

TOPIC:

Inclusionary Zoning
(Presented April 2007, Approved April 2007)

POLICY:

The Lehigh Valley Builders Association supports incentive-based, voluntary programs to facilitate the production of a vibrant and diverse housing stock in the Lehigh Valley. However, the Association opposes any effort to mandate set-asides within market rate communities for the purposes of creating affordable housing units. The Association feels this would be a flawed, and possibly harmful, policy.

BACKGROUND:

Through the use of targeted incentives, policy makers can attract private investment for the purposes of producing “workforce” housing. By creating a “housing investment district” within which permit fees are waived, design & siting requirements are relaxed, review processes are expedited, density bonuses are offered, and possible infrastructure subsidies are provided, meaningful headway could be achieved in producing affordable housing. However, until the root problem of escalating regulatory requirements on the housing industry at all levels of government is addressed, “affordability” will continue to be a relative term.

The Lehigh Valley Builders Association recognized the following problems with inclusionary zoning policies:

Problem #1: Dependence on the housing market cycle

Inclusionary zoning relies on market rate housing production to create a community’s affordable housing stock. However, the housing market is cyclical and will not be able to satisfy the needs for affordable housing in a reliable or sustainable fashion. As housing starts decline, so will the production of affordable units. For example, in Montgomery County, MD 80% of affordable housing needs went unsatisfied during the real estate slowdown of the early 1990’s. Affordable housing production shrunk to only 350 units for the county – representing only 20% of the county waiting list for affordable units. As a public policy, we should strive to create a delivery system that can better weather the economic swings of the market.

Problem #2: Decrease in overall housing affordability

Inclusionary Zoning requirements typically mandate that a market rate community dedicate 10%-20% of its units as affordable units (expressed as a percentage of median income); and, that these affordable units be interspersed throughout the community and indistinguishable from market rate housing. Obviously, the cost associated with the production of these homes does not vanish, but rather, is spread out over the cost of the remaining households and borne by those new home consumers. Consequently, the cost of all other market rate housing will rise dramatically to subsidize the inclusionary zoning

requirements. Such a policy unfairly targets middle class families and pushes new home ownership out of their reach.

Furthermore, it is a misnomer that simply adding a density bonus – which often is unachievable due to the constraints of the development site – can adequately offset the new inclusionary zoning “tax” on new market rate home buyers.

Problem #3: Expiration of price controls

Presumably, any inclusionary zoning requirements would contain a provision that the initial (and possible subsequent) homeowners cannot capitalize on the appreciation of the home by selling the property at market rate within a fixed period of time. When these price controls expire in 5-10 years, the prices of the affordable units will jump dramatically eliminating large portions of affordably housing stock. Any public policy decision should insure a reliable and sustainable supply of affordable housing.

Problem #4: Reliance on greenfield development

Inclusionary Zoning ordinances typically stipulate affordable housing set-asides when the builder is developing a community of 25-50 or more units. New communities of this size are predominately located in greenfield areas and rarely, if ever, are part of an infill development. Even though the Lehigh Valley Planning Commission defines a very large “urban area” within the Valley, affordable housing units would still presumably be created in locations without public transportation services or significant employment concentrations such as the high growth municipalities of Lower Macungie, Bushkill, Upper Saucon, etc. More attention needs to be given to inclusionary zoning’s disconnect between homes, jobs & transportation centers.

Problem #5: Promotion of “leap-frog” development practices

Pennsylvania is a commonwealth, and as such, land use decisions like inclusionary zoning lie in the hands of municipalities. Accordingly, it is reasonable to assume that the adoption mandates for set asides of affordable housing will not be uniform across all municipalities. Consequently, it will create an uneven playing field among municipalities visa vie residential development. Builders will tend to avoid municipalities that layer additional regulatory requirements on their business and seek out those that are more economically viable. This pattern of “seeking the path of least resistance” will create a patchwork of development throughout the Valley and produce “leap frog” communities exacerbating traffic congestion and other infrastructure issues.

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