



INCLUSIONARY ZONING

Should Housing Developers be Required to Build Affordable Housing?

Sometimes called “Fair Share Allocation”, Inclusionary Zoning is a regulation that requires a certain percentage of all residential dwelling units be priced at a level that is affordable to persons in certain low income ranges, and stay in that price range for years into the future. Such a program was considered and rejected for the Greensboro Comprehensive Plan.

Such programs are rare due to their controversial nature. **Inclusionary Zoning is a local government foray into price controls in a private sector market where there is no monopoly or anti-trust issue, and where government regulation can be shown to be substantially responsible for the costs it seeks to “cut” with pricing controls. What’s more, it exacerbates the cost problems for all other housing price levels, as the price of regular units rise in order to subsidize the “affordable” units. And buyers of the “affordable” units are not allowed to enjoy full appreciation and equity building – one of the main reasons to own a home in the first place.**

A typical ordinance might require 20% of dwelling units to be priced and sold to families making 60% of the city’s median household income (for a family of 4, this would be about a \$95,000 sale price in our area), and to abide by those rules for all resales for some period of time, such as 15 years. Some programs require that the subsidized units look much like the more expensive units in the development, and be interspersed with the other units, not set off in a cluster of their own. **Incredibly, the government has thereby:**

- **forced the buyers of the other 80% of the units to subsidize the lower priced units, thereby raising those prices and reducing the supply of entry-level housing,**
- **further raised the minimum prices for all unsubsidized housing units thereby widening the gap between rich and poor, as those who don’t qualify for subsidies find fewer and fewer units they can afford**
- **limited the amount of appreciation/equity the “affordable” homeowners *are allowed to* accumulate, and**
- **limited the pool of buyers to whom they *are allowed to* sell their homes**

The workforce of our cities: the **teachers, nurses, secretaries, factory workers, firemen and police who do not qualify for subsidized housing, will be less and less able to find housing in the price ranges they can afford.** Discussion of Affordable Housing has for too long ignored the needs of this segment of the population. We absolutely **MUST** start paying attention to the needs of a healthy Workforce Housing supply. It is **essential to successful Economic Development strategies.**

Do not lose sight of the reason America, NC, and Triad governments have made strong commitments to homeownership in everything from the FHA loan program to mortgage interest deductibility to the local dedicated funding source for programs – **The accumulation of equity that comes with homeownership is the foundation of individual financial independence, and thereby reduces the demands on, and costs of, government social services. Inclusionary Zoning runs counter to this tenet. Inclusionary Zoning defeats all the purposes of all other programs designed to promote housing affordability.**