

Financial Considerations

The primary attraction of inclusionary zoning is that it provides affordable housing without municipal funding. In addition, inclusionary zoning bylaws aid a community's economic development efforts by providing housing for the local workforce, thus retaining and attracting business investment and potentially increasing the amount of disposable income spent locally. A common concern about inclusionary zoning is that it may slow the pace of development, exacerbating the affordable housing supply problem and acting as a disincentive for private developers who may be considering investing in a community. Studies have shown that inclusionary zoning does not in fact slow the pace of private development in a community. Residential development rates are driven much more by the strength of the local housing market and broader economic and market trends.



For More Information:

Massachusetts Smart Growth Toolkit
<http://www.mass.gov/ocd>

Taking the Initiative – A Guidebook on
Creating Local Affordable Housing Strategies
[http://www.mhp.net/termsheets/
initiativeguidebook/zoningandlanduse.pdf](http://www.mhp.net/termsheets/initiativeguidebook/zoningandlanduse.pdf)

Inclusionary Zoning: Lessons Learned in
Massachusetts
[http://www.mhp.net/termsheets/zoning_12_
14_01.pdf](http://www.mhp.net/termsheets/zoning_12_14_01.pdf)

The Impact of Inclusionary Zoning on
Development
[http://www.bpichicago.org/rah/pubs/impact_iz_
_development.pdf](http://www.bpichicago.org/rah/pubs/impact_iz_development.pdf)

Zoning for Housing Affordability
[http://www.mhp.net/termsheets/
zoningcomplete.pdf](http://www.mhp.net/termsheets/zoningcomplete.pdf)

'Inclusionary zoning: Pros and cons' (New
Century Housing, Oct. 2000)
[http://www.inhousing.org/NHC-Report/NHC-
2.htm](http://www.inhousing.org/NHC-Report/NHC-2.htm)

MASSACHUSETTS SMART GROWTH

Toolkit



Inclusionary Zoning (IZ)

Inclusionary zoning requires a portion of the housing units in certain real estate developments to be reserved as affordable to low- and moderate-income households. This technique can be an effective regulatory tool to ensure adequate affordable units are included in the normal course of real estate development.



The Problem

Communities need ways to maintain their gains in affordable housing during times of overall growth. The best approaches to affordable housing production use the existing



real estate market to advance housing goals. However, during times of growth in the real estate market, a community will likely lose ground in maintaining an adequate supply of affordable units. Adding affordable housing projects on top of that growth can further strain a community's infrastructure and conflict with legitimate master planning goals. As a result, communities are faced with a situation where the vast majority of housing being built is beyond the financial means of low- and moderate-income households.

Inclusionary Zoning Provisions

A mandatory zoning approach to affordable housing (often in concert with a density bonus) is an effective means of increasing the number of affordable housing units and creating a wider variety of affordability levels within a development.

In practice, an inclusionary zoning bylaw may include some flexibility to its mandatory provisions. For example, bylaws may only apply to certain types of development, such as new construction or substantial rehabilitation. Inclusionary zoning bylaws may include “in-lieu-of” payment or construction alternatives providing developers the option of paying a fee per unit, building affordable units off-site, or rehabilitating units elsewhere in place of constructing affordable units within the proposed development.



Inclusionary zoning bylaws typically contain a unit threshold (such as 10 units or more), identify income targets for the population to be served, and identify control periods and mechanisms, such as permanent deed restrictions.