Inclusionary Zoning

Inclusionary zoning (IZ) requires or incentivizes a certain percentage of housing units in a new development to be provided at below-market rents or sale prices. Some planners use the term “inclusionary zoning” to refer only to mandatory policies and use a different term (such as “density bonus program” or “affordable housing incentive program”) to refer to incentive-based approaches.

Benefits

- Inclusionary zoning gradually integrates below-market housing units into the community, ensuring that affordable housing is not isolated in certain areas.
- Inclusionary zoning units are typically built without state or federal subsidies, which reduces the complexity of project financing and allows developers who are not comfortable navigating subsidy processes to contribute to the local affordable housing supply.
- Inclusionary zoning places the cost burden of a below-market unit on the project developer, rather than on taxpayers.

Common Concerns

Inclusionary zoning stifles housing creation by making projects unaffordable for builders.

- **Response**: Overly strict inclusionary zoning policies can stifle development, potentially resulting in fewer new housing units – affordable or otherwise. That makes mandatory IZ a good choice only in communities with high development pressure. In most communities, an incentive structure is more appropriate, with builders receiving permission to build additional units or other benefits to offset the cost of providing below-market units. The scale of those incentives can be tailored based on the strength of the housing market.

Inclusionary zoning policies are difficult to manage.

- **Response**: Managing below-market units requires identifying qualified tenants and monitoring the compliance of landlords. That can be an administrative burden, and screening and selecting residents can be uncomfortable for a local government. Thankfully, there are non-profit housing service providers who routinely handle this kind of work. For a fee (either paid by the government or the landlord) a housing nonprofit can monitor units and place qualifying tenants. The fee structure is an important consideration, since requiring the landlord to pay the fees may also factor into the viability of a project.

Strategies

- Engage directly with local housing developers and housing services providers when considering an IZ policy to ensure that the law is appropriately tailored to the local market.
- If opting for a mandatory program, consider whether an in-lieu fee option is appropriate. This option would allow developers to pay a fee to fund affordable housing units elsewhere in the community, rather than including below-market units in their project.
- For incentive programs, consider offering a range of incentives to provide flexibility for builders. Density bonuses, height bonuses, relaxed parking or bulk standards, expedited permitting and tax relief are all potential options.
- Partner with a non-profit housing services provider to manage the program. Determine whether management fees will be paid by property owners or a public source.
- Commit to re-evaluating the policy at regular intervals to ensure that it is meeting local goals.

Other Resources

- The Affordable City by Shane Phillips, Chapters 6 and 31.
- Grounded Solutions Network’s Inclusionary Housing website, which includes a calculator for estimating the viability of projects with inclusionary units:
  - inclusionaryhousing.org
  - inclusionaryhousing.org/calculator