INCLUSIONARY ZONING

Inclusionary Zoning mandates or incentivizes affordable housing through market-rate development. Rather than putting municipal dollars directly into public housing or rental assistance, IZ generates affordable units through private developers who are already planning to build. In this sense IZ is a tax on private development, one that demands that either developers, land owners, or prospective market-rate renters pay more to subsidize affordable housing construction. IZ can also be understood as a form of public value-capture, wherein the public and developers can share in the benefits of public investments that make cities desirable for building in the first place.

HOW INCLUSIONARY ZONING WORKS

IZ is a suite of policies that use municipal regulation of private development to support affordable housing. These policies vary based on affordability thresholds, incentives, duration, and enforcement.

IZ only applies to new development; it cannot retroactively create affordable units in existing residential buildings. This means that IZ will create the most affordable housing in economic boom times when private housing development is high.

IZ can be applied either by mandate or incentive. In the former, new developments are required to generate a certain percentage of affordable units. In the latter, municipalities may incentivize affordable housing development through easing zoning limitations, design concessions, and/or fast-tracking the permitting process.

Outside the cost of enforcement, IZ does not require finding significant public funds and can generate units quickly because developers want to build as soon as possible.

INCLUSIONARY ZONING BEST PRACTICES

- Many jurisdictions with IZ policies do not have the capacity to monitor its implementation. This capacity is essential both to enforce the policy and keep track of data to assess its efficacy.
- Implementing IZ at a regional scale can help prevent jurisdiction-hopping whereby developers simply move their plans to nearby municipalities with fewer restrictions.
- Studies have shown that mandatory IZ policies have been more successful than voluntary ones.
- The specifics of an IZ policy won’t be perfect the first time; build in capacity to re-evaluate and re-iterate over time.
- Private developers are not affordable housing experts. Identify places where city or nonprofit partners can take over IZ implementation, particularly with respect to tenant interfacing.
- IZ should be implemented alongside other affordable housing policies targeted at higher volumes of affordable housing creation at lower income restrictions.
THE INCLUSION FACTOR

The history of inclusionary zoning is connected to the ongoing legacy of exclusionary zoning. Land use restrictions have historically been tools of racialized exclusion while preserving the status quo in wealthy, white neighborhoods. While explicit exclusionary zoning (i.e. racial covenants) has become illegal, discrimination, unaffordability, and systemic racism perpetuate exclusion. Proponents argue that IZ’s mixed-income housing strategy can combat segregation. However, some developers still enact measures to preserve segregation, going so far as constructing separate entryways for residents living in the affordable units. IZ may not always be an effective tool against spatial exclusion.

The Diversity of Inclusionary Zoning Regulations

Since IZ emerged in the 1970s, it has grown to be one of the most frequently enacted municipal regulatory tools to spur the construction of affordable units. As of 2016, there were 886 jurisdictions with inclusionary housing policies in place. Three states (New Jersey, Massachusetts, and California) have state-wide policies in place to encourage implementation. However, policies vary dramatically. Some of the conditions that characterize these policy differences include:

- Income level requirements
- What kind of development triggers the IZ policy
- If and what kinds of incentives will be used
- Program compliance be monitoring
- Duration of affordability requirements

LEARN MORE

Visit the Resources page at create.umn.edu to see if your jurisdiction has an IZ policy in place, and to learn more about other housing policies that IZ pairs well such as NAME HERE with.

CONSIDERATIONS

Upzoning impacts

IZ policies often accompany zoning changes that encourage larger, higher density housing (“upzoning”). Upzoning often raises property values which can exacerbate displacement even as affordable units are created.

Limited Quantity of Units

IZ is critiqued as having too little material impact while continuing to give large concessions to developers. Indeed, the number of affordable housing units produced through IZ is consistently small compared to overall housing stocks and demand for affordable units.

Market-Dependent

IZ depends on new construction and a strong private housing market. While IZ may contribute to affordable housing stocks when the market is strong, this won’t stay true when the market inevitably takes a downturn.

Affordability Expirations

Though it varies, affordable units are only required to stay affordable from 10-25 years. Then property owners can flip the units to market-rate at will. Once lost, they cannot be made affordable again under IZ policy.

Deep Affordability

While units have affordability mandates, they are often set at 80% of Area Median Income (AMI) or higher. This means that IZ does not generate the deeply affordable units that serve residents at 30% AMI or below.