

HOUSING AFFORDABILITY STRATEGIES: LAND USE PRACTICES

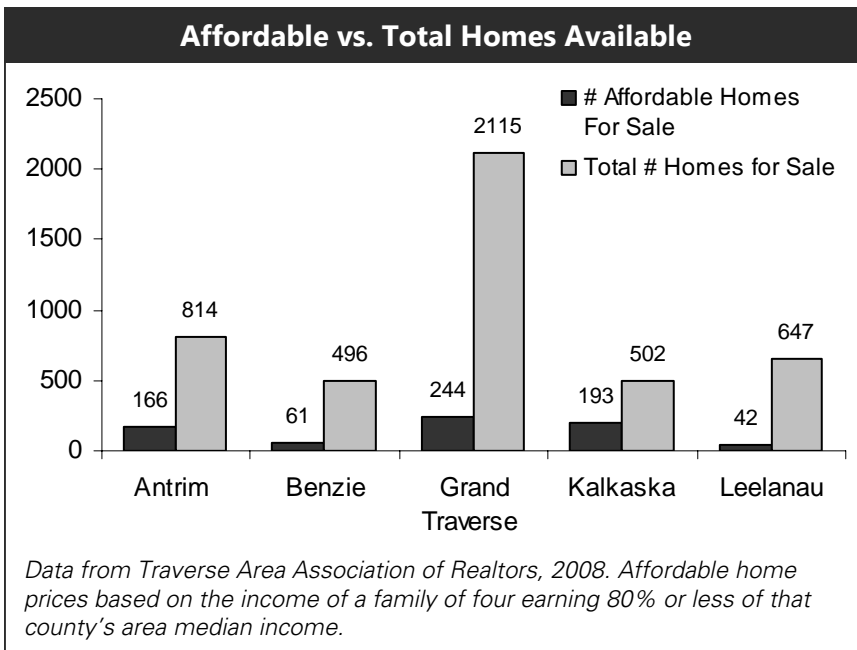
Inclusionary Incentive Zoning

Over the last few decades, many communities in Northwest Michigan have seen rapid population growth translate into new residential development. Much of that new development is unaffordable to large parts of the community.

Several studies over the last few years have found that serious shortages of affordable housing exist throughout the Grand Traverse region. And demographics show that low- or

moderate-income households looking for homes they can afford often have to make do with aging or overcrowded homes in need of repair; while many others move farther into the countryside and far from employment centers and schools.

inclusionary incentive zoning. With this tool, developers include a certain amount of affordable housing in new, mostly market-rate, residential developments. Inclusionary zoning programs have



Many communities are working to address their affordable housing shortages through a technique known as inclusionary zoning or

been effective across the country, especially in fast-growing regions, in improving the supply of affordable housing. They ensure that new growth includes a range of housing types and prices. And they provide the added benefit of integrating those different housing types throughout new developments and existing neighborhoods—a vital element in the creation of healthy, balanced communities.

Policy Pointers

- To be sure that affordable homes built under inclusionary ordinances aren't resold or rented at market value, zoning may require developers to guarantee long-term affordability (i.e. 25 years, or in perpetuity), through deed restrictions or other legal agreement.
- Sale prices of inclusionary units depend on what housing costs are affordable to specific household income levels – usually, 30% or less of a household's monthly income. Different households and income levels—such as very low or low-income— can be targeted by the ordinance.
- Affordable housing needs should be balanced with the amount of new housing development in the community. When deciding what percentage of units in a project should be affordable, it's important to refer to market studies or housing needs assessments.
- Ordinances may require whether affordable homes are to be for sale or rent. Details such as square footage and number of bedrooms may also be regulated.
- Any policies that increase density or promote affordable housing may create concerns within the community about inappropriate development., property values, traffic, and aesthetics. Some of these concerns can be addressed with regulations that ensure a high quality of design that blends well with the neighborhood.

INCLUSIONARY INCENTIVE ZONING In Practice

Many Planned Unit Development (PUD) ordinances throughout Michigan specify that PUDs should expand the supply of affordable housing; but they don't go so far as to state a minimum amount of affordable housing to be included in a development. Two examples of ordinances that tie specific percentages of affordable housing to density bonuses are Leelanau Township and the City of Ann Arbor:

- **Leelanau Township** in northern Leelanau County offers a density bonus as an incentive for affordable housing that's included in a PUD. A density bonus of 25% is granted if 10% to 20% of the development is affordable to a family earning less than the median income of Leelanau Township.
- **The City of Ann Arbor** provides incentives to developers for creating new affordable housing under the City's planned development provisions. When a PUD proposal includes a density increase, the project must provide between 10% - 15% affordable units in the project. To obtain the incentives, developers work out a development agreement with the City, which spells out the details of the housing (i.e., rental vs. ownership, design, etc.), how its affordability will be ensured, and how long the units will remain affordable. Or, developers can opt out of affordable development by making a cash contribution to the City's housing trust fund.



The Midtown development in Traverse City integrated some permanent affordable housing units into an otherwise market-rate development

To encourage builders to participate in inclusionary programs, most ordinances offer incentives that can offset costs and provide valuable flexibility for a project. Density bonuses, which allow a developer to build more units than normally allowed, are a common incentive; but incentives may also include flexibility for parking, height, and setback standards. Regardless of the incentive used, it's important that it's attractive to developers, in order to encourage the use of voluntary inclusionary regulations. By offering carefully designed incentives, local governments can ensure that the inclusion of affordable housing makes economic sense to the builder.

Some ordinances allow the developer to take advantage of inclusionary

incentives, without building any affordable homes within the development. Instead, the regulations may allow the developer to build affordable homes off-site, or to pay a fee in lieu of constructing the homes. These fees, where permitted, are often paid to a community's housing trust fund, to finance affordable housing programs and projects throughout the community.

As our region continues to grow, it's crucial that our newly-built neighborhoods make room for the different household sizes and incomes that are already a part of our communities. Inclusionary zoning has great potential to add to our affordable housing stock while creating balanced, mixed-income communities.

Housing Policy & Outreach in Antrim-Benzie-Grand Traverse-Kalkaska-Leelanau Counties

communityhousingchoices

Community Housing Choices is a New Designs for Growth program intended to further the housing policies of the *New Designs for Growth Guidebook*, and is administered by the Northwest Michigan Council of Governments (NWMCOG). The goal of Community Housing Choices is to ensure sufficient housing choices for the region's workforce, using education, collaboration, and advocacy to promote the adoption of land use and economic tools that will contribute to livable, vibrant communities. Community Housing Choices is designed to assist governments, nonprofits, developers, businesses, and citizens initiate proactive housing strategies in our communities.

This series of best practice resources serves as an extension of housing policies identified in the *New Designs for Growth Guidebook*. For more information on the *Guidebook*, please visit the website at www.newdesignsforgrowth.com, or call (231) 929-5000.

www.communityhousingchoices.org