

Inclusionary Housing Policies

By Grounded Solutions Network

As housing prices rise, so does the value of land. Inclusionary policies seek to capture a portion of the increased land value for affordable housing by requiring or incentivizing developers to include affordable units in developments that would otherwise be entirely market-rate. In this way, 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. In its simplest form, an inclusionary housing program might require developers to sell or rent 10 to 20% of new residential units to lower-income residents.

Scholars like Richard Rothstein have detailed the long history of race-based housing policies and practices in the United States. For example, exclusionary zoning practices (e.g., low-density zoning permitting only for-sale single-family homes) exacerbated economic and racial segregation by preventing developers from building naturally lower-cost homes and apartments, like small houses, duplexes, or apartment buildings.

Inclusionary housing, although not intended to completely right racial injustices embedded in our nation's housing practices, can provide an immediate supply of affordable housing for households earning below the median income in neighborhoods already rich with services and amenities. As research from Raj Chetty at [Opportunity Insights](#) shows, upward mobility within a person's lifetime is highly dependent on where they reside. Providing safe housing in neighborhoods with access to better schools, food, and transportation is one key step to addressing racial disparities in health and wealth.

HISTORY

Inclusionary housing policies have existed for more than half a century. Fairfax County, Virginia, which has the oldest policy in the U.S., passed its first inclusionary zoning ordinance in 1971.

Montgomery County, Maryland, established its Moderately Priced Dwelling Unit program in 1974. Since then, more than 1,000 inclusionary housing programs have been adopted by over 700 jurisdictions across 35 states and the District of Columbia.

LEGAL CONSIDERATIONS

Inclusionary housing programs generally rely on local governments' power to regulate land use. While the right of zoning power granted to governments has been established and upheld for generations, this is still a rapidly evolving area of law. Recent federal court decisions have limited zoning power in ways that do not prohibit inclusionary housing programs but can influence how they are designed.

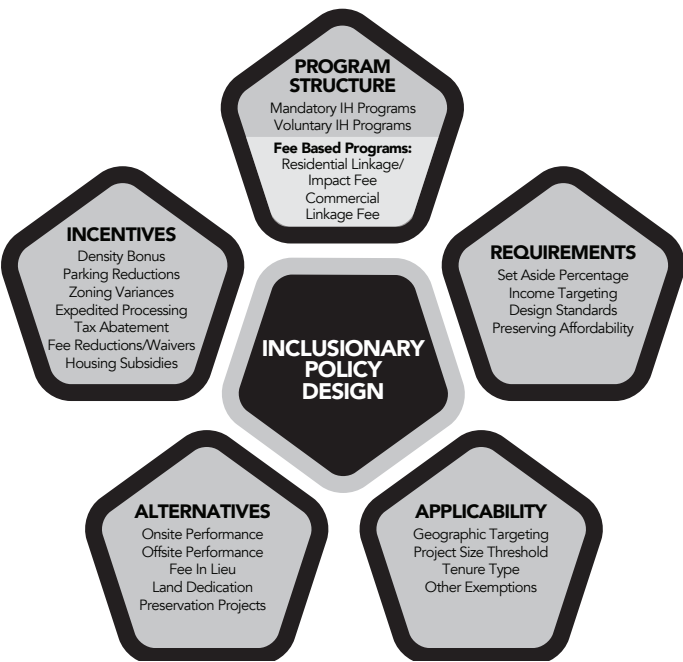
In addition to federal legal considerations, state law can significantly impact the design of inclusionary housing. For instance, in some states, there are statutory limitations on local policies that control rents on private property. In a subset of those states, courts interpreted such laws as rendering mandatory inclusionary policies for rental housing illegal. A few states have adopted legislation that either explicitly permits or preempts (prohibits or limits) local inclusionary housing policies. States also have different legal frameworks regarding municipal authority to enact local legislation; these differences in municipal authority also impact the ability of local jurisdictions to adopt inclusionary housing policies.

The [Inclusionary Housing Map and Program Database](#) summarizes the state legal framework relevant to local inclusionary housing policies for each of the 50 states.

POLICY CONSIDERATIONS

No two inclusionary housing policies are exactly the same. Policymakers in each community must consider several distinct questions. Key policy design questions include: Will the policy be mandatory or voluntary? Will it apply city-wide

or only to certain geographies or neighborhoods? What household income levels should be served to address a community’s housing needs and racial disparities? Will developers be offered incentives to help offset the cost of compliance? Will there be alternative methods of compliance beyond building the affordable units on site? What are the racial equity implications of each of these policy choices?



Every policy addresses each of these questions, though the specific answers differ considerably from place to place depending on local conditions. More details on these policy considerations can be found [here](#).

PROGRAM CONSIDERATIONS

Passing a policy is only the first step in making inclusionary housing successful. Inclusionary housing programs cannot be successful unless they are well-run and adequately staffed, and they must secure sufficient funding for ongoing administrative costs. Communities also need to be able to track program data to evaluate outcomes and make needed changes over time. Key program elements include supporting builders to comply with policy, monitoring rental units, and stewarding homeownership units. Communities can also take powerful steps to advance racial equity through program implementation. For example, programs can set

strong marketing requirements for inclusionary housing units, require developers to select tenants based on a lottery system rather than first come/first served, and limit the reasons that property owners may deny applications for inclusionary housing units (e.g., limit use of eviction and/or criminal record reviews). More details on program implementation can be found [here](#).

CONSIDERATIONS FOR POLICY ADOPTION

At the local level, inclusionary housing policies tend to be popular when the housing market is strong (i.e., housing prices are high and there is sufficient new housing construction). However, there is usually a delay from when an inclusionary housing policy is first considered to the time it is adopted. Given the amount of time that may elapse between consideration and adoption, there could be a downturn in the housing market.

A cooling housing market is one of many reasons to adopt an inclusionary housing policy before the market heats up. More communities with mixed housing markets, like Detroit and Minneapolis, have recently adopted inclusionary housing policies. Inclusionary housing is also appealing during periods of low federal and state funding because it leverages the profitability of new development to pay for affordable housing without significant public subsidy.

In some states, for example, Tennessee and Wisconsin, state preemption laws could impact local inclusionary housing policies. Advocates for local policies in states without a history of inclusionary housing policies should assess the potential risk of triggering a preemptive backlash at the state level.

WHAT TO SAY TO LEGISLATORS

The article *[Ten Ways to Talk About Inclusionary Housing Differently](#)* from [Grounded Solutions Network](#) offers tips to help communicate about inclusionary housing in ways that circumvent common misperceptions and create a new

narrative for policymakers in moderate markets and more conservative political climates.

Some of the key benefits of inclusionary housing that may be compelling to legislators include:

1. **Sharing the benefits of growth.** As housing and land costs increase, relatively few landowners receive most of the benefit. At the same time, often the lowest-income residents bear much of the burden in the form of higher rents and displacement pressure. Inclusionary housing leverages the profitability of new development to pay for new affordable housing units and supports the creation of more economically diverse and inclusive communities.
2. **Economic integration.** Inclusionary housing policies were first developed to specifically counteract a history of exclusionary zoning policies that reinforced economic and racial segregation. A wealth of recent research has convincingly demonstrated that concentrated poverty is a cause of many of the worst social problems and is especially damaging to children. Inclusionary housing has been successful in creating sustainable mixed-income communities.
3. **Conservation of scarce public resources.** Public funding for housing has been declining for decades, and in the current political climate, will probably continue to shrink. New affordable housing development can require over \$200,000 of local investment per unit. Inclusionary housing is one of the few ways to create reasonably priced housing without significant public subsidy. Jurisdictions can adopt inclusionary housing without draining the general fund.

Policymakers are often concerned that inclusionary housing requirements will become a barrier to housing development. While there is little evidence of this outcome occurring at any significant level in real programs, this is an appropriate concern that plays a central role in the debate whenever any community considers affordable housing requirements.

There is evidence that it is possible to set

affordable housing requirements so high that they prevent developers from wanting to build or landowners from wanting to sell. If this happens, it can reduce the housing supply, and ultimately, lead to higher housing prices. However, data suggest that programs that provide incentives and flexibility can successfully require significant affordable housing without impacting market supply or prices. [Economic feasibility analyses](#) can analyze the extent to which local market-rate housing development projects can realistically support a set-aside of lower-cost units without slowing or deterring construction.

Policymakers may also be concerned that the costs of inclusionary housing requirements will be passed on to market-rate renters and homeowners. This is unlikely to happen for two reasons:

1. **Market rate is market rate.** Developers can't "pass along" the costs of inclusionary housing policies to market-rate renters and buyers because those renters and buyers will only pay what the market will bear. If developers and property owners could charge more, they would already be doing so.
2. **Landowners generally bear the costs of inclusionary housing requirements.** One common concern is that if affordable housing requirements are set too high, developers may be unable to make sufficient profits and will choose not to build or to build in another community with fewer requirements. To avoid this, inclusionary housing policies should be written to reflect regional market conditions, while providing flexibility for unique community needs and priorities. Coordination among neighboring local governments and/or basic statewide standards can aid in this process."

[This page](#), *Will Inclusionary Housing Prevent Development?* addresses these concerns in more detail and includes an easy-to-understand video.

FOR MORE INFORMATION

[InclusionaryHousing.org](https://inclusionaryhousing.org).

[Inclusionary Housing Map and Program Database
\(https://inclusionaryhousing.org/map/\)](https://inclusionaryhousing.org/map/).

[Inclusionary Housing Calculator \(https://
inclusionaryhousing.org/calculator/\)](https://inclusionaryhousing.org/calculator/).

[GroundedSolutions.org](https://groundedsolutions.org).