



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, Noelle MacKay, David White, Bruce Baker

IZWG Members Absent: John Davis, Nancy Owens

CEDO staff members: Todd Rawlings, Ian Jakus

Public: None

Thursday April 12, 2018

8:15 AM – 9:30 AM

City Hall Conference Room 12 (CR 12)

DRAFT MEETING MINUTES

1. Approve Agenda

Brian Pine moves to approve agenda, Michael Monte seconds – unanimous approval.

2. Public Comment

None.

3. Approve minutes 3/22

Brian Pine moves to approve the minutes, Erik Hoekstra seconds – unanimous approval.

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

Chair Jane Knodell began by explaining, per the previous meeting, two subcommittees were asked to develop draft recommendations for discussion, based on the work of the IZWG, for both rental unit projects and homeownership projects respectively.

IZ rental unit recommendations

Chair Knodell outlined the recommendations agreed on in the subcommittee regarding the IZ rental unit policy. The two biggest changes recommended are establishing 3 project size categories and changes to the payment in lieu rules:

- The recommended percentage of rental units required is the same formulation as in the current ordinance; 15% / 20% / or 25% depending on the price of the market rate units
- The recommended higher percentage for the waterfront was retained and did not add in a higher percentage for the downtown
- The recommended project size categories are based on the financial analysis provided by the previous development subcommittee:
 - Small (5 – 19 units)
 - Medium (20 – 49 units)
 - Large (50+ units)
- The recommended payment in lieu structure is determined by the following factors to be defined below:
 - Per unit cost determined by project size
 - Small projects (\$25,000 / unit)
 - Medium and Large projects (\$75,000/unit)
 - Project location - applies to medium and large projects
 - Payment in lieu funds could be used to establish affordable units in areas that are in the greatest need of inclusion
 - 'Lower-income areas', determined to be more inclusive, would allow for payment in lieu 'by-right'
 - 'Higher-income areas', determined to be in need of more inclusion, would not allow payment in lieu
 - Approval process
 - Payment in lieu is allowed by-right for small projects – to be determined by HTF administrator
 - Payment in lieu eligibility shall be determined by some combination of the Housing Trust Fund (HTF) Committee and the HTF administrator within CEDO

Erik Hoekstra explained that the current payment in lieu cost per unit is roughly \$150,000 / unit.

Eric Farrell asked why the waterfront IZ rate is higher under the current regulations.

Michael Monte responded that most of the development along the waterfront was high end.

David White added that the waterfront area still has the highest land values.

Chair Knodell asked whether medium sized projects in 'higher income' areas will have payment in lieu, or whether it should not be an option as it is with the large projects. She asked if the working group will spell out the use of payment in lieu for the HTF?

Michael Monte suggested that the determination criteria should be developed as part of the HTF policy – including the roles of the HTF administrator and the HTF committee.

Noelle MacKay commented that the HTF administrator would make a determination of eligibility, according to the policy, for payment in lieu in all cases. Payment in lieu funds received should come with a direction for the HTF to prioritize inclusion in other parts of the city. She also

said that Todd Rawlings and herself will work on the HTF use conditions, including the potential conditions for allowing payment in lieu for medium sized projects in 'higher income' areas.

Erik Hoekstra stated that any determination of 'higher income' or 'lower income' areas should have clear objective criteria and not be discretionary.

David White suggested the criteria be based on data that will change over time to reflect current conditions.

Brian Pine suggested that, as discussed previously, the payment in lieu funds be used to subsidize homeownership in low density areas without affordable housing.

Todd Rawlings asked if, under the recommendations, projects can still go to the city council for a determination of payment in lieu if it is in a low poverty area or is it completely prohibited.

Chair Knodell the intent behind recommended payment in lieu policy changes would allow the resulting HTF dollars to be leveraged more effectively for financing affordable housing projects, including a deeper affordability for units therein.

Bonuses

Chair Knodell stated the density bonus, as it stands in the ordinance, has rarely been used.

David White confirmed that the main reason the density bonus is not used is because meeting additional parking requirements is difficult.

Parking and lot coverage

Bruce Baker said the main issue is parking because it requires additional lot coverage, limiting flexibility for development. He suggested a 100% waiver of parking requirements for IZ units if an applicant can demonstrate that the proposed project is an improvement from what is on site.

David White responded that if the on-site parking requirements for the IZ units are eliminated then it is up to the developer to meet the needs of their tenants, and it reduces the lot coverage required to accommodate extra parking allowing for more flexibility in design.

Erik Hoekstra explained that the current density bonus deals with Floor Area Ratio. He has used a bonus in a NMU zone, but in all zones except NMU the bonuses are discretionary. He suggested this density bonus be applied by-right everywhere. He suggested this would apply only for projects that include the IZ units on site - NOT for projects utilizing payment in lieu.

Bruce Baker raised the issue of converting existing market rate units that are offsite in the same neighborhood as a project that triggers IZ in order to meet the IZ requirements.

Noelle MacKay responded that conversion of off-site units could be a condition that the HTF committee reviews and takes into account in the policy.

Minimum unit size

Erik Hoekstra said the size minimums apply only to the IZ units, but they can be smaller if the market rate units are below the minimum.

Todd Rawlings and Brian Pine agreed that they were unsure why the provision was necessary.

Eric Farrell stated that the affordable units should be allowed to be smaller.

Michael Monte proposed that a developer could be allowed to build an equivalent number of bedrooms – but with a different unit mix. For example choose to build two 1-bedroom units or one 2-bedroom. The choice could allow for building smaller units.

Bruce Baker reiterated that he cannot build small units with only one bedroom because of the parking requirements.

David White stated that having parking spaces tied to bedrooms rather than units is being contemplated generally.

Increase in FY 2018 HUD income limits

Chair Jane Knodell raised the issue of a significant increase in the new HUD income limits affecting Burlington.

Erik Hoekstra suggested both a floor and a ceiling for annual changes in IZ rents.

Todd Rawlings explained that currently no rent increase can take effect until the HTF committee approves it. The FY 18 rent increase is about 11% over last year.

Jane Knodell asked if the IZ rents are still below market?

Erik Hoekstra replied that it is well below market rent for new units that typically is over \$1,500 a month for a 2 bedroom.

Brian Pine suggested setting the IZ rent based on HUD median income and have it only adjust based on CPI. He explained that the argument against using the Burlington City median family income as the basis for IZ rents is that the city exists in a regional economy. He added that the rent should never be allowed to decrease as that could cause budget shortfalls for projects.

Eric Farrell proposed restricting rent changes on units with existing occupancy, allowing for rent changes to be instituted only when the units change occupancy. He suggested leaving the IZ rent set to the HUD income limit.

Erik Hoekstra responded that a simple floor and ceiling across the board may be easier to administer than managing changes in rents for individual units.

Homeownership Units

Michael Monte presented initial recommendations for policy changes related to IZ homeownership units based on the experience that CHT has had with affordable homeownership and IZ homeownership projects:

- Burlington's IZ ordinance has been an integral way for CHT to help provide affordable homeownership
- On recent Cambrian Rise Condo development CHT needed to secure additional funding to ensure affordability of the 30 Units
- Vermont Housing & Conservation Board funds may not be available for the next project
- In CHT's experience the disconnect in what the IZ ordinance calculates as affordable and what CHT buyers can afford is due to the fact that the IZ ordinance assumes 1.5 persons per bedroom. Across 30 years and 1,100 transactions, CHT buyers average .97 people per bedroom.
- Two possible solutions:
 - Adjust Ordinance for homeownership to assume 1 person per bedroom.
 - Keep the 1.5 person/bedroom assumption, but adjust the formula so that all IZ homes are affordable to those at 65% AMI.

Michael Monte continued that for homeownership CHT is serving people who can't get a private mortgage – so the higher it is priced the less likely a homeowner is to opt for the shared equity program where there is limited appreciation in value, and there are other lower priced options in the regional market.

Chair Knodell asked where there is potential in Burlington for more homeownership projects? Also there needs to be better communication to the public about the financial contribution that developers are making to make these affordable units.

Michael Monte replied that there are many options in terms of sites for homeownership units in Burlington.

Next steps

Chair Knodell stated the goal will be to come to agreement and send forward these proposals to city council. In the case where recommendations are not unanimously adopted there will be provision made for dissenting opinions. Full details regarding specific language may be left to the ordinance committee. CEDO staff will write up a final report that will be approved by email after the final meeting scheduled for April 26th – 8:15 AM – 10:00 AM.

The meeting was adjourned at 9:41 A.M.

DRAFT