

Inclusionary Zoning

A Powerful Tool for
Affordable Housing



What is Inclusionary Zoning?

- Promotes the production of affordable housing by requiring developers to set aside a certain percentage of the housing units in a proposed development to be priced to be affordable to low- and moderate income households.

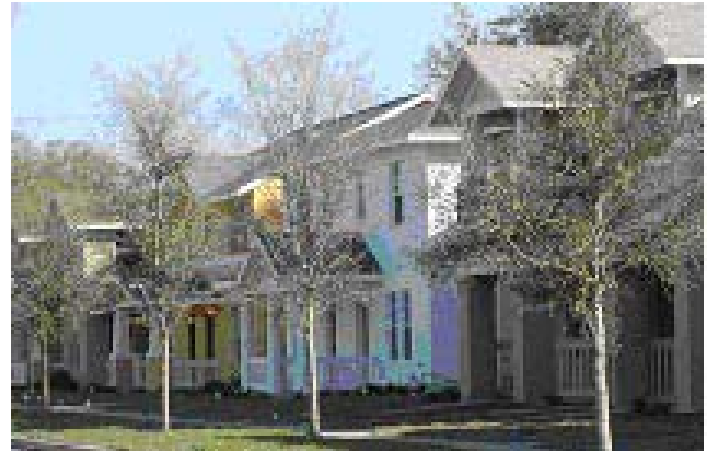
The Nine Basic Elements

- Threshold
- Applicability
- Mandatory or Voluntary
- Set-Aside Requirements
- Developer Incentives
- Income Targeting
- Price Control Period
- In Lieu of Alternatives
- Housing Provider



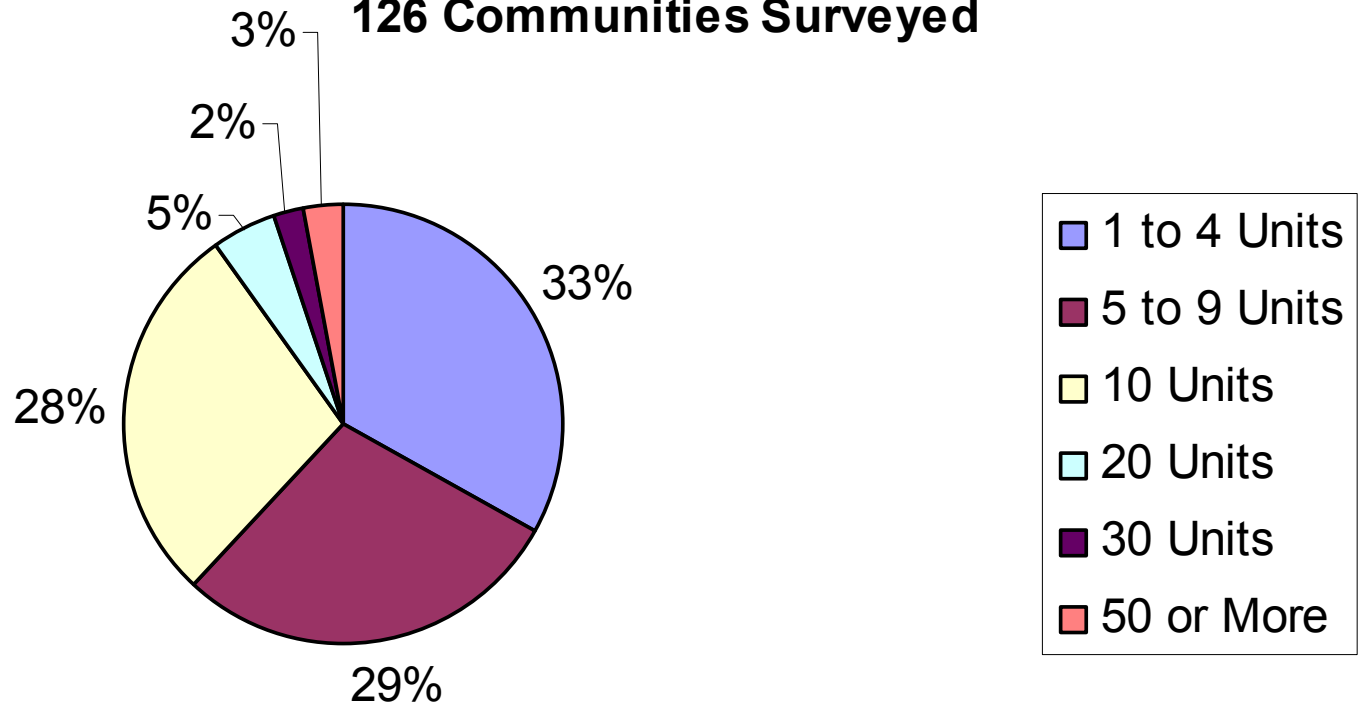
Threshold

- The Size of the Development that triggers the Inclusionary Zoning Requirements



A Survey of Threshold Points for IZ Compliance

126 Communities Surveyed



Applicability

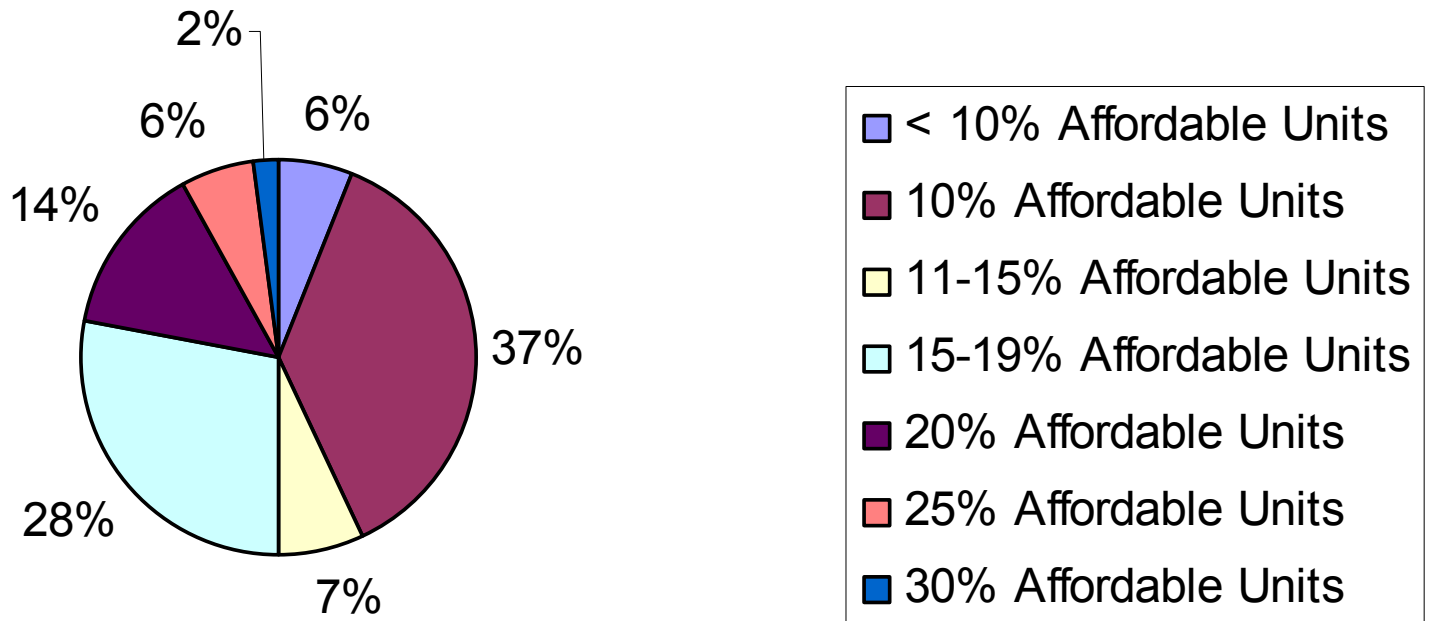
- The kinds of development to be covered by the ordinance
- Possibilities include:
 - New Construction
 - Substantial rehabilitations
 - Condo conversions

Set-Aside Requirement

- The Percentage of Units within a Proposed Development that a Developer is required to price as Affordable.



Inclusionary Zoning Set-Aside Thresholds 144 Communities Surveyed



Developer Incentives

- Benefits to Compensate Developers for Pricing Units as Affordable
- Examples
 - Density Bonus
 - Expedited Permit Process
 - Fee Waivers
 - Relaxed Design Standards
 - Direct or Indirect Subsidy
 - Alternative Housing Product Type

Types of Developer Incentives

- Density Bonus:
 - Definition: a Percentage or number of units that the Municipality permits the Developer to construct above the Zoning Designation.
 - Example:
 - 10% Set-Aside; 15% Density Bonus
 - Development of 100 units
 - = 10 Affordable Units
 - = 15 Additional Market Rate Units
 - = Total of 115 Units

Types of Developer Incentives

- Expedited Permit Process: Speed up the processing time for municipal permits
- Fee Waivers: Waive impact fees and permit fees for some or all units
- Relaxed Design Standards: Minimum Lot Sizes, Landscaping Requirements, Parking Requirements, etc.

Types of Developer Incentives

- Direct/Indirect Subsidy: Cash subsidies from local, state or federal housing programs; second mortgages; marketing assistance.
- Alternate Housing Product Type: Allow the construction of some townhomes in a single family detached housing development.

Income Targeting

- The Income Range to which the affordable Units are priced.
- Usually Percentage of Area median Income (AMI).
- Example:
 - Rental Units: At or Below 50% AMI
 - Ownership Units: At or Below 80% AMI

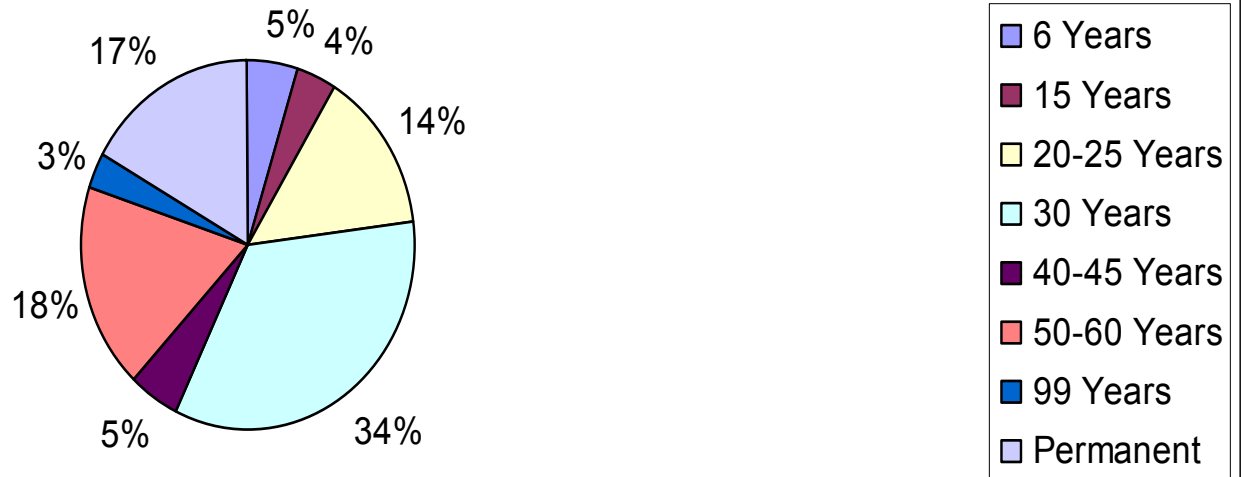
A Survey of Income Targeting by Communities with IZ Ordinances

- No communities surveyed target households under 30% of AMI.
- A majority (80%) of communities target households at various incomes, most commonly targeting some units for households under 50% AMI, under 80% AMI and under 120% AMI.

Price Control Period

- The Length of Time a Unit is required to be priced as Affordable.
 - Example: 30 years for rental units; 20 years for homeownership units
- Examples of Resale Restrictions:
 - Deed Restrictions
 - Covenants

A Survey of Price Control Periods 144 Communities Surveyed



In Lieu Of Options

- Off-Site Development
 - Allowing the Developer to Build or Rehab the Affordable Units in a Different Location.
- Fee In-Lieu
 - Allowing the Developer to make a Cash Payment.
- Land Donation
 - Allowing the Developer to donate land that will support the amount of units required under the ordinance.

Housing Provider

- Provide non-profit or public entities with the, “first right of refusal, to purchase some percentage (%) of the affordable homeownership units produced in any covered development.
- Examples:
 - City, Housing Authority or non-profit housing entities like CHDOs.

Montgomery County, Maryland

- Montgomery County is Maryland's most populous jurisdiction, estimated to be 855,000 in the year 2000, an increase of 100,000 since 1990.
- Median Housing Price: \$449,000
(December, 2005)

Highlights of Montgomery County's MPDU Program

- Oldest (adopted 1973) and most comprehensive inclusionary zoning policy, known as the Moderately Priced Dwelling Unit (MPDU) Program.
- The MPDU Program has resulted in the creation of 11,000 units of affordable housing, 72% were home ownership units.

- Ordinance Requires Mandatory Compliance
- Threshold Size of Project that Ordinance Applies To: **35 Units or More** (this was recently lowered from 50 units) of newly constructed housing.

- Set-Aside Requirements: **12.5% to 15% depending on the density bonus provided.**
- Developer Incentives: **Density Bonuses of up to 22% are provided. Additionally, developers can receive fee waivers.**

- Income Targeting: **Priced to households with incomes less than or equal to 65% AMI**
- Price Control Period: **30 Years**
(Previous control periods were 20 years for ownership units and 10 years for rental units).

- “In Lieu Of” Alternatives: **Fee in Lieu, Land Donation, and Units** (significantly greater number required), or **Built Off-site** in "extreme cases"

Internet Resources for Additional Information

- www.policylink.org
- www.gamaliel.org/Strategis/strategicpartnersRuskLibrary.htm
- www.knowledgeplex.org/
- www.hud.ca.gov/inclusionary0805.pdf