



**GROUND
ED
SOLUTIONS
NETWORK**

strong communities
from the ground up

Inclusionary Housing in Mixed-Market Cities

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October 3, 2019

Inclusionary Housing



Any land use policy that requires or incentivizes the creation of affordable housing when new development occurs.



The Toughest Policy Question



- ▶ What percentage of units will be affordable?



Financial Feasibility



How should we answer the question:

- ▶ What percentage of units will be affordable?
- ▶ **A: Determine how high we can set the inclusionary housing requirement while still ensuring that new development is financially feasible to build.**





***Not to scale**

Market Price



Builders are stuck with the market price!



Extra cost



Extra cost



Market Price



Market Price



Financial Feasibility



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- ▶ **A: Determine how high we can set the inclusionary requirement while still ensuring developers make enough profit to get the capital they need to build the project.**

IH in Mixed Markets



Why not wait until the market is hot?

- ▶ 5-7 year time delay
- ▶ Stabilize land values
- ▶ Reduce displacement



Financial Feasibility



How can communities...

...determine how high we can set the inclusionary requirement while still ensuring developers make enough profit to get the capital they need to build the project?

A: start with www.inclusionaryhousing.org/calculator

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Options for achieving feasibility

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Options for achieving feasibility

- 1. Set a low requirement and/or serve higher income**

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Options for achieving feasibility

1. Set a low requirement and/or serve higher income

San Luis Obispo, CA:

3-5% of units affordable to low-income households OR

5-7% of units affordable to moderate-income households

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Options for achieving feasibility

1. Set a low requirement and/or serve higher incomes
2. **Tie affordability requirements to zoning incentives**

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Atlanta's Beltline Inclusionary Housing policy offers developers a 15% density bonus and reduced minimum parking requirements.

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Options for achieving feasibility

1. Set a low requirement and/or serve higher incomes
2. Tie affordability requirements to zoning incentives
3. **Offset the cost in places where the market is soft**

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Options for achieving feasibility

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3. **Offset the cost in places where the market is soft**

Detroit's inclusionary policy applies only to projects that receive discounted land from the city or at least \$500,000 in public subsidies.

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Options for achieving feasibility

1. Set a low requirement and/or serve higher incomes
2. Tie affordability requirements to zoning incentives
3. Offset the cost in places where the market is soft
4. **Vary requirements by geography**

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3. Offset the cost in places where the market is soft
4. **Vary requirements by geography**

Charlotte, NC's mixed-income housing program applies only to census block groups where median home values are at or above the area median. New Orleans's program is mandatory in the high-cost parts of town and voluntary elsewhere.

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Options for achieving feasibility

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3. Offset the cost in places where the market is soft
4. Vary requirements by geography
5. **Phase in requirements over time**

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Options for achieving feasibility

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4. Vary requirements by geography

5. **Phase in requirements over time**

San Luis Obispo, CA's 20% requirement was phased in over five years. San Jose, CA delayed implementation for three years, or until at least 2,500 building permits were issued within a 12-month consecutive period.

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Other best practices

1. Conduct an economic feasibility study
2. Maximize predictability, flexibility, and ease for developers
3. Build in periodic review of the policy



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Chicago's Affordable Requirements Ordinance

- 2003: applies to developments receiving financial assistance or discounted land
- 2007: also applies to projects needing zoning changes and to 'planned developments' downtown
- 2015: in-lieu fees increased for downtown and higher-income zones; decreased for low-moderate income zones
- 2017: requirement increased in two pilot areas with strong housing markets



Q & A