
Inclusionary Zoning

Leveraging the Private Market to Create Balanced Neighborhoods



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RHLS

Regional Housing Legal Services is a nonprofit law firm with unique expertise in affordable, sustainable housing and its related components — community and economic development, utility matters and preservation of home ownership. RHLS provides innovative project and policy solutions that help create sustainable communities offering decent, safe and affordable housing for lower-income Pennsylvanians.



What Is IZ?

IZ is a Land Use Ordinance that:

- Requires or encourages developers to make a percentage of units in new housing developments affordable to low-income households
 - Provides development cost offsets (density bonuses, fee waivers, relaxed parking requirements, etc.)
 - Leverages the private market to expand the supply of affordable housing in mixed-income settings
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History of IZ

- Oldest IZ Law: Montgomery Co. MD, 1974
 - Montgomery Co. produced 13,000 units between 1976-2011¹
- Hundreds of municipalities now have IZ
 - Primarily in strong markets, some mixed markets
- At least 14 IZ Laws in PA as of 2009²
- 1 Pittsburgh zoning district has IZ (ALMONO)

¹ Mallach & Calavita, *Inclusionary Housing in International Perspective*, 2010

² Centre County, PA, *Inclusionary Regulations, Pennsylvania Examples*, 2009

Objectives of IZ

- Expand the supply of affordable housing
 - 130,000-150,000 affordable units produced to date²
- Promote social integration/opportunity
 - Mixed income by definition
 - Tends to be in areas of high opportunity
 - RAND study: Avg. IZ neighborhood only 7% poverty³
 - 70% of Montgomery County public housing units are IZ

³ Mallach & Calavita

⁴ RAND, *Is Inclusionary Housing Inclusionary?*, 2012

Components of IZ

- Mandatory v. Voluntary
 - Mandatory requirements are far more effective
 - Unit Threshold (*1 - 50*)
 - Affordability Set-Aside (*6.25% - 35%*)
 - Income Limits (*30% AMI - 120% AMI*)
 - Affordability Period (*20 years – 99+ years*)
 - Permanent Affordability - Purchase by PHA or CLT
 - Offsets, Incentives, Waivers, In-Lieu Fees
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Development Cost Offsets

Mix of zoning/regulatory flexibility, cash subsidies

- Density Bonus/Height Bonus
 - Increases revenue per sf of land (Ex. ALMONO)
 - Relaxed Parking Requirements
 - Reduces cost, may increase revenue per sf (Ex. Denver)
 - Expedited Permitting
 - Reduces holding costs (Ex. Sacramento)
 - Fee Waivers
 - Reduces development cost (Ex. Chicago)
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Mixed-Market IZ Example: Chicago

Affordable Requirements Ordinance (ARO)

- 10+ units AND one of the following:
 - Zoning Change
 - City Land
 - Public Subsidy or
 - Planned Development
 - Set-Aside: 10%-20%
 - Income Limits
 - Rental: 60% AMI
 - For-Sale: 100% AMI (80% AMI if TIF)
 - Affordability Period: 30 years
 - In-Lieu Fees: \$100,000 per unit
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Chicago, Cont'd.

Chicago Partnership for Affordable Neighborhoods (CPAN)

- Incentives
 - Fee Waiver - up to \$10,000 per affordable unit
 - Reimbursement of 50% of third-party review costs (up to \$3,000 per unit or \$50,000 total)
 - Set-Aside: 10%
 - Income Limits (for-sale only) 100% AMI
 - Affordability Period: 30 years
 - Can be used with ARO if additional affordability
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Chicago, Cont'd.

Downtown Density Bonus

- Incentives
 - 20%-30% height/density bonus in Downtown districts
- Set-Aside: 25% of bonus square footage
- Income Limits: same as ARO
- Affordability Period: 30 years
- In-Lieu Fees – 80% of off-site development cost

Chicago Community Land Trust (CCLT)

- Staffed by City
 - IZ units included in CCLT if sales price is \$25K less than FMV
 - 99 year affordability restriction
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Chicago IZ Outcomes

- # of Units Produced (as of 2009)⁵
 - ARO: 815
 - CPAN: 420
 - Downtown Density Bonus: 0
 - CCLT: 39

- Social Integration⁵
 - Neighborhoods w/IZ units are more affluent than non-IZ
 - 39% of IZ units are in neighborhoods <10% poverty

- Fees in Lieu (since 2007)⁶
 - ARO: \$8.8 million
 - Downtown Density Bonus: \$20 million

⁵ RAND

⁶ Chicago Planning and Development Dept., 2014

For More Information

- PolicyLink IZ Toolkit

www.policylink.org

- RAND IZ Study

http://www.rand.org/content/dam/rand/pubs/technical_reports/2012/RAND_TR1231.pdf

- Pennsylvania Examples

<http://centrecountypa.gov/index.aspx?NID=687>

- Mayor Peduto Transition Team IZ Report

http://apps.pittsburghpa.gov/mayorpeduto/HU_Mixed.pdf

- SWPA Housing Alliance IZ Working Group

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