

Inclusionary Zoning: Domestic and International Practices

CONTEXT

“Inclusionary” practices use the planning system and development regulations to engage private developers in providing affordable housing in their market housing developments. The practices capture some of the enhanced land value released by development approvals for the public benefit of affordable housing. Inclusionary zoning (IZ), largely mandatory, was popularized in the United States and has been used extensively to create hundreds of thousands of affordable housing units. In Canada, three major cities—Montréal, Toronto and Vancouver—as well as Richmond and Langford, B.C. and Edmonton, Alta. have formally enacted inclusionary housing policies. Recently, Manitoba, Ontario and Alberta have adopted or are in the process of authorizing inclusionary zoning through amendments to their planning acts.

THE RESEARCH

This project examines and explains IZ and related inclusionary housing practices in the United States (U.S.), England, Australia and Canada. The research provides an overview of the emerging practices in each country highlighting their main similarities and differences, summarizes some of the key lessons for Canada and discusses the future potential of IZ in Canada as a means of providing access to more affordable housing.

The term “inclusionary zoning” (IZ) in this paper is reserved for uniquely American-style inclusionary housing programs used widely across the U.S. These programs, while varied, adhere to a common set of rules and procedures which are distinctly different from inclusionary practices in Canada.

What is inclusionary zoning?

Zoning and development regulations that require a set proportion, typically 10–20%, of new market housing developments to be affordable.

Characteristics:

1. Generally, but not always, regulatory concessions are offered in compensation.
2. Sometimes restricted to developments over a certain number of units (eg, 10, 30 or 50).
3. Typically includes “below-market housing”—both ownership and rental—for moderate-income households left out of the marketplace.
4. Creates mixed-income developments, with affordable housing integrated with the market units.

Figure 1: Example of inclusionary housing with density bonus

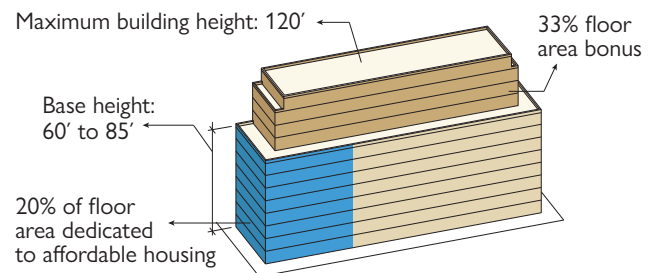


Photo credit: Example of Inclusionary Housing designated area Bonus in an R8A District used with permission of the New York City Department of City Planning. All rights reserved.

KEY FINDINGS

- Inclusionary practices fall into three categories:
 - **Mandatory**—all developments required to provide affordable housing as a condition of development approval. This could be in the form of units, cash-in-lieu, or a land set-aside.
 - **Based on rezoning**—leverages increased density allowed under a rezoning approval in exchange for the provision of affordable housing. Developers have an option to build under the existing as-of-right conditions with no affordability requirement, or apply for a higher density with agreed-to provision of affordable housing units.
 - **Incentive-based or voluntary**—offers incentives to encourage developers to contribute the affordable housing. The developers have the choice to participate.
- In the U.S., inclusionary zoning (IZ) (typically mandatory) is especially notable for integrating affordable housing into market housing. Over time, affordable housing is built widely across the community, providing residents greater choice and better access to services and jobs.
- Based on U.S. experience, essential measures to make inclusionary zoning effective include:
 - making the provision of affordable housing mandatory
 - applying the obligation as universally as possible
 - using fixed and non-negotiable rules
 - targeting “below-market” housing
 - maintaining affordability “permanently”
 - providing limited flexibility

- The key and most fundamental difference between inclusionary practices in Canada and IZ in the US is that IZ requires virtually all developments—not just those selectively getting a rezoning—to provide affordable housing.
- Municipalities in Canada have used a variety of inclusionary housing practices, but they all rely on rezonings—particularly, density increases granted under these rezonings—to secure the voluntary contribution of affordable housing from developers.
- Municipalities in Canada have generally lacked the authority to require or oblige—as opposed to encourage or incentivize—private developers to include affordable housing in their market housing developments.
- England principally uses two ways of supporting the provision of affordable housing: conventional capital subsidies provided by the central government, and developer contributions provided through the planning gain system. The two are used both together and separately, depending upon the type of housing and local conditions. Because of two significant differences in the planning system in England—development rights are separate from land ownership and there is no zoning—the approach cannot be readily replicated in Canada.
- In Australia, inclusionary practices have been used in limited ways and are sometimes associated with, or justified by, the concept of “value sharing”.

Examples of IZ program features

Incentives:

Allowing additional units, through increases in floor area, height or building size, in exchange for affordable housing.

Compliance alternatives:

- Payment of cash-in-lieu
- Construction of affordable units on another site
- Provision of developable land
- Provision of upgraded existing units

Cost offsets:

- Regulatory relaxations (for example, density, height, setback, parking and other limits)
- Fee reductions or waivers
- Fast-tracked approvals

IMPLICATIONS FOR THE HOUSING SECTOR

The recent move by three provinces in Canada to authorize inclusionary zoning through changes to their planning acts could mark a significant change in how inclusionary approaches are used in Canada. With enabling legislation, it may become easier for municipalities in Canada to implement inclusionary zoning. Experience from the U.S. and England demonstrate that mandatory approaches have created hundreds of thousands of affordable housing units. As housing becomes increasingly expensive in many of Canada’s urban centers, IZ is an important tool that can increase housing choices and social inclusion by requiring below-market housing to be integrated into new housing developments in communities and neighbourhoods, particularly in areas of high growth.

IZ can enable municipalities to harness their own powers to engage private developers in the provision of “below-market” or “workforce” housing for moderate-income households left behind by the market. But there are important limitations to what IZ and inclusionary practices can achieve. IZ cannot target very low income or subsidized households without government programs aimed at achieving deeper affordability. Because IZ takes a share of what is being produced, it is dependent on growth. It is not capable of producing affordable housing in communities, or in parts of communities, where little or no market development is occurring. Further, as IZ often results in mixed-income neighbourhoods, local opposition, such as NIMBYism, may delay or prevent the take-up of inclusionary zoning initiatives by municipalities. Regardless, IZ is an important tool that municipalities can use to help address affordable housing needs.

FURTHER READING

Full report – [Inclusionary Zoning: Domestic & International Practices](ftp://ftp.cmhc-schl.gc.ca/chic-ccdh/Research_Reports-Rapports_de_recherche/2017/RR_Inclusionary_Zoning_EN_w.pdf) (ftp://ftp.cmhc-schl.gc.ca/chic-ccdh/Research_Reports-Rapports_de_recherche/2017/RR_Inclusionary_Zoning_EN_w.pdf)

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