

# INTRODUCTION TO IZ

- What is inclusionary zoning
- What are its main features
- What is the experience in the US & Canada

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# What is IZ

Inclusionary zoning is way for municipalities to use their regulatory powers over land-use and development to require private developers to provide some modest amount of affordable housing in their otherwise market-rate residential projects.

# Two Types of IZ Programs

- In mandatory, the developers are required to provide the affordable housing.
- In voluntary (or incentive-based), the developers are asked to provide the affordable housing, and encouraged to do so by incentives.

Simple conclusion: mandatory works, voluntary does not.

# Key Components

- Required Set-Asides
- Price/Rent Limits
- Subject Developments
- Contribution Options
- Cost Offsets
- Affordability Controls

# Required Set-Asides

Programs typically require a standard 10 - 20% of the units as affordable housing.

Note: Programs take a share of what the developer is building.

So, most affordable housing is provided as ownership.

# Price/Rent Limits

- Price or rent must be affordable at set standard income thresholds (by household size).
- Housing in effect is “below-market housing”.
- Housing is generally 25% – and perhaps considerably more – below rent/price of equivalent market units.

# Subject Developments

All residential developments, except for

- those providing affordable housing in other approved ways
- those possibly falling below size thresholds (like 10, 30 or 50 units)

“Big city” programs target only or place higher obligation on developments needing re-zoning.

# Contribution Options

- On-Site Construction
- Fees-in-Lieu
- Off-Site Construction
- Land Contribution

Lesson: Developers will offer fees-in-lieu whenever possible. So use must be limited in some way.

# Cost Offsets

- Density increases
- Fee waivers or rebates
- Reduced development standards
- Fast-tracked approvals

Note: These are all regulatory concessions;  
no conventional funding or property  
tax relief.

# Affordability Controls

Occupancy is limited to income-eligible households by size.

Occupancy is controlled for an enduring period – typically, at least 30 years, if not permanently.

In affordable ownership, these controls are registered on title and passed on through the resale to every succeeding owner.

# Role of Negotiations

- In “greenfield” programs, all rules are set. The housing obligation is fixed, and cost offsets (including density bonuses) are automatic.
- In “big city” programs, the housing obligation is fixed, but cost offsets negotiable.

This distinction important where automatic density bonuses might lead to excessively large development.

# US Experience

- Implemented first in early 1970s
- Used in over 400 jurisdictions across 15 states
- Adopted recently in big cities:  
Boston (2000), San Francisco (2002), San Diego, Denver,  
Chicago, Baltimore & Philadelphia

All are prosperous communities faced with rapidly rising prices and inadequate gov't funding.

# Canadian Experience

- No equivalent Canadian experience.
- In BC, legislation supposedly provides authorization, but only for ineffective form.
- In Ontario, municipalities do not have the necessary provincial authority.

# IZ vs s37 Provisions

## IZ

- mandatory provision
- “all” projects
- below-market housing
- only housing
- regulatory concessions  
(inc. density)

## s37 (& IZ in BC)

- voluntary provision
- selected projects
- “affordable” housing
- community benefits
- additional density

# Toronto's "Large Sites Policy"

When developing a site greater than 5 hectares, the developer must provide 20% of the new housing units as affordable.

So far, this provision has not been used.

Two notable limitations:

- It applies only to relatively large sites
- The 20% share can be taken only from any additional density approved.