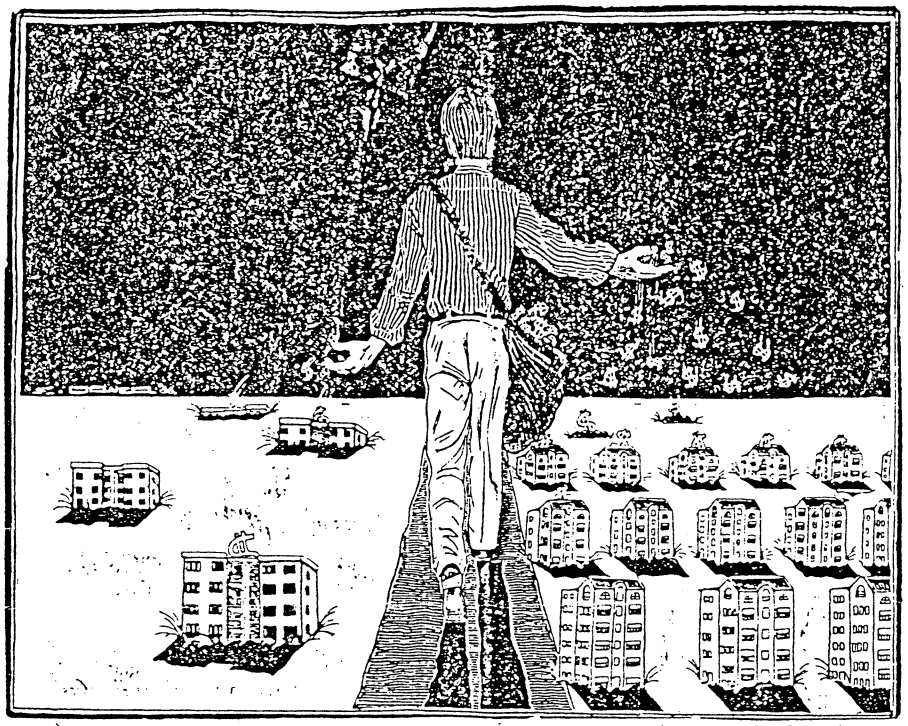
-Boston Globe-

Inclusionary zoning brings affordable housing

ALAN MALLACH



Eric Orner illustration

Inclusionary zoning works. In more than 100 municipalities throughout the United States, ranging from economically mixed older communities to affluent suburbs, these programs have produced thousands of units of low- and moderate-income housing.

In view of this success, and in an effort to address the massive housing crisis faced by Boston, the Flynn administration has proposed an inclusionary zoning ordinance, modeled after many of those enacted elsewhere.

Predictably, the Greater Boston Real Estate Board has mounted a sharp attack on the proposed ordinance, claiming that it will make nearly all housing developments in Boston unfeasible. In the words of Stuart Johnson, president of the board, "It will in the end harm the cause of providing housing for low- and moderate-income families."

These attacks are familiar; three years ago, when inclusionary programs were first mandated in New Jersey, the same criticism was heard from the development and real estate industries. After three years of experience, however, they are heard no longer. Instead, in northern and central New Jersey today, developers are vigorously competing with each other to build housing under inclusionary zoning ordinances. Some examples:

- A recent study of one small area of central New Jersey containing 17 suburban and rural townships found that, at the beginning of 1986, 11 of the 17 townships had inclusionary ordinances. In less than three years, in these 11 townships, nearly 1,800 low- and moderate-income units were occupied, under construction, or pending before local planning boards. In the 50 years before the enactment of inclusionary programs, only 1,300 units of low- and moderate-incoming housing had been built under all the federal and state subsidy programs put together.
- The first large-scale inclusionary project, in the outer suburban township of Bedminster, contained 260 low- and moderate-income limited-equity condominium units in a development of 1,287 units – or slightly more than 20 percent. Prices for the low-income units, marketed in late 1984, started at $27,000; prices for the market rate units went as high as $250,000. After initial skepticism, the developer has since sought development parcels in other townships with similar inclusionary requirements. There is no evidence that the inclusionary requirement impaired either the marketability of the upper-income units, or the profitability of the development as a whole.
- Twenty percent is not the limit. In Plainsboro Township, a developer agreed to build 40 low-income units in return for being permitted to build 100 more market units. In Princeton Township, a nonprofit corporation is developing a 280-unit development, now pending before the planning board, in which 140 units, or half of the development, will be low- and moderate-income housing. The profit on the 140 market-rate units will provide the funds needed to subsidize the lower-priced units.
- New Jersey's largest developer, the K. Hovnanian Company, a volume builder of affordable housing, has embraced the inclusionary concept. In two years, Hovnanian has completed five developments containing 340 low- and moderate-income housing units. Peter Reinhart, vice president of the company, says, "It's an amazing housing market in New Jersey. We can add $6,000 to the price of a market unit, and still be under the market." The Hovnanian Company is now looking into the Boston area.

What does all this mean in Boston? Where the housing market is strong – as it is in Boston, and in most of New Jersey – developers will gladly put up low- and moderate-income housing if that is what local government sets as a condition to build highly profitable housing.

The issue is not whether the community is urban or suburban, but whether the market is strong. In Boston the market is strong enough, and residential development profitable enough, to support an inclusionary requirement, especially the modest 10 percent requirement proposed by the city.

In New Jersey, where 20 percent is the norm, many builders would consider a 10 percent inclusionary requirement a windfall, rather than a burden.

An inclusionary zoning ordinance raises many issues that must be addressed. It is not easy to draft, and successfully implement, an inclusionary ordinance. In New Jersey, as we have learned that inclusionary ordinances work, we have also learned that it takes a major effort by local government to make it work.

The ordinance must be carefully drafted, to be clear in its requirements, and fair in the burdens it places on developers.

The ordinance will not administer itself; it will require careful monitoring to make sure that the low- and moderate-income units reach the households that need them, and that they stay affordable, rather than reverting to market value in a few years.

These are the issues to be dealt with, and the real estate industry has a great deal to contribute to ensure that the ordinance is a fair and workable one. The claims of the Real Estate Board, however, that the modest inclusionary measures proposed by the city will choke off development, the patently false development numbers presented in support of those claims, and Johnson's claims of solicitude for Boston's lower-income families, are no more than red herrings. They contribute nothing to the effort to meet the housing needs of the city's poor.

Alan Mallach, a housing consultant in Roosevelt, N.J., is the author of "Inclusionary Housing Programs: Policies and Practices."

RECEIVED

JAN 22 1987

Mayor Sullivan,

as the City is studying the issue of linkage / inclusionary zoning I thought this might be of interest to you and the other councillors. My apologies for the poor reproduction.

Sincerely
Neil Rohr

Awaiting bill numbers> Fact Sheet on House and Senate

Please support!

[Filed for 1987]

An Act to Combat the Massachusetts Housing Crisis of Lack of Affordable Rental Housing and Homeownership Opportunities

The Problem this bill addresses:

There is a serious shortage of both affordable rental housing and homeownership opportunities for low and moderate income people. With the media[n] price of a home topping $165,000 a family needs an income of over $50,000 a year to buy a home. With an average rent for a 2 bedroom apartment being $650-$850 a month, people must pay 40-60% of their income for rent.

Senate Sponsors: Senators Berry, Albano, Olver, Barrett*, E.Burke, Bolling, Houston, J.Burke, Cellucci, LoPresti*, White, Costello, Golden, Norton

House Sponsors: Representatives Fitzgerald, Gray, McDonough, Rushing, Magnani, Clapprood, Hildt, Beckwith, McIntyre, Mackey, Morrissey, Blanchette, Graham, Businger, Moriarty, White, Brownell, Hodgkins, Honan, Buell, Vellucci *

What this bill does: This bill seeks to increase the production of affordable rental housing and homeownership opportunities. It includes:

1) Affordable Homeownership Program--$50 million for low interest rate mortgages to enable 6000 families earning $20-$30,000 to buy a home.

2) State Urban Development Action Grant (UDAG) Program--$60 million for the crucial grants or loans "gap financing" to enable the production of affordable low and moderate income housing.

3) Increased Rent Subsidies to Lower Income Renters--$20 million increase in Section 707 rent subsidies to reach 5000 additional eligible households.

4) Financing for Tenant Cooperatives--$10 million for low interest loans to save tenants in apartment buildings and mobile home parks from displacement due to condo conversions, rent increases, or park closings.

5) Housing Bond for Construction and Renovation of Housing--$381.6 million

a) $100 million for Chapter 705 scattered site public housing
b) $66.6 million for Chapter 667 elderly housing
c) $40 million for Chapter 689 handicapped/special needs housing
d) $100 million for Modernization of state financed public housing with set asides for asbestos removal, day care, elderly housing repair
e) $75 million for Modernization of federally financed public housing with set asides for asbestos removal, day care, elderly housing repair

6) Security in Public Housing--$6 million for security programs in elderly and family public housing in high crime areas

7) Low Interest Home Improvment Loans to Low Income Homeowners--$10 millio[n] targeted to elderly and non-elderly at less than 50% of median income

8) Low Interest Loans for Deleading and Rental to Families with Children--$3 million for deleading if rented to a Section 8 or 707 certificate holde[r] or family, with children, within the same income guidelines

9) Housing Innovations Fund--$10 million for transitional housing for the homeless, battered women's shelters, and other innovative forms of housing

10) CEED Funding for CDC's--A $1.3 million increase in funding for CDC's

11) EOCD Administrative Budget--$952,765 increase for 38 positions

12) Housing Trust Fund for Affordable Housing Funding from Private Sources-a real estate transfer tax, interest earned above 5% on tenant security deposits, excess interest on homeowners property tax escrows, downpayment escrows--undesignated interest [r.e.transfer tax is like the land bank bills

For information, contact Mass. Affordable Housing Alliance(MAHA) 262-3285

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Comm. from Neil Rohr, transmitting for informational purposes a copy of an article from the Boston Globe Re: inclusionary zoning & affordable housing.

In City Council,

February 2, 1987

Placed on File