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1. **The Workforce Housing Dilemma.** Does Montgomery County have a workforce housing problem? This report explains the difference between affordable housing and workforce housing. It also examines some of the barriers and solutions for developing more affordable homes.
2. **Buying and Renting a Home in Montgomery County.** This report focuses on the issues facing homebuyers and renters in Montgomery County. It addresses funding sources for home rehabilitation and purchasing assistance. The report also takes a closer look at local rents and assistance programs for renters.
3. **Expanding Locations and Development Potential.** This report focuses on two of the most prominent issues associated with building affordable housing — suitable location and land costs. It includes model zoning ordinances and reviews other ordinance issues.
4. **Eliminating Unnecessary Development Costs.** This report addresses the costs of development. It discusses the cost of construction delays and details how various site planning and design techniques can save money for both developers and homebuyers.
5. **Cutting Building Costs, Not Quality.** This report focuses on the actual costs of building construction and how they can be lowered by employing modular construction and using building techniques that save on energy costs.
6. **Helping Employees With Housing Costs.** This report addresses employer-assisted housing. It focuses on the various ways that employers can encourage home purchases and includes examples of local and regional programs.

For more information on this topic, call the Montgomery County Planning Commission at 610-278-3722.

# Promoting Workforce Housing

## *Expanding Locations and Development Potential*

Report Three



## Introduction



New construction tends toward large luxury homes— which are often unaffordable for important members of Montgomery County’s workforce.

## Encouraging Workforce Housing Through Zoning

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Creating a sufficient supply of workforce housing isn’t easy. The local housing market is complex and strongly influenced by many factors beyond the control of local municipalities or the county. However, the housing market and housing costs can certainly be influenced locally, particularly through land use and zoning decisions.

Local communities can create opportunities for workforce housing by increasing permitted housing densities, reducing mandated lot sizes, and expanding the types of permitted housing. Through various zoning techniques and incentive programs, workforce housing can be built in good locations and fit seamlessly into the rest of a community. This publication contains information and model ordinances that further explain these techniques. All of the models can be adapted to fit any community in Montgomery County.

Municipalities can take a number of steps to expand possible locations for workforce housing, including:

### 1. Zone more land for higher-density housing.

Higher-density housing, by itself, will not necessarily be affordable, but it is much more likely to be affordable than lower-density housing. Of the new housing built in Montgomery County between 2000 and 2005, about 10 percent qualified as workforce housing. That is, about 10 percent of these new homes could potentially have been afforded by members of the workforce making the area’s median income and able to afford a 10 percent down payment. For households with lower incomes, purchasing a home is more difficult. These affordable homes tended to be higher-density developments with single-family attached or multifamily construction.

Higher-density housing is more affordable for many reasons, including land values, construction costs, and infrastructure costs. Even though the land may be expensive, it is spread among many more homes, reducing the amount of land cost applied to each home. The Urban Land Institute found the cost for common infrastructure improvements, such as utilities, schools, and streets, for homes on four-acre lots was \$90,000 per home, while the cost for the same infrastructure at 30 dwellings per acre was \$10,000 per home.

There are many appropriate places where communities can increase densities. This can be done near villages, towns, transportation facilities, and employment centers. It can be done as a stand-alone apartment or townhouse district or as a mixed-use district, where there are a variety of housing types. If a community has large office and em-

## What Municipalities Can Do



Smaller homes on smaller lots, such as this one in an age-restricted community, would allow for more affordable homes to be built in Montgomery County.

Clearly, municipal governments cannot control all of the factors that affect the cost of housing in Montgomery County. Economic trends, prevailing mortgage rates, land and materials costs, and immigration rates all affect housing prices. Despite this, there are ways that local land use regulations can have a marked affect on housing production and housing costs. Even as the housing market expands and housing choices continue to grow in the county, workforce housing should continue to be a priority.

- Municipalities that are in the process of, or will soon be, updating their comprehensive plans should consider including a section on housing needs and the policy objectives that could be achieved on a local level.
- Zoning ordinances should be carefully evaluated to find opportunities for workforce housing. This includes reviewing density standards, lot sizes, setbacks, frontage requirements, and the overall mix of uses in a given zoning district. For example, according to a study by the U.S. Department of Housing and Urban Development, land costs can account for between 8 and 25 percent of the overall cost of a new home. Where density standards are too restrictive, the cost of land per new housing unit will likely be high. Increasing density without losing neighborhood character could be a huge step in preserving affordability.
- Incentives for increased workforce housing production should be given serious consideration. Density bonuses, inclusionary zoning ordinances, and similar types of programs are in place from coast to coast in large metropolitan areas and smaller suburban communities. Incentives have proven successful at boosting workforce dwelling unit numbers and adding to attractive and welcoming communities.





Rollins Square, in Boston's South End neighborhood, was built using a variety of funding sources, including some from commercial linkage fees. It includes a mixture of units for the formerly homeless, moderate-income first-time homebuyers, and market rate units.

Photo from  
CBT/Childs Bertman Tseckares Inc.  
([www.cbtarchitects.com](http://www.cbtarchitects.com)).

Several municipalities around the country have adopted linkage fee ordinances, or similar legislation, to support affordable housing production.

**Boston's** ordinance dates back to 1987 and was most recently updated in 2001. It covers the construction of new offices, retail space, hotels, and institutions. Developments under 100,000 square feet are exempted. More than \$45 million has been raised by this initiative. Fees are paid on either a 7- or 12-year schedule, which allows linkage fees to be paid out of operating revenues (as opposed to equity investments in the initial construction phases).

**San Francisco's** linkage program was adopted in 1981 and requires entertainment, hotel, office, retail, and research & development projects to contribute varying amount of money (per square foot), payable on issuance of the building permit. Although San Francisco's fees per square foot are higher than the requirements of most other municipal linkage programs, its commercial tax rate tends to be lower, offsetting this disparity.

**Berkeley's** program is unique in that in addition to increased housing needs, it takes increased child care needs into consideration as well. Its ordinance originated in 1993 and covers of fice, retail, industrial, and other commercial uses over 7,500 square feet in size. Payments are made in three installments, with the final due after one year of occupancy.

**Seattle's** linkage program is voluntary and allows developers of commercial projects to purchase a boost in their floor-area ratio (FAR) by providing affordable housing, child care, historic preservation, other additional amenities, or a (purposely high) fee of \$20 per square foot. Perhaps due to its voluntary nature, the number of units constructed from participation in this program have been modest. Seattle has expressed interest in restructuring its program.

**Cambridge** has a citywide linkage program that applies to new commercial, hotel, retail, and institutional development. Its program, which started in 1988, has a 30,000 square foot threshold for eligibility.



Building smaller homes on smaller lots is a great way to save on construction and land costs.



Higher-density homes, such as townhouses or twins, typically allow for more affordable construction and savings that are hopefully passed along to the purchaser.

ployment areas, higher density housing could be added in appropriate locations within these areas.

### 2. Reduce minimum lot size.

Reducing lot size, particularly for single-family detached homes, can reduce costs. For example, the median lot size of all new single-family detached homes built from 2000 and 2005 was around 19,500 square feet. The median lot size of new, affordable homes built during the same time period was about 12,000 square feet.

One method of reducing lot size is to cluster homes on smaller lots and preserve open space on the remainder of a site. *Reducing Housing Costs*, a study prepared by the Montgomery County Planning Commission, showed that clustering homes could reduce improvement costs by 46 percent. A recent study conducted for the Boston metropolitan planning organization demonstrated that cluster developments save infrastructure costs, which can be passed on to homebuyers. Why do clusters save money? One reason is that the smaller lots of a cluster development require less piping and regrading for every unit built. Clusters also allow for a reduction in sidewalk and street paving lengths and costs, as well as future maintenance needs. Many local municipalities already allow cluster developments.

Lot sizes can also be reduced in existing developed areas, particularly if the allowable minimum lot size is bigger than the typical lots that exist on the ground. Doing this could allow for infill housing on larger lots as well as development on vacant lots that are smaller than the minimum allowable lot size.

Accessory apartments are another type of infill, and are sometimes referred to as a "granny flat." Accessory apartments allow for additional housing units to be built without changing neighborhood character.

### 3. Allow more townhouses, twins, and apartments.

These housing types are likely to be more affordable than singles for the county's workforce. Of the housing built between 2000 and 2005 that was attainable to the county's workforce, the majority of these units were townhouses, twins, and apartments. In fact, many people prefer multi-family housing, since smaller or nontraditional households may need less living space. Additionally, a diverse housing market can help retain and attract jobs.

Municipalities are not the only group that can encourage workforce housing. As noted in the Delaware Valley Regional Planning Commission's *Realizing Density*, developers often do not build at the maximum permitted density or the minimum lot size. Developers may instead, in part due to consumer demand, build large homes that need bigger lots instead of building more affordable homes. Developers will likely find demand for smaller homes from households seeking a more affordable home.





Garages, either attached or detached, are potential locations for accessory dwelling units. The bottom sketch shows what a garage could look like when converted.

### Accessory Dwelling Units

Accessory dwelling units (ADUs) are one part of the solution to workforce housing needs. ADUs share a lot with an existing home and are subordinate in size and location to the primary residence.

Successfully permitting accessory dwelling units typically requires additional regulations to help protect existing community characteristics. Size limits, parking and location requirements, design guidelines, building setbacks, and landscaping cover the majority of concerns regarding these units. Municipalities can enforce appropriate standards based on their comfort level with this type of development and unique local circumstances.

#### Promoting ADUs

For some, the most attractive aspect of ADUs is the extra income from renting the unit. For others, it is the opportunity to live near young or aging relatives. A December 2001 article from New Urban News reported that in Longmont, Colorado more than 40 ADUs were constructed over garages in a new 110-unit development. Most homeowners rented these 650-900 square foot units for upwards of \$1,000 a month.

Pennsylvania lacks any legal incentive for municipalities to adopt ADU ordinances. However, at least 24 Montgomery County municipalities permit ADUs, though occupancy of these units is restricted to relatives, caretakers, or employees of the primary residence occupants. This may be why the county tax record contains less than 200 instances of ADUs. For many municipalities, eliminating the restrictive occupancy requirements would spur ADU construction. Elsewhere, ADU ordinances will need to be written with the assistance of the model ordinance in this publication. For a broader impact, municipalities should permit homeowners to lease ADUs like any other rental property.

#### Design and Dimensional Requirements

Location, size, and dimensional requirements are essential to a successful ADU ordinance. Detached ADUs are often located in the rear yard and share a driveway with the principal building. ADUs can be permitted in a variety of residential districts, including those where the minimum lot size exceeds 10,000 square feet.

Detached ADUs can be constructed over existing accessory buildings such as garages. They should be one- or two-story structures sized at 40 percent of the living area of the primary residence or 1,200 square feet, whichever is less. Most will be one-bedroom units, but two-bedroom units are feasible.

Attached ADUs must have separate entrances away from the front building façade. Detached and attached ADUs must conform to the general architectural style of the primary residence. Additional parking, landscaping, and design guidelines are included in the model ordinance.

**A recent study for Sonoma County (California) concluded that while inclusionary zoning requirements and a jobs-housing linkage program will not, by themselves, reverse the trend of unaffordability, they are proven and effective ways to help new housing production keep pace with employment growth.**

### Linking Jobs to Workforce Housing

Linkage programs tie new economic development and job creation to the construction of affordable workforce housing. Most programs do this by requiring developers to pay fees (per square foot of development) or donate land for the support of workforce home construction. Some programs allow the option for developers to construct the homes themselves.

In job centers, commercial and office developments often outpace workforce housing production, leaving few areas close to the place of employment where important sectors of the workforce can afford to live. This scenario is often referred to as a “jobs-housing imbalance.” A jobs-housing imbalance can create other related concerns, such as traffic congestion and lengthy commutes. A linkage program can begin to address these, as well as spur revitalization in communities seeking new investments.

In Montgomery County, a linkage program would be administered at the local level through the municipal zoning ordinance and require a small amount of staff commitment. Depending upon the local political climate, passing such an ordinance may require a campaign with a broad base of partnership and support.

When creating a program, there are several variables to consider:

- What types of (nonresidential) developments will be subject to this fee?
- How much of a fee will be required? Will different types of development pay separate fees? How will this fee be calculated?
- If this is being investigated along with an inclusionary zoning ordinance, can the two be passed jointly?
- What will be the payment timeline? Some programs require payment when the development permit is granted; others spread the payment out over several years.
- How will the funds be used? Will funds be restricted to neighborhoods closest to the job centers?
- Can small businesses (with a small square footage) be exempted from this requirement?

Several municipalities around the country have adopted linkage fee ordinances, or similar legislation, to support affordable housing production.

Definitions

**Affordable** - A dwelling unit with monthly ownership or rental costs encompassing 30 percent or less of a household’s gross monthly income.

**Area Median Income (AMI)** - The median income for the Philadelphia region, as established and defined by the Secretary of the U.S. Department of Housing and Urban Development and adjusted for household size.

**By-Right Units** - The maximum number of dwelling units allowed on a site given the applicable zoning district regulations.

**Certificate of Qualification** - A document issued by the municipality confirming a household’s eligibility to purchase a workforce dwelling unit.

**Household Size** - The total number of people living in a dwelling unit.

**Initial Sale** - The first sale of a dwelling unit created as a workforce dwelling unit.

**Market Rate Dwelling Units** - Dwelling units in a qualified development that are not workforce dwelling units.

**Qualified Development** - Any land development or subdivision resulting in a net increase of 15 or more dwelling units on contiguous land under common ownership or control by an applicant at one location within the municipality.

**Resale Price** - the cost of a workforce dwelling unit under the provisions of this article when it is sold at any point after the initial sale. The maximum resale price will be determined by a municipal price schedule for workforce housing.

**Workforce Dwelling Units** - Any dwelling unit built to satisfy the requirements of this article and sold at a price affordable to households with an income under 100 percent of the AMI.

and the maximum sale price of an eligible workforce dwelling unit. The municipality will make the final determination of acceptable value. All payments shall be used only for purposes of providing affordable housing to households at or below the AMI. Affordable housing may be provided through a variety of means, including but not limited to the provision of favorable financing terms, subsidized prices for purchase of sites, or affordable units within larger developments.

11. Compliance Agreement

- A. Prior to the approval of a final subdivision or land development plan for any qualified development, the applicant shall have entered into an agreement with the municipality regarding the specific workforce housing requirements and restrictions on the proposed development.
- B. The applicant shall agree to execute any and all documents deemed necessary by the municipality, including, without limitation, restrictive covenants and other related instruments, to ensure the continued affordability of the workforce dwelling units in accordance with this article. The agreement shall set forth the commitments and obligations of the municipality and the applicant. The agreement may be modified by mutual consent of the applicant and the municipality, as long as the modified agreement remains in conformity with this article.
- C. The agreement shall be incorporated into the deed of all workforce dwelling unit properties within a qualified development as a deed restriction.

*A municipality may elect to make accessory dwelling units a special exception or conditional use. We recommend the least restrictive approach—that accessory dwelling units be a permitted use.*

*A municipality can choose the appropriate zoning districts to which these standards apply; some zoning districts may be more suitable than others for these additional units.*

*A municipality may elect to enforce an annual permit for all accessory dwelling units to ensure compliance with zoning and building codes.*

*A municipality may elect to establish side and rear yard setbacks for accessory dwelling units that differ from the underlying zoning regulations.*

Accessory Dwelling Unit Model Ordinance

1. Purpose and Intent

- A. Provide homeowners with a means of obtaining rental income, companionship, security, and services.
- B. Add workforce housing units to existing housing.
- C. Develop housing units in single-family neighborhoods that are appropriate for people at a variety of stages in life.
- D. Protect neighborhood stability, property values, and the single-family residential appearance of the neighborhood.

2. Permitted Uses

- A. One accessory dwelling unit is permitted per lot used for a single-family residence in the \_\_\_\_ zoning district(s).

3. Deed Restrictions

Before obtaining a building permit for an accessory dwelling unit, the property owner shall file with the Montgomery County Recorder of Deeds a declaration of restrictions containing a reference to the deed under which the property was acquired by the present owner stating that:

- A. The accessory unit shall not be sold separately.
- B. The unit is restricted to the approved size.
- C. The use permit for the accessory unit shall be in effect only so long as either the main residence or the accessory unit is occupied by the owner of record of the principal residence.
- D. The above declarations are binding upon any successor in ownership of the property; lack of compliance shall be cause for code enforcement and/or revoking of the use permit.
- E. The deed restrictions shall lapse upon removal of the accessory unit.

4. Design and Development Standards

In addition to all pertinent building code regulations, accessory dwelling units shall conform to the following additional requirements:

- A. Accessory dwelling units shall meet all building setback and coverage requirements of the underlying zoning district.
- B. Accessory dwelling units may be detached or attached to the primary residence.





Accessory units should relate to the design of the primary residence, as seen above in these dwelling units in Lansdale.

These buffer standards could be added to a municipality's existing subdivision and land development ordinance standards.

Definitions

**Accessory Dwelling Unit (ADU):** A dwelling unit accessory to a main single-family dwelling. ADUs may be attached or detached.

**Primary Residence:** A building containing the principal residential use of the lot on which it is located.

These definitions should be added to the general zoning ordinance definitions section.

- C. Attached accessory dwelling units shall have an entrance separate from the entrance to the primary residence. This entrance may not be a part of the front façade of the primary residence.
- D. When detached from the primary residence, the accessory dwelling unit shall be set back a minimum of 10 feet from the primary residence.
- E. In no case shall an ADU be more than 40 percent of the living area of the primary residence, or 1,200 square feet (whichever is less).
- F. The maximum building height for detached ADUs shall not exceed 13 feet for a one-story ADU and 22 feet for a two-story ADU. ADUs attached to the primary residence shall not exceed the existing height of the primary residence.
- G. One parking space shall be provided for each one-bedroom accessory unit. Two parking spaces shall be provided on site for each two-bedroom accessory unit. Parking for the accessory unit shall share the driveway of the primary residence, be located behind the rear façade of the primary residence, and conform to all applicable standards of the underlying zoning.
- H. The design of the accessory unit shall relate to the design of the primary residence by use of similar exterior wall materials, window types, door and window trims, roofing materials, and roof pitch. Windows on the ADU shall be offset from neighboring residences so as to preserve privacy.

5. Landscaped Buffer

In addition to the requirements of the underlying zoning district the following landscape requirements shall be met.

- A. The portion of the side and rear yard setbacks adjacent to the accessory dwelling unit shall be planted with a mix of flowering trees, evergreen and deciduous shrubs, and perennials in order to lessen the impact of the new unit and enhance privacy according to the following standards:
  - 1. For every ten linear feet of buffer, or fraction thereof, two shrubs and six perennials shall be planted from the recommended planting list in Section \_\_\_\_.
  - 2. For every 20 linear feet of buffer, or fraction thereof, one flowering tree shall be planted from the recommended planting list in Section \_\_\_\_.

While alternatives are important in the interest of fairness to applicants, they will generally be less effective at providing workforce housing than the mandatory provisions. Municipalities should be careful when offering alternatives to minimize the actual usage of them.

A municipality may want to impose more severe costs to using an alternative, such as providing off-site dwelling units. They could ask the applicant to provide 1.5 the number of workforce units otherwise required if produced on-site.

Municipalities should also amend the submission requirements for a subdivision or land development plan to include a workforce housing plan if it is a qualified development.

A municipality may choose to put a specific formula into the ordinance to determine the amount of a fee in-lieu. A simple way of determining the fee is to take the median sale price of a market rate unit minus the maximum sale price of an eligible workforce unit.

tains rental workforce dwelling units shall be continually rented in perpetuity to qualified lessees as determined by Section 5.A.

9. Design and Integration of Workforce Dwelling Units

- A. Location of workforce dwelling units. Workforce dwelling units shall be dispersed among the market rate dwelling units throughout the qualified development.
- B. Phasing of construction. The applicant shall include a phasing plan that provides for the timely and integrated development of the workforce dwelling units throughout the qualified development. The phasing plan shall provide for the development of the workforce dwelling units concurrently with the market rate dwelling units. Building permits shall be issued for the qualified development based upon the phasing plan.
- C. Exterior appearance. The exterior appearance of the workforce dwelling units in any qualified development shall be visually compatible with the market rate dwelling units in the qualified development. External building materials and finishes shall be substantially the same in type and quality for workforce dwelling units as for market rate dwelling units.
- D. Interior appearance and finishes. Workforce dwelling units may differ from market rate dwelling units with regard to interior finishes and gross floor area provided that:
  - 1. The bedroom mix of workforce dwelling units shall be in equal proportion to the bedroom mix of the market rate dwelling units.
  - 2. The differences between the workforce dwelling units and the market rate dwelling units shall not include improvements related to energy efficiency, including mechanical equipment and plumbing, insulation, windows, and heating and cooling systems.

10. Alternatives to On-Site Workforce Dwelling Units

- A. As a conditional use, an applicant may request an alternative to the provision of on-site workforce dwelling units if environmental constraints at a particular site would render the building of all mandatory workforce dwelling units at that site economically unfeasible or if unique economic hardship can be demonstrated by the applicant.
- B. Applicants who are allowed by the municipality to provide an alternative to on-site workforce dwelling units may choose between two options, either the provision of off-site workforce dwelling units or payment of a fee-in-lieu of workforce housing.
  - 1. Off-site workforce dwelling units. The applicant may provide the same number of workforce dwelling units as required under Section 4.A at a different site, as agreed upon by the municipality. The second site should be chosen so that the municipality's goals of achieving economic diversity and creating mixed-income neighborhoods are still furthered.
  - 2. Fee-in-lieu of workforce dwelling units. The per unit fee-in-lieu of the construction of workforce dwelling units shall equal the difference between the median sale price of a market rate unit

Section 7 requires the municipality to set standard maximum prices for all rental and for-sale workforce dwelling units. The prices should be updated annually with current data. Prices will be set so that a household earning 100 percent of the AMI should be able to purchase or rent a property with monthly costs no greater than 30 percent of their gross monthly income.

Section 8 (Affordability Controls) is an important component of an inclusionary zoning ordinance because it determines how a dwelling unit, created as workforce housing, stays affordable to future eligible households if the owner decides to sell it. A municipality may want to incorporate a greater potential gain on investment by a workforce household, but this must be done carefully to ensure that the unit stays affordable to households with earnings below the AMI. Another option is to allow the seller to increase the resale price enough to incorporate anticipated closing costs for the sale.

This model ordinance sets a permanent control on resale prices by keeping them “in force in perpetuity.” Some communities choose to set a time limit on the length of the resale control period. If this option is chosen, then the ordinance will need to include provisions that restrict the windfall that may be gained by the owner of a workforce dwelling unit who is able to sell it at the market rate after the resale control period ends. A simple solution is to require that 50 percent of the profit off of such a sale be forwarded to the municipality’s affordable housing trust fund.

7. Appropriate Rental and Sales Prices for Workforce Dwelling Units

- A. Pricing schedule. The municipality shall publish an annual pricing schedule of rental and sale prices for workforce dwelling units. Prices shall be set at a maximum level that is affordable to a household earning no more than 100 percent of the AMI. Different prices will be set for efficiency, one-bedroom, two-bedroom, three-bedroom, and four-bedroom-or-more workforce dwelling units, based on an assumed household size for each unit size. The number of persons in the household equals the number of bedrooms plus one. For example, one person will occupy an efficiency unit, two persons will occupy a one-bedroom unit, three persons will occupy a two-bedroom unit, etc. The following additional factors will also be used in calculations:
1. With respect to owner-occupied workforce dwelling units, prices will be calculated on the basis of:
    - a. An available fixed-rate 30-year mortgage, consistent with the average rate published from time to time by Freddie Mac
    - b. A down payment of no more than 20 percent of the purchase price (a down payment of less may require mortgage insurance)
    - c. A calculation of property taxes
    - d. A calculation of homeowner’s insurance
    - e. A calculation of condominium or homeowner association fees
  2. With respect to rental workforce dwelling units, rents shall be 30 percent of the AMI minus an allowance for the monthly cost of utilities.

8. Affordability Controls

- A. Each workforce dwelling unit created in accordance with this article shall have limitations governing its resale. The purpose of these limitations is to preserve the long-term affordability of the unit and to ensure its continued availability for households earning no more than 100 percent of the AMI. The resale controls shall be established through a deed restriction on the property and shall be in force in perpetuity.
1. Purchaser restriction. All resale transactions must be to qualified purchasers that have received a Certificate of Qualification.
  2. Resale price. Sales beyond the initial sale to an eligible workforce dwelling unit purchaser shall be formulated by taking the purchase price used by the seller under this article and increasing it by the following:
    - a. Inflation, as measured by the Consumer Price Index (All Urban Customers, Philadelphia CMSA, Residential Real Estate), for the period of time the seller resided in the unit
    - b. Fair market value of improvements made to the unit by the seller
- B. Each development created in accordance with this article that con-

Providing Incentives for Workforce Housing

Even if zoning changes are made to allow higher-density housing and smaller lots, developers may still choose to build expensive units. There are many local examples of very expensive townhomes built on higher-density land.



In Bridgeport, for example, many of the townhomes built since 2000 have been quite large (over 2,000 square feet of living area) and relatively expensive (selling for over \$300,000 in 2005). Yet, because there is still an opportunity to build denser and slightly smaller units, a third of the new units built in Bridgeport since 2000 were within or close to workforce housing prices, generally \$150,000 to \$220,000.

Adaptive Reuse and Infill

Giving developers an incentive — in the form of tax breaks, increased density bonuses, or a break on fees or application reviews — may go a long way towards encouraging workforce housing construction.

For example, it may be productive to give incentives to developers that pursue adaptive reuse projects or infill development to provide workforce housing. Both are techniques that can introduce housing into either residential or nonresidential areas. In the case of adaptive reuse, old schools, hospitals, factories, or armories could potentially be converted into housing. Renovating infill sites or reusing older buildings saves money because infrastructure and other basic site improvements typically are already in place or are easier to provide. Encouraging these types of developments can also help to revitalize neighborhoods.

Communities interested in encouraging infill or reuse projects can:

- Adopt flexible zoning and building regulations that allow the development of irregular or otherwise substandard infill lots
- Allow mixed uses for infill developments to increase their value
- Assist in consolidating infill lots into larger (more easily developable) properties
- Provide assistance in obtaining additional sources of funding, such as loans, grants, or tax credits
- Allow high-density residential uses in adaptively reused industrial and institutional buildings



## Providing Incentives to Developers



What does density look like? The above are 1) a subdivision in Wyomissing (PA) with a density of 8.8 dwelling units per acre, 2) a development in Columbus (NJ) at 11.7 units per acre, and 3) a suburban neighborhood in New York City with a density of 28.9 units per acre. Even areas with similar densities can look drastically different if lot size and type of dwelling unit are taken into consideration.

Images from The Lincoln Institute of Land Policy's webpage at <http://www.lincolninst.edu>

### Density Bonuses

Density bonuses allow a developer to build more units within a given area than otherwise permitted under normal zoning limits. A density bonus can increase a construction project's value, which makes workforce housing construction more economical (land costs per unit decrease). Lower Salford Township provides a density bonus of half a dwelling unit per acre in its R-4 and R-5 districts when affordable housing is provided. These districts allow small-lot singles, twins, townhouses, and apartments.

Density bonuses alone may not be sufficient to entice developers to build workforce housing. Municipalities may want to combine a density bonus with other incentives, such as reduced setbacks and street frontage requirements or smaller mandatory lot sizes. The fourth report in this series, *Eliminating Unnecessary Development Costs*, discusses this issue in more detail.

Density bonuses tend to work best in larger developments. Additionally, a density bonus program has to be designed in light of the local real estate market. If there isn't consumer demand for increased density, even if homes are more reasonably priced, a developer may not build at greater densities. Interest in bonuses is natural given that municipalities are able to achieve a public benefit without spending public money. Regardless, bonuses need to be applied districtwide and should be built into municipal zoning ordinances.

One difficulty to this approach is determining the amount of a bonus. In the case of workforce housing, converting the public value of housing units to dollars is not straightforward. The cost of providing workforce housing can be approximated with a reasonable amount of accuracy as well as the appropriate bonus needed to offset and exceed these costs. The number of additional market rate units, however, must not overwhelm the area with inappropriate density. Achieving this balance requires an accurate assessment of development costs, a good understanding of the local real estate market, and a local plan that accounts for the potential increase in density. In addition to allowing increased densities, municipalities may need to adjust some dimensional standards within specific zoning districts to make it possible to achieve these densities.

Communities considering density bonuses must ultimately decide to what extent they are willing to increase housing density to encourage the construction of affordable units. Communities that are more willing to increase density for workforce housing will have an easier time enticing developers with larger density bonuses.

*HUD income limits are on a sliding scale based on the number of members in a household. HUD sets the scale for households with between one and eight members.*

*The "Certificate of Qualification" must arise from a thorough examination of a household's financial status. The specific requirements can be outlined in the municipality's administrative code.*

*Below is an example of how the mandatory workforce housing and density bonus cost offset work together:*

*A developer owns a tract of land that permits 100 housing units under the by-right zoning district regulations. Then he is required to provide 15 percent of those units as workforce dwelling units, which is 15 units (.15 x 100). The developer would also be granted a density bonus of 20 percent in order to create additional market rate units that will help offset the cost of providing workforce housing. Therefore, the developer would be able to build 120 units with 15 units being workforce dwelling units and 105 units being market rate dwelling units.*

*The additional cost offsets in Section 6.B are most applicable to detached or semidetached homes. Municipalities may want to offer the following additional offsets, which may create more flexibility with denser developments such as multifamily buildings:*

- Increase in maximum height
- Reduction in minimum parking requirements pertaining to the workforce dwelling units
- Increase in building or impervious coverage regulations

- B. In the event that the number of required workforce dwelling units results in a fraction of a unit, the fraction shall be rounded up to the nearest whole number.
- C. Where the provision of on-site workforce dwelling units is determined by the municipality to cause unique hardship on the applicant, the municipality may, through the conditional use process, allow the applicant to provide an alternative to on-site workforce dwelling units in the form of off-site workforce dwelling units or payment of a fee-in-lieu subject to the provisions in Section 10 of this article.

### 5. Eligible Households

- A. Eligibility for rental or purchase of workforce dwelling units shall be based on household size and income as determined by the area median income (AMI) limits published annually by the United States Department of Housing and Urban Development (HUD).
- B. Workforce dwelling units shall be restricted to occupancy by those whose household income does not exceed 100 percent of the HUD-defined AMI for the county.
- C. A household must receive a "Certificate of Qualification" from the municipality to become an eligible household for workforce dwelling units.

### 6. Bonus Provisions

- A. Density bonus. Applicants who provide the mandated number of workforce dwelling units, as required under Section 4, will be allowed to increase the total number of units built up to 20 percent over the proposed number of units allowed by the underlying zoning district regulations. The bonus units may be sold at market rate and are not subject to any additional requirements for workforce dwelling units.
- B. (For a more detailed examination into the creation of an appropriate density bonus, please see the "Density Bonuses for Workforce Housing" section in this report.)
- C. Zoning district adjustments. An applicant may request and shall receive one or more of the following cost offsets in order to facilitate the awarded density bonus in Section 6.A. The municipality will determine the specific package of cost offsets offered to the applicant. The goal of these cost offsets, in conjunction with the density bonus in Section 6.A is to counterbalance the cost of providing workforce dwelling units required under this article, to the extent feasible. Some of the cost offsets include:
  1. An increase in dwelling unit density of up to 20 percent.
  2. A reduction in the minimum lot area per dwelling unit up to 30 percent.
  3. A reduction in the required minimum rear setback up to 20 percent.
  4. A reduction in the required minimum front setback up to 10 percent.

(Other adjustments may be inserted — See comment on page 17.)



Within Purpose Section 1.A, municipalities should cite any local comprehensive plans and studies that identify the need for affordable workforce housing.

The Findings section is a critical component of an inclusionary zoning ordinance in regard to any legal challenges. A municipality must cite existing evidence of either a shortage of affordable housing that serves all members of the workforce or an anticipated shortage based on future growth projections and trends. Most municipalities will have to commission a study of workforce housing in their township or borough prior to enacting an inclusionary zoning ordinance. County and regional studies may also be cited. The Findings section should be tailored to address the specific purposes listed in Section 1.A.

The Applicability section sets the threshold for the number of units that may be created before this ordinance will be applied. We recommend 15 units so that smaller developments will not be required to go through the inclusionary process for the creation of only one or two workforce units.

## Inclusionary Zoning Model Ordinance

### 1. Purpose and Intent

#### A. Purpose

1. To achieve a diverse and balanced community with housing available for households of all income levels.
2. To foster economic diversity in the interest of enhancing the health, safety, and welfare of all residents in the municipality.
3. To reduce traffic, transit, and air quality impacts.
4. To promote the goal of increasing affordable workforce housing as articulated in (municipal plans and/or studies).
5. To address the goals of the 2006 Montgomery County comprehensive plan, in particular, Goal 39 - Support a Readily Available Workforce, Goal 44 - Encourage a Variety of Housing to Meet the Needs of People with Different Ages, Incomes, and Lifestyles, and Goal 47 - Encourage More Units of Affordable Housing for County Residents.
6. To fulfill the policy goal of the Commonwealth of Pennsylvania, as stated in the Keystone Principals For Growth, Investment, and Resource Conservation, under policy number eight, Expand Housing Opportunities which states, “Support the construction and rehabilitation of housing of all types to meet the needs of people of all incomes and abilities.”

#### B. Intent

1. To require developers of 15 or more dwelling units to construct a proportionate share of workforce housing to ensure that an adequate stock of workforce housing is available to households of (municipal name) earning less than the area median income (AMI).

### 2. Findings

See adjacent comment box.

### 3. Applicability

- A. In all zoning districts, the inclusionary zoning provisions of this article shall apply to any subdivision or land development that results in a net increase of 15 or more dwelling units, which shall be referred to as a qualified development under this article.

### 4. Mandatory Provision of Workforce Dwelling Units

- A. The applicant shall establish at least 15 percent of the by-right units allowed by the underlying zoning district in a qualified development as workforce dwelling units, unless the applicant is proposing fewer units than what is permitted by-right. If the applicant is proposing fewer units than what is allowed by-right, then the applicant will only have to provide 15 percent of the proposed units as workforce dwelling units.

Workforce housing is “homes for working families.” It is homes provided by the private sector, aimed at middle- and moderate-income residents making between 80 and 100 percent of the area’s median income. Some workforce housing initiatives consider households that make as much as 115 percent of the area’s median income as eligible for assistance.

When amending a residential zoning district, the purpose and intent sections can be amended by the addition of the these two subsections.

The amount of density bonus and percentage of workforce housing units is ultimately decided by the municipality based upon market conditions and community development objectives. The Builder’s Profit Method on Page 10 is one way municipalities can approximate the dollar value of density bonuses. Density bonuses need to be monitored and adjusted according to market conditions and community objectives.

Municipalities may want to regulate other aspects of the workforce housing bonus, including who is eligible, the prices of the workforce housing units, and how long the workforce housing must remain affordable. Ordinance language addressing each of these issues is in the model Inclusionary Zoning Ordinance, Sections 5, 7, and 8, beginning on Page 17.

## Density Bonus Model Ordinance

The following sections present a model ordinance that municipalities can adopt, methods to help calculate a proper density bonus, and examples of existing density bonuses. Although other systems exist for calculating density bonuses, the basic methods are the same. Each system attempts to create a yardstick by which the relationship between density bonuses and the dollar value of the bonus to developers is measured. Ultimately, the municipality decides how much of a bonus is necessary.

The ordinance language outlined on this page can be added to specific residential zoning districts to encourage the creation of affordable workforce housing.

### 1. Purpose and Intent

- A. To achieve a diverse and balanced community with housing available for households of all income levels.
- B. To create an economic incentive, in the form of additional housing units, to encourage developers to voluntarily construct workforce housing units.

### 2. Density Bonus

- A. The applicant may increase the overall gross site density by \_\_\_ unit(s) per acre, provided that \_\_\_ percent of the units permitted by the underlying zoning are sold or leased as workforce housing units. The additional units permitted by the density bonus may be sold or leased as market rate units.
  1. The exterior appearance of the workforce dwelling units in any development shall be visually compatible with the market rate dwelling units in the development. External building materials and finishes shall be the same in type and quality for workforce units as for market rate units.
  2. Workforce dwelling units must be dispersed among the market rate units throughout the development.
  3. Workforce dwelling units may differ from market rate dwelling units with regard to interior finishes and gross floor area provided that:
    - a. The bedroom mix of workforce dwelling units is in equal proportion to the bedroom mix of the market rate dwelling units.
    - b. The differences between the workforce dwelling units and the market rate dwelling units shall not include improvements related to energy efficiency, including mechanical equipment and plumbing, insulation, windows, and heating and cooling systems.

Requirements of the underlying zoning, such as building setbacks and minimum lot sizes, may make the inclusion of additional units problematic. Potential ordinance adjustments to these requirements for single-family detached developments are shown to the right. Townhouse and apartment developments could have additional relief adjustments, such as reduced building setbacks from property lines, streets, and other buildings, as well as increased building and impervious coverage ratios.

The profit earned adding workforce units must be greater than the profit without these units.



Density bonuses make the construction of affordable units (such as those on the end of the above row) more feasible.

Picture from [www.gamliel.org](http://www.gamliel.org)/DavidRusk

3. Ordinance Adjustments

- A. Minimum lot sizes may be reduced up to \_\_\_\_ percent from those required by the underlying zoning when the applicant proposes a workforce housing development.
- B. Minimum yard setbacks may be reduced up to \_\_\_\_ feet in a workforce housing development, provided that no two structures are closer than \_\_\_\_ feet.

Calculating Bonuses—Builder’s Profit Method

This method compares the amount a developer would earn building market rate units at the base density with building workforce dwelling units and market rate units in excess of the base density of the district. The goal is to arrive at a density bonus that enables a developer to earn more money for choosing to build workforce dwelling units.

Market Rate Option

The following example is used to illustrate the builder’s profit method. A builder wishes to develop an 18.7-acre site. Townhouses are permitted to a density of five units per acre. Therefore, the applicant submits plans to construct 93 townhouses. The builder plans to sell the townhouses for an average sale price of \$252,000, earning a 12 percent net profit margin on the project. The developer expects to earn \$2,812,320.

Workforce Housing Option

What if the builder were willing to construct workforce dwelling units? How many market rate units would be needed to make up for lost revenue on the workforce units? Using the above example, the developer can build a market rate development with 93 units and earn \$2.8 million net profit. The zoning permits the developer to build one additional unit for every acre, provided that 15 percent of the by-right housing units be sold or rented as workforce housing.

In this case, the developer would need to construct 14 of the 93 housing units permitted by the base density as workforce housing, selling each for an average of \$205,000. For having built the workforce units, the developer receives an additional one unit per acre or 18 units that can be sold at market rate prices. With the bonus, the developer will build 111 units — 14 workforce housing units and 97 market rate units. With profit margins of 12 percent for both types of units, the builder earns \$344,400 on the workforce units and \$2,933,280 on the market rate units — a total of \$3,277,680.



An inclusionary zoning ordinance with a commercial development section can help balance out areas where housing construction isn’t keeping up with nonresidential growth and job creation.

Inclusionary Zoning and Commercial Development

The following model ordinance for mandatory inclusionary zoning, along with the discussion points on the prior pages, applies to the notion that only residential developments will be subject to the provision of workforce housing. While less common, it is also possible to require that nonresidential or commercial development be subject to an inclusionary zoning ordinance. This is similar in concept to a linkage ordinance, which is covered later in this publication. Linkage ordinances only apply to nonresidential development, with no requirement for residential builders.

To incorporate a nonresidential element into inclusionary zoning, a connection, or nexus, should be made between commercial development and the need for workforce housing. This should be based upon the fact that most commercial development will result in jobs with workforce-level salaries, and the people attracted to these jobs will need a place to live. The specifics of the nexus should be determined in the local workforce housing study and incorporated into the findings section of the inclusionary housing ordinance.

Generally, the workforce housing provisions for commercial development are allowed to be in the form of payments to an affordable housing trust fund or by the direct construction of workforce housing on-site or off-site of the commercial development. Currently, the *Pennsylvania Municipalities Planning Code* (MPC) has some restrictions on the power of local governments to impose capital costs or fees for off-site improvements. Compliance with the MPC requires that the ordinance first provide on-site construction of workforce housing and then an alternative for off-site construction (or payment of a fee in-lieu of building workforce dwelling units).

The number of dwelling units required or the amount of a fee-in-lieu should be determined based upon the square footage of the proposed commercial development. The municipality will have to determine these amounts and incorporate them as a part of the ordinance. There are likely other similar and creative approaches to solve this issue. One possibility is to allow developers to transfer their required contribution to another developer. For example, a commercial developer may be able to strike a deal with a residential developer that allows for the required units under the commercial application to be built as a part of a separate residential development.

As with an inclusionary zoning ordinance for residential applicants, any such ordinance should be thoroughly reviewed by the solicitor for compliance with the MPC and all Commonwealth statutes.





Workforce dwelling units, when re-sold, should remain affordable and continue to be sold to eligible households for the duration of local affordability controls.

Density Bonuses

Density bonuses are one of the easiest and most common ways of providing adequate incentives. With this approach, developers that comply with the provision of workforce dwelling units may build additional market rate units to offset their costs. The percentage used in an ordinance must be calculated in conjunction with the required amount of workforce housing so that developer costs are minimized without providing too much extra profit. The following model ordinance has a basic standard included, but for more detailed information on determining an appropriate density bonus, see the density bonus section in this report starting on Page 8.

Keeping Units Affordable Over Time

Most inclusionary zoning ordinances have controls set up so that when an affordable home is resold, it must still remain affordable to and be sold to eligible households. Without these controls, affordable units would soon become market rate units, and the original owners would gain an undeserved windfall from the sale of the unit. The length of time that a home remains affordable can vary between ten years and forever, but it should be long enough so that the effort to create affordable units is not negated by too many formerly affordable units becoming part of the larger housing market.

Alternatives to On-Site Workforce Housing

Another component that makes an inclusionary zoning ordinance fair to developers and less susceptible to legal challenges is offering alternatives when the provision of workforce dwelling units is uniquely burdensome to the developer. Common alternatives are the provision of workforce dwelling units at a different location or a fee-in-lieu payment. Of course, any fees must be directed to the eventual provision of workforce housing, such as an affordable housing trust fund set up by the municipality or a nonprofit affordable housing provider. These alternatives are important, but the municipality should also realize that when alternatives are granted, the end result is usually less desirable than what the mandatory on-site requirement would have created. Therefore, the municipality should make sure that alternatives are not financially desirable from the developer’s standpoint over the option of building the workforce units.

Administrative Issues

Depending upon the structure of an inclusionary zoning program, additional administrative support may be necessary to properly implement such an ordinance, especially if the municipality takes on the responsibility of screening potential buyers and managing the future sales of the additional affordable units.

Examples of Density Bonuses

Lower Salford Township  
Montgomery County, PA

In the R-4 and R-5 Residential districts, developers are eligible to receive an increase of 0.5 dwelling units per gross acre when at least 15 percent (but no more than 25 percent) of the dwelling units are produced for sale at no more than 75 percent of the sales price of market rate units in the development. These dwelling units must be mixed in with the other units and be “architecturally indistinguishable from all unsubsidized units and shall not be segregated from the rest of the development.”

The Borough of Mount Joy  
Lancaster County, PA

The borough recently amended its TN - Traditional Neighborhood District to include a provision that allows developers to increase overall density from four to five units per acre provided that at least “10 percent of the total dwelling units be sold or leased as workforce housing to individuals earning less than 80 percent of the Lancaster County median income for households...”

“Anyone good enough  
to work here is good  
enough to live here.”

-David Rusk,  
from “Nine Lessons for  
Inclusionary Zoning,”  
remarks at the  
National Inclusionary  
Housing Conference (2005)

In this example, the workforce option yielded more profit than the standard market rate option. The municipality chose a density bonus that enticed developers to build workforce housing with increased profits. Like any method used, there are certain assumptions with this model. A major assumption is that profit margins remain the same regardless of whether workforce units or market rate units are chosen. The theory suggests that builders can recoup lost revenue by adjusting building size and design without comprising exterior materials or improvements related to energy efficiency.

Calculating Bonuses—Equivalent Land Cost Method

Used in Seattle and Bellevue, Washington the equivalent land cost method compares the cost of providing the amenity (in the previous example, 15 percent of the by right units as workforce housing) to the costs a developer would incur by purchasing additional land to achieve the same overall project density allowed by the bonus. The cost of providing workforce housing is the total profit difference between 14 workforce housing units and 14 market rate units. In our previous example this amounts to \$79,366. The cost of additional land to achieve the equivalent by right density varies according to the price of land and the amount of the bonus given.

To use the previous example again, assume that land cost \$100,000 per acre and the density bonus was one unit per acre. Would the developer have to spend more or less to purchase land and construct the 18 bonus units at the by-right density versus the cost of providing the 14 workforce housing units? Eighteen additional market rate units would require at least 3.6 more acres of land (which at \$100,000 per acre would cost \$360,000). This clearly exceeds the cost of providing the 14 workforce units. If land cost \$50,000 per acre, then the developer would need to spend \$180,000 on land for the additional units.

The benefit of the bonus is directly proportional to the value of the land. The more the land costs, the more attractive workforce housing development becomes. In practice, however, there are many challenges to the equivalent land cost method including the need for accurate measures of changing land values. A lack of comparable sales in the immediate area could further complicate accurate land valuation.

## Mandating Workforce Housing

What does inclusionary zoning look like? Units created through a density bonus can, and should, look like the rest of a development. The example below is a development constructed in Montgomery County, Maryland with inclusionary zoning units.



Photo from Montgomery County, Maryland's Department of Housing and Community Affairs' *Housing Policy for Montgomery County*.

### Inclusionary Zoning

Inclusionary zoning commonly describes a variety of techniques that either encourage or require developers to link the construction of low- or moderate-income affordable housing to market rate housing construction. Inclusionary zoning typically requires affordable units be integrated into a conventional housing development so that the affordable units are no different than the other homes. Mandatory programs, as opposed to voluntary programs based on density bonuses, have been successful at creating affordable housing. Places such as Boulder (Colorado), Cambridge (Massachusetts), and Irvine (California) originally implemented voluntary programs, but later made them mandatory after lackluster results.

While an inclusionary zoning program's technical details can be complex, its concept is fairly simple. If developers want to build a number of housing units that are permitted by the underlying zoning district, they will also be required to sell a small percentage of those homes at prices below the market rate. Many ordinances will also allow for a density bonus that permits the developer to create more market rate units to offset the cost of selling some homes at an affordable level. The end result is the construction of more affordable homes, but another important benefit is the integration of these homes into higher-income neighborhoods.

An obvious benefit of inclusionary zoning to local governments is that it places the burden of affordable home construction on the private sector. Additionally, this can become a viable way of producing workforce housing in areas that need more of it. Any community with growth areas can implement inclusionary zoning. However, because of the increased housing density that would result, the more suitable areas are those with a strong housing market and sufficient infrastructure to support a large and dense housing development.

Inclusionary zoning ordinances have been used since the mid-1970s, with Montgomery County's (Maryland) among the best known. While this county, located just outside of Washington, D.C., is home to many bedroom communities, it also boasts a large employment base of federal agencies and firms with federal contracts. The county's Moderately Priced Dwelling Unit Program requires any development of 35 or more market rate homes, with a density greater than one unit per acre, to set aside between 12.5 and 15 percent of its units as affordable homes. Affordable homes are required to be built on-site with alternatives available as the rare exception. Density bonuses of up to 22 percent are available to developers by right, to offset the loss of profits from the sale of the (lower-priced) affordable homes. To date, more than 13,000 homes have been constructed or permitted as a result of this ordinance.

### *Other places with inclusionary zoning ordinances include:*

- *Several counties around the Washington, D.C. metropolitan area, including Montgomery County, Fairfax County, Prince George's County, and Loudoun County*
- *Burlington, Vermont*
- *Los Angeles, California*
- *Madison, Wisconsin*
- *Tallahassee, Florida*
- *Denver and Boulder, Colorado*
- *Boston, Massachusetts*
- *San Francisco, California*

The area median income for a household of four people in 2006 was \$72,100. For a household of two people, the area median income was \$57,700.

### Inclusionary Zoning Ordinance Options

The model ordinance in this publication addresses the need for workforce housing that is affordable to households with an income below the median income for the region.

Municipalities will have many choices to make if they establish an inclusionary zoning ordinance. These choices not only reflect the goals of a community, but they can also affect the viability and legal standing of an inclusionary zoning program. Specific recommendations regarding the following issues can be found within the model ordinance text, but depending on the community, different approaches can be just as effective.

#### **Amount of Mandatory Workforce Housing**

This is the percentage of a residential development that is required to be sold at a price affordable to households below the Area Median Income (AMI). Most existing programs set this percentage between 10 and 20 percent. The amount should be enough to result in a substantial amount of workforce housing but not so high that developers are too financially strained to make a development profitable.

#### **Development Threshold**

How large does a development have to be before the mandatory requirement of workforce housing takes place? Existing programs vary widely between no minimum and 50 dwelling units.

#### **Household Eligibility**

The county's model ordinance is geared toward addressing workforce housing, so households with annual incomes approaching 100 percent of the AMI are eligible to purchase workforce dwelling units. Ordinances can also be set up to provide housing for households at lower incomes, such as 50 or 80 percent of the AMI.

#### **Incentives**

Existing ordinances around the country also vary widely in terms of how much of an incentive, or cost offset, is built into the mandatory provisions. Cost offsets are important for two reasons. The first is a matter of fairness. Ideally, developers should not be expected to realize any lesser financial gain from a development with or without the provision of workforce units. This may not always be possible in some situations, but we suggest that a municipality do its best to allow developers to achieve expected residential profits. The second reason for cost offsets is to create a more legally sound ordinance. A legal challenge is less likely if the developer is not suffering undue hardship. If a challenge is brought forward, then the incentives could determine whether a court upholds the ordinance.