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RESEARCH SUMMARY

Inclusionary Zoning and Housing Market Outcomes

In the face of high and rising house prices, some localities are turning to inclusionary zoning as a way to increase affordable housing. Under **mandatory** inclusionary zoning, housing developers are required to provide a portion of affordable housing units in new market-rate developments. Typically these programs include density bonuses, which give developers the right to build more housing than would otherwise be permitted, to partially or fully offset the cost of providing subsidized units. **Optional** inclusionary zoning programs give developers incentives to provide subsidized units in exchange for density bonuses.

As its name suggests, inclusionary zoning has been promoted as an antidote to exclusionary zoning policies. Exclusionary zoning rules include minimum-lot-size requirements, multifamily housing bans, and other rules that limit the housing supply in a jurisdiction and thereby drive up housing prices.

Despite its intentions, inclusionary zoning may exacerbate regulatory constraints and affordability challenges by acting as a tax on new housing construction. In "Inclusionary Zoning and Housing Market Outcomes," Emily Hamilton examines inclusionary zoning's effects in the Baltimore-Washington region.

- *Mandatory inclusionary zoning is associated with an increase in house prices*. Hamilton concludes that mandatory inclusionary zoning in the Baltimore-Washington region has increased prices by about 1 percent for each year that the program has been in place in the jurisdictions that have adopted it.
- *Mandatory inclusionary zoning is not associated with a decrease in new housing construction in the Baltimore-Washington region*. While other studies have identified a decrease in new housing supply with the implementation of inclusionary zoning, this study finds no evidence that inclusionary zoning has reduced the number of new building permits.
- *Optional inclusionary zoning programs may not offset developers' costs of providing subsidized housing*. Most optional programs in the Baltimore-Washington region have been unsuccessful in producing affordable units. This indicates that the value of the programs' density bonuses do not outweigh the cost to developers of providing subsidized units. The exceptions are Alexandria, VA, and Falls Church, VA, where underlying exclusionary zoning makes density bonuses very valuable.

KEY TAKEAWAY

Exclusionary zoning gives value to inclusionary zoning density bonuses. Without an underlying regime of exclusionary zoning, inclusionary zoning would be a clear tax on new housing construction, so inclusionary zoning cannot alleviate the underlying cause of supply constraints and housing unaffordability. Evidence indicates that inclusionary zoning makes housing less affordable for those not lucky enough to get a subsidized unit.

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