Developing an Inclusionary Zoning Ordinance

Key Considerations

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Dwayne Marsh
Senior Associate, PolicyLink
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

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

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


PolicyLink 2003  Source: Development Activity Database, DC Office of Planning, May 2003
Potential Affordable Housing Production Through IZ, Washington DC

Ward 1: 3,138 units
  1,683 eligible for IZ
  15% set aside: 252 units

Ward 2: 3,437 units
  3,437 eligible for IZ
  15% set aside: 516 units

Ward 3: 2,024 units
  2,024 eligible for IZ
  15% set aside: 304 units

Ward 4: 347 units
  103 eligible for IZ
  15% set aside: 15 units

Ward 5: 1,004 units
  74 eligible for IZ
  15% set aside: 11 units

Ward 6: 10,673 units
  7,930 eligible for IZ
  15% set aside: 1,190 units

Ward 7: 2,413 units
  92 eligible for IZ
  15% set aside: 14 units

Ward 8: 6,660 units
  237 eligible for IZ
  15% set aside: 36 units

Total: 29,696 units
  15,580 eligible for IZ
  15% set aside: 2,336 units

LEGEND
- Privately Developed
- Publicly Subsidized
- Ward Boundaries
- Water

1 0 1 2 Miles
N
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).

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/
Contact Information:

Radhika Fox
Senior Associate, PolicyLink
radhika@policylink.org
510-663-2333