



DJR's Architecture 301-unit apartment project at 7200 France Ave. in Edina will include more than 60 affordable apartment units to the city's inclusionary housing policy. At conference Monday at the Federal Reserve Bank of Minneapolis, housing experts discussed how such ordinances come with different tradeoffs depending on how they are implemented and what the city or county is trying to accomplish. (Submitted image: DJR Architecture)

Inclusionary zoning means trade-offs, panel says

By: William Morris April 29, 2019 4:33 pm 0

What's the best way for local governments to implement inclusionary zoning policies? Depends on what they want to accomplish.

Hundreds of cities and counties in recent decades have adopted some form of inclusionary zoning, a suite of policies that require or incentivize market-rate housing developers to set aside some units as affordable.

At a Federal Reserve-sponsored conference Monday in Minneapolis, policymakers, developers and advocates heard from experts who discussed the range of inclusionary zoning options local governments have tried, and which ones have produced the best results.

There's no one-size-fits-all policy because there are many ends policymakers can pursue with inclusionary zoning, Brookings Institution Fellow Jenny Schuetz said. That's also made it difficult to study inclusionary zoning in a comprehensive way, as different markets adopt different policies at different times for different reasons.

"Do you just want to build as many affordable units as possible, maximize the number of below market rate units? ... Is an important goal the economic integration? What's the income group that you're particularly trying to target?" Schuetz asked. "These are important questions to ask yourself because sometimes there can be trade-offs between reaching these goals and the way you've designed the program."

Different policies have had widely different impacts, said Heather Schwartz, a RAND Corp. researcher and co-author of a 2012 study evaluating 11 inclusionary zoning regimes. A Denver policy adopted in 2002 resulted in 77 new units built as of 2010, while a 2005 Santa Fe policy created more than 600 new homes by the end of the decade. The nation's oldest inclusionary zoning policy, adopted in Montgomery County, Maryland, in 1973, has led to more than 13,000 new homes since it was enacted.

Programs also differed widely in what types of neighborhoods saw new homes, and for whom they were affordable Schwartz said.

"You need to figure out who you're trying to serve and what problem you're trying to address, and it really depends on your local housing market conditions," she said.

One universal problem researchers have found is that cities fail to allocate the staff time and resources needed to administer complicated inclusionary zoning regimes, or even to maintain records to assess whether programs are meeting their goals. In Chicago, the third-largest jurisdiction in the country, there are two staffers, down from 10 when managing the city's program, said Anthony Simpkins, Chicago managing deputy commissioner.

Some studies have found that inclusionary zoning can discourage private development, especially in otherwise sleepy housing markets, but in hot markets, cities have found development continues unabated. When Chicago expanded its program, known as the Affordable Requirements Ordinance (ARO), Simpkins said, developers worried it would devastate the city's housing market.

"When we did the ARO, the private development community absolutely said, 'you're going to stifle development. You'll never have another apartment building built in Chicago, if you do this,'" Simpkins said. "And the market actually picked up."

The speakers also noted multiple drawbacks with any inclusionary zoning scheme. The programs are staff- and cost-intensive to operate, and often take several rounds of iteration before cities see the results they want. Since inclusionary zoning creates affordable housing alongside market-rate projects, it works only as well as the underlying market and will draw down when the market cools.

And in most cities, the affordable units created are restricted to renters or buyers making 80% of the area median income, or even more, and do little for residents in lower income brackets.

"It's not even our main tool for the creation and preservation of affordable housing. It just seems to be the sex toy," Simpkins said. "This is what people focus on. And sometimes you have to work hard to remind people that if there's a need for, say, 30% AMI units and they're family size units, the ARO may not be the tool that we need to create those units."

Inclusionary ordinances can be either voluntary or mandatory, but Schwartz encourages cities to make their policies mandatory based on the results in her research.

"The voluntary ones have produced as few as no units or very few," she said. "A number of the 11 programs that we looked at used to be voluntary, produced nothing, and converted to mandatory."

The choice of mandatory or voluntary also depends on the underlying zoning code. In a comment session at the conference, Minneapolis City Council President Lisa Bender noted the city's policy, currently under development, has to be mandatory because the city has already relaxed its zoning codes so much that it would be difficult to offer meaningful incentives for developers to opt in.

"We could make it harder to build, in order to then leverage our market for an inclusionary zoning policy, but that didn't seem to make a lot of sense, since we've been going this particular direction for 20 years," she said.

In general, cities have the greatest success when they design simpler systems, make them easier to understand and administer, and are very clear about what objectives the policy will and will not seek to achieve, Schwartz said.

"Keep it simple, be really clear about your goals and don't get scattered with trying to serve all masters, because then it ends up with a really complex, bloated program that can be very confusing and depresses development," she said.

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