



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, Noelle MacKay, Nancy Owens, David White, Bruce Baker

IZWG Members Absent: Erik Hoekstra, Eric Farrell, John Davis

CEDO staff members: Todd Rawlings, Ian Jakus

Public: City Councilor Karen Paul

Thursday March 22, 2018

8:00 – 9:30 AM

City Hall Conference Room 12 (CR 12)

DRAFT MEETING MINUTES

1. Approve Agenda

- Brian Pine moved to approve the agenda with unanimous agreement

2. Public Comment

- None

3. Approve minutes (Rescheduled from last meeting) 1/11 and minutes from 2/8

Michael Monte moved to approve minutes for both meetings with unanimous agreement.

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

Chair Jane Knodell stated the working group will not meet the original April deadline but should discuss what it's going to take to get to the final report. She added that the subcommittee examining development costs had updated their analysis.

Nancy Owens stated that previously the subcommittee submitted a table examining development costs. As requested the group followed up with a pro forma style analysis based on the scale of the development by order of magnitude.

Michael Monte explained that the figures are not precise as there are many variables, such as interest rates that are always changing. The committee's work has confirmed the assumption

that developers may have financial capacity to accommodate IZ units for larger scale projects, but the analysis demonstrates how tight the margins are for smaller and medium sized projects.

Jane Knodell said it makes sense to acknowledge the economies of scale in the ordinance which has been the consensus to date. For smaller projects a lower percentage of IZ units could be required than for larger projects.

Nancy Owens said that the big variables subject to change are interest rates and capitalization rates. If we are focused on inclusion and only small projects are allowed in certain neighborhoods, and we are reducing the IZ units required for these projects, then the Housing Trust Fund will have to be used to ensure affordability in those neighborhoods.

David White stated that the land use policy perspective also needs to be examined in how it effects inclusion in these neighborhoods.

Jane Knodell responded that further considering the land use implications on inclusion will be included in final recommendations.

IZ rent target income

Jane Knodell shifted the topic to the IZ rent targets that currently are set at a rate affordable to households making 65% AMI rate – leading to rents that are below market. She suggested the target income should stay at 65% for projects of all scales.

Michael Monte agreed that new and renovated properties are already serving the market for households making 80% - 100% AMI that still have disposable income even if housing costs are a high percentage of their income. However, at a lower overall income the disposable income after rent is much smaller in real dollars. Raising the IZ rent target to 80% AMI will lead to all projects serving only that 80% AMI market without addressing the much greater need at lower income levels. At 80% AMI in order to keep the balance of incomes additional subsidy would be needed. He added that this year there were 900 housing units developed in the county and only 65 were affordable.

Nancy Owens stated that while the price may be available to someone around median income there is still a general shortage of desired housing.

Noelle MacKay reminded the group that around 25% of the housing stock in Burlington is already permanently affordable.

Payment in Lieu

Jane Knodell said the number was originally based on the actual cost of constructing a unit and asked if the current in lieu payment structure should be maintained.

Brian Pine added that the number was set in 2009 around \$100,000 per unit, adjusted for inflation thereafter.

Nancy Owens asked if we could set the amount the same as the HOME standards.

Todd responded that the HOME program per unit maximum is now higher than the current IZ ordinance in-lieu fee.

Jane Knodell asked if the payment in-lieu funds should be distributed to low poverty receiving areas.

David White said that we should be clear about defining the geography of inclusion. He has heard that it is often impractical to include all IZ units in the same building.

Michael Monte said that inclusion is most important on a neighborhood basis rather than a per building basis. For CHT affordable housing projects being able to utilize payment in-lieu funds would be beneficial.

Noelle MacKay stated that we also don't want to build a project where the low income units are separate, and low income people are stigmatized.

Bruce Baker said that many developers have their buildings in the same neighborhood, and if you allow a developer to meet IZ unit requirements in a separate building in the same neighborhood that flexibility could help to produce more units.

David White agreed that if a developer were to convert an existing market rate unit to an affordable unit the result will be the same. He said that in some of the residential districts building IZ units off-site is currently allowed, but in a waterfront district you cannot produce your units off-site.

Todd Rawlings said that in the current ordinance there is a multiplier of 1.5 for IZ units if you go off-site.

Bruce Baker said that if you have an 8 unit project you can probably find \$20,000 for an in-lieu payment but probably not the roughly \$200,000 to build an IZ unit. He added that the analysis is different for private and nonprofit developers.

Noelle MacKay suggested that maybe these larger projects should not have the option for payment in-lieu.

Michael Monte suggested we should look at the map in the report to better understand where IZ units are being constructed. He said that the current payment in-lieu is too high.

Jane Knodell said the payment in-lieu amount should scale as the project gets bigger and that we want to make sure it promotes inclusion.

Todd Rawlings asked whether the payment should be set in between the two extremes where no one takes a payment in-lieu or everyone takes payment in-lieu.

Michael Monte suggested that based on the sub committee's assumptions the in-lieu payment can be determined based on what is financially feasible. Another possibility is to change the

minimum size requirement of the units in order to incentivize the units on-site. Currently the size of any IZ units must be comparable to the market rate units in the building.

Todd Rawlings said that South Burlington is considering incentivizing 3-4 bedroom units in their draft IZ ordinance that allows a 4 bedroom unit to count as 2 IZ units.

Bruce Baker said that he cannot build a one bedroom unit if 2 parking spaces are required for each unit. He was able to build 13 one bedroom units on College Street through interim zoning.

David White suggested that there could be an exemption of parking requirements for the IZ units.

Jane Knodell stated she would like to create a sub-committee to pull together recommendations based on the group discussion and sub-committee analysis and then bring them back to the group. She suggested that herself, Noelle MacKay and/or Todd Rawlings, Nancy Owens and Erik Hoekstra would form the committee and Ian Jakus from CEDO could provide staffing support. The other subcommittee on financial feasibility will provide recommendations specific to the homeownership aspects of IZ.

Two times were held for the next meetings:

April 12th @ 8:15 - 10:00 — CH CR 12

April 26th 8:15 - 10:00 - CH CR 12

The meeting was adjourned at 9:30 AM