

DRAFTY DRAFT

White Paper – Inclusionary Zoning

Council President Ray O’Connell created an Ad Hoc Committee to review inclusionary zoning after the presentation of a draft bill to City Council at a public meeting. The Committee consisted of Council Co-Chairs Julio Guridy and David McGuire, Ce-Ce Gerlach and Alan Jennings. Councilpersons Ray O’Connell, Daryl Hendricks and Roger MacLean, Scott Holbert of the Solicitor’s Office and Jeff Glazier, City Controller participated. Leonard Lightner, acting CED Director; David Kimmerly, Tom Broadhead, Jesse Sadiua – city staff, Don Bernhard, Robert DiLorenzo - Center City, Jessica Ortiz, Robert Trotner, and Ken Heffentrager attended the meeting. The meetings were public and advertised as such. The committee met three times. A synopsis of the discussion is included in this report as are copies of all the information reviewed by the committee.

Inclusionary zoning (also known as below-market housing or inclusionary housing) refers to an affordable housing strategy that requires developers of new market-rate real estate to sell a percentage of units in their new development at below-market rates. Percentages generally are in the 10-20% range. Typically incentives are included to offset the costs – a density bonus (the most popular), square footage standards, parking requirements, fee waivers and expedited approval.

Ms. Gerlach presented the case for inclusionary zoning – citing evidence of the need for affordable housing based on income and rental information in the city; and conclusions of studies evaluating the impact of this zoning tool. The National Housing Conference’s (NHC) Center for Housing Policy concluded for example: “The most highly regarded empirical evidence suggests that inclusionary housing programs can produce affordable housing and do not lead to significant declines in overall housing production or to increases in market-rate prices.” Ms. Gerlach has tirelessly advocated extending the benefits of development in the NIZ extending to the surrounding neighborhoods and creating opportunities for residents be it through inclusionary zoning (below market rate housing) or other mechanisms like jobs or community benefit type agreements.

Mr. Lightner, interim DCED Director, committed to researching how other municipalities have used inclusionary zoning after an initial meeting. In a follow up meeting, Mr. Kimmerly reviewed ordinances from other cities and the housing affordability in certain census tracts in Allentown.

Bethlehem adopted an overlay across a few districts that gave developers a density bonus for creating affordable housing in 2012. The program was voluntary to date, no one has taken advantage of it.

Pittsburgh is in the process of developing an affordable housing strategy with inclusionary zoning as a component. It might operate in a mix with other programs such as Housing Trust Fund, maintenance of existing stock, and tax incentives for affordable housing. The city is still in a research/evaluation phase. State College has a provision in their code, they do include a fee in lieu of affordable housing units that goes to a trust fund to be used for affordable housing.

There was significant discussion in terms of what might constitute the sweet spot – what incentives might exist to allow developers to build affordable units without chasing away potential development and adversely impacting the marketability of the project.

Housing affordability is a problem in the center city area – median household income in Census Tracts 8, 10 and 97 do not meet the 30% HUD rule – (median income/12*.30-net income). The tables are attached. The review included tracts constituting center city – the analysis did not include areas outside the center city area like the wards which are the poorest areas in the city and Lehigh Valley for that matter.

Mr. Lightner noted he will be partnering up with people going forward to develop a strategy to deal with affordable housing and the housing stock in general. Ms. Ortiz, for example, noted realtors are willing to partner up with the city to get at the problems, she noted landlords are circumventing the city's processes. A Center City representative was at the meeting. These groups and others participate in the UpSide Allentown project.

Findings:

The City and various agencies have been dealing with the issue of affordable housing and the condition of the housing stock for the last three decades; and to borrow a phrase from Mr. Jennings, we 'refresh' ourselves every few years around a new set of resources and initiatives.

While there is evidence that inclusionary zoning is a good tool to provide affordable housing in certain municipalities, the Administration's position at this time is they lack sufficient data to make a decision on enacting an inclusionary zoning ordinance.

Inclusionary zoning more likely to work in a robust market and with other tools like a tax abatement or housing trust program.

Inclusionary zoning doesn't get as far as you need to go on affordable housing and getting at other issues related to low income and substandard housing.

A Community Housing Coordinator position has just been created that is charged with thematically examining these items.

We recognize competing interests. Housing needs to be affordable for city residents and a good mix of housing and income groups is optimal. 58% of subsidized housing in Lehigh County is in Allentown, while the city accounts for 33% of the county. A 2014 study (Fels report) concluded the city needed more market rate housing.

Inclusionary zoning should be a county wide policy – but without incentives or legal action we recognize difficult obstacles.

The NIZ does not have a big subsidy for housing.

We need to define what affordable housing means – if someone can only afford \$400 a month for housing, it is unrealistic to think a developer can make the numbers work without subsidies on either end.

There are inadequate resources to deal with the issues related to affordable housing from the city and state. The city needs to fully staff the CEDC – especially inspectors.

A comprehensive approach to revitalizing neighborhoods is needed and this includes items the city lacks control of – good paying jobs and the educational system.

The City should focus on revitalization of certain specific areas and direct resources appropriately.

Actions Items:

The Community and Economic Development department is actively working on many issues relating to housing and revitalizing city neighborhoods: Upside Allentown is meeting with groups like the Lehigh Valley Realtors Association, development of a housing strategy..... More things here....

The city needs to be more data driven in general. The CEDC department needs to take efforts to create a data base and quantify issues relating to housing.

At this point in time, CEDC is not committed to adding inclusionary zoning to our code. This does not mean they do not support it, only that it needs more study which they will pursue. They plan to review inclusionary zoning in formulating the comprehensive plan.

Intension was expressed to gather more information on Bethlehem's ordinance, keep track of Pittsburgh's action on the issue and meet with developers – a number of people were mentioned to look at options – Zack Jandl, Neal Kopplin (commercial investor), Tom Williams and JB Reilley were mentioned throughout the meeting.

Explore options of an impact fee on developers to use for affordable housing or items that benefit surrounding neighborhoods like a community center; consider public improvements as part of an impact fee.

City should look at opportunities for affordable housing on a project by project basis.

Look at establishing a voluntary plan with a 10-20% density bonus.

Identify the worse housing areas in the city.

Inspections need to be fully staffed – need manpower and resources to get at this issue.

Council's Community and Economic Committee should exert oversight on the following areas: push for filling vacancies, review and ensure the development of a housing strategy and better data collection systems, analyze inspection reports, and participate in Upside Allentown.

Attachments/Info Reviewed:

Draft Legislation on Inclusionary Zoning – Composite draft of legislation from Ms. Gerlach and other information

Inclusionary Zoning Report – DCED staff

Upside Allentown Report – DCED staff

Solicitor Review of Proposed Ordinance/Procedures

Inclusionary Zoning Report – Guide/Model Regulations – Lehigh Valley Planning Commission (December 2008)

Strategies for Increasing Housing Affordability – Lehigh County Planning Commission

Cambridge Incentive Zoning Ordinance Nexus Study

Downtown Housing Assessment for City and ANIZDA – Interns

<http://www.citylab.com/housing/2016/06/what-we-know-about-inclusionary-zoning-thus-far/485072/>

<http://www.pressherald.com/2015/09/24/study-inclusionary-zoning-doesnt-stifle-development-raise-rents/>