



affordable housing action spotlight

Understanding Inclusionary Housing

WHAT IS IT AND HOW DOES IT WORK?

Inclusionary housing or inclusionary zoning refers to policies that link the creation of affordable housing with the construction of market-rate development. Inclusionary housing policies appear in two main structures: mandatory and voluntary. Mandatory policies require developers to set aside a percentage of housing accessible to lower and moderate income households for all new residential development. In contrast, voluntary programs impose these types of affordability requirements only if a developer utilizes incentives.¹

In North Carolina, the legality of inclusionary housing is uncertain, causing few local governments to use this strategy to increase the stock of affordable housing.² Most notably, the towns of Davidson, Manteo, and Chapel Hill have mandatory inclusionary housing ordinances. Other local governments use voluntary programs, such as Black Mountain's inclusionary housing bonus ordinance and Charlotte's Voluntary Mixed Income Housing Development Program.

Steps for Designing an Inclusionary Housing Program³

- Define the need
- Decide the program's structure
- Make the detailed policy choices
- Consider incentives
- Decide compliance alternatives

WHAT ARE THE PROS AND CONS?

PROS	CONS
<ul style="list-style-type: none"> • Increases the supply and variety of affordable housing while encouraging economically diverse communities by mandating and/or incentivizing private developers to produce affordable units within market-rate developments • Local government is likely to only bear administrative costs, especially when developers are required to build on-site, affordable units 	<ul style="list-style-type: none"> • Potential to increase the cost of market-rate housing due to a developer's need for sufficient revenues to subsidize affordable units • Production of affordable units is dependent on the area's housing market, which may be influenced by the availability of undeveloped land, the proximity of jurisdictions with fewer regulations, and broader economic forces

(1) Lincoln Institute of Land Policy. "Inclusionary Housing: Creating and Maintaining Equitable Communities." https://www.lincolninst.edu/sites/default/files/pubfiles/inclusionary-housing-full_0.pdf.
 (2) Tyler Mulligan. "A Primer on Inclusionary Zoning." <https://canons.sog.unc.edu/a-primer-on-inclusionary-zoning/>.
 (3) Grounded Solutions Network. "Inclusionary Housing Program: Design Worksheet." <https://groundedsolutions.org/sites/default/files/2018-10/06%20Inclusionary%20Housing%20Design%20Worksheet.pdf>.

Strategies for Local Governments Using Inclusionary Housing Programs

Provide Strong Incentives to Encourage Developers

In a survey of 250 inclusionary housing programs across the U.S., 75% offered incentives to offset costs for developers.⁴

- 1 Adopt a density bonus
- 2 Reduce or waive permitting fees
- 3 Expedite permitting

Consider Compliance Options for Developers

On-site affordable units are the most successful option for integrating multiple incomes, but other alternatives may help encourage compliance.⁴

- 4 Preserve or rehab existing housing
- 5 Require a fee in-lieu or a land donation

(4) Grounded Solutions Network. "What Do We Know About Inclusionary Housing? Lessons from a National Survey of Programs." https://groundedsolutions.org/sites/default/files/2018-11/Grounded%20Solutions%20Network_IH_Policy_Highlight_January_2018.pdf.

Examples in the Triangle Region

In June 2010, the Town of Chapel Hill adopted an inclusionary zoning ordinance. The ordinance mandates set-aside percentages and also establishes development bonuses.

Town of Chapel Hill⁵

How does it work?

Development applications are evaluated through a formal development review process. Once the applications are approved and developments built, the homes created through the Inclusionary Zoning Ordinance are managed by the Community Home Trust. The land trust model helps to ensure permanent affordability.

What type of development does the Inclusionary Zoning Ordinance cover?

The ordinance is mandatory for projects creating 5 or more new units or lots. Although the ordinance does not apply to rental units, an applicant for a rental development may voluntarily follow the Inclusionary Zoning Ordinance. The Town Council may also approve density bonuses for these voluntary commitments.

357
committed affordable units

\$4.2 million
committed payments-in-lieu

(5) Information obtained from Nate Broman-Fulks of the Town of Chapel Hill Office of Housing and Community