

MacArthur Foundation

HOW HOUSING MATTERS

macfound.org/HousingMatters

POLICY RESEARCH BRIEF

Inclusionary Zoning Can Bring Poor Families Closer to Good Schools

Inclusionary zoning can break up concentrated poverty and position families closer to better schools.

by HEATHER L. SCHWARTZ, LIISA ECOLA,
KRISTIN J. LEUSCHNER, AND AARON KOFNER

MARCH 2014

Inclusionary zoning—which provides incentives for housing developers to build affordable homes in high-cost neighborhoods—can be an effective tool in helping low-income families move closer to better schools and into higher-income neighborhoods. Several features, however, could improve their reach.

As realtors well know, parents with choices will go to great lengths to live near good schools. Yet too often in poor neighborhoods, the schools are struggling. In 2008–2009, more than one-half of fourth and eighth graders in high-poverty schools failed the national reading test compared with fewer than one in five in low-poverty schools.¹

Policymakers have created various incentives for housing developers to build more affordable homes in high-cost neighborhoods. The goal of these efforts is to address growing income segregation in America's cities that leaves the most vulnerable families with limited access to good schools. One of those policies is inclusionary zoning, which mandates or encourages developers to build a proportion of homes in market-rate developments that are sold or rented at below-market rates. More than 500 localities in the United

KEY FINDINGS

- Inclusionary zoning policies are effective in expanding access to more economically diverse neighborhoods.
- Inclusionary zoning policies increase access to better performing schools; families lived nearer schools that ranked in the middle of their state on math and English.
- Nearly half the homes were assigned to low-poverty schools.
- Three-fourths of the homes were in low-poverty neighborhoods.
- The large majority of families living in inclusionary zoning homes were homeowners, not renters.
- Inclusionary zoning is currently only a small slice of the affordable housing pie.

States have inclusionary zoning policies.² The oldest and largest is in Montgomery County, Maryland.

This brief, based on a RAND report, “Is Inclusionary Zoning Inclusionary?” examines inclusionary zoning policies in eleven jurisdictions across the United States,³ and identifies several features that are important to the program's success.

Inclusionary Zoning Helps Disperse Concentrated Poverty

Although most inclusionary zoning programs tend to serve small numbers of families, they do appear to successfully target those most in need, low-income families. Six of the eleven inclusionary zoning programs examined serve only households earning 80 percent or less of the area median income (AMI).

Inclusionary zoning policies also appear to provide low-income families access to more economically diverse places. The large majority of the homes (three-fourths) were in low-poverty neighborhoods—a much higher proportion than the 8-34 percent of homes in low-poverty neighborhoods accessed through other affordable housing programs.⁴ In fact, the typical home offered through an inclusionary zoning program was in a census block where only 7 percent of the households were in poverty in 2005 through 2009. This compares with a 16 percent poverty rate in neighborhoods in the same jurisdictions without any inclusionary zoned homes.

Inclusionary Zoning Policies Increase Access to Better Performing Schools

Most families moving into inclusionary zones moved nearer to lower-poverty and better-performing schools. This again differs from other housing programs. (See the brief in this series by Ingrid Gould Ellen and coauthors.) Nearly half (44 percent) of the homes were assigned to low-poverty schools. The elementary schools ranked in the 40th–60th bracket in the state on math and English tests between 2006 and 2010. In contrast, those schools in areas without an inclusionary zoning policy were in the 20th to 40th ranking.

Prior research also finds that in Montgomery County, MD, students whose families rented an affordable home in an inclusionary zoning development and attended a low-poverty elementary school did significantly better than their peers in traditional public housing who attended a moderate-poverty school. In addition, by the end of elementary school, the large achievement gap between children living in “set-aside” homes who attended low-poverty schools and their non-poor classmates was cut by half for math and by one-third for reading.⁵

Despite the generally positive results, there are a few shortcomings of the inclusionary zoning approach. For example, it tends not to serve the poorest of the poor. The large majority of families living in inclusionary zoning homes were homeowners, not renters. And, as is the case for affordable housing programs in the United States generally, the demand well exceeds supply.

Policy Implications

Ultimately, inclusionary zoning has the potential to help families in need and to provide their children access to high-performing schools, which can have a lasting impact. However, the program is currently only a small slice in the affordable housing pie. At only 150,000 units built over several decades, its scale pales in comparison to the approximately 2 million households served by Housing Choice Vouchers or the 1 million units built with Low-Income Housing Tax Credits.

Getting the mix of incentives and the program parameters right will be important to expanding the program’s reach and securing the futures of more low-income families and children. For example, without continued affordability requirements and with little funding for oversight, inclusionary homes may not remain affordable for long nor will they necessarily serve their intended populations.

Inclusionary zoning has a tendency to serve homeowners more than renters, largely because the program’s homes must often match the tenure (rental or ownership) of the market-rate homes in the subdivision. Montgomery County offers an interesting model for expanding the program to more renters. There, the public housing authority can purchase up to one-third of inclusionary zoning homes in a subdivision to then rent to very low-income households.

Incentives could be strengthened for developers as well. In Cambridge, MA, for example, even though developers could earn a density bonus for a project with affordable housing, the initial inclusionary zoning rule was voluntary and spanned ten years, and not one home was built.

Another method of increasing the number of affordable homes is to demand a certain number of homes be set aside as a condition of permit approval. A “set-aside” is the percentage of total homes approved for development to be sold or rented at affordable rates. The number of homes to be set aside in the eleven localities in this study ranged from 4 percent to 35 percent of total homes in a development. Other incentives, such as allowing developers to build more square feet than would otherwise be allowed, can also work so long as the value of the incentives equals or exceeds the loss a developer would incur on the “set-aside” homes.

The lasting effect of inclusionary zoning may depend on whether the program is required to continue to sell or rent the home at an affordable price after the initial tenant moves out. The oldest inclusionary zoning development in the United States has lost about 30 percent of its affordable homes since inception.⁶

Many inclusionary zoning programs wane because of lack of

monitoring and funding to support it. Often the data trail has faded, leaving no information on when the home was built, tenure, or the most recent sales price, among other things. There is also a pressing need for more information on the populations served and how long they remain in place.

Inclusionary zoning, while still a small program, can help break up entrenched economic segregation by providing options for lower-income families to live in higher-income neighborhoods, and as this study shows, nearer to better performing schools. While the short-term effects of access to better schools are encouraging, the longer-term effects can be even more impressive as a second generation gains the tools of upward mobility. ■

5. Heather Schwartz, “Housing Policy Is School Policy: Economically Integrative Housing Promotes Academic Success in Montgomery County, Maryland.” In *The Future of School Integration*, edited by Richard D. Kahlenberg (New York: Century Foundation, 2012).
6. Heather Schwartz et al., “Is inclusionary Zoning inclusionary? A Guide for Practitioners.” Technical report. (Santa Monica, CA: RAND, 2012).

Endnotes

1. High poverty schools are those in which at least 75 percent of the student body is eligible for free or reduced meals. Low-poverty schools are those in which fewer than 25 percent of the student body are eligible for free or reduced price meals. See Susan Aud et al., *The Condition of Education 2010*. NCES 2010-028. (Washington, DC: National Center for Education Statistics, 2010).
2. Alan Mallach and Nico Calavita, “United States: From Radical Innovation to Mainstream Housing Policy.” In *Inclusionary Housing in International Perspective: Affordable Housing, Social Inclusion, and Land Value Recapture*, edited by Nico Calavita and Alan Mallach (Cambridge, MA.: Lincoln Institute of Land Policy, 2010).
3. The jurisdictions were: Boulder, CO; Burlington, VT; Cambridge, MA; Chicago, IL; Davidson, NC; Denver, CO; Fairfax County, VA; Irvine, CA; Montgomery County, MD; Santa Fe, NM; Santa Monica, CA.
4. Ingrid Gould Ellen, Katherine M. O’Regan, and Ioan Voicu, “Siting, Spillovers, and Segregation: A Reexamination of the Low Income Housing Tax Credit Program.” In *Housing Markets and the Economy*, edited by Edward L. Glaeser and John M. Quigley (Cambridge, MA.: Lincoln Institute of Land Policy, 2009); Sandra Newman and Ann Schnare, “. . . And a Suitable Living Environment?: The Failure of Housing Programs to Deliver on Neighborhood Quality,” *Housing Policy Debate* vol. 8 (4) (1997): 703–741.

Heather L. Schwartz policy researcher at the RAND Corporation and a professor at the Pardee RAND Graduate School. **Liisa Ecola** is a senior project associate at the RAND Corporation. **Kristin J. Leuschner** is Communications Analyst at RAND Corporation and a Professor at Pardee RAND Graduate School. **Aaron Kofner** is a research programmer at RAND Corporation.

ABOUT THE HOW HOUSING MATTERS TO FAMILIES AND COMMUNITIES RESEARCH INITIATIVE


This brief summarizes research funded by the John D. and Catherine T. MacArthur Foundation as part of its How Housing Matters to Families and Communities Research Initiative. The initiative seeks to explore whether, and if so how, having a decent, stable, affordable home leads to strong families and vibrant communities. By illuminating the ways in which housing matters and highlighting innovative practices in the field, the Foundation hopes to encourage collaboration among leaders and policymakers in housing, education, health, and economic development to help families lead healthy, successful lives. The views expressed herein are not necessarily those of the MacArthur Foundation.

MacArthur Foundation

The MacArthur Foundation supports creative people and effective institutions committed to building a more just, verdant, and peaceful world. In addition to selecting the MacArthur Fellows, the Foundation works to defend human rights, advance global conservation and security, make cities better places, and understand how technology is affecting children and society.

For more information or to sign-up for news and event updates, please visit www.macfound.org.

John D. and Catherine T. MacArthur Foundation
140 South Dearborn St., Suite 1200
Chicago, Illinois 60603-5285
Telephone: (312) 726-8000

 www.macfound.org

 twitter.com/macfound

 youtube.com/macfound