

**Affordable Housing**  
**Inclusionary Zoning Techniques**

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### **Inclusionary Zoning Techniques**

One of the key goals of Smart Growth is to increase the range of affordable housing options. To date, traditional means of growth management that have resulted in urban sprawl have not helped to increase the number of housing units available to low and moderate income families. In 2000, approximately 5.4 million families were either living in severely inadequate housing or spending more than 50% of their income on housing (DHUD, 2000).

One of the continuing concerns that face local officials in “hot” housing markets, in which home prices are rising at high rates, is the availability for affordable housing for public school teachers, police officers, and other public officials who may not be able to afford to live in the community that they serve. Inclusionary zoning can work to increase affordable housing for low and moderate income families. More important:

Inclusionary zoning creates affordable housing units without isolating poor and working families into economically segregated communities. These ordinances institutionalize something that middle- and upper-income homebuyers take for granted: housing is not just about sturdy walls and a sound roof, but also about neighborhoods and opportunities. (Brown, 2001: 1)

Inclusionary zoning represents a tradeoff between local governments and developers. In return for granting higher densities in a residential area than would be normally allowed, known as a “density bonus”, the developer agrees to provide a certain percentage of units that would be available to low/moderate income families.

#### **Benefits**

- 1) It provides a mechanism for assuring that growth will provide affordable housing units.
- 2) Higher overall densities ensure compact development—key element of smart growth.
- 3) By providing affordable housing units in all new development, low and moderate income units are less likely to be segregated
- 4) Effective collaboration between government and private or non-profit organizations that build the units will be fostered. (Connerly, 2004; Porter, 2004)

#### **Issues:**

- 1) **Mandatory or voluntary:** e.g., in Montgomery County, Md, it is mandatory.

- 2) **Size of the development** to which inclusionary zoning will apply: e.g., it would apply to developments of no less than 50 units.

Tallahassee, FL has set 25 as the threshold that triggers inclusionary zoning. Also, the ordinance does not allow large developments of more than 100 units to buy out of the need to build affordable units. This ordinance is voluntary.

- 3) **Percentage of units that would be affordable:** it ranges from 5 to 25%
- 4) **Availability of affordable housing units:** prospective buyers would have to meet income standards as determined by the ordinance and/or housing element in the growth management plan.

The Tallahassee, FL example, (2004):

"The Census Bureau classifies the "low income" range as 50 - 80% of the median income. The proposed Leon County Inclusionary Housing Ordinance defines a low income household eligible to purchase an inclusionary housing unit as a household with an income of less than or equal to 80% of the Area Median Family Income for the Tallahassee Metropolitan Statistical Area, published annually by the U.S. Department of Housing and Urban Development. Most recently, the Area Median Family Income was \$57,200; the 80% limitation would equate to \$45,760 -- so the program would be limited to households having incomes no greater than \$45,760. The ordinance terms these households "eligible households." (Talgov.com)

- 5) **Length of time affordable units stay affordable:** e.g., selling price of an affordable unit must be no more than the cost of living plus real estate fees and approved improvements, for a period of 10 years.
- 6) **Ensuring affordable housing units blend in with other housing units:** it is recognized that affordable housing units are likely to be smaller, and have fewer amenities than the neighboring higher priced units. Ordinances should require architectural design standards so these units are not visibly different from other units in a neighborhood.
- 7) **Allowing Developers to "buy out" of the program:** Alternatives:
- a. Developer pays a fee;
  - b. Developer builds affordable housing units in another location;
  - c. Developer donates land that can be used to build affordable housing.

Conditions allowing a buy out would include providing an undue financial hardship—especially for high end development—for the developer or occupant.

## **Example of Successful Inclusionary Zoning Ordinances and Related Programs**

Montgomery County, Maryland has built over 11,000 affordable housing units in the more than 30 years that the inclusionary zoning has been in place. The program is known as the Moderately Priced Dwelling Unit Program. The ordinance allows for affordable housing to be built in single family and multi-family residential areas. It applies to developments of 50 units or more; between 12 and 15% of units must be affordable; and the density bonus is calculated on a sliding scale up to a maximum of 22%. Rental units are regulated for 20 years, while units for sale are regulated for 10 years.

Income eligibility for the rental or sale units was 65% of the median income of \$82,000 in 2000. Income ranges are determined by the County Executive, and were \$33,500 for one person to \$52,000 for a family of five in 2000. If the developer can not find anyone who can purchase the unit within 90 days, he/she can sell the unit to anyone regardless of income.

After ten years the housing unit can be sold without selling price restrictions. The seller can keep one half of the profit, or \$10,000 (whichever is greater). Profit is calculated as the sales price, minus the sum of: the original sales price, the cost of approved improvements, Consumer Price Index adjustments, and sales commission. The remaining portion of the profit is placed in the County's Housing Initiative Fund. This fund is used to assist the purchase, and rehabilitation of affordable housing throughout the County.

Also, the County's public housing commission can purchase up to 33% of affordable housing that comes on the market, and qualified non-profit organizations can purchase another 7%. These units are placed into the County's permanent affordable housing stock.

## Notes

Brown, K.D. 2001. *Affordable Housing through Inclusionary Zoning: Lessons from the Washington Metropolitan Area*. Washington, D.C.: The Brookings Institution Center on Urban and Metropolitan Policy.

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