Cornerstone Partnership

Keeping Homes Affordable & Communities Strong

Good afternoon Chair Keny-Guyer and Committee Members, I am Sasha Hauswald. I work with the Cornerstone Partnership, which is a Nonprofit Intermediary. It is our mission to support housing policies and programs that create long term affordability and community stability. I oversee Cornerstone's Inclusionary Housing team. We use Inclusionary Zoning and Inclusionary Housing interchangeably.

We work with jurisdictions all over the country to help them figure out whether Inclusionary Zoning, is right for them and how they can tailor Inclusionary policies to suit the specific needs and conditions in that community. We do that by working both with local policy makers and with local developers. We interview developers, hold developer focus groups, and ensure that their voice is heard in the crafting of local policies.

I came here, independently, to share our experience and national perspective as you are considering lifting the ban on inclusionary housing policy. I am here to share some examples from our experience around the country, highlighting the wide variety of inclusionary programs currently in use. I also hope to address some of the common misunderstandings about inclusionary housing.

By now, I assume you're all aware that inclusionary zoning was first pioneered over forty years ago, in Montgomery County, Maryland, a suburb of DC. As a suburban community outside of a major city, with a growing residential base, Montgomery County is a lot like Washington County, in the metro region. The County was concerned about ensuring long term affordability for working families, and their inclusionary housing policy has produced over 12,500 workforce housing units even as the population has doubled. The program is still going strong, and their local economy is thriving.

It wasn't long before other jurisdictions in other states across the country followed suit. A 2014 study found that there are now over 500 inclusionary programs in 27 different states. And in a study on California, about 60 percent of inclusionary housing programs were located in small cities and suburbs with populations under 50,000 people, and half of these are in towns of 20,000 people. So while it's common to think of inclusionary housing policies in large, urban cities like New York and San Francisco, in practice a majority of the programs are in smaller cities and towns.

An advantage of is tool is that it is not one-size-fits-all: each jurisdiction can tailor a policy to match their context. The most common approach is a local ordinance requiring that a set percentage of new housing is sold or rented to lower income working families at a price they can afford. Each jurisdiction can decide what income brackets will qualify for the units, and how many of the units must be set aside.

Programs are also tailored in two other key ways: Local jurisdictions can offer cost offsets like density bonuses, tax breaks, or other accommodations to developers in exchange for keeping a certain number of units at a below-market-rate price. These cost offsets are variable from a small fee waiver to a high value exemption from height limits. Second, jurisdictions can provide developers with multiple options to meet the requirements, such as building units offsite or paying in lieu fees into a housing trust fund..

Breckenridge, Colorado is an example of a small town with a great inclusionary housing program. Breckenridge is a ski town with a large vacation community, and its demographics and housing market are a lot like Bend, Oregon. There are a lot of winter-only residents, second homes, and vacation rentals in Breckenridge. Another similarity to Bend is the inconvenient commute for anyone who can't afford to live in town. With few transportation options, commuting is difficult for service and resort workers and shop owners. It sounds a like many tourist industry workers in Bend have to live in and commute from Redmond.

Breckenridge solved the problem of affordability with a combination of inclusionary housing, developer agreements, and public investment. All told, Breckenridge created over 600 workforce housing units, a full third of their total housing stock, and enough units to accommodate tourist industry and service workers, allowing them to live closer to where they work. Their inclusionary program requires 10% of any new developments to be set aside for moderate income renters or buyers and those units must be mixed in with the rest of the development.

What is notable is that developers haven't left Breckenridge. They could easily have shifted investment to any number of other Colorado ski towns without inclusionary programs, but they've continued to invest in Breckenridge. The reason is that the town's economic vitality is a direct result of their inclusionary housing program. By including workforce housing in new developments, there remains an authentic working community feel, or as city staffers call it, a "genuine" atmosphere that attracts steady interest and tourism, allowing the local economy to thrive.

Next, I would like to talk about Chapel Hill, one corner of North Carolina's "research triangle" and part of a regional housing market along with Durham and Raleigh. Chapel Hill has a cozy, historic downtown surrounded by residential neighborhoods. It has good schools and good public transportation, including free buses around town. Residents of Chapel Hill are employees of the University of North Carolina, commuters to Research Triangle Park, where about 200 high tech companies including IBM have campuses. It is also home to lower income and historically working class communities.

You could liken it to Corvallis or maybe Eugene. Chapel Hill wanted to make sure that lower income residents weren't squeezed out of their hometown by new tech industry employees. First, they started with a voluntary program that offered developers a density bonus in exchange for reducing the price on 15% of new units. But the City had to negotiate and approve each building permit and often deviated from the inclusionary targets, which made the program unpredictable. Developers complained, seeking more consistency. So in 2010, the Chapel Hill City Council worked with the development community to change from a voluntary to mandatory program. Developers actually prefer this new program, appreciating the efficiency of the permitting process and the cost offsets pre-approved by the city.

These are just two examples out of hundreds across the country. These programs would not still be in effect, and indeed thriving, if they negatively affected housing production. There have been multiple studies over the decades, including peer-reviewed studies and research by independent organizations like the RAND Corporation. Try as they might, economists cannot seem to find any detrimental impact on local economies. I can provide these research studies to you at your request.

A common misunderstanding about inclusionary housing is that it operates like a tax, which would raise prices and reduce production. But it turns out the story isn't that simple. Inclusionary programs offer benefits to the development community like predictability or allowances to zoning rules. Inclusionary programs also often offer flexibility to market rate developers like building offsite or paying a fee in lieu of construction. Flexibility allows developers to meet the requirements in whatever way best suits their particular business model.

But another important factor is that development is an art, not a science. It takes savvy and skill, and developers have to be nimble and adaptable. They learn to accommodate inclusionary housing requirements just like any other cost of doing business.

Let's also return to the idea that inclusionary isn't the best solution for every community. Despite their huge differences, there is something alike between Montgomery County, Breckenridge, and Chapel Hill. There is growth and development happening. Inclusionary Housing is not a good tool for places without any real-estate development opportunities nor places with enormous vacancy rates, like say Detroit. If a place with no development happening implements a policy requiring 15% of new housing to be moderately priced, that would be 15% of nothing. With that said, except in very cold markets, inclusionary can be calibrated to work with the market conditions because it is such a flexible policy.

I will wrap up my talk by re-enforcing that as one tool in the toolbox for creating reasonably priced housing opportunities, it is particularly good at two things: it is great at building workforce housing for families who would not qualify for traditional government supported low-income housing but who still struggle with their housing costs. It is also good for creating mixed income communities where people of modest means have access to good schools, parks and transportation.

Inclusionary Housing also works well when used in combination with other local tools and public investments, like they have done in Breckenridge. Inclusionary Housing does not replace other public investments, but it does make them more productive. For example, policies with the option to pay an in-lieu fee can help scarce local resources to go much further by providing an additional source of capital that can be leveraged to build housing.

Oregon is currently experiencing rising home prices in cities, suburbs, and smaller places, and with rising prices come housing affordability challenges for working people. Across the country, in fact, wage growth has failed to keep pace with housing costs. I am not going to stand up here and tell you that Inclusionary is a panacea, but it can be a piece of the solution. It is a flexible, highly customizable policy with a proven track record. It is one of the tools that local governments in Oregon, planning for the future of their communities should have the opportunity to at least consider.