



Developing an Inclusionary Zoning Ordinance

Key Considerations

August 18, 2006

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Inclusionary Zoning:

An Important Affordable Housing Tool

- Requires or encourages that a percentage of housing units in new residential developments be available to low and moderate income households.
- Developers receive compensation (e.g., density bonuses, zoning variances) in exchange for contributing to the affordable housing stock.

Benefits of IZ

- Fosters mixed-income communities in redevelopment and growing new developments
- Ensures housing for a diverse labor force and a spectrum of households—both rental and ownership
- Provides a consistent regulatory framework to guide affordability in the market

What Objectives Should IZ Policy Meet?

- Fair to developer
- Consistent in generating affordable housing
- Public benefit from increased land values/profits generated through zoning change
- Community stakeholders prioritize compensation and delivery of benefits

Shape the Plan to Fit Specific Community

Take into Account:

- Development Dynamics
- Scale of Built Environment
- Where Density is Desired/Tolerable
- Underserved Categories of Housing Need
- Historic Housing Occupancy Patterns
- Financial Feasibility

Key Components of IZ

- Mandatory/Voluntary
- Developer Compensation
- Income Target
- Project Trigger and Eligible Developments
- Term of Affordability
- Alternatives to On-Site Construction
- Clear legislation and Consistent Administration

Key Parameters: **Mandatory/Voluntary**

- National analysis reveals that mandatory programs produce more affordable housing than voluntary ones
- National trend towards mandatory (Boston, MA; Denver, CO; Sacramento, CA)
- Previously voluntary programs switching to mandatory (Cambridge, MA; Boulder, CO; Irvine, CA)
- Need to consider political viability and real estate market in different neighborhoods

Key Parameters: **Developer Compensation**

- Non-monetary cost-offsets (e.g., density bonuses, expedited permitting, design flexibility) reduce construction costs for developers
- IZ creates a double bottom line: community benefit in the form of affordable housing and economic benefit to developers and jurisdictions

Key Parameters: Income Target

- Income target determines “who benefits” from the policy
- Set income target to reflect community housing needs
- Range diversity in income target of programs nationally: 50-120% of AMI

Key Parameters: Deeper Affordability

- Couple with other affordable housing resources to reach deeper affordability
 - Housing Choice Voucher Program, or Section 8 (e.g., Cambridge, MA)
 - Utilize homebuyer assistance (e.g., Fairfax County, VA)
 - Direct purchase of IZ units by housing authority or nonprofits (e.g., Montgomery County, MD)

Key Parameters: Project Trigger and Eligible Developments

- Establish project trigger that captures majority of new construction
- Minimize loopholes and exemptions (e.g., live/work lofts in San Francisco, CA)

Key Parameters: **Term of Affordability**

- Long term affordability provisions preserve community benefit, stabilize neighborhoods (30 + years)
- Limited equity component balances wealth building opportunities with continuing affordability
- Affordability terms set by Housing Production Trust Fund can provide guidance for IZ policy

Key Parameters: **Alternatives to On-site Construction**

- Alternatives to on-site construction (e.g., in-lieu fees, land dedication, off-site construction) should be aligned with broader affordable housing goals and utilized in an established context
- Unless well-designed, alternatives to on-site construction can undermine the goal of fostering creation of mixed income communities

Key Parameters: Clear Legislation and Consistent Administration

- Departments of housing and/or community development manage day-to-day operation of IZ policy
- Committed agency critical to success of IZ
- Partnerships and resources important for effective implementation

Key Steps to Crafting an Ordinance

1. Assemble a Diverse Coalition
2. Formulate Community Priorities
3. Conduct a Feasibility Study
4. Understand Legal Context
5. Identify Vehicle for Implementation and Political Strategy
6. Make the Case

Assemble a Diverse Coalition

- Think broadly about potential allies and partners (housing advocates, non-profit and for-profit developers, labor, faith, social service providers, smart growth/environmental groups)
- Start outreach and coalition building early, and continue through the process
- Community education and on-going discussion can help reach a “win-win” proposal

Formulate Community Priorities

- Unmet housing needs
- Weigh benefits and trade-offs of various parameters of IZ policy (e.g, lower income target or higher set-aside)
- Understand what cost-offsets are valuable to developers

Conduct a Feasibility Study

- Choose neighborhoods where significant new development will be encouraged
- Identify likely building types
- Apply density bonuses, other cost reductions, and set-aside goals and run the numbers

Develop Cost Offsets Relevant to the Community

Projected Impacts of IZ Cost-Offsets, Los Angeles

	Savings per Affordable Unit (assuming 15 percent-aside)							
	<i>Low-Density Rental</i>	<i>Medium-Density Rental</i>	<i>High-Density Rental</i>	<i>High-Density Rental (Type III)</i>	<i>Owner Single-Family</i>	<i>Owner attached</i>	<i>Owner condos</i>	<i>Condos (Type I)</i>
Cost Offset								
Reduce size	\$18,644	\$19,533	\$21,026	\$24,565	\$56,707	\$35,151	\$32,520	\$62,472
Reduce bathrooms	3,805	4,357	4,690	5,634	2,729	9,696	9,034	15,025
Modest interior finish	9,278	8,333	8,333	8,517	16,000	13,611	9,650	10,033
Reduce parking	5,833	5,444	54,444	76,667	NA	NA	NA	NA
Defer fees	3,842	3,876	5,318	5,318	8,446	6,960	6,887	11,238
Allow tandem parking	520	909	9,094	12,718	NA	NA	NA	NA
TOTALS	\$41,922	\$42,453	\$102,905	\$133,418	\$83,882	\$65,419	\$58,091	\$98,767

Source: David Paul Rosen and Associates, *City of Los Angeles Inclusionary Housing Study*, September 2002.

Understand Legal Context

- Potential “takings” argument (diminishing economic viability, not have required “nexus”, “rough proportionality”)
- Examine state law, confer with legal counsel
- Legal Validity
 - Use of incentives, cost-offsets, provisions for economic hardship
 - Nexus study to show connection between need for affordable housing, market rate construction, and IZ ordinance
 - Apply IZ uniformly

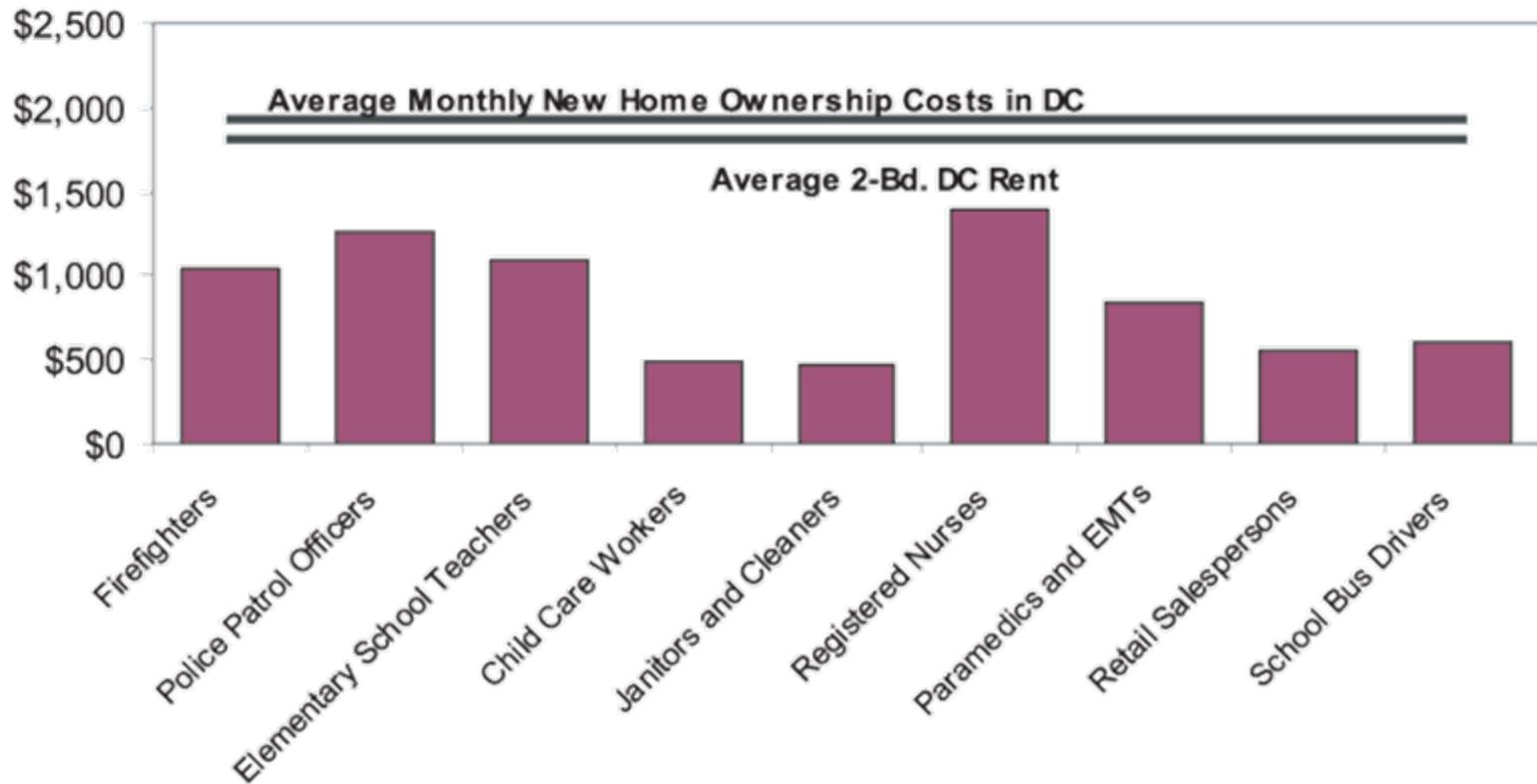
Identify Vehicle for Implementation and Political Strategy

- Which public agency has authority to legislate IZ
- Devise an “inside” and “outside” strategy
- Diverse allies and partners will strengthen your political hand
- Think long-term

Make the Case

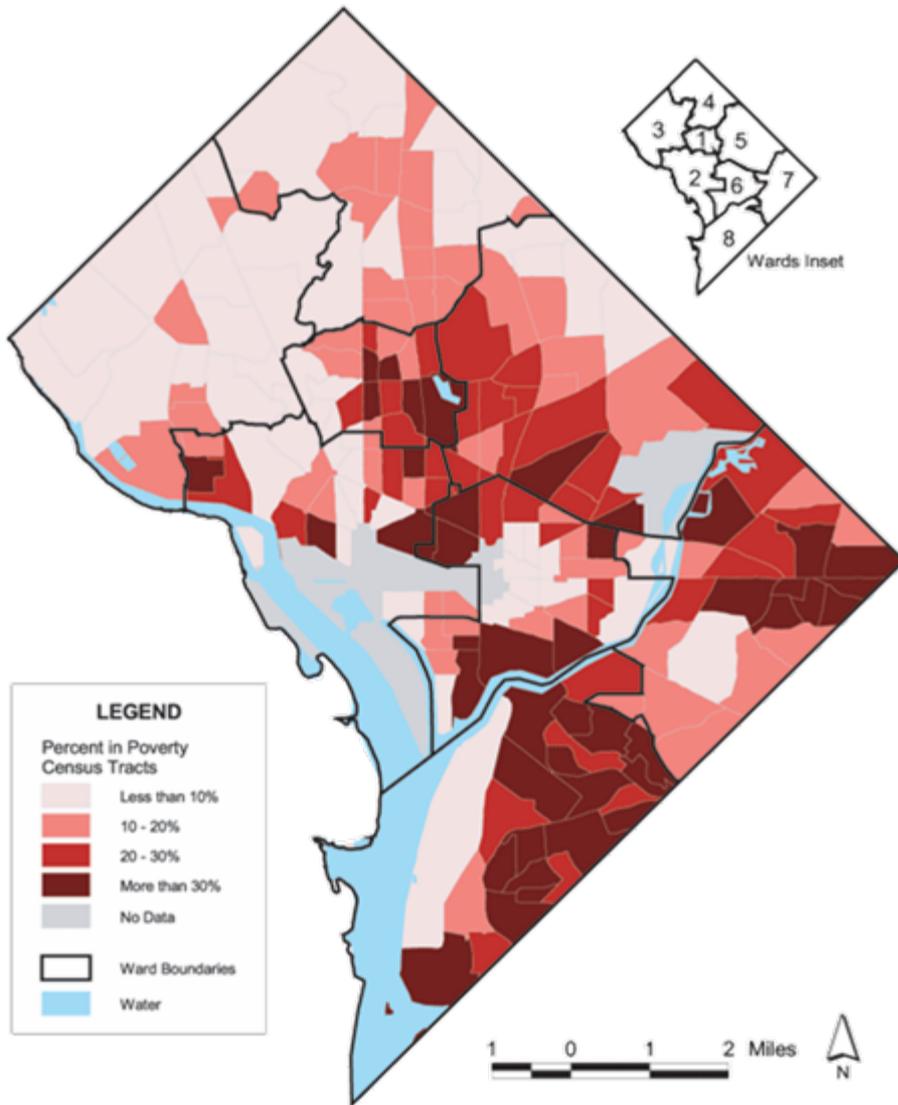
- Demographic, housing, and economic data to make your case
- National research on impacts of IZ
- Local spokespeople who bring human element to the policy discussion

The Cost of DC Housing Compared to 30 Percent of Monthly Earnings in 2001

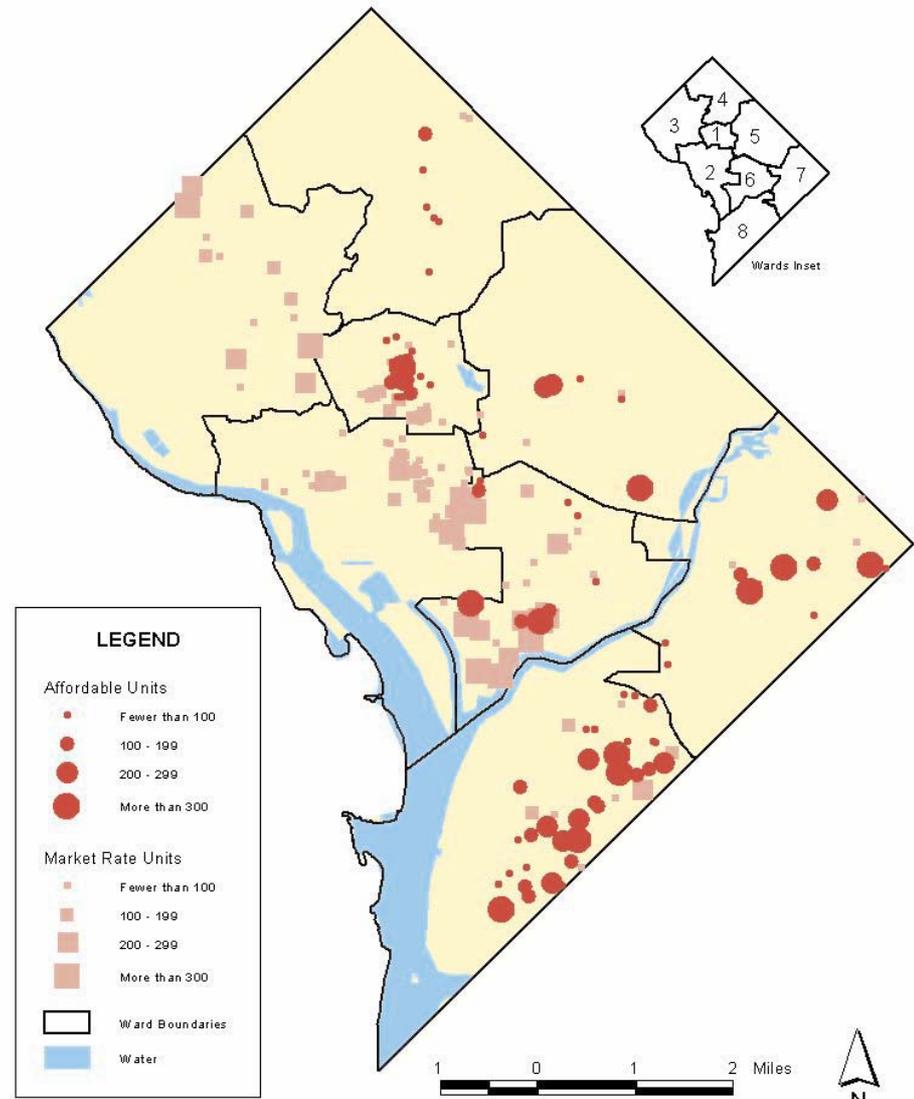


(30% of Average Monthly Income Earned in the DC Metro Area)

Community Conditions: Washington, DC

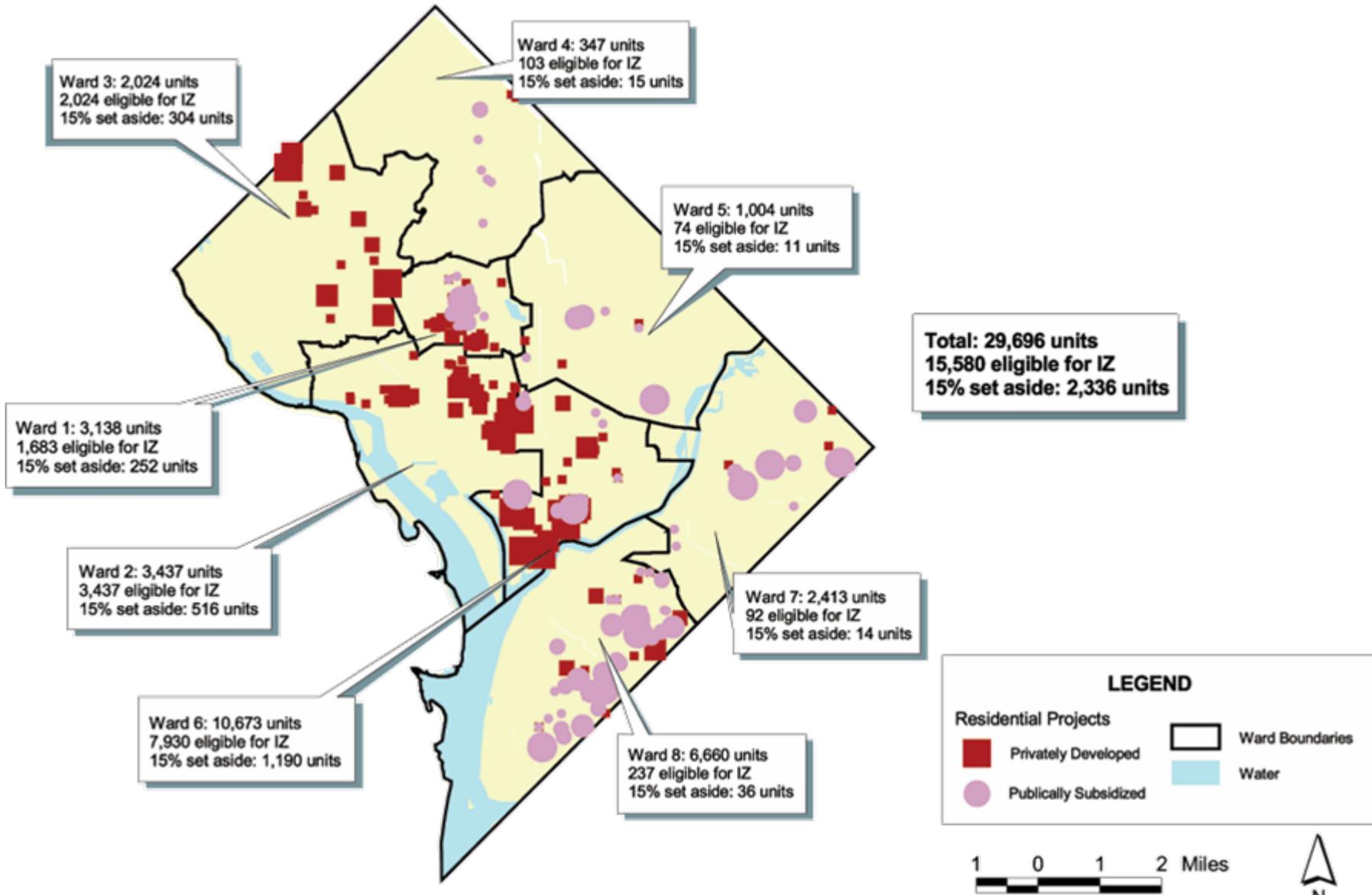


High Poverty Neighborhoods in Washington, DC



Housing Production in Washington, DC: 2000-2003

Potential Affordable Housing Production Through IZ, Washington DC





Market Impacts of Inclusionary Zoning The California Experience

- A study of California inclusionary housing programs found that **not a single program** had a negative effect on housing production.
- Study covered 1981-2000, for 28 cities with inclusionary housing programs including Orange, San Diego, San Francisco, Los Angeles, and Sacramento counties, and the state in general.
- Most jurisdictions with inclusionary programs saw an **increase** in housing production (sometimes dramatically).

Source: David Paul Rosen and Associates, Los Angeles Inclusionary Housing Study: Final Report, 2002.

Impact of Inclusionary Zoning on Property Values

Montgomery County, Maryland and Fairfax County, Virginia

The House Next Door, a study of the impact of subsidized housing on property values of private market rate housing in mixed-income environments revealed:

- **Presence of below-market housing in a neighborhood, does NOT lower the value of the market-rate homes in its vicinity.**
- **No significant difference in price trends between market-rate homes in the areas with inclusionary units and the market as a whole.**
- **The presence or proximity of inclusionary housing made NO difference in housing values as measured by relative price behavior in a dynamic market.**

Source: Innovative Housing Institute, <http://www.inhousing.org/>

PolicyLink Resources on Inclusionary Zoning

Expanding Housing Opportunities in Washington, DC: The Case for Inclusionary Zoning

<http://www.policylink.org/Research/DCIZ/>

DC Campaign for Mandatory Inclusionary Zoning

<http://www.policylink.org/DCIZ/>

Increasing Housing Opportunity in New York City

<http://www.policylink.org/Research/NYIZ/>

Inclusionary Zoning Toolkit

<http://www.policylink.org/EDTK/IZ/default.html>

Inclusionary Housing Listserv

http://listserver.policylink.org/cgi-bin/mailman/listinfo/inclusionary_housing

Advancing Regional Equity Forum

<http://forums.policylink.org/>





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