Inclusionary zoning policies work by mandating or incentivizing affordable housing through market-rate development. Rather than putting municipal dollars directly into public housing or rental assistance, inclusionary zoning generates affordable units through private developers who are already planning to build. Some view inclusionary zoning as an indirect tax on private development, one that demands that either developers, land owners, or prospective renters pay more to subsidize affordable housing construction. Others view inclusionary zoning as a way to partially capture value that is generated through public investments but is currently largely captured by the private sector alone. While inclusionary zoning is popular among policy makers, some argue that by relying on private development it is a tool that only makes affordable housing more beholden to the whims and terms of the private market.

**HOW INCLUSIONARY ZONING WORKS**

Inclusionary zoning includes a suite of municipal-level policies to create affordable units in otherwise market-rate development. These policies vary based on degree of affordability, developer incentives, duration of affordability mandates, and policy enforcement.

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

Inclusionary zoning 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, inclusionary zoning does not require finding significant public funds and can generate units quickly because developers want to build as fast as possible.

**INCLUSIONARY ZONING BEST PRACTICES**

- The success of inclusionary zoning is predicated on capacity to monitor its implementation. This capacity is essential both to enforce the policy and keep track of data to assess its efficacy.
- Implementing inclusionary zoning 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 policies have been more successful than voluntary ones.
- The specifics of an inclusionary zoning policy won’t be perfect the first time; policies are more successful when they build in capacity to re-evaluate and re-iterate over time.
- Private developers are not affordable housing experts. Cities should identify places where public or nonprofit partners can take over policy implementation, particularly with respect to tenant interfacing.
- Inclusionary zoning should be implemented alongside other affordable housing policies targeted at higher volumes of affordable housing creation at lower income restrictions.
CONSIDERATIONS

Upzoning Impacts

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

Limited Quantity of Units

Inclusionary zoning 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 inclusionary zoning is often small compared to overall housing stocks and demand for affordable units.

Market-Dependent

Inclusionary zoning depends on new construction and a strong private housing market. While the approach 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 under inclusionary zoning policy. Once these requirements expire, property owners are free to flip the units to market-rate rentals. Once lost, inclusionary zoning has no mechanisms to make these units affordable again.

Lack of Deep Affordability

While inclusionary zoning has affordability mandates, they are often set at 80% of Area Median Income (AMI) or higher. This means that the policy does not generate the deeply affordable units that many residents need.

THE INCLUSION FACTOR

The history of inclusionary zoning is connected to the ongoing legacy of exclusionary zoning. Land use restrictions like redlining and racial covenants have historically been tools of racialized exclusion while preserving the status quo and concentrating wealth in white neighborhoods. While some of the most blatant exclusionary zoning has been made illegal, discrimination, unaffordability, and systemic racism perpetuate exclusion. Today, inclusionary zoning proponents argue that a mixed-income housing strategy can combat segregation. However, some developers still enact measures to preserve segregation within inclusionary zoning policy, going so far as constructing separate entryways for residents living in the affordable units.

The Diversity of Inclusionary Zoning Regulations

Since inclusionary zoning 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 in the United States with inclusionary housing policies on the books. 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 inclusionary zoning policy
- If and what kinds of incentives will be used
- Program compliance monitoring
- Duration of affordability requirements