

INCLUSIONARY HOUSING

2018 Workshop

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HOUSING VIRGINIA

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www.housingvirginia.org

What is Housing Virginia?

Housing Virginia is a broad based, statewide nonprofit partnership of public and private organizations and committed individuals. We believe that all Virginians should have access to high quality, affordable housing in suitable locations.

Housing Virginia addresses the significant housing affordability challenges in the Commonwealth by:

Informing discussions with data and information,

Connecting the dots between housing and other critical issues,

Unlocking opportunities with communications and trainings.

TODAY'S GOALS:

1. Inclusionary 101
2. Know the law(s)
3. Learn how to build support
4. Understand the components of inclusionary policy
5. Design your own policy!

PART 1

Understanding the Basics

INCLUSIONARY HOUSING 101



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INCLUSIONARY HOUSING — Basics

WHAT IS IT?

- Wide range of strategies to lower the cost of housing, especially for households with low/moderate incomes
- May be *top-down* (federal requirements) or *bottom-up* (local innovations)
- Examples: Housing trust funds, CDBG funding for rehab, rental vouchers, etc.

WHERE IS IT?

- Many localities across the nation have at least one inclusionary housing policy or program

INCLUSIONARY ZONING — Basics

WHAT IS IT?

- Mandated or incentivized below-market rate homes in new construction
- Policy embedded in local zoning ordinance
- Usually paired with density bonus and/or additional incentives

WHERE IS IT?

- Over 500 localities across the nation have some form of IZ
- Fewer than 15 localities in Virginia have an IZ ordinance

“Inclusionary Housing” and “Inclusionary Zoning” are not synonymous!

INCLUSIONARY HOUSING

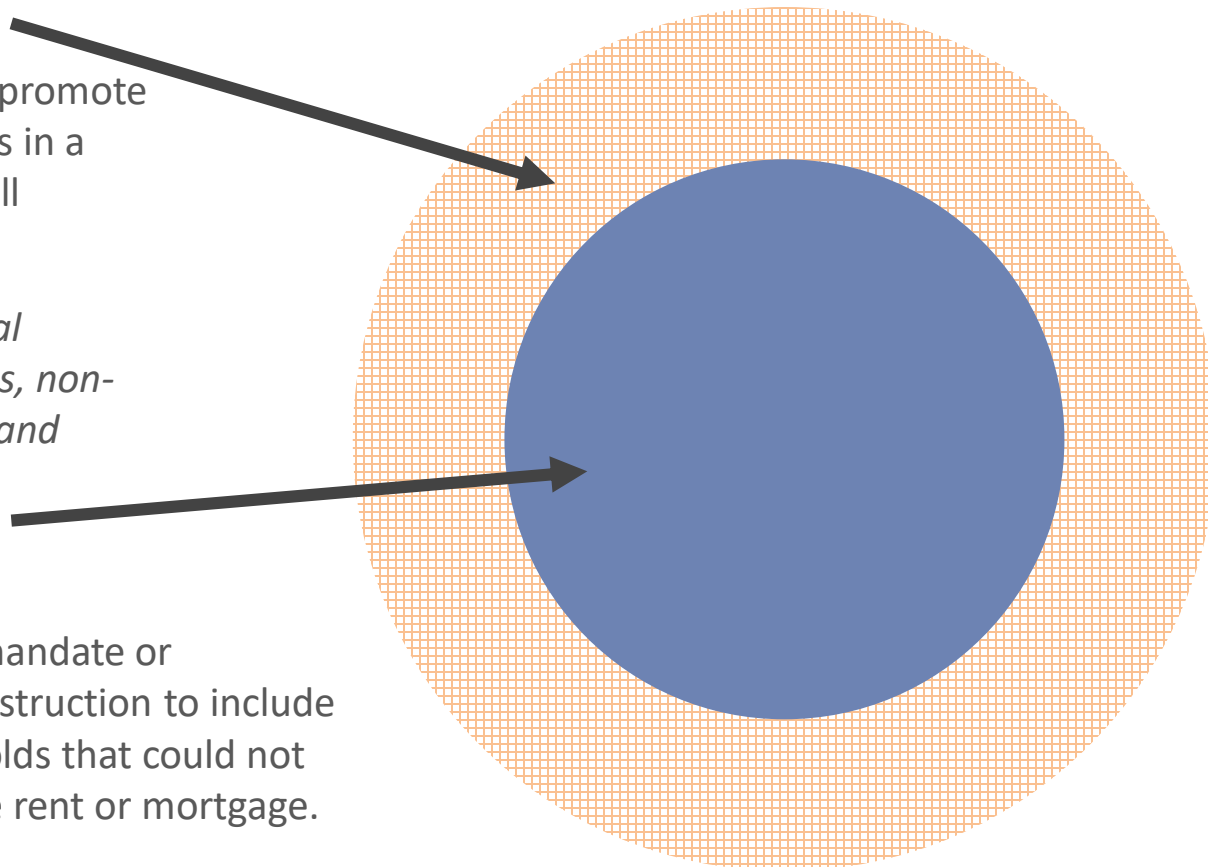
Large variety of strategies that promote a wide range of housing choices in a community for households at all income levels.

Includes zoning, proffers, special financing options, tax incentives, non-profit development incentives, and other options.

INCLUSIONARY ZONING

Local zoning ordinances that mandate or encourage new residential construction to include homes “set aside” for households that could not otherwise afford a market-rate rent or mortgage.

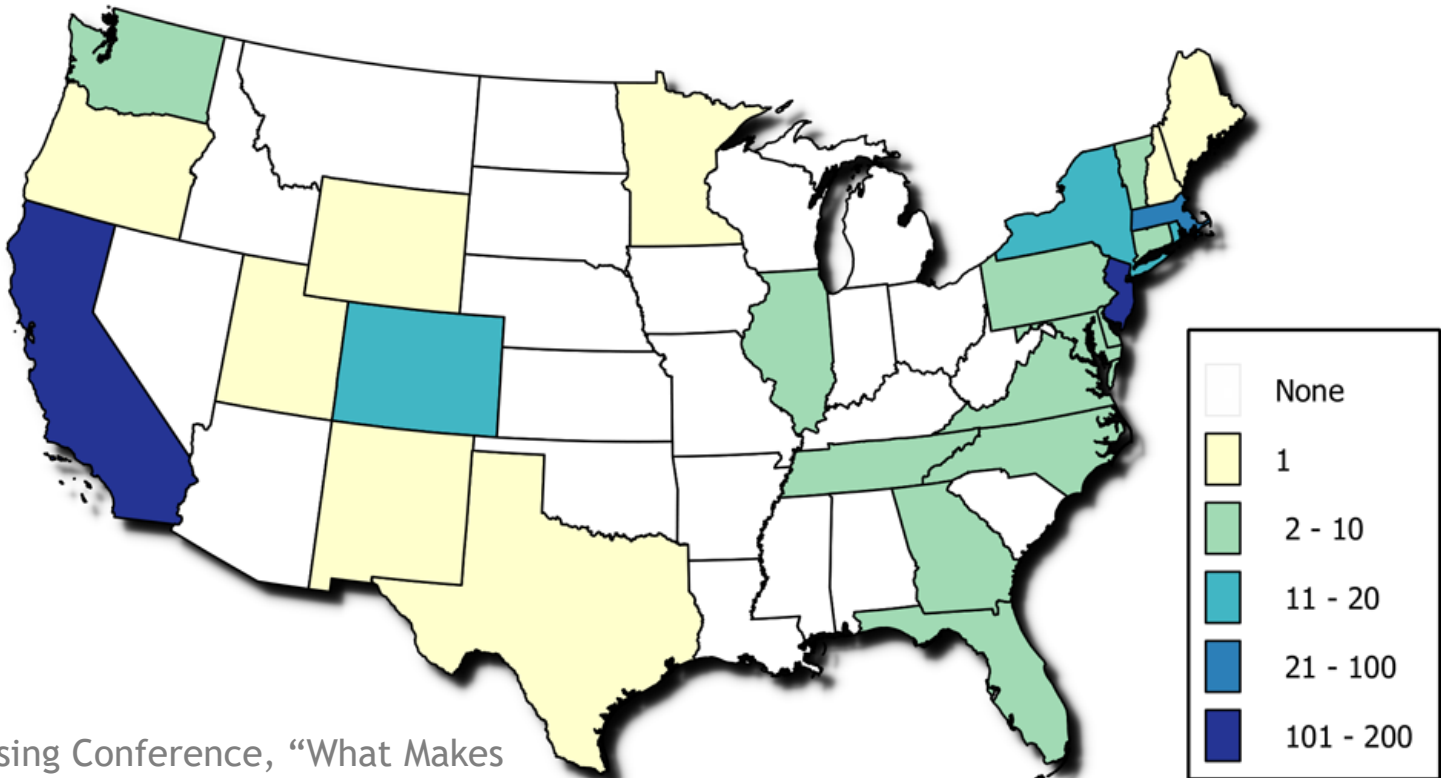
Density bonuses and other incentives are provided to offset costs of providing BMR units.



INCLUSIONARY ZONING — Basics

Total number of IZ programs by state

Figure 1: While many states have IZ programs, the distribution is heavily concentrated. Most states have between 1 and 10 programs, while New Jersey and California both have over 100. Hawaii has one program and Alaska has none.



National Housing Conference, “What Makes Inclusionary Housing Happen” (2016)

INCLUSIONARY ZONING — Basics

Most IZ programs were adopted recently.

Fifty-four percent of local IZ programs were adopted between 2000 and 2009.

More than 80 percent of IZ programs are mandatory.

Developers are required to include affordable units as part of their developments. However, many of these mandatory programs include alternative cost offsets.

IZ programs target low- and moderate-income households.

The majority of IZ programs target households with incomes between 51 and 80 percent of the local area median income (AMI). IZ programs generally do not target very low-income households.

IZ program unit counts tend to be modest.

Forty percent of IZ programs require less than 10 percent of the units be affordable, and 80 percent of the programs require less than 20 percent of the units be made affordable.

National Housing Conference, “What Makes Inclusionary Housing Happen” (2016)

Local Governments with Inclusionary Housing

State Legal Frameworks for Local Inclusionary Housing Policies

Municipal authority is:
- empty -

Does the state have explicit enabling legislation for mandatory policies?
- empty -

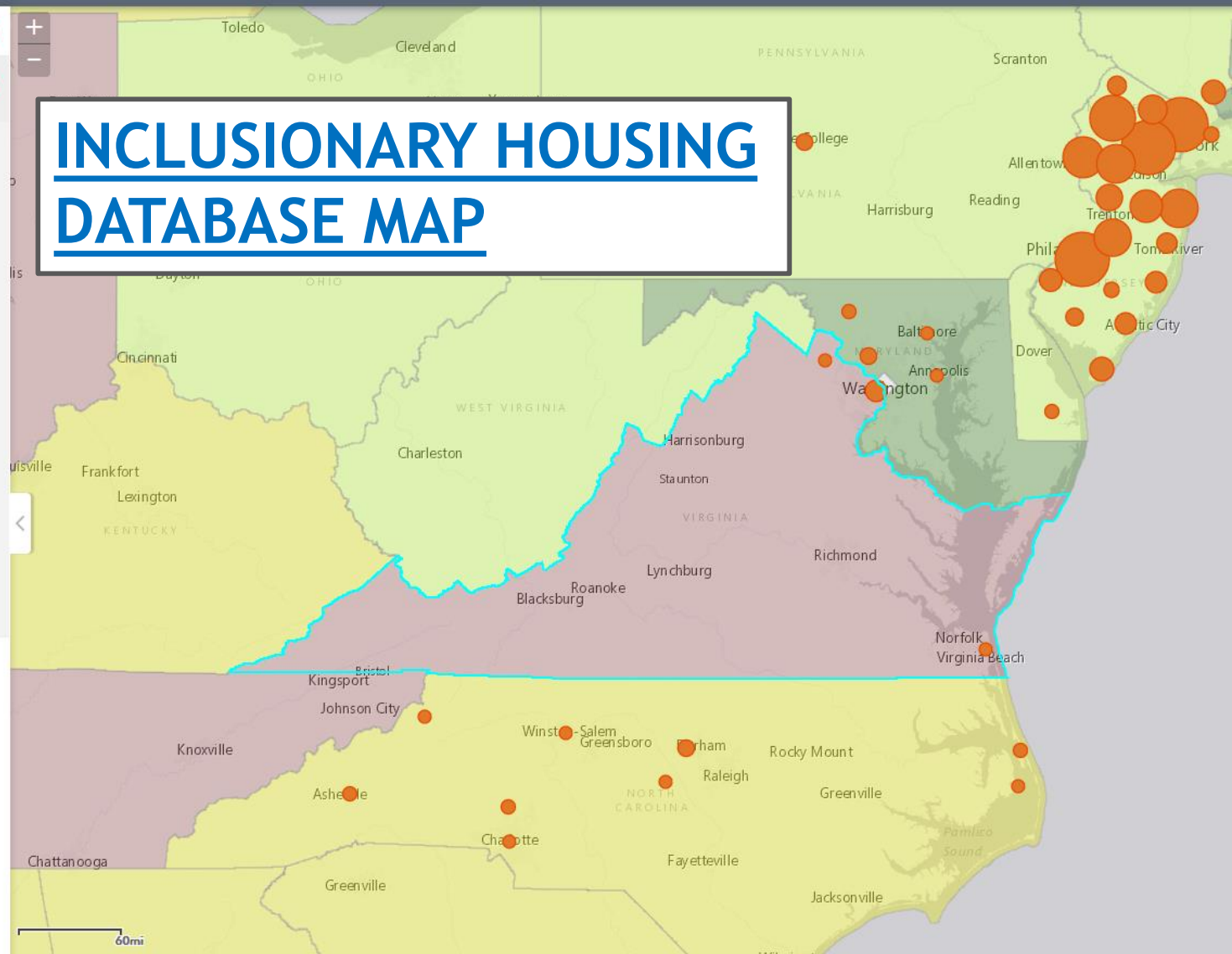
Does the state have explicit enabling legislation for voluntary policies?
- empty -

Does the state has explicit preempting legislation?
- empty -

Rent control limited is:
- empty -

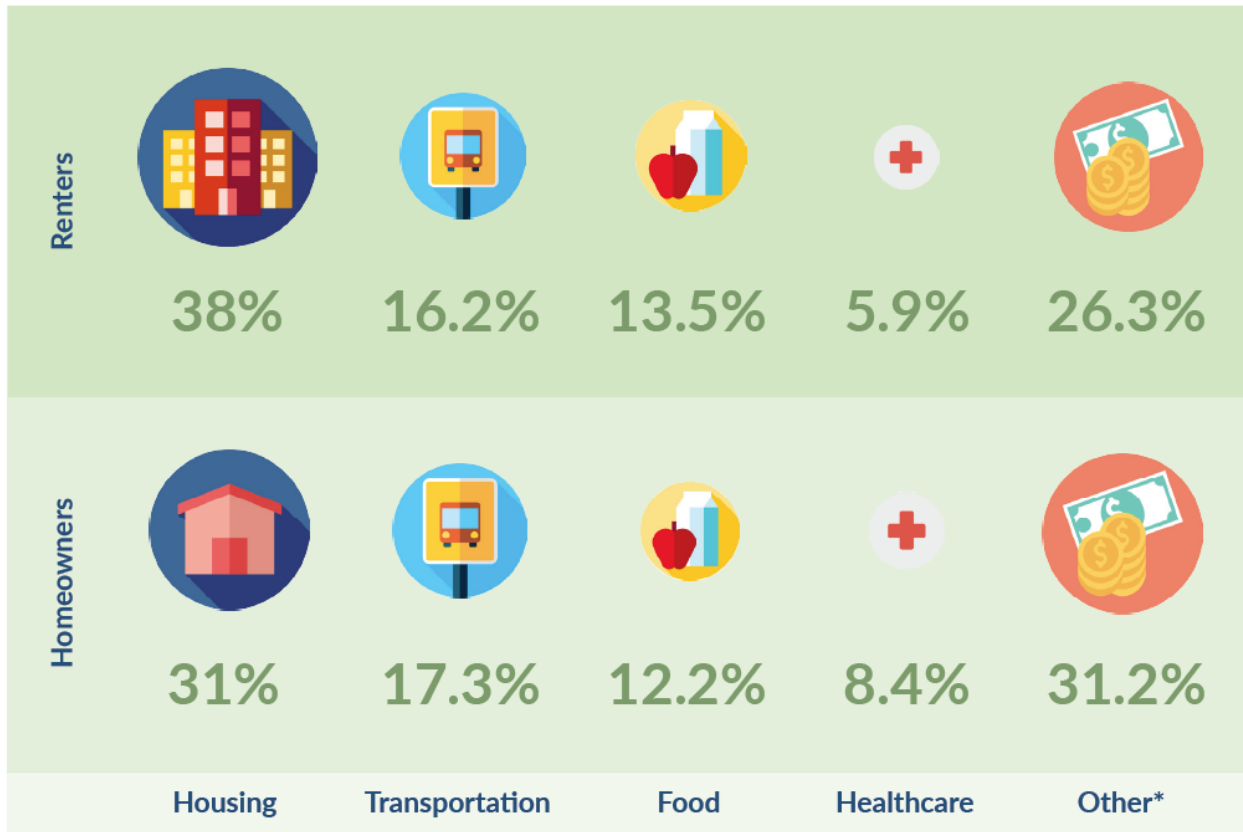
Court has determined that rent control limits preempt rental inclusionary policies is:
- empty -

INCLUSIONARY HOUSING DATABASE MAP



Why do we need inclusionary housing?

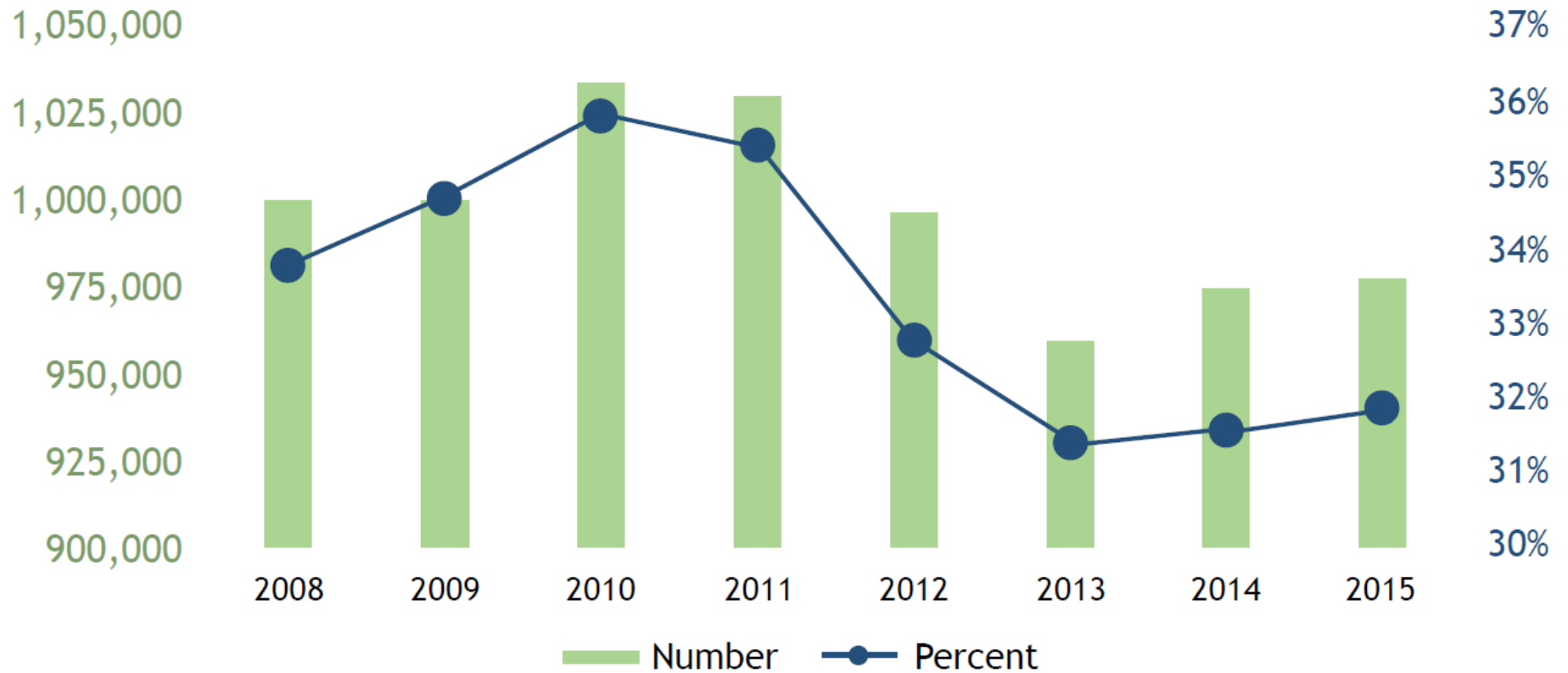
HOUSEHOLD SPENDING BY TENURE (2017)



**Spending categorized as "other" includes: personal insurance and retirement savings, alcoholic beverages, apparel, entertainment, personal care, reading, education, tobacco products, miscellaneous expenses, and cash contributions*

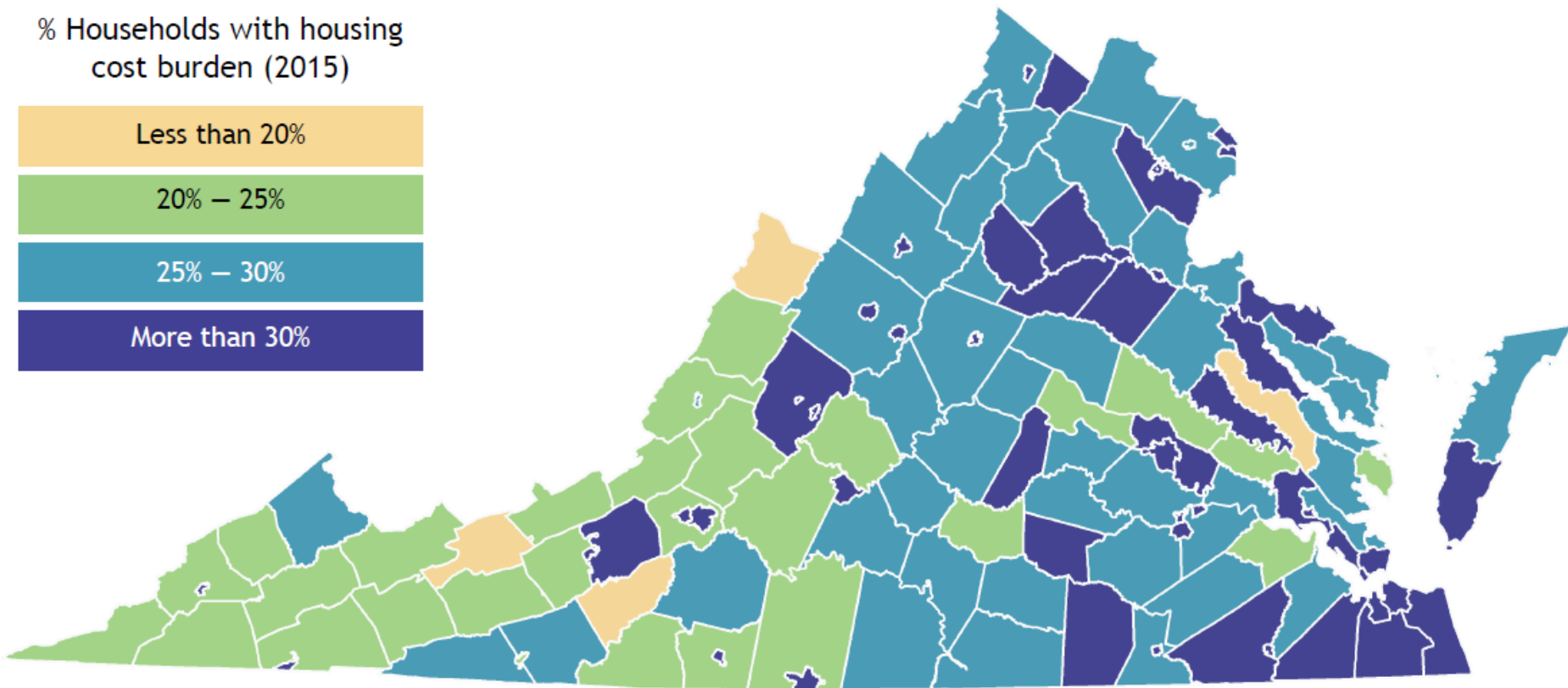
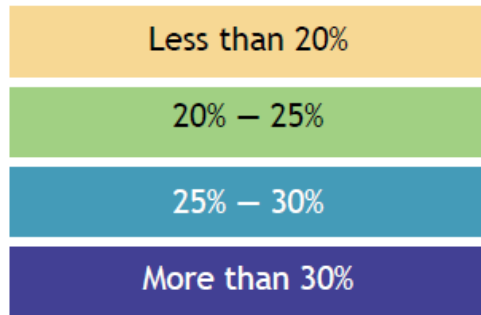
Why do we need inclusionary housing?

Cost burdened households in Virginia (2008-2015)

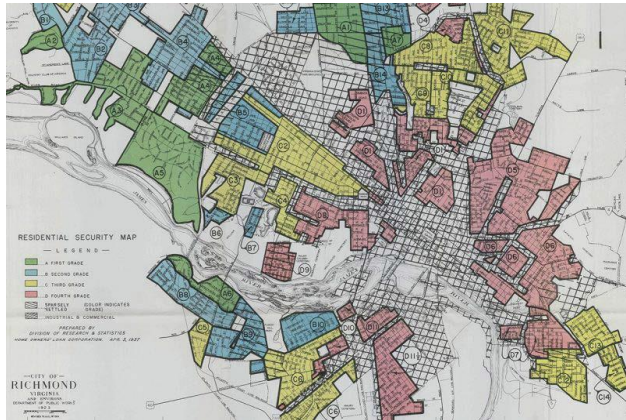


Why do we need inclusionary housing?

% Households with housing cost burden (2015)



Why do we need inclusionary housing?



Hastings Street, before and after demolition, looking north and east. The "before" photo shows Hastings in the mid-1950s. The Hastings strip catered almost exclusively to African Americans and is the true ancestral home of Detroit blues and R&B. In the "after" photo, taken around 1962, Hastings is all but gone as the I-75/I-375 superhighway takes shape. (The southbound service on the west side of the freeway follows its path.) Although the buildings on the west side of Hastings were initially spared, all but two churches were torn down in the ensuing years. (Walter P. Reuther Library, Wayne State University.)



Does inclusionary *zoning* actually work?



Inclusionary Housing A Series of Research & Policy Briefs

Separating Fact from Fiction to Design Effective Inclusionary Housing Programs

By Lisa A. Sturtevant, Ph.D.

May 2016

Inclusionary housing programs generally refer to city and county planning ordinances that require or incentivize developers to build below-market-rate homes (affordable homes) as part of the process of developing market-rate housing developments. More than 500 local jurisdictions in the United States have implemented inclusionary housing policies,¹ and inclusionary requirements have been adopted in a wide variety of places—big cities, suburban communities and small towns.

Does inclusionary *zoning* actually work?



IS INCLUSIONARY ZONING CREATING LESS AFFORDABLE HOUSING?

APRIL 11, 2018

BY EMILY HAMILTON

Does inclusionary *zoning* actually work?

Urban Studies

48(2) 297–329, February 2011

Silver Bullet or Trojan Horse? The Effects of Inclusionary Zoning on Local Housing Markets in the United States

Jenny Schuetz, Rachel Meltzer and Vicki Been

[Paper first received, June 2008; in final form, October 2009]

Abstract

Many local governments are adopting inclusionary zoning (IZ) as a means of producing affordable housing without direct public subsidies. In this paper, panel data on IZ in the San Francisco metropolitan area and suburban Boston are used to analyse how much affordable housing the programmes produce and how IZ affects the prices and production of market-rate housing. The amount of affordable housing produced under IZ has been modest and depends primarily on how long IZ has been in place. Results from suburban Boston suggest that IZ has contributed to increased housing prices and lower rates of production during periods of regional house price appreciation. In the San Francisco area, IZ also appears to increase housing prices in times of regional price appreciation, but to decrease prices during cooler regional markets. There is no evidence of a statistically significant effect of IZ on new housing development in the Bay Area.

Does inclusionary *zoning* actually work?

MacArthur Foundation

HOW HOUSING MATTERS

macfound.org/HousingMatters

POLICY RESEARCH BRIEF

Inclusionary Zoning Can Bring Poor Families Closer to Good Schools

Inclusionary zoning can break up concentrated poverty and position families closer to better schools.

Does inclusionary zoning actually work?

Inclusionary zoning has a scale problem

By Daniel Hertz | 11.2.2016

Over the last few months, we've outlined a number of policy ideas that address the problem of housing affordability by dramatically expanding the number of people receiving some sort of housing assistance. (Low-income people, that is. We think the number of affluent people receiving housing assistance is already pretty high.)

- We suggested taxing the growth in residential property values. Not only might that provide a disincentive to speculation that drives up market prices, but just a one percent tax would have raised \$1.6 billion in the Bay Area in 2013 alone—more than five times San Francisco's historic, but one-time, bond issue for affordable housing under Proposition A.
- We argued for making Housing Choice Vouchers an entitlement. At the moment, less than a quarter of households that qualify for low-income housing assistance actually receive any, because Congress simply doesn't appropriate enough money. But we could pay for housing vouchers for every single qualifying person just by dropping one kind of housing subsidy—the mortgage interest tax deduction—for people making over \$100,000 a year. Actually, that's not quite true: we'd still have more than \$10 billion left over to increase the value of the deduction for the middle class.
- We suggested that, perhaps even better than expanding Housing Choice Vouchers, we could make low-income housing assistance just as easy and automatic as we make upper-income housing assistance. We could put it in the tax code, by creating a refundable housing voucher tax credit.

Does inclusionary *zoning* actually work?

HealthAffairs

CULTURE OF HEALTH

HEALTH POLICY BRIEF | JUNE 2018

HOUSING AND HEALTH: THE ROLE OF INCLUSIONARY ZONING

Key Points

- › Researchers have documented that moving from high-poverty to low-poverty areas can improve some health-related indicators and outcomes.
- › Inclusionary zoning requires or encourages the creation of affordable housing units when market-rate housing is developed, with the primary goal of providing opportunities for disadvantaged families to move to low-poverty areas.
- › Inclusionary zoning policies and programs appear to have a modest but measurable impact on the creation of affordable housing units in lower-poverty neighborhoods, but more evidence is needed.
- › To maximize their effectiveness, inclusionary zoning policies must be tailored to local housing markets and economic environments and integrated into comprehensive affordable housing plans.

Inclusionary zoning policies encourage the development of affordable housing in low-poverty neighborhoods, thereby helping foster greater social and economic mobility and integration.

Better housing is known to improve a variety of health outcomes. [Neighborhood characteristics](#) also have a major impact on health-related determinants, such as the availability of healthy food and exposures to environmental toxins, gun violence, and other morbidity and mortality risks.

The [Moving to Opportunity for Fair Housing](#) demonstration reported positive health outcomes, such as reductions in the prevalence of diabetes and improved mental health indicators, among people given a chance to move from a high-poverty to a low-poverty neighborhood. Studies also suggest that the creation of affordable housing in low-poverty communities could lead not just to improved overall living conditions for disadvantaged families but also to better educational and professional opportunities.

Does inclusionary *zoning* actually work?

IZ SUCCESS DEPENDS ON:

- Local/regional housing market conditions
- Program design and implementation
- Skills and knowledge of local staff
- Cooperation from developers and builders
- Alignment with other [inclusionary] housing efforts

Just putting an IZ policy on the books isn't enough!

PART 2

Legal Framework for Inclusionary Housing

WHAT THE LAW SAYS (or doesn't)



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Content provided by:

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Legal framework:

1. Federal legal landscape
2. Bifurcated state enabling legislation in VA
 1. Fairfax County tries and fails
 2. General Assembly steps up
3. Potential threats and challenges today

Federal legal landscape

DISPARATE IMPACT

When a policy has or would predictably have disproportionate adverse impact on, and/or perpetuates, the segregation of a protected class

- Applicable to Fair Housing Act enforcement
- Inclusionary housing/zoning helps ensure adequate land is available for affordable housing development

AFFIRMATIVELY FURTHERING FAIR HOUSING

Meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities

- Applicable for all localities directly or indirectly receiving HUD funding (CDBG, HOME, etc.)
- HUD has identified IZ as way to address fair housing issues
- Uncertain future for AFFH enforcement
 - HUD revising proposed reg
 - SAFMR – Court mandate to move forward

What do the federal courts say?

- Some have ordered municipalities to adopt IZ as a remedy for exclusionary zoning in violation of the Fair Housing Act
- Thus far, the federal courts have not been receptive to constitutional challenges to IZ based on takings, unconstitutional conditions, and substantive due process theories

Federal legal landscape

**Existing federal law, if anything,
encourages the adoption of
inclusionary zoning at the local level.**

Legal history of IZ in Virginia

DILLON'S RULE

- Local power is limited to that which is expressly granted by the Commonwealth or necessarily implied by an express grant of authority

1971 FAIRFAX COUNTY IZ ORDINANCE

- Fairfax County became first locality in the nation to adopt a mandatory IZ ordinance
- No density bonus or other incentives provided to offset costs

Legal history of IZ in Virginia

Board of Supervisors of Fairfax County v. DeGroff Enterprises, Inc.

- Developers file suit against Fairfax county to avoid obligation to provide BMR units in their projects
- 1973: Suit reaches Virginia Supreme Court
- **Court overturns Fairfax County's ordinance:**
 1. No authority under VA's zoning enabling act (*Dillon's Rule*)
 2. Ordinance deemed a "*taking*" of private property because no compensation (e.g., density bonus) provided

Legal history of IZ in Virginia

GENERAL ASSEMBLY STEPS UP

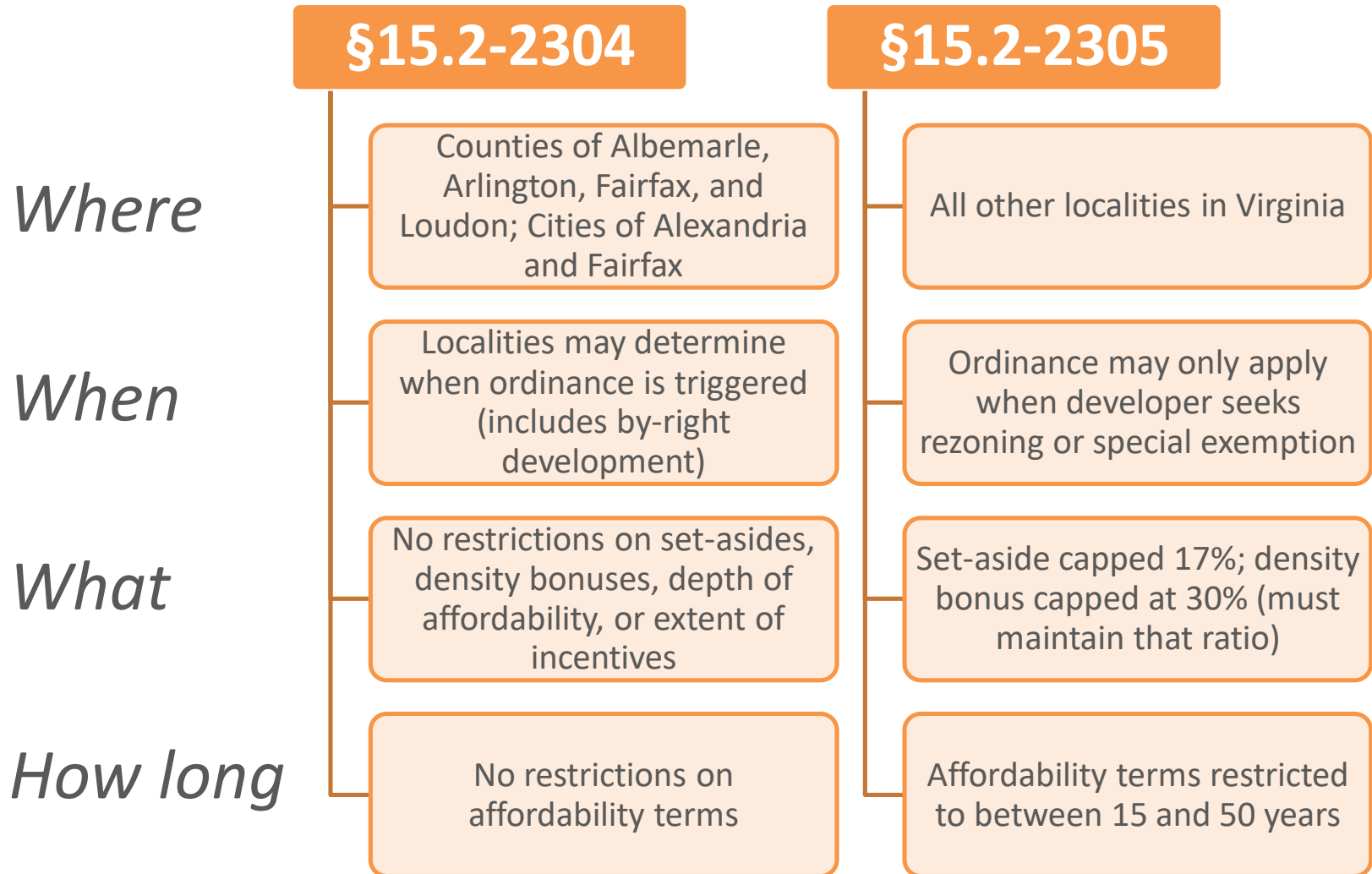
1989: General Assembly adopts **§15.2-2304**

- Enabling legislation for mandatory IZ
- Few constraints on policy design
- Applies to only 6 localities


1990: General Assembly adopts **§15.2-2305**


- Enabling legislation for semi-mandatory IZ
- Greater constraints on policy design
- Applies to all localities beyond 6 in §15.2-2304

Bifurcated enabling legislation

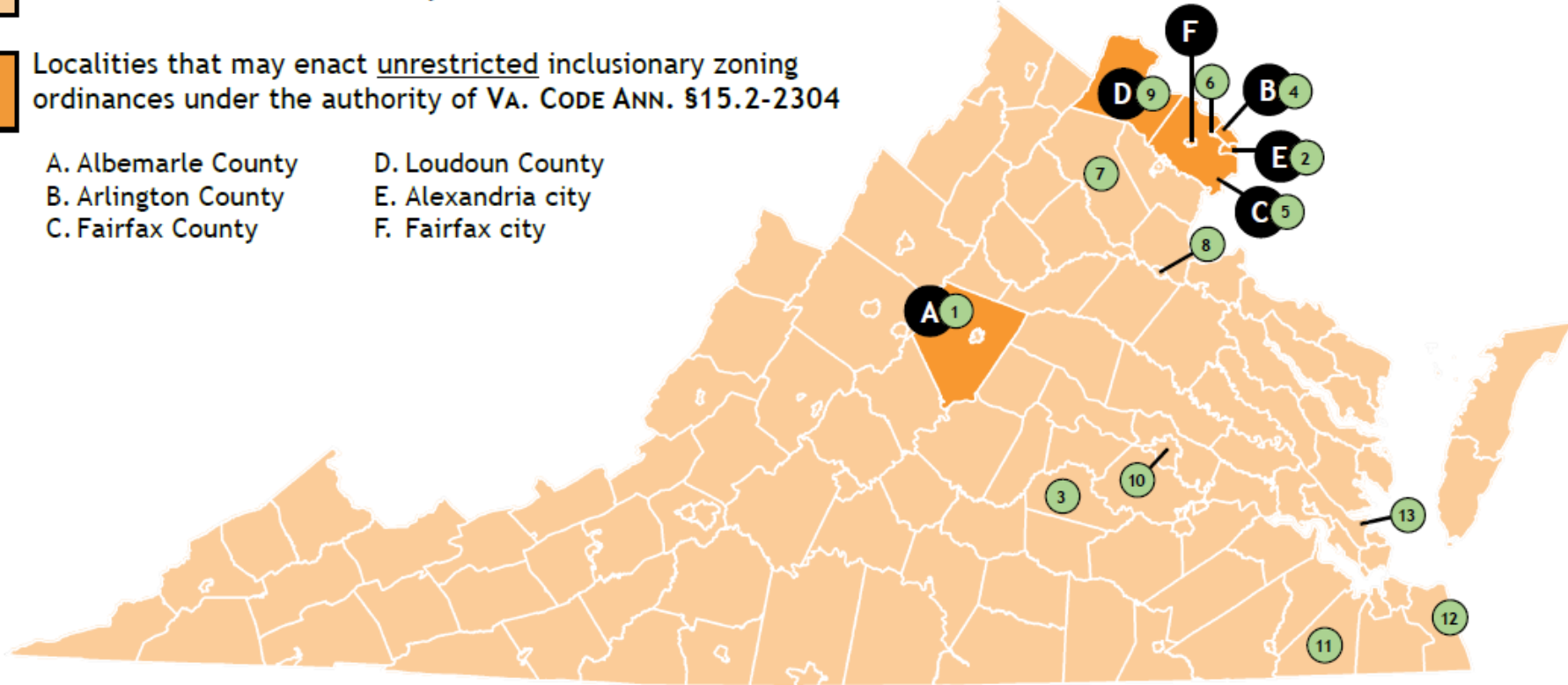



Inclusionary zoning across Virginia

 Localities that may enact voluntary inclusionary zoning ordinances under the authority of VA. CODE ANN. §15.2-2305

 Localities that may enact unrestricted inclusionary zoning ordinances under the authority of VA. CODE ANN. §15.2-2304

- | | |
|---------------------|--------------------|
| A. Albemarle County | D. Loudoun County |
| B. Arlington County | E. Alexandria city |
| C. Fairfax County | F. Fairfax city |



 Localities with any type of inclusionary or ADU ordinance

- | | | | | |
|---------------------|----------------------|------------------------|-------------------------|-----------------|
| 1. Albemarle County | 4. Arlington city | 7. Fauquier County | 10. Richmond city | 13. York County |
| 2. Arlington County | 5. Fairfax County | 8. Fredericksburg city | 11. Suffolk city | |
| 3. Amelia County | 6. Falls Church city | 9. Loudoun County | 12. Virginia Beach city | |

Current legal status of inclusionary zoning

IN VIRGINIA

- **SB290** (Sen. McClellan, 2018 GA session) would have expanded §15.2-2304 to all localities
- Passed Senate; failed House subcommittee

FEDERAL

- Neither SCOTUS nor U.S. Court of Appeals for the Fourth Circuit (which includes Virginia) have declared IZ constitutional or unconstitutional
- SCOTUS has shown interest in, but has not taken up, court challenges to IZ from California

Plan ahead to reduce legal risks

- Analyze and forecast market conditions before designing policy
 - Ensure proper incentives
 - Avoid stifling new development
- Support and contribute to ongoing research of IZ policy outcomes
- Keep an eye on the courts

Other legal considerations

MANDATORY IMPACT FEES

- Impact fees on new development to address affordable housing needs are common in some states
- In Virginia, General Assembly has not given localities explicit authority to levy fees for affordable housing

2016 VIRGINIA PROFFER REFORM

- Prohibits localities from requesting or accepting “unreasonable” proffers
- Impact must be “specifically attributable” to proposed development

Key legal takeaways:

1. As of today, federal law is amenable to adoption of local IZ policies
2. Six Virginia localities in §15.2-2304 have wide latitude for crafting IZ (and most have)
3. Remaining localities must operate within specific boundaries of §15.2-2305

DISCUSSION

1. Given legal constraints, do you think IZ is worth pursuing in your community?
2. What non-legal challenges are there to IZ?
(And inclusionary housing in general.)
3. What other affordable housing strategies might work in conjunction with IZ?

PART 3

Gather Allies, Make Your Case, and Be Prepared

HOW TO BUILD SUPPORT



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Getting to yes:

1. Demonstrate need
2. Gather public and stakeholder input
3. Get the messaging right

1. Demonstrate need

Demonstrate need

DON'T START FROM SCRATCH

- In most cases, a locality and/or housing nonprofit has already crunched some numbers
- Analysis can be part of larger investigation into full spectrum of housing needs

THINK SPATIALLY

- Use sub-jurisdictional data to determine which neighborhoods have greater needs
- Predict where an IZ policy may or may not have impact on development

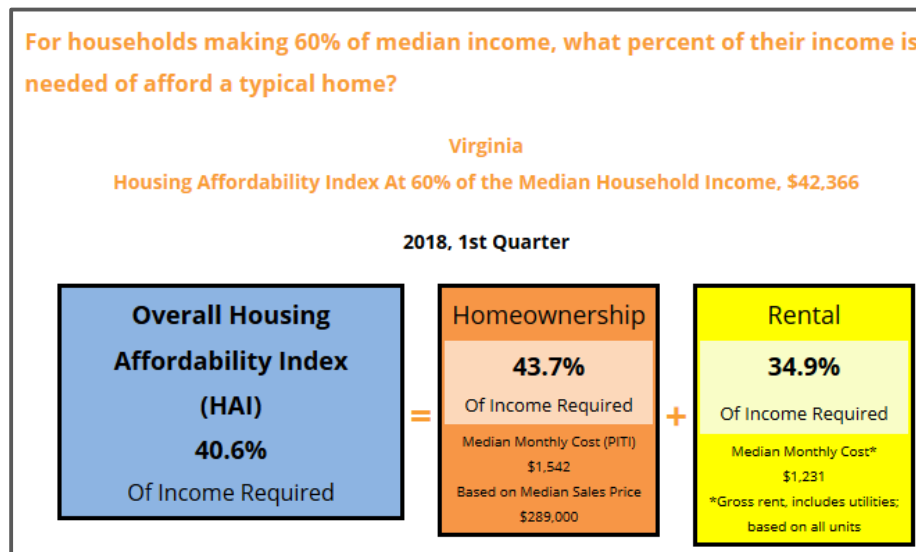
Data you'll need:

- Households by income (as % of AMI)
- Households with cost burden
- Rents
- Home sale prices
- Supply of affordable homes (“natural” and subsidized)
- Building permits / development pipeline
- Development potential under current zoning
- Construction costs
- Assessment values

Current and Trends... What else?

Housing Virginia's SOURCEBOOK

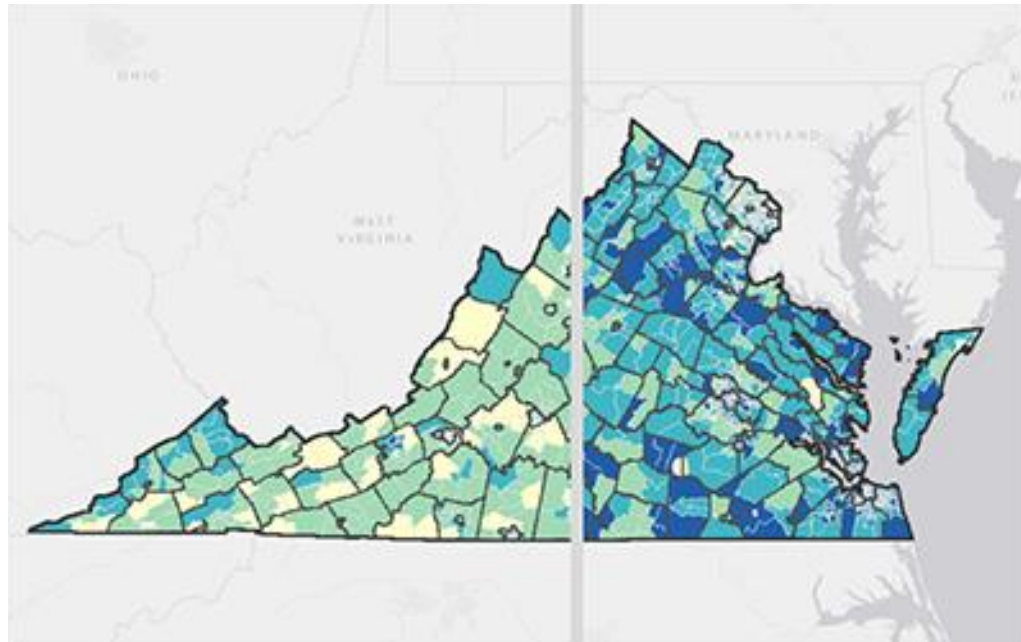
- Compendium of housing affordability data
- Available by state, region, and locality
- Updated quarterly



Data resources

Housing Virginia's MAPBOOK

- Library of interactive maps to show housing needs
- Visually show housing needs at multiple geographies



Data resources

U.S Census / American Community Survey

- Primary source of socioeconomic/demographic data
- ACS data ideal for showing trends over time
- Most recent release: 2012-2016 ACS 5-yr estimates

Comprehensive Housing Affordability Strategy (CHAS) data

- Special tabulation of ACS data by HUD
- Household income and cost burden by % AMI
- Most recent release: 2011-2015 period

CHAS data for Charlottesville City (2011-2015)

Income Distribution Overview	Owner	Renter	Total
Household Income <= 30% HAMFI	535	3,355	3,890
Household Income >30% to <=50% HAMFI	495	1,575	2,070
Household Income >50% to <=80% HAMFI	1,185	1,740	2,925
Household Income >80% to <=100% HAMFI	785	865	1,650
Household Income >100% HAMFI	4,735	2,485	7,220
Total	7,735	10,015	17,750

Income by Cost Burden (Owners and Renters)	Cost burden > 30%	Cost burden > 50%	Total
Household Income <= 30% HAMFI	2,750	2,395	3,890
Household Income >30% to <=50% HAMFI	1,460	680	2,070
Household Income >50% to <=80% HAMFI	1,150	250	2,925
Household Income >80% to <=100% HAMFI	530	45	1,650
Household Income >100% HAMFI	420	15	7,220
Total	6,310	3,385	17,750

[Market at a Glance report](#)

2. Gather input

Gathering public and stakeholder input

BROADEN YOUR BASE

- Inclusionary zoning/housing policies are more likely to succeed when they receive broad-based support from the community
- Don't go it alone—identify and partner with allies
- Constituencies to consider:
 - Residents (homeowners and renters alike)
 - Developers / Builders (for-profit and non-profit)
 - Realtors
 - Advocates
 - *Who else?*

Gathering public and stakeholder input

BE PREPARED TO ANSWER:

- What is inclusionary zoning?
- Why do we need inclusionary zoning?
- How does inclusionary zoning work?
- What will be the results?

Non-Profit Housing Association of California, "Inclusionary Housing Advocacy Toolkit"

Gathering public and stakeholder input

HOW TO RESPOND TO DEVELOPER FEARS

The development industry is often skeptical of inclusionary zoning. *Why?*

- Government interference in the market
- Loss of profits
- Inconsistent application/enforcement
- Fear of the unknown / unanticipated consequences

Gathering public and stakeholder input

SUGGESTED RESPONSES TO DEVELOPERS

1. Providing affordable units may *counter public concerns* that private development does not act in community's interest.
2. High-density development, which is generally incentivized in an inclusionary program, can be *more profitable*.
3. A well-designed IZ policy includes provisions that makes the development process more *predictable and streamlined*.

Gathering public and stakeholder input

CREATE A STATEMENT OF PURPOSE

- Use community input to draft a mission or vision statement for your IZ policy
- Good way to find common ground on:
 - **Values** (e.g., “*Stable homes should be available to everyone in our community.*”)
 - **Goals** (e.g., IZ to facilitate more rental homes for households below 80% AMI)
- Agreeing on the **what** will help you effectively determine the **how** later on

Example Statement of Purpose: Fairfax County

The Affordable Dwelling Unit Program is established to *assist in the provision of affordable housing* for persons of low and moderate income.

The program is designed to *promote a full range of housing choices* and to require the construction and continued existence of dwelling units affordable to households whose income is *70 percent or less of the median income* for the Washington Standard Metropolitan Statistical Area.

Example Statement of Purpose: Fairfax County

[...] the affordable dwelling units should be *integrated within the developments* to the extent feasible, based on building and development design.

In developments where the affordable dwelling units are provided in a dwelling unit type which is the same as the market rate dwelling units, *the affordable dwelling units should be dispersed among the market rate dwelling units.*

3. Get your messaging right.

What is a FRAME?

Frames are *sets of choices* about how information is presented:

- What to emphasize
- How to explain it
- What to leave unsaid

Mackenzie Price, FrameWorks Institute

Understanding is FRAME DEPENDENT

Given the importance of free speech, would you favor allowing a hate group to hold a political rally?

➔ **85% in favor**

Given the risk of violence, would you favor allowing a hate group to hold a political rally?

➔ **40% in favor**

Sniderman & Theriault, 2004

What is a BACKFIRE?

A message *backfires* when it reinforces the audience's existing biases, rather than changing them, even when contradictory evidence is provided.

Tiffany Manuel, Ph.D, Enterprise Community Partners, Inc.

THE BACKFIRE EFFECT

- Studied by cognitive and behavioral scientists for more than 30 years
- *“When misinformed people were exposed to corrected facts in news stories, they rarely changed their minds. In fact, they often became even more strongly set in their beliefs.”* (Keohane, 2010)
- Effect is prevalent in, but not unique to, housing issues

The Role of DATA

Data and facts alone cannot change persons' minds.

Data can be used to bolster strong explanations and value statements.

BREAK

PART 4

Creating Effective Inclusionary Housing Policies

RECIPES FOR SUCCESS



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How to create successful policies:

1. Choose your path
2. Assemble your options
3. Diversify your strategies

1. Choose your path

Inclusionary zoning, three ways:

1. MANDATORY

- Applies only to 6 localities under §15.2-2304
- IZ may be enforced on all new development

2. MANDATORY UPON UPZONING

- Available to all localities under §15.2-2305
- IZ may be triggered when proposal seeks additional density beyond max allowed by-right

3. VOLUNTARY

- Available to all localities
- Optional IZ incentivized by density bonuses, etc.

IZ is NOT a one-size fits all solution



HIGH-COST, HIGH-GROWTH AREAS

- With influx of new construction, well-designed IZ can make significant impact



MEDIUM-GROWTH AREAS

- Effective IZ still possible without negative impact, but need flexible and adaptive policy



LOW-GROWTH, RURAL AREAS

- Affordable housing needs might be better solved with other inclusionary housing strategies, not IZ

Keep in mind:

- Inclusionary programs not designed for their target environments and local economies are...
 - **AT BEST**: Ineffectual
 - **AT WORST**: Counterproductive
- When designing an IZ policy, local governments should consider...
 - Housing needs and trends (already covered)
 - Staff capacity
 - Political opportunities or threats
 - *What else?*

Keep in mind:

- **Mandatory** programs make up **83%** of all inclusionary zoning policies nationwide
 - Generally more effective at (affordable) unit production
- **Voluntary** programs may underperform their mandatory counterparts, but...
 - May be successful when harmonized with the entire zoning ordinance
 - May be successful when local government staff conduct proactive outreach and education

2. Assemble your options

SET-ASIDE REQUIREMENTS

SET-ASIDE RATIO

- Percent of new units that must be affordable
- In Virginia:
 - **§15.2-2304 localities:** No limits
 - **All other localities:** Capped at **17%**
- Most IZ programs nationwide set the ratio between 10% and 20%
- For **§15.2-2305** localities, set-aside ratio must be on “sliding scale” with density bonus

SET-ASIDE REQUIREMENTS

SET-ASIDE RATIO CONSIDERATIONS

- As the set-aside increases, the average per-unit revenue of a development decreases
- Revenue loss potential greater for units that generate higher market rate prices
- “Loss” of revenue from set-aside requirements must be offset by commensurate incentives

SET-ASIDE REQUIREMENTS

DESIGN STANDARDS

- IZ ordinance should require that affordable units are indistinguishable from market rate units
- Consider: size, design, build quality, materials, etc.

ON-SITE OR OFF-SITE

- IZ ordinance may specify where affordable units can be provided
- If off-site allowed, locality may consider guiding affordable units to higher-opportunity areas

SET-ASIDE REQUIREMENTS

CONSTRUCTION TIMELINE

- Some IZ ordinances require affordable units to be finished in their entirety before certificates of occupancy are awarded for the whole project
- Helps guarantee that developers follow through on their commitments

PROGRAM TARGETING

INCOME LIMITS

- Under both enabling statutes, Virginia localities have wide authority to set IZ income targets
- Most commonly defined as percentage of Area Median Income (AMI)
 - AMI set by HUD annually
 - Adjusted for household size
 - [Link to FY2018 income limits](#)

FY2018 Income Limits for Richmond, VA MSA

FY 2018 Income Limits Summary

Selecting any of the buttons labeled "Explanation" will display detailed calculation steps for each of the various parameters.

FY 2018 Income Limit Area	Median Family Income Explanation	FY 2018 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
Richmond, VA MSA	\$83,200	Very Low (50%) Income Limits (\$) Explanation	29,150	33,300	37,450	41,600	44,950	48,300	51,600	54,950
		Extremely Low Income Limits (\$)*) Explanation	17,500	20,000	22,500	25,100	29,420	33,740	38,060	42,380
		Low (80%) Income Limits (\$) Explanation	46,600	53,250	59,900	66,550	71,900	77,200	82,550	87,850

The **Richmond, VA MSA** contains the following areas: Amelia County, VA; Caroline County, VA; Charles City County, VA; Chesterfield County, VA; Dinwiddie County, VA; Goochland County, VA; Hanover County, VA; Henrico County, VA; King William County, VA; New Kent County, VA; Powhatan County, VA; Prince George County, VA; Sussex County, VA; Colonial Heights city, VA; Hopewell city, VA; Petersburg city, VA; and Richmond city, VA.

PROGRAM TARGETING

INCOME LIMITS

- Localities should determine where their greatest unmet housing needs are before finalizing income targets for IZ policy
- In high-cost, high-income areas, consider deeper targeting:
 - EXAMPLE: 80% of AMI for a family of four in Fairfax County is **\$77,450**
- To promote income diversity, IZ ordinances may blend multiple income bands together
 - Individual set-asides for <80% AMI, <50% AMI, etc.

PROGRAM TARGETING

PROJECT SIZE THRESHOLD

- Most IZ ordinances exempt projects under a certain size
- Can be defined using number of units, acreage, or density
- Common exemption: 10 units or fewer

MARKETING TO ELIGIBLE BUYERS

- Effective IZ programs provide guidance on how ADUs will be advertised to renters/buyers
- Consider: selection processes, income verification, waitlist prioritization, etc.

PROVIDING INCENTIVES

- Inclusionary zoning programs are less likely to suppress overall housing production when ample incentives are provided to offset costs
- ***No single prescription for success!***
 - Depends heavily on local market conditions

PROVIDING INCENTIVES

DENSITY BONUS

- Found in nearly all IZ programs nationwide
- Market-responsive strategy to either:
 - **Offset costs** incurred under mandatory program
 - **Incentivize** developer to voluntarily participate
- Bonus allows more dwelling units than allowed in current by-right zoning
- Should be designed to work with existing zoning
 - Don't separately permit equal density without affordability requirements
- In Virginia, density bonus capped at **30%** for all localities not in §15.2-2304

PROVIDING INCENTIVES

EXPEDITING PERMITS AND APPLICATIONS

- Localities may streamline permitting and inspection process for developers in IZ program

FEE WAIVERS

- Localities may reduce or outright wave certain development fees
- Real estate tax abatement also an option

OTHER INCENTIVES TO LOWER COSTS

- **Alternative design standards**
- **Reduce parking minimums**

GUARANTEEING PERPETUAL AFFORDABILITY

AFFORDABILITY TERM

- Except for localities in §15.2-2304, term must be set between **15 and 50 years**
- Most IZ programs have terms greater than 50 years

AFFORDABILITY GUARANTEES

- Commonly enforced by deed restrictions or covenants
- IZ ordinances usually re-instate affordability restriction upon certain transfers or re-sale of property

ALTERNATIVE MECHANISMS

- Highly effective IZ policies offer alternative means for developers to satisfy affordability requirements
- Flexible policies encourage developers to contribute to locality, rather than building elsewhere
- Help account for shifts in markets (land, labor, materials, etc.)

ALTERNATIVE MECHANISMS

FEES IN LIEU OF DEVELOPMENT

- Allows developer to provide payment instead of building/providing ADUs
- May be allowed by-right in IZ ordinance, or only allowed if developer demonstrates burden
- Money often placed in local housing trust fund
- Useful strategy when there are robust non-profit housing developers or service providers

ALTERNATIVE MECHANISMS

MUNICIPAL OR NONPROFIT RIGHT TO PURCHASE

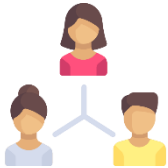
- Allows developer to transfer their completed ADUs to the local housing authority or a local non-profit housing entity
- Useful when developer has no experience in marketing/managing ADUs
- Helps guarantee affordability in perpetuity

LAND DEDICATION

- Allows developer to donate land of equal value to the fee for construction of affordable housing

PROGRAM ADMINISTRATION

ANSWER THESE QUESTIONS FOR LASTING RESULTS:



WHO will take on primary administration and oversight?

- *Municipal employees or contracted out to housing non-profit?*



WHAT kind of program data will be collected and **WHEN**?

- *Number of units produced, total applicants, demographics, etc.*



HOW often will program updates be provided?

- *Quarterly reports, annual updates, comprehensive reviews, etc.*

3. Diversify your strategies

Why diversify your housing strategies?

INCLUSIONARY ZONING IS NOT A PANACEA

- When properly designed, IZ becomes a reliable source of new affordable homes
- Difficult to provide deep income targeting with IZ
- Scale of affordability limited to market demand

COMPLEMENTS AND SUPPLEMENTS

- Better to consider a full spectrum of *inclusionary housing* options (alongside IZ) to meet your community's range of housing needs

Sources of development subsidy

FORGIVABLE LOANS, GRANTS, BONDS

- Immediately reduce project cost
- Federal, state, and local sources
- Examples: CDBG, tax-exempt multifamily bonds, etc.

LOW-INTEREST LOANS

- Administered by various private and quasi-governmental agencies
- Example: VHDA Workforce Housing Loan Program

Sources of development subsidy

TAX INCREMENT FINANCING

- TIF district designates future revenue from increased real estate assessments to fund development
- Can be used to support affordable housing

PUBLIC LAND DEDICATION

- Localities may donate or deeply discount municipally-owned land to developers with affordability requirements on future development

Property tax incentives

TAX ABATEMENTS

- Locality may “freeze” assessed value (and therefore tax liability) for development if it includes affordable units
- Locality may set abatement period

TAX REDUCTION OR RELIEF

- Local assessor may re-calculate assessed value to incorporate affordable units
- Tax liability may be reduced or waived for units owned by nonprofit entity

Additional strategies

HOUSING TRUST FUNDS

- Funding provided by locality and awarded to housing developers and service providers
- Should have dedicated source of revenue
- Trust fund awards help fill development “gap”

RIGHT OF FIRST REFUSAL

- Policy to ensure a qualified nonprofit developer, government entity, or resident association has opportunity to buy affordable housing development if offered for sale

Additional strategies

COMMUNITY LAND TRUSTS

- Nonprofit corporation that builds and manages affordable homes; retains ownership of land
- Ground lease with homeowner ensures perpetual affordability via shared-equity model

LAND BANKS

- Quasi-municipal or nonprofit entities that acquire tax delinquent and/or condemned property
- Properties are strategically reused for community development
- Good source of low-cost land for affordable housing

CASE STUDY

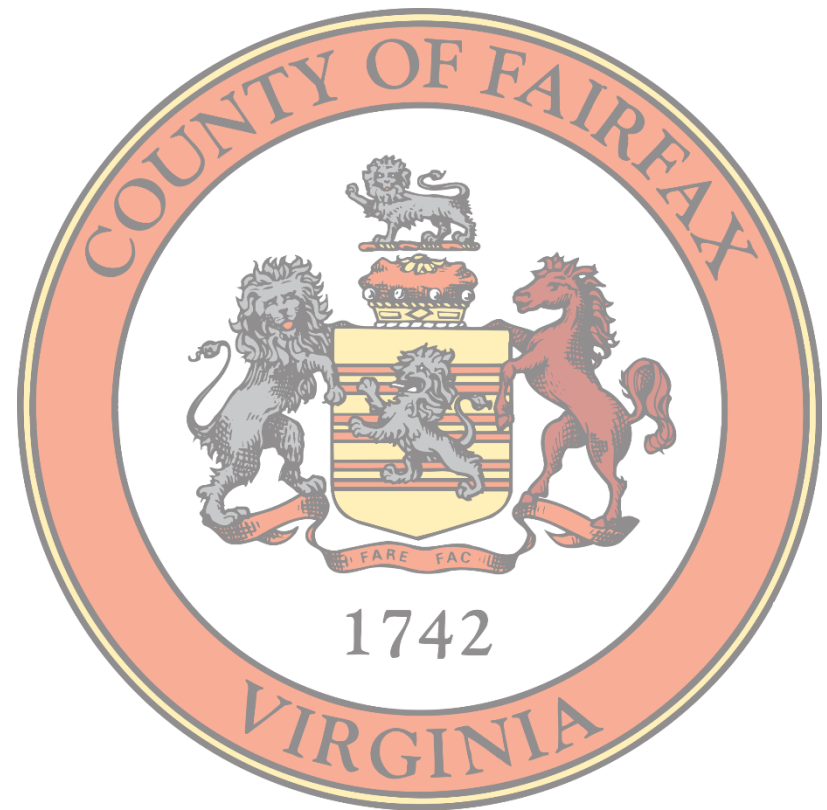
Virginia's first and most successful
inclusionary zoning program

FAIRFAX COUNTY, VA



HOUSING VIRGINIA

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BACKGROUND



COUNTY OBJECTIVE

- 12 percent of all new housing should be affordable

TWO FORMS OF INCLUSIONARY HOUSING

- **Affordable Dwelling Unit (ADU)** provisions of the Zoning Ordinance which applies to “by-right” development
- **Workforce Housing** provisions of the Comprehensive Plan which is supported through voluntary proffers

Affordable Dwelling Unit program



- 1990: Zoning Ordinance amended to require affordable housing in developments with more than 50 units and at a density greater than 1 unit per acre
- Units serve households with incomes up to **70% AMI**
- For **single-family** developments:
 - **20%** percent bonus density is allowed
 - **12.5%** ADU set-aside

Affordable Dwelling Unit program



- For **multi-family** developments (<4 stories):
 - **10 to 17%** bonus density is allowed
 - **5.0 to 6.25%** percent ADU set-aside (depending on construction elements, such as structured parking)
- High-rise multifamily (based on construction type) is exempt from the ADU ordinance

Affordable Dwelling Unit program



TOTAL ADUs PRODUCED

2,791

FOR-SALE ADUs

1,406

RENTAL ADUs

1,385 (among 50 projects)



Workforce Dwelling Unit program



- 2007 Comprehensive Plan recommended **12%** of all new homes in mixed-use centers should be affordable “workforce” no matter building type
- WDUUs targeted to **80%**, **100%**, and **120%** AMI

BONUS PROVISION:

- **1 bonus unit** for each WDU provided
- Max bonus of **20%** density (floor area ratio)

Workforce Dwelling Unit program



INCOME TIERS:

- **Rental** units in *wood/masonry* construction:
 - 80% and 100% AMI split
- **Rental** units in *steel/concrete* types:
 - 80%, 100%, and 120% AMI split
- **For-sale** units in all construction types:
 - 80%, 100%, and 120% AMI split

Workforce Dwelling Unit program



TOTAL WDU_s PRODUCED

1,199

FOR-SALE WDU_s

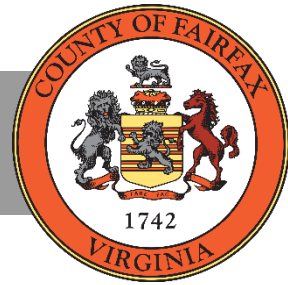
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RENTAL WDU_s

1,195 (among 26 projects)



LESSONS LEARNED



1. Implement inclusionary housing zoning ordinance or comprehensive plan policy as soon as possible
2. Garner broad community and developer support
3. Adjust ordinance or policy as necessary but strive for fair and uniform implementation

GROUP ACTIVITY

DESIGN YOUR OWN INCLUSIONARY HOUSING STRATEGY

1. Break into groups
2. Read over theoretical scenario in handout
3. Answer questions:
 - How would you more thoroughly **investigate housing needs**?
 - How would you go about **developing solutions** for these needs?
 - **What do these solutions look like?**
 - **If using IZ**, what are the program guidelines?
 - Set asides, incentives, program administration, etc.
 - **If using non-IZ strategies**, what are they?
 - Will they help IZ program, if applicable?
 - How would you ensure **long-term success** for these solutions?

Questions and Wrap-Up

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