



PROS vs. CONS

Working as a firefighter, school teacher, retail salesperson or entry-level professional has never been considered dishonorable in America.

Wanting to live in a healthy community with access to the best jobs, schools, cultural activities, transit and more has always been viewed as a worthy pursuit in this nation.

But with a vast number of jobs offering middle to low wages and a great amount of new housing being built in price ranges reachable by only the middle and upper class, the gap between workforce wages and desirable neighborhood affordability is widening each day.

From large urban centers to new growth areas, the police officer and the other backbones of the workforce cannot begin to dream of buying even a one bedroom condo or a small cottage.

To try to level the playing field, hundreds of cities have created inclusionary zoning (also known as inclusionary housing) as a way to create a percentage of affordable units intermingled with the market-rate units and their skyrocketing price points.

Inclusionary zoning has dozens of forms, but most typically a development with a certain threshold of units—often 10 or more—is required to offer affordable units—usually 15 percent—to households earning roughly between 60 to 120 percent of the area median income.

Smart Growth experts debate inclusionary zoning strategies in an effort to win diverse affordable neighborhoods

By Steve Wright



Inclusionary zoning is the means to preserving a healthy mix of diverse incomes, ethnicities and workforces.

Quite often, such mandatory inclusionary housing requirements come along with developer incentives such as increased density, expedited permitting and reduced or waived inspection fees.

To some, inclusionary zoning is the means to preserving a healthy mix of diverse incomes, ethnicities and workforces in increasingly pricey municipalities.

To others, inclusionary zoning is an impediment to growth, an interference with the free market and an exceedingly expensive cost-per-unit way of integrating lower incomes into high land-value areas.

Susannah Levine and Adam Gross of Chicago's Business and Professional People for the Public Interest believe in the power of inclusionary housing.

"Inclusionary housing is an extraordinarily effective and efficient way for cities to create affordable housing," they said. Author, consultant, former mayor of Albuquerque David Rusk has calculated that if the 100 largest metropolitan areas in the United States had adopted typical inclusionary housing programs (a 15 percent set-aside on 10 or more units), between 1980 and 2000 those 100 programs would have produced 2.6 million affordable units. That's almost twice as many units as were built using the most productive federal affordable housing program, the Low Income Housing Tax Credit. Montgomery County, Md., which has the longest-running inclusionary housing program in the country, has created more

than approximately 11,000 affordable units since its program began in 1974."

Derek Camunez, president elect of the Denver Board of REALTORS®, is not sure inclusionary zoning mandates are addressing the affordable housing problem.

"We believe that mandating affordable housing is not nearly as effective as providing builder incentives such as tax breaks, creative zoning for higher densities and speeding up the permitting process for providing access to affordable housing," he said.

"Denver's annual report on the inclusionary Building Ordinance is finding that the affordable housing stock is not significantly increasing. Moreover, the city is discovering that they are not getting the desired cross-cultural families taking advantage of this housing stock that they had hoped."

Thomas M. Menino, serving his fourth term as mayor of Boston, believes inclusionary zoning is working in his historic, densely-developed and very pricey city. Since 2000, Boston has used inclusionary zoning to foster economic diversity through affordable housing.

"Neighborhoods accept them well and they are well scattered about," Geoffrey Lewis, a project manager with the Boston Redevelopment Authority, said of market-rate buyers' willingness to have affordable units created next to them.

City leaders realize a strong middle class is going to be important to the continued vitality of Boston.

"Our mayor wanted economic diversity throughout the neighborhoods," he added. "They (city leaders) realize a strong middle class is going to be important to the continued vitality of Boston. The political leadership has been very strong. It understands that if we don't get housing costs under control, it will be detrimental to our economy."

Lewis cautioned that inclusionary zoning requires a strong housing market to make it work, noting "if the market isn't strong, developers will look at inclusionary as the thing that's killing the project."

In *Housing Supply and Affordability: "Do Affordable Housing Mandates Work?"* published by the Reason Public Policy Institute and funded by a grant from the Home Builders Association of Northern California, researchers Benjamin Powell and Edward Stringham found data that suggests inclusionary zoning is a failure in Northern California because it:

- Produces few units. "The 50 Bay area cities with inclusionary zoning have produced fewer than 7,000 units."
- Has high costs. "The total cost for all inclusionary units in the Bay area to date (is) \$2.2 billion."
- Makes market-priced homes more expensive. "In high market-rate cities ... inclusionary zoning adds more than \$100,000 to the price of each new home."
- Restricts the supply of new homes. "In the 33 cities with data for seven years prior and seven years following inclusionary zoning, 10,662 fewer homes were produced during the seven years after the adoption of inclusionary zoning."
- Costs government revenue. "The total present value of lost government revenue due to Bay area inclusionary zoning ordinances is upwards of \$553 million."

Although some builders and researchers are skeptical of inclusionary zoning's impact on the free market, more cities are enacting inclusionary ordinances each year. While the San Francisco Bay area homebuilders are chafing at the affordable housing requirements, another urban center in California is championing its inclusionary housing model.

In Sacramento, where the percentage of affordable homes fell from a high of 70 percent to a recent rock-bottom low of less than 10, inclusionary zoning is applauded. Desmond Parrington, a planner with the city of Sacramento, said nearly 2,000 affordable houses and rental units have been created through the capital city's inclusionary legislation.

The city's Mixed Income Ordinance, created in 2000, seeks to "prevent segregated communities through economic integration." It also "aims to provide affordable housing that fits the character of market-rate neighborhoods." The ordinance





The program has been successful at creating new mixed-income communities.

requires that any new residential development of 10 or more units include an affordable component.

"[The program] has been successful at creating new mixed-

income communities that might not otherwise be created when new housing is built, due to the high price of land and construction costs in California," Parrington reports.

"It ensures that there are lower-income units that are part of market-rate developments and that those units are built concurrently with the rest of the project."

John McIlwain, a senior fellow at the Urban Land Institute, believes inclusionary zoning is a piece of the puzzle, but not the complete solution. He agrees with homebuilders that more affordable housing is created through density bonuses than strict inclusionary requirements alone.

"It won't produce the amount of affordable housing that's needed by a long shot, but it's still a very valuable tool if it's done right," he said of inclusionary zoning.

McIlwain said cities start with the premise that inclusionary zoning will provide affordable housing without hurting the market. He said that is true in two circumstances:

1. A market so strong, that inclusionary housing can be imposed on developers and they will still make a lot of money.
2. The more likely scenario that the city gives developers something in return to offset the loss of profits associated with selling units below market price.

"In most cases, bonus density is the key. That's one way a city can do it without spending money," he said.

McIlwain said because high-rise condominiums are so expensive to build, it is often difficult to create affordable units within them. He also cautioned that a low-income family will not be able to keep up with the high monthly fees levied by high-rise condos.

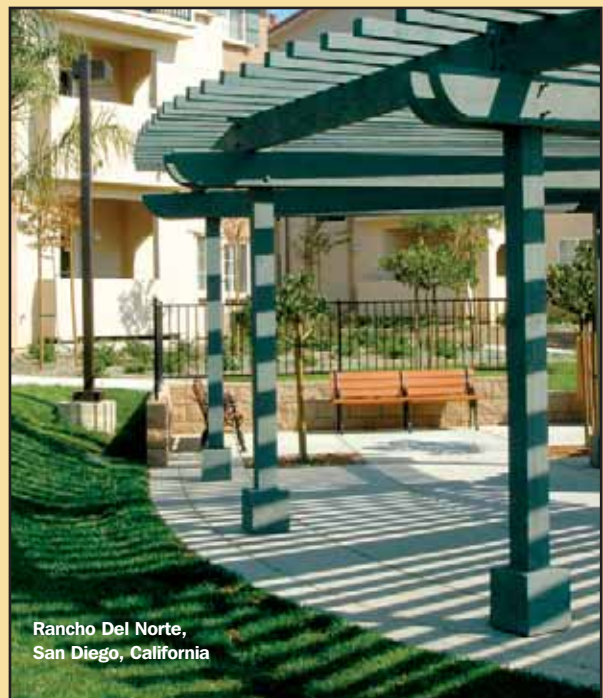
"The biggest pitfall is pushing income limits down too low," McIlwain said. "The advice I can give is [to use inclusionary zoning] for working people, the workforce earning 80 to 100 percent of area median income. Some other program can then be created to address affordable housing needs of people below 80 percent of median income."

Most experts agree that it is more difficult to make inclusionary housing work in dense urban areas that are mostly built out. If the city is desirable and rapidly redeveloping, the premium on buildable land drives the price up so high that it is very difficult to squeeze in affordable housing. If the city is stagnant or perceived as undesirable, any additional requirements, such as inclusionary zoning, may serve as a deterrent to much-needed urban reinvestment.

Inclusionary requirements work best in new urban growth areas, producing the success stories of Montgomery County, Md., and more recently, in Southern California.

In San Diego, a voter-approved initiative made affordable housing a big part of the development plan for the urban growth area to the north of the core city. In that low-rise growth area, which started being developed in 2003, 20 percent of the housing must be affordable.

Todd Philips, director of the San Diego Housing Commission's Policy and Public Affairs Department, said the inclusionary zoning program for the north growth area has created nearly 1,000 affordable units and has a goal of creating another 1,000 before build out is completed.



Rancho Del Norte,
San Diego, California



True inclusionary housing starts with regulations that allow developers to build more diverse products.

He said affordable is mixed with market rate in the new developments. Typically, single family homes are market rate and a pair of developers team up to make garden-style apartment condominiums to fulfill the affordable requirement.

"We look at comparability with the market rate and the affordable. Not that if the market rate has granite, the affordable has to too. But we do want the housing to be comparable in quality and appearance," he said.

In 2003, San Diego created a requirement of 10 percent affordable units in the infill redevelopment areas in the old city, but that phase endured a brutal legal battle before developers settled on a formula to calculate payments in lieu of building affordable units.

Despite the challenges, Philips counsels politicians, planners, REALTORS® and others interested in creating inclusionary zoning in their hometowns to "shoot for the moon."

"Even a 10-percent fee probably isn't enough. We need to truly address what it costs to house a working-class person."

Ted Koebel, professor of urban planning at Virginia Tech, is not opposed to inclusionary zoning, but believes the affordable housing gap would be better closed by citywide or regional zoning that allows for all ranges of housing price points and needs in several neighborhoods.

"Very few cities allow mixed-density, mixed-use development and if you want to do something creative, you slam into a wall of discouraging regula-

tions," he said. "We don't do enough comprehensive planning to create applications of zoning that would allow you to do more complex development. Developers can do master planned developments and have them be very well representative of all housing needs."

Koebel said American planning comes from a history of segregation of uses. Mixed-use and mixed-density development requires so many variances and zoning changes that developers throw in the towel before trying to serve a diverse market here.

"European zoning allows for mixed use by right. What they review are issues around massing of buildings, the relationships of building to its surroundings, how growth fits the transportation system," said Koebel, noting that European cities maintained a mix of affordable housing for centuries.

Koebel said the idea that housing has to be segregated by income "is flat out wrong."

"This is not social experimenting. Developers can create a well-planned, mixed product, but most zoning regulations demonize mixed-income, mixed-use development. Our local regulations speak to one market—middle income and above. True inclusionary housing starts with regulations that allow developers to build more diverse products."

Steve Wright frequently writes about Smart Growth and sustainable communities. He and his wife live in a restored historic home in the heart of Miami's Little Havana. Contact him at: stevewright64@yahoo.com.