



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

Thursday January 11<sup>th</sup>, 2018

8:00 – 9:30 AM

City Hall Conference Room 12 (CR 12)

**DRAFT MEETING MINUTES**

**1. Approve Agenda**

- Brian Pine moved to amend the agenda with unanimous agreement to include a report from the development finance subcommittee

**2. Public Comment**

- None

**3. Approve minutes**

- Nancy Owens moved to approve the minutes and Eric Farrell seconded
- No one opposed or abstained

**4. Review of initial work by sub committee focused on establishing a development cost model and understanding financial feasibility of projects:**

- A draft financial model was developed by subcommittee members Nancy Owens, Michael Monte, Erik Hoekstra and Eric Farrell. This took into local knowledge of costs as well as secondary data. The purpose of this model is to have a greater understanding of the levers for cost feasibility, and how Inclusionary Zoning requirements interact with those levers
- The draft model demonstrates the cost of development versus the returns on rent for a one, two and three bedroom rental unit. The figures shown in the

model are calculated on a per unit basis and do not take into account how the scale and unit mix of a project affects the development costs

- The market rate rent numbers come from Allen & Brooks assuming tenants are paying utilities and are newly built units
- The model takes into account borrowing capacity but is subject to change based on changes in interest rates, cap rates, etc...
- The total costs include assumptions on soft costs and fixed costs
- Market rent assumptions are on the higher end whereas development costs are conservative
- There are differing opinions on the different assumptions but everyone agrees most costs are trending upwards
- The model should have implications for determining the proper payment in lieu
- Todd Rawlings will confirm IZ rent numbers are correct
- In order to better understand how other costs beyond IZ affect development Nancy Owens recommended examining the [Berkeley Turner Center Housing Development Dashboard](#)

### **Financial feasibility of current development**

- Erik Hoekstra stated that much of what we are seeing developed in Burlington requires collaborations of private developers and non-profits. A few developers benefitted from already owning the land. Large-scale developments such as BTC Mall Redevelopment are backed by global investment firms, and there are a few micro developers who can stay under the IZ threshold. Redstone is able to make their projects work only through creative financing; on 30 year terms instead of 20 years, using community loan funding as well
- Eric Farrell asked if we could we conduct a 'break even' analysis where a private developer could make a project feasible without a non-profit partner? Threshold would be higher and the number of units would be lower
- Bruce Baker stated that for micro projects of 2,4, or 8 units there is uncertainty on permitting and the profits are so marginal that threshold should be increased
- John Davis responded that there are expectations about income in the future that developers take into account so some developers are willing to take a loss leader
- Michael Monte asked how many units of each type required to make up for the per unit financial deficit as described in this model

### **Density**

- The model is indifferent to density but density is always better cost wise. It also does not take into consideration density bonus and that needs to be illustrated here, as density bonus changes are part of the recommendations under review

- Erik Hoekstra raised the point that low density areas zoned for single-family detached homes are by nature exclusionary. Even if the threshold is increased any downtown development will be above the threshold due to the nature of the sites there
- There was general agreement that with large sections of the city under low-density zoning this can be a restraint to realizing inclusion
- David White stated that Accessory Dwelling Units are one way to address this in low-density areas, but there is concern about these because of student renters
- Bruce Baker said that there is infill capacity in the RH zoning district but restrictions on lot coverage and parking requirements make it difficult to realize
- David White explained that the parking requirement affects unit mix –suburban standards and dimensions often don't work for multi-family projects. This leads to more 3 bedroom units with high rents rather than studios or one bedrooms where the parking requirement would be higher. Despite public perception many parking garages are underutilized
- The group agreed that parking should be examined further in relation to inclusion

## **5. IZ Evaluation Recommendations**

### **'Moving the Needle' - adjusting income targets for renters**

- Michael Monte stated that housing choices do exist for folks at 80 -100% of median income, but for ownership that does require getting a down payment which is especially difficult for those who have student loans. The people between 30 – 60% of AMI who cannot get a Section 8 voucher have the most difficulty finding housing. For any housing that is set at a price for people below 50% median income there needs to be further rent subsidy
- Eric Farrell suggested allowing smaller affordable efficiency units in the market rate projects. There was interest by several committee members in looking into the size of affordable units more
- Jane Knodell summarized that
  - An income range isn't going to work because the high-end will generally be chosen
  - The potential to move the threshold % based on the scale of the project should be considered

### **'Moving the Needle' – increasing the Housing Trust Fund**

- Jane Knodell asked what we can do outside IZ by increasing the HTF
- John Davis responded that you could buy elderly owner-occupied properties as they are coming on the market

- Michael Monte stated that if vacancy rises there may be some units that are disinvested then and sold, creating a loss of 'Naturally Occurring Affordable Housing'. If we had money to renovate disinvested multi family properties and rent them to those making 80% of median it would improve housing stock and stabilize rents
- John Davis agreed that this would make a difference for production and inclusion

### **Next steps**

- Next meeting is February 8<sup>th</sup> Meeting
  - Further report from subcommittee
  - Comments on 'Basket of Ideas' list
  - Further conversation on considering outside factors

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