculation. Higher fees would require a proportionally higher discount. This was thought to be preferable than making it purely discretionary.

## Next Meeting

- January 11<sup>th</sup> is the next meeting.
- The group decided to add a March 8<sup>th</sup> meeting.
- Chair Jane Knodell stated that the next meeting we are moving on to the 'moving the needle' recommendations from the IZ report. The subcommittee should report at the next meeting regarding development costs. This should inform what the threshold should be. This needs to be done in a way that is easy to understand.
- Noelle MacKay said we still need to have a conversation about what data we need and why.

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