

Inclusionary Zoning (IZ) 101 – A New Beginning

A white paper by **HELPINGHOUSING.org**
An Affordability Advocacy Organization

What:

Inclusionary Zoning - creates Affordable housing for those who cannot afford market rate housing. *Affordability is defined as not spending more than 30% of your income on housing.*

Market Rate – Housing supply that is created through the traditional economic supply and demand cycle.

Who:

Inclusionary Zoning - those who make 30-80% Average Median Income (AMI)

Market Rate – In Bellingham, due to the cost of housing, residents who make more than 100% AMI can afford housing.

When:

Inclusionary Zoning – Since the 1970s, Inclusionary Zoning has been used by hundreds of communities to create Affordable housing for work force residents

How:

Inclusionary Zoning – [RCW 36.70A.540](#) explicitly makes Inclusionary Zoning legal in Washington State. *“An affordable housing incentive program may include, but is not limited to, one or more of the following: (i) Density bonuses within the urban growth area; (ii) Height and bulk bonuses; (iii) Fee waivers or exemptions; (iv) Parking reductions; or (v) Expedited permitting.”*

Voluntary IZ (VIZ): Encourages, but doesn't mandate, developers to include affordable housing units in their new residential developments. It relies on goodwill rather than legal requirements. 1) Developers may focus on traditional profit paths. 2) Incentives may not be as robust as when IZ is required. 3) Developers may only participate when it is extremely profitable. 4) More sensitive to market fluctuations. 5) Captures a smaller percentage of new development, decreasing success and increasing uneven distribution. 6) Difficult to enforce. 7) If weak political will, programs may fail due to underfunding, inadequate incentives and less robust program design.

Required IZ (RIZ): Investors must include a certain percentage of Affordable housing units within new developments, creating stability and equality across the market, enhancing the success and supply of Affordable Housing. As a long term housing solution, Required IZ (RIZ) continues to balance the housing market, allowing for a constant increase in housing supply to Bellingham's workforce residents, while decreasing management costs and risks. Unlike, fully subsidized housing, RIZ integrates housing throughout the community. Required IZ also simplifies rules, creating clarity and consistency that developers require.

Publicly Funded IZ (PFIZ): This type continues to be unnecessarily expensive, decreasing the quantitative and qualitative success of an Inclusionary Zoning program. Although less expensive than a fully subsidized housing project, governments paying investors to create Affordable Housing is fraught with challenges. First and foremost, it is a strain on public resources, where tax based funding should be directed toward public housing for those residents most in need (0-30% AMI). As well, a reliance on a financial solution propagates the challenges and inequities of a market rate system. Programs are also, susceptible to political volatility, administrative complexity, and lack of continuous funding from state and federal agencies.

Incentive IZ (IIZ): Cities can create profits for developers without spending limited tax dollars. Zoning incentives as are listed in Washington State Inclusionary Zoning Law, such as (i) *Density bonuses within the urban growth area*; (ii) *Height and bulk bonuses*; (iii) *Fee waivers or exemptions*; (iv) *Parking reductions*; or (v) *Expedited permitting*, have powerful means to create stable, long term Affordable Housing without relying on public funds. Not only does IIZ create connection between developers, government, and residents but it increases flexibility for developers by having a choice in how they create Affordability, which with the Incentives costs them nothing.

The Beginnings of a Solution

The benefits of combining Mandatory and Incentive based Inclusionary Zoning are powerful.

First, this conclusion may come as a surprise. Local governments and residents have been the recipient of constant lobbying by industry groups who are fearful of Inclusionary Zoning. They have gotten us to believe that the only solution is more market rate housing, everywhere. Where has this gotten us? Only in a worse position than ever. Supply side zoning, only offers trickle down supply to workforce residents, and this economic theory has been disproven time and time again.

Voluntary and Funded Inclusionary Zoning programs are not as powerful as Mandatory and Incentive Based programs, because M and I create more stability in the market, more supply, less cost to the tax payer, actual equality, and longer term housing solutions with a development of an inclusionary culture between government, developers, and residents. That is a real solution.