



**GROUND
ED
SOLUTIONS
NETWORK**

strong communities
from the ground up

Inclusionary Housing: Program Design

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September 22, 2021

Agenda



- ▶ Defining the Need
- ▶ Program Structure
- ▶ Incentives
- ▶ Compliance Alternatives
- ▶ Implementation and Stewardship



**Inclusionary
HOUSING**



How does Inclusionary Housing address Racial Equity?

Inclusionary housing policies were first developed to specifically counteract a history of 'exclusionary zoning' policies that reinforced economic and racial segregation. Although not intended to completely right racial injustices embedded in our nation's housing practices, inclusionary housing can provide an immediate supply of affordable housing for households earning below median income in



What is it?

Local inclusionary housing policies tie the creation of affordable homes for low- and moderate-income households to the construction of market-rate housing or commercial development.



Defining the Need

Defining the Need



- ▶ *Who* needs affordable housing?
- ▶ *How* affordable does the housing need to be?
- ▶ *Where* do we most need affordable housing (now and in the future)
- ▶ *How can inclusionary housing address racial disparities in housing?*



Program Structure

Type of Program



- ▶ Mandatory = developers must comply
- ▶ Voluntary = developers can choose to provide affordable units in exchange for access to incentives (or can choose to not provide affordable units at all)
- ▶ Over 2/3 of programs nationwide are mandatory

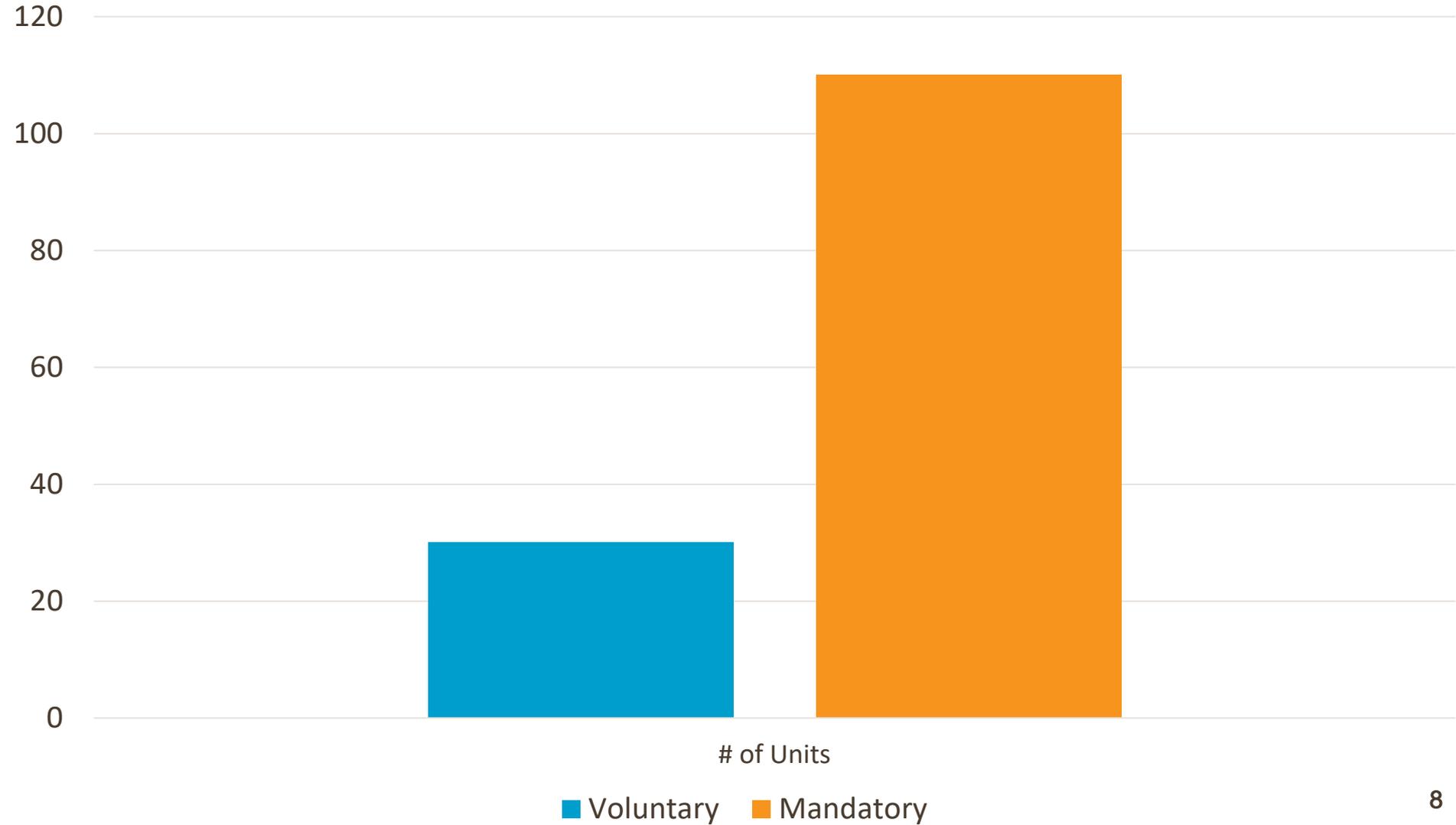


San Francisco, CA

Type of Program



Average # of Units Produced Annually



Type of Program



- ▶ Is it legal?
- ▶ How strong is your housing market?
- ▶ What's politically viable?

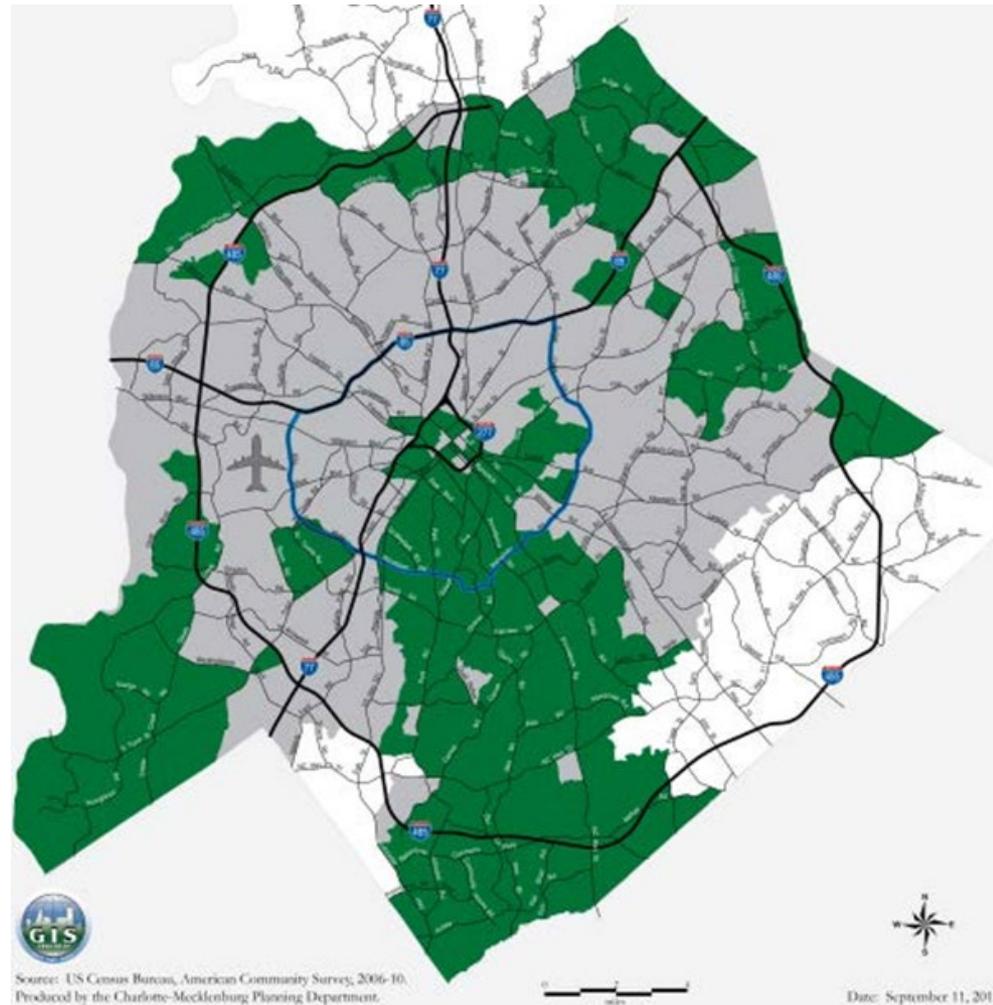


San Francisco, CA

Geographic Coverage



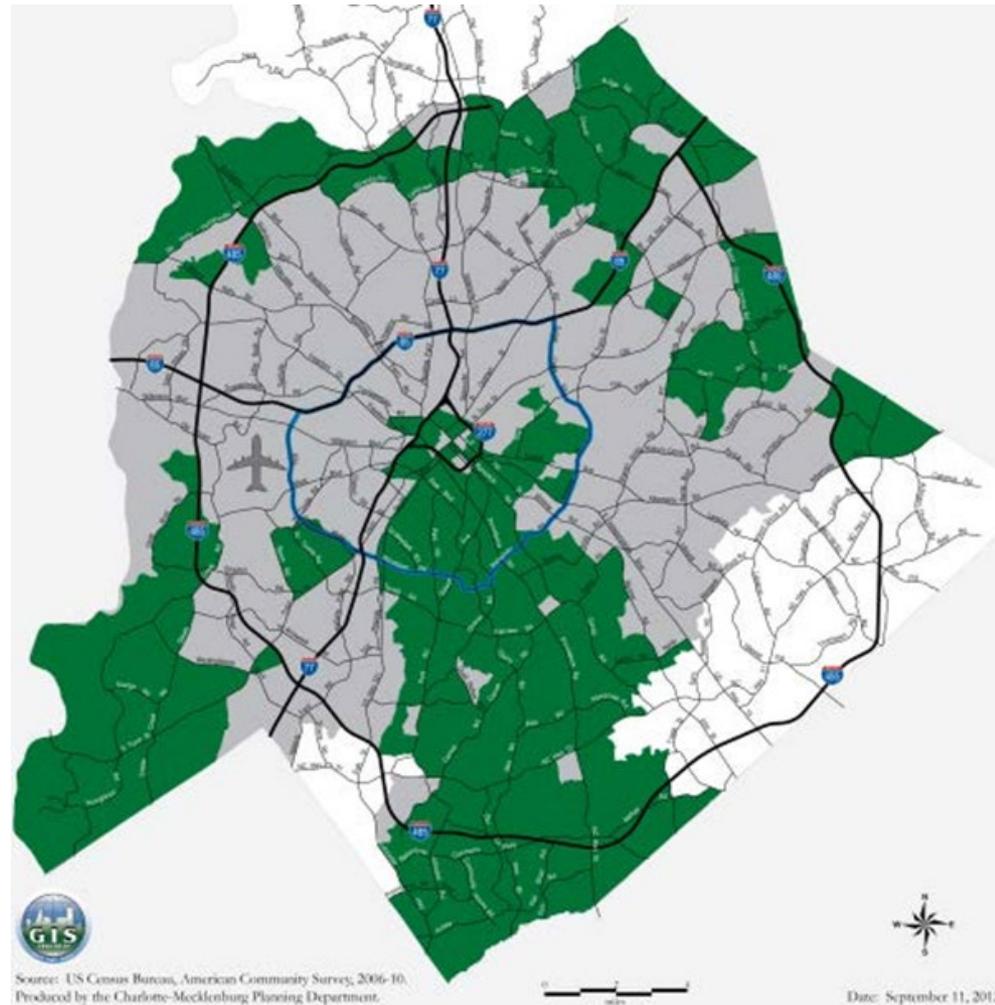
- ▶ Apply policy consistently across jurisdiction, or vary requirements across neighborhoods
- ▶ 2/3 of programs nationwide apply to entire jurisdiction



Geographic Coverage



- ▶ Pro: Addresses significant differences in housing market strength among neighborhoods
- ▶ Con: Time-consuming, politically -fraught process to draw boundaries
- ▶ Con: Need to update boundaries over time as market shifts
- ▶ Con: Complex to administer



Type/Tenure of Development



- ▶ Tenure: whether the policy applies to rental units, ownership units, or both
- ▶ 90% of programs nationwide apply to both tenure types



San Francisco, CA

Type/Tenure of Development



Other considerations

- ▶ Will affordability levels differ for rental vs. homeownership?
- ▶ Will the inclusionary percentage differ for rental vs. homeownership?



San Francisco, CA

Project Threshold Size



- ▶ Apply policy only to projects above a certain number of units in size
- ▶ Roughly half of programs have no minimum threshold
- ▶ ~10% of programs have thresholds of more than 10 units



Boulder, CO

Project Threshold Size



- ▶ Pro: Reduce financial burden on small projects
- ▶ Pro: Reduce administrative burden of approving and monitoring small projects without greatly reducing number of affordable units produced



Boulder, CO

Project Threshold Size



- ▶ Con: Can create incentive for developers to build smaller projects
- ▶ Con: Can increase developments with one less than the threshold # of units
- ▶ Con: Can reduce total number of affordable units produced



Boulder, CO



Detailed Policy Choices

Percentage of Units Affordable



- ▶ What's financially feasible?
- ▶ Typically between 10-20% of units
- ▶ Racial Equity Consideration: require or encourage affordable unit sizes that match the household sizes of households of color



*Palmers Dock Apartments,
Brooklyn, NY*

New York Department of City Planning

Affordability Level



- ▶ What's most needed in our community?
- ▶ Are there income requirements for other funding sources we may wish to use?
- ▶ Do we want to prioritize more units *or* deeper affordability?



Atlanta, GA

- ▶ **Racial Equity Consideration:** choose income targets that match those of renter households of color

Duration of Affordability



- ▶ How long the regulated affordable units must remain affordable to low - income households before they can revert to market-rate prices
- ▶ >80% of programs require at least 30 years of affordability



M Station, Austin, TX



- ▶ Option 1: identical standards for inclusionary units
- ▶ Option 2: different minimum standards for inclusionary units (e.g. “functionally equivalent”)

Charlotte, NC Multi-Family Design Standards:

Affordable units must be dispersed within the development:

- If there are more than 25 affordable units, then those units may be contained in a single structure
- Buildings within the development must externally blend in architecturally with other units to include materials and style (such as roof pitches, foundations, window types, building materials)



- ▶ Ensure low-income residents have high-quality housing
- ▶ Responsible use of limited resources
- ▶ **Racial Equity**
Consideration: avoid stigmatizing residents of affordable units

Charlotte, NC Multi-Family Design Standards:

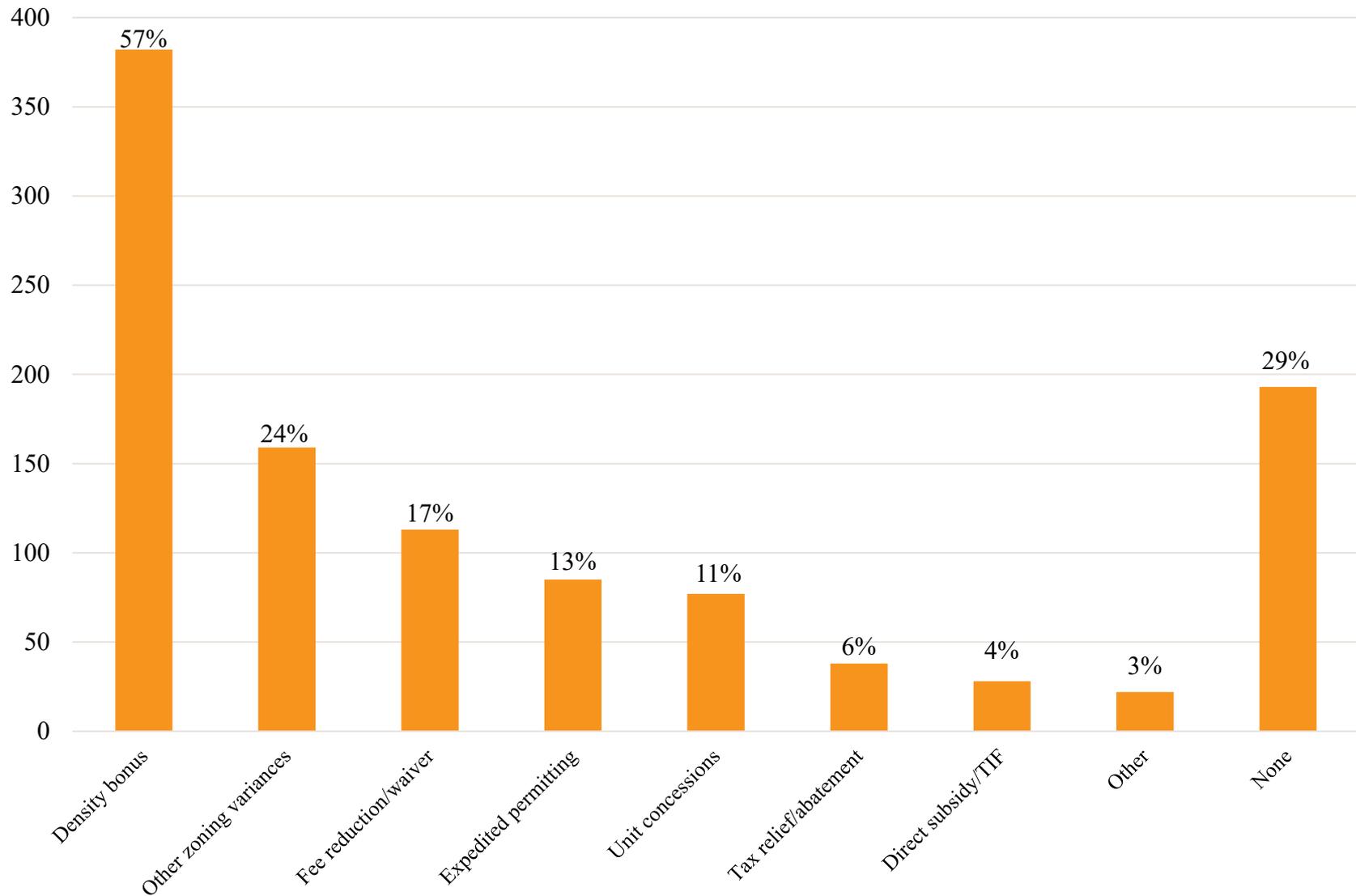
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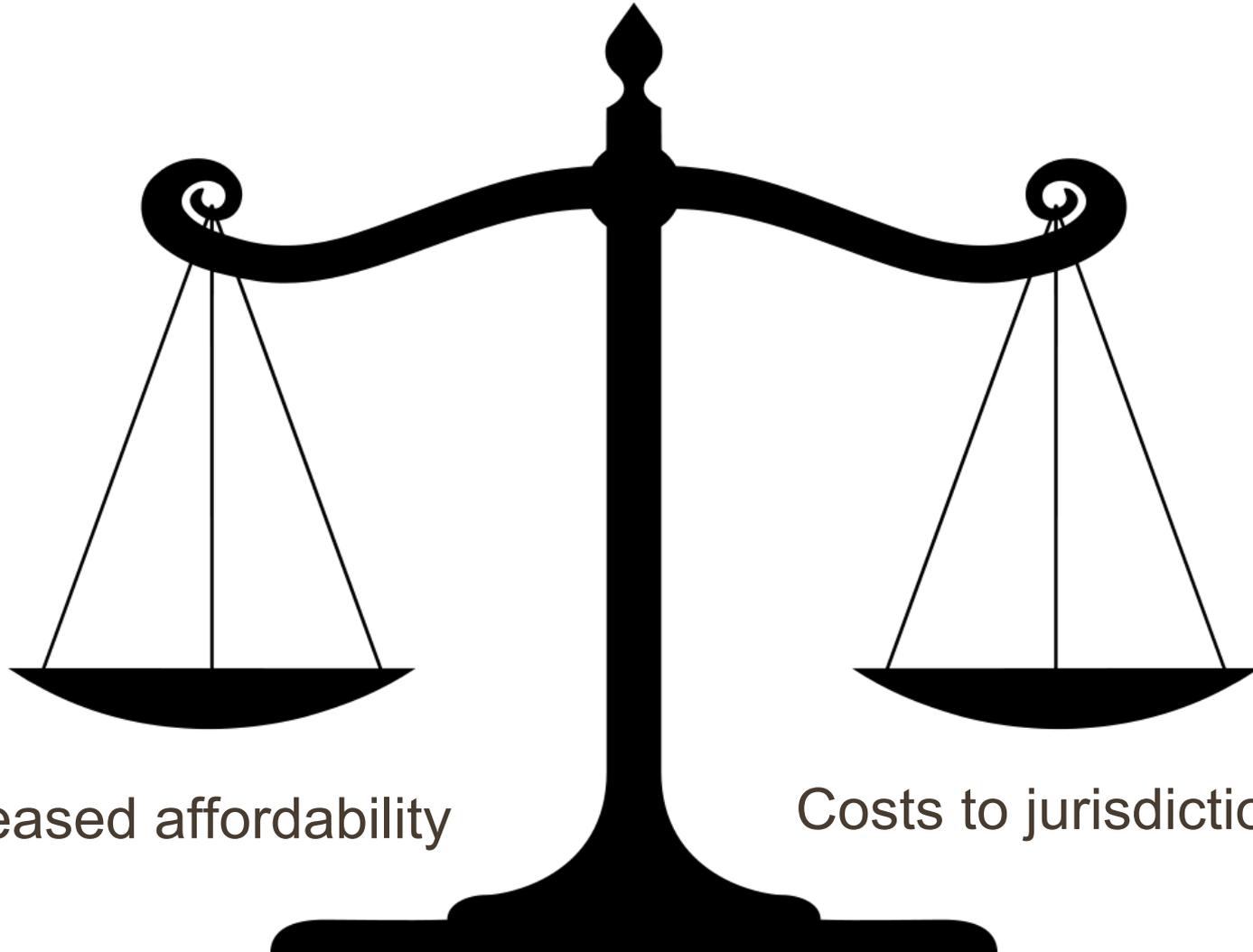


Incentives

Incentives



Balancing Incentives



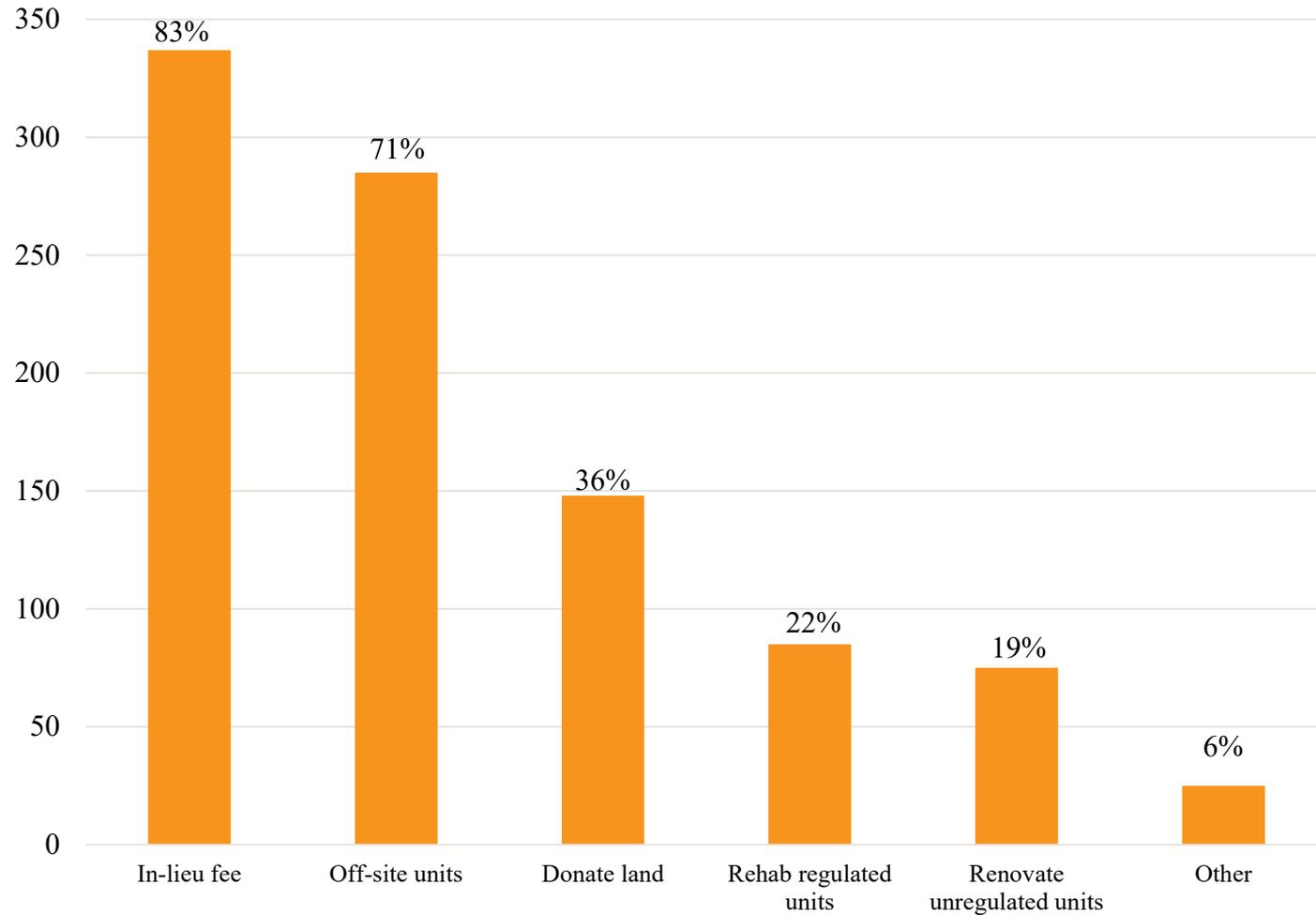
Increased affordability

Costs to jurisdiction



Compliance Alternatives

Compliance Alternatives



Compliance Alternatives



All types lead to generally the same outcome

In-Lieu Fees

Off-site Production

Land Donation

Preserve /

Rehabilitate

Existing Affordable
Housing



Affordable units in an all-affordable building
built on another site by a nonprofit developer

Compliance Alternatives



Benefits

- ▶ Increased flexibility
- ▶ Increased feasibility
- ▶ Address challenging situations
- ▶ Potential for greater impact
- ▶ Leverage experience and expertise of nonprofit developers

Compliance Alternatives



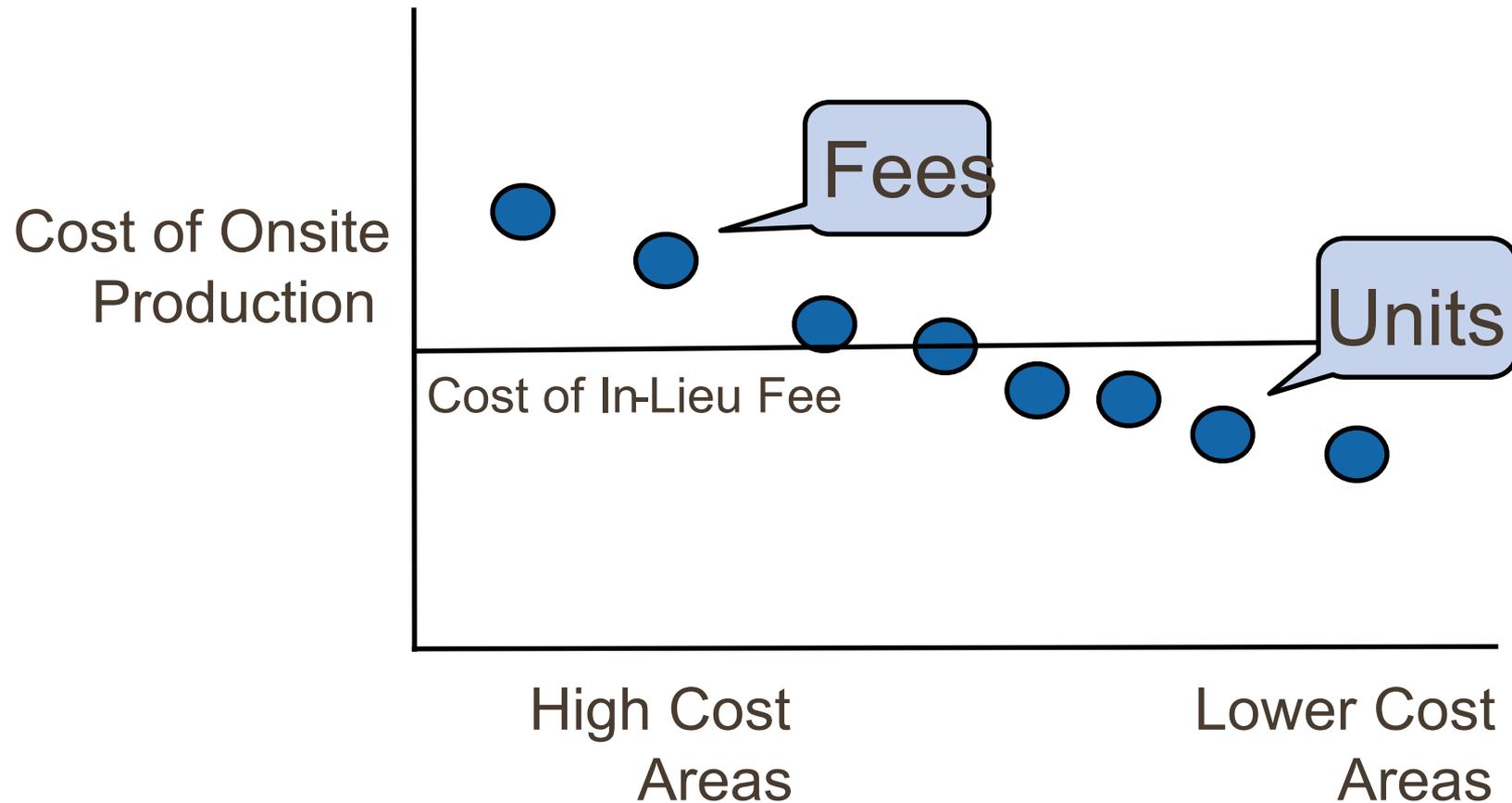
Downsides

- ▶ Delay in construction of affordable units
- ▶ Scarcity of leveraging resources
- ▶ Alternative compliance requirements often set too low
- ▶ Perception of compliance alternatives as “loopholes”
- ▶ May not create mixed-income communities

Compliance Alternatives



May Not Create Mixed-Income Communities





Addressing the Downsides through Policy

- ▶ Vary in-lieu fees geographically
- ▶ Set requirements for geographic use of alternatives
- ▶ Require prior or concurrent construction of off -site units
- ▶ Set alternative requirements high enough to achieve at least the equivalent number of on -site affordable units
- ▶ Limit “by-right” use of alternatives
- ▶ Require at least some on-site units
- ▶ Make on-site development preferable (e.g. set in-lieu fee higher than the cost of building on -site units for most projects)
- ▶ **Racial Equity Consideration: center the needs and preferences of households of color**



Implementation and Stewardship

Don't be a Headline



LOCAL NEWS

Pasadena's affordable housing program showed lax enforcement, left some units vacant for up to a year

By **JASON HENRY** | jhenry@scng.com | Pasadena Star News

PUBLISHED: October 22, 2017 at 7:50 pm | UPDATED: October 22, 2017 at 11:01 pm

AFFORDABLE HOUSING

Hamilton Calls For Affordable Housing Lottery System Audit



By Tom Russotti

Posted on January 18, 2018

D.C. Auditor Critiques City's Affordable Housing Investments

And the executive agency that administers the funds.

BY **ANDREW GIAMBRONE** — MAR 16, 2017 3 PM

Implementation and Stewardship



Racial Equity Considerations:

- Establish high bar marketing requirements to ensure renters of color have access.
- Require a lottery for applicant selection (rather than first come, first served).
- Set limits on resident selection screening criteria.
- Collect and analyze data on the race and ethnicity of those served by affordable units.
- Partner with a Community Land Trust for stewardship of affordable units.

Contact



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