pennsylvania
GOVERNOR'S CENTER FOR
LOCAL GOVERNMENT SERVICES

PA STATE PLANNING BOARD

LOCAL GOVERNMENT HOUSING AFFORDABILITY AND INCLUSIONARY ZONING TOOLKIT

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Aspinwall, PA

Commonwealth of Pennsylvania
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EXECUTIVE SUMMARY

Pennsylvania's residents are increasingly facing housing affordability challenges, as are residents across the country. Housing costs are rising faster than wages. Many areas of the Commonwealth are not seeing enough new housing being constructed to meet the growing need, while other areas are experiencing little new housing construction and high rates of old housing stock in need of long deferred repairs and updates. There is not one county in Pennsylvania where a full-time worker receiving minimum wage, which has been stuck at $7.25 since 2009, can enable them to rent a typical one-bedroom apartment.

One of the newer tools to address creation of additional affordable housing units is Inclusionary Zoning (IZ), or as it also known, Inclusionary Development. This is where new, market-rate housing developments include a percentage of affordable units, or the developer contributes to an affordable housing fund to support local affordable housing programs. To encourage new developments to participate in this, incentives are usually offered in the local zoning code providing additional building density or additional floors or units so that the development still works financially with some of the units paying below market rents, or selling for below market sale prices. This is why the term Inclusionary Zoning is used to describe these mixed income developments, as local zoning codes are where the incentives are usually provided and described, and the locations where they are offered are defined.

There are other incentives localities offer to encourage mixed income developments, including property tax relief, public land provided at nominal cost, expedited permit processing and direct cash subsidies. There are many variations of IZ across the United States, with three states having the highest concentration of these programs, directed or required by those states, California, Massachusetts and New Jersey, which have more locations with IZ ordinances than the rest of the country combined. Although the stated desire of these programs is to have affordable units included on site, the vast majority of projects that use IZ incentives pay a proscribed amount (called an "in lieu" payment) into a Housing Trust Fund or similar local entity that uses the funds to meet local affordable housing needs. In recent years, some locations have revised their ordinances to require affordable units to be included on site. Early indications are that this change to mandatory IZ is resulting in reduced new development, and therefore a lower contribution to affordable housing from private development.

Of course, new affordable units, or monetary contributions to affordable housing programs can only happen if there is new private development occurring. In Pennsylvania, population growth is only notable in one third of counties, or less, so the vast majority of counties are seeing low levels of new housing development, especially the moderate to large scale projects that trigger IZ contributions. Therefore, this report also looks at how tools related to IZ can serve as models in those counties where housing costs, and the age of housing, is creating housing burdens. These burdens could be addressed by steps and products used to meet IZ requirements for affordable units but which would need other sources of funding where there is no new development at scale to contribute to these remedies or other changes to zoning codes. Even in low growth counties, there are municipalities that are seeing some new private development that might work with IZ provisions, such as county seats, which have a concentration of jobs and a need for a greater range of housing options than more homogenous rural townships that are dominated by detached single family houses on large lots.

Pittsburgh, PA

This report also examines ways that off-site development and "in lieu" payments can be tailored by localities to address their specific housing needs. These options are ones that could also be used in areas that don't have IZ development, but have other sources of funds to address a range of local housing needs. Alternative housing models, including accessory dwelling units and manufactured housing are included, as are leveraging publicly controlled land, property management enforcement and preservation of existing affordable housing. The most common type of new residential construction in Pennsylvania is single family homes for sale, but the most common type of development related to IZ is new multi-family mid-rise or high-rise construction for rent. Similar buildings developed as condominiums are more rare, and they present some unique challenges to implementing IZ rules. In cities and denser suburbs IZ is also being used in townhouse for sale developments often associated with transfer of public land for mixed income development.

The primary audience for this report is public officials across the Commonwealth, including Mayors, Commissioners and Township Managers, as well as housing and planning staff and related departments as well as citizen boards, and of course, housing and service providers across public, non-profit and private organizations. The appendices to this report provide background data, links to relevant reports and model ordinances to enable local officials to research and lead public engagement to explore best applications to address local housing needs and development pressures.

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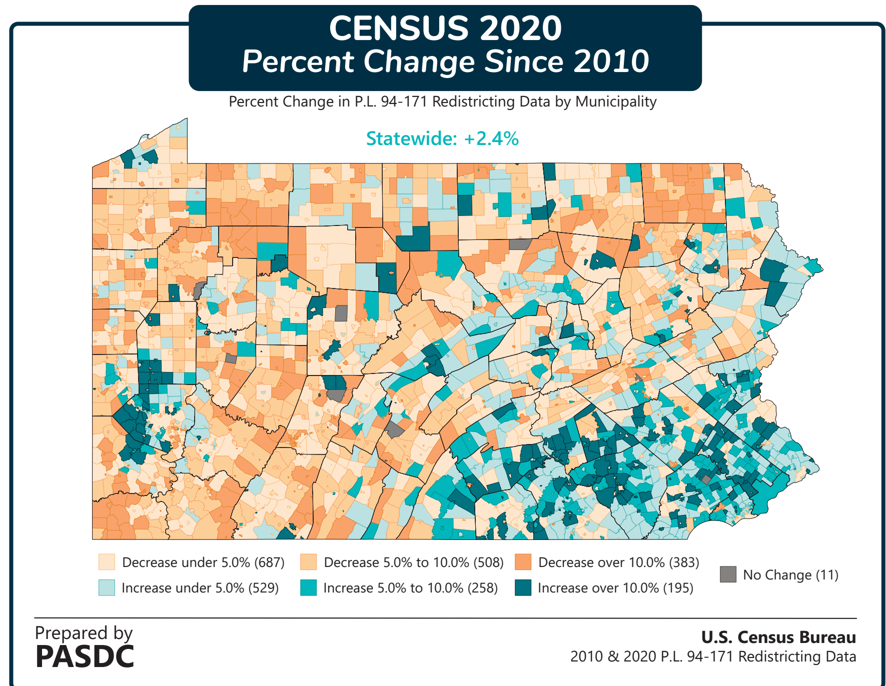
INTRODUCTION

DEMOGRAPHIC CHANGES IN PENNSYLVANIA

Pennsylvania is experiencing a period of significant population and demographic change. Between 2010 and 2020, the Commonwealth experienced 2.4% population growth. However, this growth was not uniform across the Commonwealth. Population growth was concentrated in 23 of our 67 counties, most of which are primarily in the Southeast region. Rural counties lost approximately 90,000 residents during this time, but urban counties gained approximately 390,000 residents. (2010 and 2020 Censuses, U.S. Census Bureau).[1]



Several intervening factors have impacted population growth across the Commonwealth. In 2019, most counties saw more deaths than births. The counties that experienced more births than deaths were primarily concentrated in the Southeast region, matching population growth trends. Apart from two counties, between the years 2017 and 2019, all other counties had a birth rate below the population replacement rate, 2.1 births per woman (Pennsylvania Department of Health and the U.S. Centers for Disease Control and Prevention). Additionally, between 2019 and 2020, Pennsylvania witnessed slightly more out-migration than in-migration. All these factors indicate that Pennsylvania's population will continue to increase at a very slow pace and will likely continue to experience a decline in some regions (IRS Migration File).

The population of the State has also rapidly diversified and aged. Between 2000 and 2020 the portion of the Commonwealth's population that identifies as people of color has increased from 16% to 27% of the total population (2000 Census and 2020 Census, U.S. Census Bureau). The gap between the number of individuals over the age of 65 and individuals under the age of 20 has significantly grown over time. The number of individuals over 65 is modeled to make up a slightly large portion of the population than those under 20 by 2030. Indeed, by 2030, 47 of Pennsylvania's 67 counties will have more senior citizens than young people. (U.S. Census Bureau and Pennsylvania State Data Center). Together this data highlights how Pennsylvania's population is becoming older and more diverse.

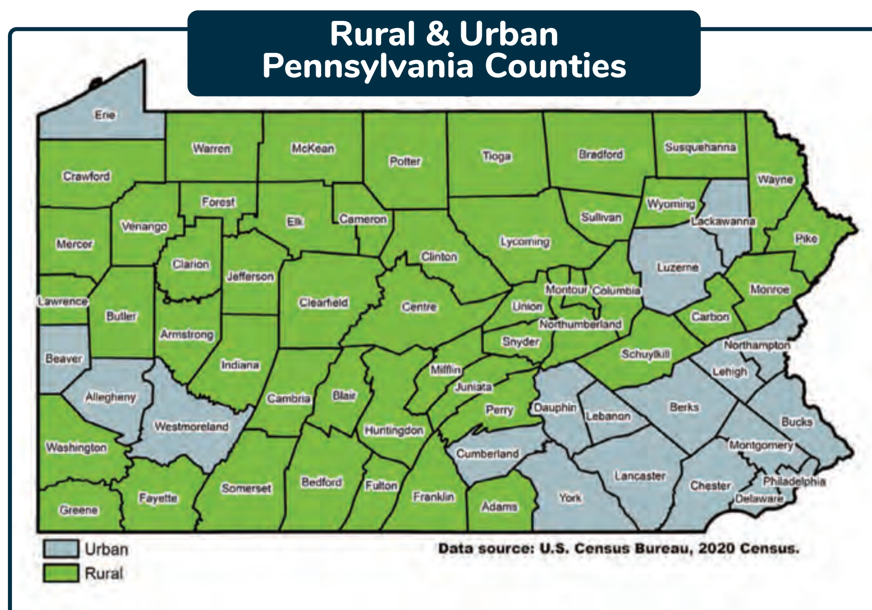
HOUSING AND HOUSEHOLD CHARACTERISTICS

Overall, the number of new housing permits distributed for new construction has been relatively flat in the state, except for a jump in new permits between 2020 and 2021. That jump was caused by a one-time tax change in the City of Philadelphia (U.S. Census Bureau).[2] However, between 2010 and 2020 most of any increases in the number of housing units generally aligned with where population growth was experienced in the Commonwealth. Inversely, counties that tended to experience population loss experienced a decline in the number of housing units during the same period.

1 *This is based upon the Center for Rural Pennsylvania's definition of rural and urban counties.*

2 *In 2020, there were 25,706 housing permits issues in Pennsylvania. In 2021, that increased to 47,894, but only 2,596 of the increase was outside Philadelphia, representing a 10% increase across the other 66 counties. The City of Philadelphia had a significant change to its real estate abatement that would apply to permits obtained after December 31, 2021, so a fivefold increase in permits occurred to secure the previous abatement, but many of those projects may never get constructed.*

It should also be noted that there is a significant number of unoccupied housing units in the State. Of the 5.74 million housing units reported in 2020, some 530,000 of them are categorized as unoccupied (U.S. Census Bureau). Furthermore, the age of housing units in Pennsylvania differs relative to national measures. For example, in Pennsylvania the median year of construction for housing units is 1964 (for both owner-occupied and renter-occupied properties). Compared to the national landscape, the median year of construction for housing units is 1978. Therefore, the typical housing unit in Pennsylvania is 14 years older than the national median. (2020, 5-year Average, American Community Survey U.S. Census Bureau).



The number of households in the Commonwealth has also increased from 4.99 million to 5.21 million between 2010 and 2020, yet the number of persons per household has decreased over the same period (U.S. Census Bureau). Between 2010 and 2020, the average household size fell from 2.45 individuals to 2.42 individuals. This decline parallels the lower birthrate seen across the State in recent years, as the number of children per family decreases, the average household size will also continue to decrease.

The type of household in Pennsylvania differs from the nation as a whole, 69% of occupied units in the State are lived in by their owners, compared to only 64.4% in the Nation as a whole (Decennial Censuses and the 2020, 5-year Average, American Community Survey, U.S. Census Bureau). This indicates that there is a smaller portion of rental units in the State when compared to the national average. On both the State and National levels the number of owner-occupied units has declined since the year 2000.

AFFORDABLE HOUSING IN PENNSYLVANIA

Given the demographic changes that Pennsylvania has witnessed over time, this raises important questions regarding the affordability of housing. Generally speaking, an expenditure of 30% or less of a household's income is considered affordable. However, the value of that 30% varies across the state, for different groups of people, who are at different stages in their lives. Using this metric, nearly half of renters across the Commonwealth (46.7%) spend more than 30% of their income for housing. Among homeowners with a mortgage, 24.4% spend more than 30% of their income for housing. Most households that pay more than 30% of their income for housing are located in urban counties, particularly in the eastern part of the Commonwealth. *(Decennial Censuses and 5-Year Average, American Community Survey)*.

Income is often identified as the main factor impacting an individual's ability to afford housing. The minimum wage in Pennsylvania remains at $7.25 an hour, while the average wage of a renter is $16.43 an hour, however, the wage necessary to afford a fair market rent for a 2-bedroom apartment in the state is $19.95 an hour. Even the 1-bedroom wage of $16.18 an hour is significantly above the minimum in the State *(NLIHC's Out of Reach report, 2021).*

Unsurprisingly, over 75% of households designated as extremely low income (0-30% of Area Median Income) are cost burdened when it comes to affording housing. Rental costs have also continued to rise in the State, with the asking rent for new leases increasing 11% over the last year. This rate increase has outpaced wage increases and will likely increase the number of cost-burdened households and push more individuals into homelessness.

Though there are differences between the percentage of households that are considered cost-burdened between those that rent, own their homes but have mortgages, or own their homes outright, significant portions of each population are cost-burdened. In 2020 46.7% of renters, 24.2% of homeowners with mortgages, and 14% of homeowners without mortgages are paying more than 30% of their incomes for housing *(Decennial Censuses and the 2010 and 2020, 5-year Average, American Community Survey, U.S. Census Bureau)*. Low-income households are significantly more likely to live in older housing stock, both if they own their home or if they rent *(HUD CHAS 2014-2018, Table 12)*. This may indicate that some of the increased costs associated with being overburdened by the cost may have to do with maintenance and at the least, indicates that many homeowners are unable to address all the required maintenance of their aging homes.

There are some notable differences between the makeup of renters and homeowners paying more than 30% of their income for housing. Renters are significantly younger than homeowners with the average age of a renter being 48.8 years while a homeowner is 59.1 years of age. Cost-burdened homeowners are also more likely to be outside of the labor force than renters, likely due to a larger number of retirees making up this population. The population of renters is also more diverse racially than homeowners with 39% of cost-burdened renters being people of color compared to only 18% of homeowners, remembering that non-white residents now represent 27% of Pennsylvania's population. *(2020, 5-year Average, American Community Survey, U.S. Census Bureau)*

There are also noticeable differences in the portion of cost-burdened households between racial groups. Black and Latino households are more likely to be cost-burdened or extremely cost-burdened than White or Asian households *(HUD CHAS 2014-2018, Table 9).*

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RECOMMENDATION #1
INCLUSIONARY ZONING

INTRODUCTION

Inclusionary Zoning, or Inclusionary Development, as it is also called, is an affordable housing tool where new affordable housing units or funding towards affordable housing trust funds is provided by private developers associated with new market-rate residential developments. There are basically three types of benefits provided by the private developer: a percentage of the on-site units sold or rented at below-market cost, new affordable units provided off-site or a payment into a housing trust fund. Nearly all IZ contributions nationally are in the third category, a payment made to a local housing trust fund to support existing priorities for housing needs.

Usually, the private developer is given some benefit to offset the additional cost of the affordable housing provision. These benefits comprise one or more of the following:

- Land for the new project, usually at "nominal" ($1) cost
- Zoning bonuses, in the form of additional density, height, and/or additional housing units
- Expedited plan review and permitting process, also often with reduced permit fees
- Real estate tax abatements for the completed project for a specified period of time
- Public subsidy towards development costs

Each of these five enhancements to attract developers to participate in providing affordable housing or trust fund contributions are described below.

Public Land

Many communities, especially in the Northeast, have unused land, often acquired by a town, city or county as result of abandonment and tax delinquency, that is now in neighborhoods experiencing resurgence. Sometimes, these are sites that previously had public buildings or facilities that are no longer needed. Instead of selling off these parcels to the highest bidder, they can be leveraged by offering them at reduced cost, or nominal cost, with a requirement that a percentage of the new units be made affordable to designated income groups for a specified period of time. When a public entity leverages the use of land it owns, the new development usually includes affordable units on site, rather than resulting in off-site units or payment into a housing trust fund. Since the land is controlled, the town or county has the greatest level of control over what will be built on the site, since it can make transfer of the land directly related to approval for the redevelopment of the site. A local government, or taxing authority, including school boards, can also work with other quasi-governmental agencies, such as utilities or transit authorities, to craft a deal that provides development sites in return for the new market-rate development to include affordable units in the new development.

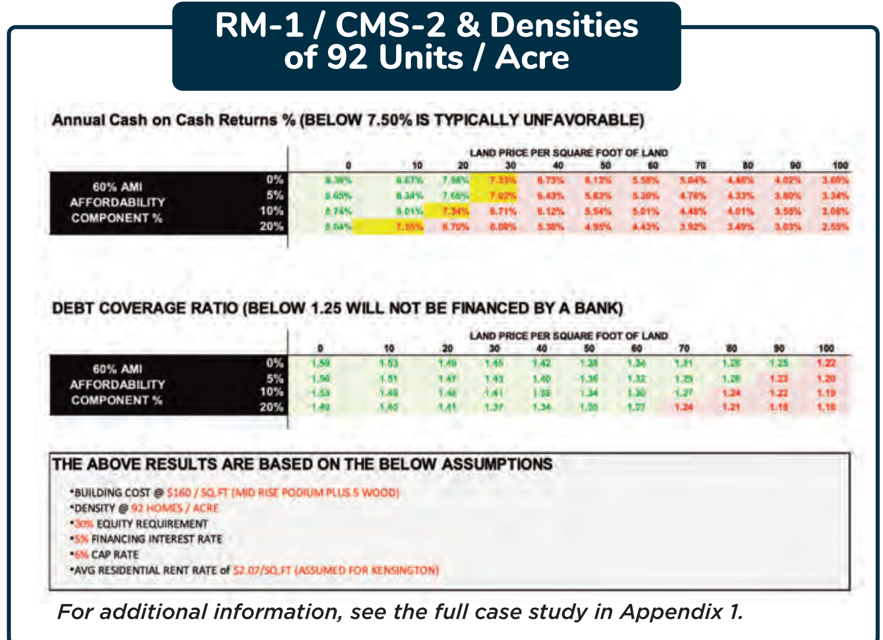
Zoning Bonuses

This is the most common form of benefit that results in affordable housing or payments from new private development. Zoning bonuses allow a developer to build more than would be allowed "as of right", increasing the profitability from the cost paid for the land. This additional profitability can be used to "internally subsidize" the lower return from a percentage of units that are sold or rented at below the market value of those units. In rental projects, the "subsidy" also helps to cover the additional administrative cost of coordinating with the public entity that oversees compliance on affordability, and managing additional documentation for the units that get reported to the public authority. The most common types of zoning bonuses are additional height, additional units, and reduced parking requirements. While most inclusionary zoning bonuses are voluntary, creating an incentive to provide affordable units on site or provide payments into existing housing trust funds, some places have instituted mandatory inclusionary development, either citywide or in target overlay zones.

The percentage of affordable units typically ranges from 10% to 20% of total units. Affordability levels are also set, typically at 80% of AMI (area median income) in developments with for sale units, but that varies up to 100% AMI or even 120% AMI in particularly high cost areas, like Boston. Rental affordability is usually set at lower levels, commonly 50% to 60% AMI, but they have gone as low as 30% AMI and in some cases up to 120% AMI. Some localities tie the level of zoning bonus to the depth of affordability, e.g. allowing a higher number of additional units for new developments that set the affordable units for 50% AMI versus 60% AMI. As this is the most common method of achieving inclusionary development, the applications of this benefit varies widely, as does local community response to it. *These calculations are critical to whether an IZ ordinance will be successful in meeting its goals or not, especially when it is a mandatory ordinance.*

If the percent of required affordable units is too high or the affordability levels pushed too low for the new development to reach a financial return that will enable it to get financing to be built, then the project will not get built, and of course, none of the affordable units will built. It is critical for local officials to work closely with local developers to understand how local land cost, permitting process, construction costs and related development costs impact the ability for a proposed zoning bonus to offset the added cost of providing the target level of affordability and still enable a new project to get built.

RM-1 / CMS-2 & Densities of 92 Units / Acre



Annual Cash on Cash Returns % (BELOW 7.50% IS TYPICALLY UNFAVORABLE)

60% AMI AFFORDABILITY COMPONENT %	LAND PRICE PER SQUARE FOOT OF LAND: 0	10	20	30	40	50	60	70	80	90	100
0%	9.30%	8.67%	7.98%	7.33%	6.73%	6.13%	5.58%	5.04%	4.48%	4.02%	3.60%
5%	9.05%	8.34%	7.68%	7.02%	6.43%	5.83%	5.30%	4.76%	4.33%	3.80%	3.34%
10%	8.74%	8.01%	7.34%	6.71%	6.12%	5.54%	5.01%	4.48%	4.01%	3.55%	3.08%
20%	8.04%	7.35%	6.70%	6.09%	5.38%	4.95%	4.43%	3.92%	3.49%	3.03%	2.55%

DEBT COVERAGE RATIO (BELOW 1.25 WILL NOT BE FINANCED BY A BANK)

60% AMI AFFORDABILITY COMPONENT %	LAND PRICE PER SQUARE FOOT OF LAND: 0	10	20	30	40	50	60	70	80	90	100
0%	1.58	1.53	1.49	1.45	1.42	1.38	1.34	1.31	1.28	1.25	1.22
5%	1.56	1.51	1.47	1.43	1.40	1.36	1.32	1.29	1.26	1.23	1.20
10%	1.53	1.48	1.46	1.41	1.38	1.34	1.30	1.27	1.24	1.22	1.19
20%	1.49	1.40	1.41	1.37	1.34	1.30	1.27	1.24	1.21	1.18	1.16

THE ABOVE RESULTS ARE BASED ON THE BELOW ASSUMPTIONS

- *BUILDING COST @ $160 / SQ.FT (MID RISE PODIUM PLUS 5 WOOD)
- *DENSITY @ 92 HOMES / ACRE
- *30% EQUITY REQUIREMENT
- *5% FINANCING INTEREST RATE
- *6% CAP RATE
- *AVG RESIDENTIAL RENT RATE of $2.07/SQ.FT (ASSUMED FOR KENSINGTON)

For additional information, see the full case study in Appendix 1.

Expedited Plan Review and Related Benefits

Some areas are notoriously difficult for getting through development entitlement and permitting processes. Since "time is money", and markets shift, there is an incentive for a developer to be able to get in the ground and start construction as soon as possible. This is particularly true if a project is not "as of right" and needs additional review for its proposed construction, or if a municipality has a lengthy review process, e.g. for roadway, environmental or design reviews. For this benefit to be effective, there has to be a proven record of trust that the process really will be expedited, with predevelopment period shortened enough to provide savings that help offset the additional cost of selling or renting units at reduced cost, and taking on the additional administrative steps and costs of compliance for the affordable units.

Real Estate Tax Abatements

The availability of this tool is governed by State enabling and limiting legislation. In Pennsylvania, the "uniformity clause" limits a local taxing authority's ability to use differential taxation to provide this benefit for developments that include affordable units. Recent legislation enacted in Harrisburg enables a local tax authority to provide a tax abatement for affordable housing, if it wishes to do so, but only for developments that have over 50% of units with affordability restrictions. This is a much higher level than is typically provided through "inclusionary development" bonuses, so it really targets developments that are fully affordable, or have a deep mixed income component, which usually also requires other subsidies. There are locations outside the Commonwealth that provide tax abatements for projects that have inclusionary development, notably New York City. If a municipality or county in Pennsylvania wanted to use this tool, however, it would require additional legislation in Harrisburg.

The current ten-year real estate tax abatement in Philadelphia applies to all new construction, and helps offset the high cost of construction in Philadelphia for all projects, coupled with lower rent and sale prices compared to peer cities with similar construction costs. This applies to all new construction, so while it does not target development with affordable units, it helps the overall bottom line of a new project, making it more likely that other incentives would be successful in providing new inclusionary development. However, as was noted above, Philadelphia reduced this abatement for new construction approximately in half starting in 2022, and a reduced interest by developers in pursuing inclusionary development is already being noted, especially in areas where new mandatory IZ overlays have been established.

Public Subsidy

Most new fully affordable housing development requires multiple sources of public subsidy, predominantly Low-Income Housing Tax Credits (LIHTC), awarded through the PA Housing Finance Agency (PHFA), local allocation of CDBG or HOME funds, and increasingly, contributions from local Housing Trust Funds. CDBG and HOME funds are tightly regulated by HUD in how they can be used, and are unlikely to be able to be used to leverage private inclusionary development. However, if a Housing Trust Fund gets all of its funding locally, i.e., not blended with CDBG, HOME or other federal funding (Montgomery County's Housing Trust Fund is set up with this separation), there is flexibility to provide some subsidy to incentivize a private developer to include dedicated affordable units in a new development. A reason to do this could be that the subsidy required would be less than would be needed for the Housing Trust Fund to participate in a solely affordable new development, where subsidy per unit can top $250,000. It can also provide units more quickly than waiting for a LIHTC project to get an award from PHFA, which can take three to five years, given the competition each year for limited LIHTC funding. However, given the scarcity of public funds for affordable housing and the rapidly growing need, this tool is rarely used to attract inclusionary housing. Funds paid "in lieu" by a developer of one project could be leveraged, however, to entice another developer to also include affordable units in their project.

THE EVOLUTION OF INCLUSIONARY ZONING

Originally, the concept of Inclusionary Zoning was to provide affordable units in areas that were experiencing high levels of new high-cost development. In recent decades, there was increased concern that areas which had been in decline and had low housing cost were seeing housing costs rise dramatically as new private development was introduced into these neighborhoods. Given current construction costs, and rising land costs, along with increased approval processes for new development, the only new development that could cover the cost of construction is higher-end "market rate" residential units, whether amenity-rich rental and condominium buildings, or larger single-family houses.

With decades of reduced federal funding for affordable housing, and deteriorating existing housing stock, this new development stood in contrast to existing housing needs in the neighborhood for affordable, as well as market-rate, housing units. Increasingly, housing advocates worked with local governments to find ways that new developments could provide a mix of units at different costs. This also continued the overall movement, especially in cities, to reverse the concentration of poverty, as had driven the move to redevelop public housing projects into a mix of incomes through HOPE VI funding in the 1990's and 2000's, and a move to increase Housing Choice Vouchers and reduce the number of units directly owned by public housing authorities.

By the 2000's inclusionary zoning (IZ) was increasingly looked to as another source to achieve a mix of incomes in neighborhoods, especially as housing construction boomed leading up to the housing crash in the Great Recession and HUD funding was cut dramatically in the first decade of this century. As new housing development, especially larger multi-family projects, picked up again in the wake of the foreclosures and evictions of the Great Recession, IZ was increasingly looked to as both an equity issue and a way to identify new sources of affordable units.

METHODS OF PROVIDING AFFORDABLE UNITS THROUGH INCLUSIONARY ZONING

There are basically three ways a private developer meets the requirements for housing affordability when using inclusionary development to receive any, or multiple, of the benefits laid out above. They can provide a percentage of the units built ***on site*** at a designated level of affordability for a designated period of time, they can provide units ***off-site*** with the same restrictions, or transfer those off-site units to another entity, e.g. a non-profit housing provider, or ***make a payment*** into a designated Housing Trust Fund or similar dedicated affordable housing funding source, according to a formula that is calculated by local mandate according to the scope of the proposed development.

On Site Units

The original goal of IZ was provide a mix of income units on site. There was, and remains, great resistance to this from developers, for reasons described below. This set up a situation where many developers would avoid these communities and build elsewhere, resulting in fewer new units overall, which would increase competition for existing units and drive up costs for all homebuyers and renters. The direction of IZ was then shifted in most locations to allow a "payment in lieu" of providing reduced cost units in the new development, with a formula worked out to determine that payment. The payment process wasn't always well defined. In the early Philadelphia zoning rule, the determination of payment was left to the local housing agency during the construction process and not disclosed at the start of the project. Eventually all IZ rules laid out a known formula so that a developer could determine if a proposed project was feasible when the payment was factored into the cost. How these payments are defined vary from municipality to municipality and may be based on a fixed cost per unit that was not provided on site, or the square footage of the overall project, or the amount of additional area that was enabled by the zoning bonus, and may also vary by the level of affordability that was used to determine the bonus.

Initially, there were few requirements about the design or distribution of the affordable units in the new development. In smaller projects, all units had the same finishes and layouts, as it was more costly to have two different types of units than to build consistent units throughout a project. However, some new buildings grouped all the affordable units together, often on the lowest floors. What really brought this question to light was the story of the "poor door" on larger buildings in Manhattan, where lower floors had affordable units that were smaller, had less upscale finishes, and egregiously, had a separate building entrance and lobby and fewer building amenities, with no access allowed to the more attractive amenities that were provided in the building for the more expensive units. This led to a widespread revision of existing IZ ordinances nationally to specify that all units had to be similar in size and finish, have access to all the same amenities and that the affordable units be evenly distributed throughout the building to be indistinguishable to residents.

PA

CASE STUDY

VOLUNTARY INCLUSIONARY: SPAK GROUP ZONING

The Spak Group in West Philadelphia has found it possible to develop inclusionary housing projects without the use of direct subsidy. According to the organization what makes their developments work is a creative mix of well-priced land, density, tax abatement, private investment, favorable financing, and predictable and properly managed construction costs. This combination of factors has allowed the Spak Group to bring 91 units to market at 80% of AMI.

When completed the Spak Group's current project, the Wade Flats, will consist of 2 buildings totaling 60,000 square feet of mix-use space located in Southwest Philly approximately 1.5 miles West of the campus of the University of Pennsylvania. In all, the Wade Flats development will house 4 commercial units, 53 residential units and a host of amenities, including an elevator, dog park, gym and buzz-in mail room. In all, the unit mix will include 5 studios, 13 one-bedrooms and 33 two-bedroom units. To further frame the project's excellent positioning, currently there are four newly constructed buildings coming online now, and Wade Flats has rents approximately 10% to 15% lower than the competition on a per square foot basis for market-rent apartments. Moreover, Wade Flats was designed, financed, and developed with a commitment to promote Inclusionary Housing. As a result, WadeFlats includes 6 apartments (2 studio apartments, 2 one-bedroom apartments and 2 two-bedroom apartments) that will be rented to neighbors with incomes at 50% AMI or less either on the open market or through programmatic support through a 50 year Deed Restriction that starts in 2023.

How does it work?

- Total cost to develop and complete both projects will be approximately $11m with a completed value near $14.5m allowing for a 75% Loan-to-Value when complete.
- Land Costs were approximately 7.63% of total project cost or approximately $50 per square foot based on appraised land valuations used in the Capital Stack. (Please note, however, that this land was purchased for $12 per square foot.)
- Development Fees were based on only 5% of the Hard Costs resulting in an overall cost of 3.63% of the total project cost
- Construction Management Fees were based on only 5% of the Hard Costs resulting in an overall cost of 3.46% of the total project cost
- Hard costs have been brought in at approximately $145 per square foot or 72.09% of total project cost (WADE Flats Phase I design was revised 5 times causing approximately 4 months worth of delays to bring down construction costs keeping the project on budget; while WADE Flats Phase II was redesigned 3 times to provide larger apartments (increase in revenue) and reduce design costs.)
- Soft costs were 4.69% of the total project cost
- Finance costs were 2.37% of the total project cost
- Interest reserves are approximately 6.13% of the total project cost (Please note that the Interest Reserve of Phase I of the WADE Flats development was oversubscribed by $150,000, which will be completely used upon completion by the current interest rate environment. Phase II of WADE Flats will require an infusion of approximately $100,000 in additional Equity before completion.)

Lastly, Spak Group ordered much of its material early and both projects have experienced no delays caused by supply chain matters faced by our industry.

When the formula above is mixed with four key components projects similar to Wade Flats have the potential to financial pencil-out without direct public subsidy to the developer to be constructed. The four key components received by Wade Flats are:

- Low-entry cost for land / building purchase,
- By-right residential or mix-use land,
- By-right Inclusionary Housing density bonuses (allowing for 10% of the units rented to neighbors with incomes at or below 50% AMI), and
- A 10-year real estate tax abatement on all improvements

Wade Flats - Philadelphia PA
Photo courtesy of: SPAK Group

Off Site Units

The least used option to meet IZ requirements is to provide affordable units off-site, preferably in the immediate neighborhood of the new development. The obvious largest barrier is identifying a parcel of land to build the affordable units. The second biggest hurdle is undertaking an entirely separate development, with its own permitting process, design, construction team, timetable and management. A way to mitigate these obstacles is partnership with other entities, including local governments and non-profit housing providers, to identify land and to manage the building post-construction, assuming it is a multi-family rental. The best-known example of this was in Boston, where the City of Boston coordinated the affordable housing requirements for several new developments happening in a short time frame and had them all contribute to the construction of an affordable rental high rise built on a City owned site. This separate building consolidated all the affordable units in a desirable location and set a mix of affordable rents from 60% to 120% of AMI, for a mixed-income affordable building.

“In Lieu” Payments

By far the most common method of trade off in new developments using inclusionary development is to pay into a housing fund controlled by a government or quasi-governmental housing entity. These funds, often local Affordable Housing Trust Funds, are usually overseen by a combination of government and non-profit stakeholders, and sometimes include foundations and other private stakeholders, who use the funds for housing needs that are publicly and openly defined, and a public process for allocating funds, usually following a strategic plan to address local needs. Since the “in lieu” payments are private funds, if the Trust Fund doesn’t co-mingle with federal funding, the Trust Fund has complete local control over how these funds are used to address housing needs. This flexibility allows for combatting homelessness, rent subsidies, home repairs, down payment assistance for first time homebuyers, and yes, subsidizing the construction of new affordable housing units.

While the flexibility of financial contributions is desirable, giving decision making on the use of funds to housing trust fund instead of private developers, there are concerns that funds may not support housing needs in the immediate area of the new development, but in other neighborhoods. The location and uses of these funds, as well as how much is the “right” amount to assess a project in exchange for not having affordable units on site are the two biggest sources of debate about “in lieu” payments, aside from the debate around mandatory or voluntary inclusion of affordable units on-site versus making a payment.

Where in lieu payments are allowed, the calculation for this alternative needs to be clearly laid out in the IZ ordinance so the decision can be factored in at the earliest stages of site acquisition and design.

Mandatory On-Site Units v. Allowing In-Lieu Payments

There has been pushback in the past few years, with rapidly rising housing costs, to increase the payment amounts to encourage more projects to include on-site units, rather than "payment in lieu". Some locations are changing the IZ rules to require some or all of the units to be provided on-site. As these changes roll out, the impact on continued or reduced new development will be studied. To date, nationally, fewer than 10% of new development using IZ bonuses have provided the new units on-site, for reasons that will be discussed below, with most developers choosing to make payments into a local housing fund rather than include a mix of income units on site.

There are two major reasons that a project developer would rather pay into a housing fund than have units on site that are explained below and in the rental housing section following this section.

The first reason is that many new buildings, once they are fully leased, are then sold. Their value is determined by current and projected revenue and expenses, and the marketing and negotiating of the sale is usually done through a very "quiet" and confidential process. Having essentially a partnership with a public entity in the oversight of the rental of a percent of the units is a disincentive in the sale of the building and risks the need to make the sale process more public; the developer wants a clean and unincumbered sale. The reason this is a common concern is that many developers have a business model that involves identifying and acquiring sites, designing, building and renting up a property, but not holding "stabilized" properties. Other investor groups have a model of only buying existing buildings that are "stabilized", i.e. fully rented with known revenue and expenses.

Secondly, many large rental property owners are privately held companies, who prefer to have their finances kept private, shared only within the company and with the Internal Revenue Service (IRS). Having government regulated units with income and rent restrictions forces these property owners to have to share some degree of finances with the local government, or an appointed outside entity. They also have to set up and pay for systems to monitor incomes of tenants on an annual basis, not just at each new tenant's rental application. Any lapses in this process, far into the future, could bring about penalties, which could be redefined in future as well. This adds risk and uncertainty to the management of the building far into the future, and is inconsistent with the property owner's business model.

Forcing new developments to have units on site, rather than continuing to allow in lieu payments to satisfy this affordability contribution will drive many developers away from sites where they cannot make a payment but will be required to have an ongoing business relationship with, and risk of penalties from local government. In some areas, this is actually a stated goal. Local officials want to discourage new market-rate development unless it also directly provides more affordable units in the neighborhood. This is a policy direction that local neighborhoods and/or their elected officials may want, with mandatory IZ providing the means to both reduce new development overall as well as making sure that any new development that does get built will provide a range of affordability for residents.

Increasingly, developers, and more importantly, financing sources of medium and large residential developments are national, and even international. Local conditions that put a site at a disadvantage against similarly located and developable sites in peer locations make it likely that the developer will choose to provide new housing units in easier locations, e.g. in Sun Belt cities or Western locations, with fewer regulations and lower construction costs, therefore higher returns. Even locally committed developers are subject to returns set by the national sources of capital they need to access to get construction financing. Therefore, local governments need to understand the underwriting environment to craft ordinances that will still encourage the construction of new housing units to avoid an undersupply of new units, which would further increase housing costs for all residents. Within these outside constraints, the goals for any IZ policy need to be implemented in a way that measures the impact on developments of providing on-site units, off-site units and in-lieu payments to not also restrict the necessary levels of new housing in any one locality.

HOUSING TYPES: RENTAL, HOMEOWNERSHIP, CONDOMINIUMS

There are three types of housing production, and IZ works differently with each of them, although the three types are often regulated the same, creating additional difficulties in writing IZ rules and implementing them as construction is completed. Within the constraints of Pennsylvania's Uniformity Clause, it can be difficult to write regulations to apply differently for different housing types.

Rental Units

The most common form of development that involves inclusionary development is multi-family rental housing. Because these are larger single buildings, or a few large buildings on a single site, they benefit the most from the types of zoning bonuses that are typically included in IZ. They are also the most visible projects in a neighborhood, and typically have a different population than the longer-term residents, especially in gentrifying neighborhoods; they are younger, whiter, wealthier, have higher levels of education, and often did not grow up locally, although frequently they are from the region, at least in Pennsylvania, less so in high growth areas like Sun Belt cities. These are often the target of advocates for IZ, especially mandatory IZ policies, who point to the much higher cost of these rentals to existing rentals in the neighborhood. When they are in higher priced neighborhoods, like Center City Philadelphia, they are pointed out as not affordable to ordinary workers in many local jobs.

As most new rental buildings typically have smaller units for Millennials and downsizing Baby Boomers, they rarely have family sized units, limiting who the affordable units would house. Typically, those units end up being rented by tenants who look a lot like the market rate tenants, but whose incomes are lower, e.g. retirees on limited income or younger workers at non-profit organizations or entry level jobs in private industry. While this certainly meets a need, and provides needed housing, it is limited in what populations benefit from these on-site units. This is an ongoing source of some debate, especially when adjacent blocks in neighborhoods have very different household sizes or demographics, and when there is little other type of new construction.

The ongoing management of a single apartment building makes it easy on one hand to include a mix of income units, and on the other hand raises disincentives for a developer to include units on-site. The greatest benefit of single management is that the location of the affordable units, which most IZ rules now require be scattered throughout the development, is known only to the building manager, not to any tenants (other than those who know they are getting reduced rent), especially as finishes and sizes of the units are the same throughout the building for market-rate and reduced rent units. From a social goal standpoint, this is the ideal result for IZ. From a management viewpoint, however, it adds complication to renting units, and to the privacy of what is a privately held property.

The management of the building has to coordinate rental of the affordable units with whatever government or non-profit is charged with monitoring compliance with the affordability levels. This adds to the information required to be collected and the time in which a vacant unit can begin to receive rental payments. There is confusion about what happens to an affordable tenant at lease renewal if their income has increased; do they have to move, can their rent be increased, does their unit still count towards the percent of required affordable units? Since the units are scattered, a different unit could be rented out as an affordable unit and the other tenant could be switched to market rate but what if their income hasn't risen enough to pay that, although risen enough to no longer meet the affordable threshold?

The private owner also has to share some level of rental information with the compliance oversight entity, and it's not always clear what the process will be for resolution of any disagreement between the two, e.g. calculating income or household size. A further complication is that often a developer whose model is identifying and constructing new projects does not hold the buildings after they are leased up, but markets the buildings for sale at that point. Having a "partner" with a business relationship that is a public entity raises concerns about impacts on the value of the building as a resale, especially with restrictions on rental income. By having a financial interest in the project, there is a risk that the public entity could interfere with the sale or make information public about the sale in advance. This last concern is often the largest reason that a developer does not want to include "controlled" affordable units on site, to avoid being "in business" with an outside, public entity.

Homeownership

The vast majority of new housing units built in the United States each year are single family, detached homes, usually for individual purchase by homeowners, although in very recent years this segment has seen increased activity by national investment corporations buying entire subdivisions of single family homes to rent out. This recent anomaly, for the purposes of ownership type related to IZ, should be lumped in with the above section on rental developments. This has been a quickly growing segment of new construction in high growth areas, like Arizona, but so far has not been a large presence in Pennsylvania.

The types of areas where single family homes are built, generally suburban lots, are less likely to have IZ ordinances, especially mandatory IZ ones. However, there are some aspects of IZ that could be attractive to developers of single family, for-sale developments. Chief among these would be reduced lot size per house, and expedited entitlements and permitting. In more urban locations, reduced parking requirements would be an important incentive, especially for attached, single family houses. For single family developments the requirement for similar units is usually relaxed somewhat, requiring similar finishes, but allowing the affordable houses to be smaller in area, possibly on smaller lots, with adjustments such as fewer bedrooms and bathrooms, a crawl space instead of a full basement, and off-street parking but no garage. This is to allow these homes to be "entry level" homeownership, and to keep the maintenance

and property tax costs lower for the lower income homeowners, since unlike renters, there is no building management to maintain the units after occupancy. The advantage of providing these "entry level" homes is to enable local service workers to be closer to their jobs, and to expand access to high quality schools and community amenities. Some locations have priorities for selling affordable houses developed with public support to local first responders, teachers or township employees.

The complication with homeowner units is how to address the resale of the unit. The goal of IZ is to maintain affordability for a minimum period of time. For rental buildings, it is commonly 30-40 years, but can be as short as 15 years, or as long as 99 years. However, rental buildings can manage having a percent of units affordable because they have single ownership of the entire property. With homeownership, once the developer completes the project, they are gone and there are as many separate owners as there are units; the specific units that are affordable and are market rate is fixed and the market rate units can't be "swapped" later, as can be done with apartment building units.

With homeownership the period of affordability for the income restricted units is more complicated to control than with rental units. What happens when the original owner moves? Does the next owner have to be income restricted? For how long? If there was a 30-year affordability requirement and the original owner moves after ten years, does the next owner have twenty years remaining, or does their affordability period reset to another 30 years? What restrictions are there on the price the original owner can get for the sale of the house, and how is that determined? There are multiple ways this is addressed, and as there have been few resales yet, there is not a lot of information about how well the various resale conditions are working. Models of affordable homeownership from programs before the Great Recession generally had shorter affordability periods than for rental buildings and as a result many of those are already general market rate housing, raising concern among housing advocates who are proposing alternative restrictions to maintain affordability further into the future.

Condominiums

Condominiums are perhaps the most problematic form of housing to provide on-site with IZ restrictions. For all the focus on condominium construction, they actually represent a small fraction of new housing units, especially outside downtown core neighborhoods.

There are basically two types of condominiums being developed, large luxury developments with large units and extensive building amenities and small infill developments with a handful of units and few, if any, amenities. The latter type is highly unlikely to be in a development of enough units to trigger IZ rules, which usually apply to projects with 10 or more units. The former type has a daunting problem for including affordable units on site—sky high monthly condo fees. Even if a resident were given one of those condos for free, the condo fee, which could be $2,000 a month or more, would be unaffordable, and that's before property taxes, insurance, and any future special assessments, which could be tens of thousands of dollars per unit.

Here is where Pennsylvania's "uniformity clause" impacts affordability solutions-each condo owner has to be uniformly assessed monthly condo fees based on the square footage of their unit. So, providing on-site "affordable" units in a luxury condo building would put a low-income occupant in the position of not being able to sustain occupancy of the unit unless other sources, presumably public funding, were available to pay a substantial portion of that resident's condo fees and taxes.

The other difference between condominium buildings and rentals is the ability to discretely have lower income people interspersed throughout a development without being singled out as the "poor units". In a rental building only the management company and whatever agency is overseeing compliance need to know how much rent each tenant is paying. Residents do not know what their next door neighbor is paying in rent. However, in a condominium, the sale price of each unit is publicly recorded, so everyone can see which of their neighbors are living in the affordable units and which paid the full market price for their unit, reducing the ability for full social integration. This also raises questions about how assessors assign values for future sales and for owner refinancing, and how counties assess value for property and school taxes.

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RECOMMENDATION #2
LEVERAGING LAND USAGE AND NEW UNIT CONSTRUCTION

There are several ways in which inclusionary zoning can leverage or be leveraged by other public policies to provide affordable housing. This can involve the use of publicly owned land or by construction types and methods that make it possible for more projects to use inclusionary development to provide affordable units.

Some of these methods are best suited to pair with off-site provision of new units, especially when the types of units needed by residents who lack affordable housing are different than those being developed in the new market rate development. All of these options also expand the menu of affordable housing "tools", even when done independently of any new local development, especially in counties where little new market rate development is occurring.

THE DEVELOPMENT OF ACCESSORY DWELLING UNITS

What is an Accessory Dwelling Unit?

Accessory dwelling units (ADUs) are secondary housing units on the same property as a primary residence. This varies from a duplex (as they are called in Southeast Pennsylvania) or two-unit multi-family housing in a few ways.

An ADU is typically much smaller than the primary residence on the site. In most cases, the larger housing unit is occupied by the owner of the property. An ADU might be part of the structure of the main dwelling unit, or it might be a stand-alone structure. Often, these are converted garages, or apartments over a garage. With the state's old housing stock, these are often former carriage houses, many of which were built with quarters on an upper floor. ADU's generally are as small as 200 Square Feet to as large as 800 SF, and many zoning codes that have ADU regulations govern their size, as discussed below.

ADUs are used in many ways. They are often referred to as "granny flats" as a widespread reason homeowners build them or convert existing space for them is to house an elderly family member, often a widowed parent, to give them independence in their living space, but to have them close to provide oversight and care without the stress and strain of having to travel to provide that care. Often the grandparent in the "granny flat" provides a service in return, being present for after school care for children in the household. With a rapid rise in the number of multi-generational households in the United States in this century, these are increasingly desired to provide needed privacy and individual space for the adult generations.

How does this topic tie back to inclusionary zoning?

There are two main ways that ADUs can provide the affordable units in conjunction with inclusionary developments, on site in developments that are single family housing communities, or as an off-site provision of multi-family market rate projects.

In new market rate development of detached houses, ADUs can provide affordable units, and this could provide a much higher percentage of affordable units, as high as 50% of the units, albeit with smaller units meeting the affordability. Since most IZ regulations require that the affordable units are the same as or similar to the market rate units, this would require an exception to provide smaller units, justified by providing many more than the typical 10% to 20% of affordable units. These might also meet a critical need in neighborhoods that mostly have larger detached homes, providing more appropriately sized units that are missing in these communities for single adults, including young adults, recent divorcees, widows and widowers and singles or couples who are local service workers, among others. These are also an option in new developments of attached townhouses, commonly as a ground floor flat with a two-story primary residence above.

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By definition, ADUs don't exist in multi-family developments, as those are already clusters of units of varying sizes. In those projects, the way ADU's would be a vehicle to meet the affordable unit requirement would be off-site, attached to other existing or newly constructed single-family houses. The ADUs themselves would be similar to the ones described in the preceding paragraph, but coordination would be more complex, identifying locations to provide them. Los Angeles is one location where local zoning was relaxed to allow ADUs to be added to existing single family home properties, if the units are income restricted for a set number of years. This type of provision could be tied to IZ if the developer of a new project paid for these income-restricted to be built on existing single home properties whose owners wanted to provide this housing on their lot.

What are the regulations that prevent these types of units?

Not all zoning codes have a specific ADU definition, so they would have to follow the regulations for multi-family use, which would make their construction in single family districts either completely disallowed or would require variances or other exceptions. Many zoning codes include definitions for ADUs, but the zoning maps still don't allow them to be built in any zoning district.

CASE STUDY

THE ELDERLY COTTAGE HOUSING OPPORTUNITY

A unique partnership has formed in Lackawanna County between NeighborWorks NEPA, Johnson College, Simplex, and the Area Agency on Aging to develop "tiny homes" for low-income seniors known as the Elderly Cottage Housing Opportunity. Through funds provided by the Pennsylvania Housing Finance Agency, this partnership will construct 15 units. Each unit is 14x40, containing one bedroom, a small kitchen, a living room, and a bathroom.

Photo courtesy of: NeighborWorks NEPA

With Pennsylvania's population expected to continue to grow older than the nation, it is important to consider the needs of this demographic. Individuals may desire to remain in their communities, however, may not be able to continue upkeep on a larger home designed for a family. Smaller "tiny homes" may be the perfect fit for these types of individuals and may provide more room for development in communities that are almost entirely built out. Multiple units that could be defined as "tiny homes" could fit onto a lot normally only large enough to hold a traditional single-family home. This housing type could also share a space with an already existing single-family home, acting as an Accessory Dwelling Unit. This may be a population option for older individuals who wish to live independently while remaining close to other people or gain additional income through renting a unit on their property.

The Elderly Cottage Housing Opportunity has not moved forward without its road bumps. The second house in the project is currently facing issues with borough setback regulations. This has slowed the process significantly and required the builders to seek special permission from the zoning hearing board. It is important to carefully examine zoning regulations to determine how they impact housing projects that don't fit the mold of traditional single-family units.

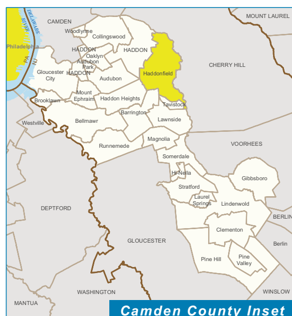
Where ADUs are allowed, many jurisdictions place restrictions of their size and who can or must live in them. The most common restrictions are maximum unit size and size of the ADU in relation to the size of the principal unit requiring the ADU to be much smaller. It is common for properties with an ADU to be restricted only to owner-occupied properties, with the owner either living in the principal unit or the ADU. This allows a long-time resident who no longer has other family living with them to live in the ADU while renting out the larger home they no longer need while being able to age in place. Conversely, they could remain in their long-time home that might be a financial burden by being able to offset costs with the income from the ADU. One of the most restrictive ADU regulations is Lower Merion Township, which requires owner-occupancy, also that both units be occupied by members of the same extended family, and that one of the two units be occupied by at least one person 64 years of age or older. Philadelphia has few restrictions on the occupancy of the ADU, but there are no areas of the city where they are mapped as an "as of right" usage, except for a recent ordinance that allows them "as of right" for single family residential properties that are on the City's Historic Register, to help those homeowners with the cost of maintaining a historic structure.

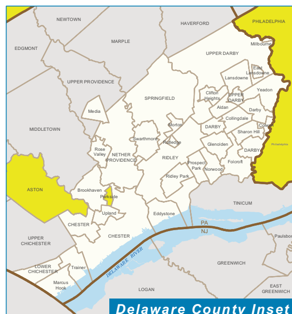
REASONABLE FORM REGULATIONS

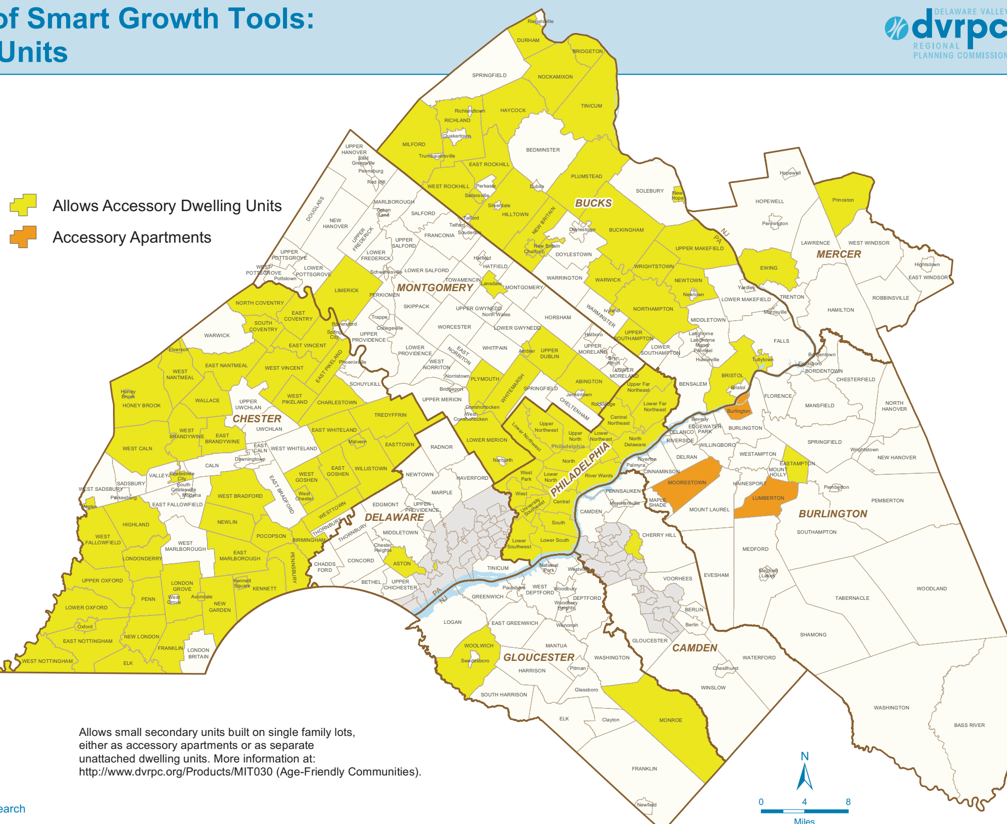
Some states have enacted legislation for ADU's. California has passed a law requiring all communities to allow them, with some narrow instances where locations of ADUs in residential zones can be limited. They have expanded their law to allow a single property to have two kinds of ADUs, one detached and a second one within the principal structure. Maine has passed a similar law, which would allow up to four units on a single residential lot, with certain instances where they can be limited. Both state's legislative bodies explicitly cite the use of ADUs to address housing shortage and housing affordability needs as the reason for the legislation.

Pennsylvania could enact legislation making ADUs a default permissible zoning with certain limits, as has been done in California and Maine, still enabling localities to define the conditions where ADUs would be limited or disallowed, for example on lots of a certain size.

Municipal Adoption of Smart Growth Tools: Accessory Dwelling Units







Date: July 2020, updated from 2013
Source: DVRPC 2013 Municipal Community Survey, 2020 data from County Planning Commissions and web research

* Planning Districts are shown for City of Philadelphia

Photo Courtesy of:
Pleasant Valley Homes, Pine Grove, PA

INCLUSION OF MANUFACTURED HOUSING

What is Manufactured Housing?

Manufactured housing has come a long way from the days of the metal-sided "double wides" crammed side by side in trailer parks. Today's models are not your grandfather's trailer! Construction of manufactured housing is now regulated by the Department of Housing and Urban Development (HUD) and built to hurricane resistance standards. They most closely resemble "standard" modular housing, except that they are built in a way that would enable them to be relocated, although that almost never happens in practice. The exterior material on most manufactured housing resembles that of many "stick-built" homes.

Like modular housing, manufactured housing is produced in factories, under controlled conditions, not subject to weather delays. These controlled conditions also enable the manufacturing process to minimize waste, and to provide tight connections and sealing of the exterior for energy efficiency. The homes built in Pennsylvania factories all meet Energy Star standards. Manufactured housing is even more dictated by constraints of delivering the units to the installation site than are modular homes, as they have no on-site finish work. This makes their cost even more affordable than modular construction, and the price of this housing is more consistent from site to site than other forms of new construction.

Manufactured housing is a notable industry in Pennsylvania, employing around 15,000 people in the manufacturing and related activities. There are 11 HUD approved factories, which produce over 5,000 units a year, all to Energy Star standards, with the majority of units being delivered out of state. In 2021 almost 1,800 manufactured homes were sited within the Commonwealth, both from factories within and outside Pennsylvania. A major obstacle to expanded use of manufactured housing is zoning regulations that restrict or forbid manufactured housing. This could limit where and how manufactured housing could be used as way to provide affordable units to satisfy inclusionary development goals.

Over 50% of the manufactured homes delivered in Pennsylvania in recent years are installed on private land and serve many different functions. They can be replacement for an existing home that needs extensive repairs and maintenance, making this a more affordable alternative. They can serve as "accessory dwelling units", providing housing for additional family members. They can serve as easy to provide rental housing to help the main property owner cover the costs of remaining in their home. On farms, they can provide additional housing for full time or part time farm employees, enabling them to be on site for early morning starts, long work days or nighttime tasks.

With manufactured housing units that are grouped in mobile home parks, or similarly named communities, homeowners pay monthly ground rent and possible other fees, for a single parcel of land to the owner of the mobile home park. In very recent years, many of these owners, who were often “mom and pop” landlords with a single property that they owned, have sold to investment companies who own many properties, resulting in increased land lease fees, impacting the affordability of this housing type.

How Does Manufactured Housing Relate to Inclusionary Zoning?

Manufactured housing is one very viable option for off-site affordable units, as the ease and low cost of providing these units make IZ options more attractive to developers of new market rate units wanting to take advantage of bonuses or other benefits offered in exchange for providing affordable units. If the market rate developer provides a new mobile home community, there could be restrictions put in place on the land lease costs to the homeowners, and the entire community could even be set up as a tenant-owned cooperative, enabling the residents of these affordable homes to have control over the land costs and of the management of the community.

Photo Courtesy of: Pleasant Valley Homes, Pine Grove, PA

Where developers pay “in lieu” fees, these fees could be used to purchase existing manufactured home communities to keep land rents affordable for the long term and assure that maintenance of the property is professionally managed. The “in lieu” fees could even be used to increase the number of affordable units provided, due to the lower cost of manufactured housing, especially if produced by nearby factories that reduce shipping costs. The energy efficiency of these units would also help keep utility costs low for the residents of these units. The developer payments could also be used to provide lower rate lending to lower income purchasers of manufactured homes, as these are not eligible for traditional mortgage products.

How Does Zoning Relate to Manufactured Housing?

As noted, many zoning codes disallow manufactured housing and also limit or disallow manufactured home communities. This could be an obstacle that the State legislature could overcome by passing enabling legislation allowing municipalities to make exceptions if these communities provide dedicated affordable housing units, similarly to the recent enabling legislation about real estate tax abatements for affordable housing.

Some local limits to manufactured housing could be modified, in consultation with manufacturers, including regulations about allowing manufactured housing if installed on permanent foundations, and coordinating design specifications, e.g., for minimum roof slope. Technically, all zoning districts that allow detached single-family houses should allow manufactured housing, and several Court cases have born that out, but most potential owners of manufactured homes don’t have the resources to undertake these types of legal challenges, so more clarity from Harrisburg on this would be helpful in using this as an option to provide affordable units through inclusionary development.

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Philadelphia, PA

PUBLIC LAND DISPOSITION

In most municipalities across the Commonwealth, it is common for the local government or land banks to own undeveloped or vacant infill lots. The properties are often acquired after years of unpaid taxes lead to the municipality taking the property or after a publicly owned building was demolished. These lots are held by the government or development entity for the purpose of future public development or to be sold to private developers to make up lost tax revenue. These lots also have the potential to aid in the development of new affordable housing units.

Taking Philadelphia as an example, public land dispositions mainly depended on public land offered through a request for proposal (RFP) process to build affordable homeownership projects on mainly infill lots. The city owns over 15,000 infill lots, and the main way they have leveraged these lots has been to transfer them for nominal cost to private developers who build "work force housing". These homes are targeted to homebuyers at 100% to 120% AMI, and with local construction costs, these barely provided a profit for private developers. The two problems this presents are that there was very limited interest in the RFPs that were issued, and it does not provide any housing at lower AMI levels.

The city recognized the need to get the private sector energized to build affordable homes at scale. A non-competitive land disposition policy was passed two-years ago which allowed the transfer of land to qualified applicants who would deliver projects with a 51% affordability component and a 49% market rate component, and required a broader range of affordability. This legislation is searchable as Philadelphia Bill 190606.

This policy solved both issues mentioned above. First, the margins on such jobs were much better bringing in the 'scale' factor to affordable housing production. Second, allowing market rate housing on nominally priced land allowed developers to cross subsidize the 51% affordable component reaching deeper affordability. In essence instead of building twenty homes all at 120% AMI, a developer could build a mix of target sale price homes, for example nine market rate homes, three at 120%, five at 80% AMI and three at 60% AMI. This would create a number of affordable units in multiple income brackets, meeting the needs of a larger portion of the population.

PA

RECOMMENDATION #3
PRESERVATION OF EXISTING AFFORDABLE HOUSING

WHOLE-HOME REPAIR

The Commonwealth's recently passed 2022/2023 budget allocated $125 million to a new grant program known as Whole-Home Repair. More than 280,000 occupied housing units in PA have moderate to severe physical inadequacies: a leaky roof or window, blown fuses or exposed wiring, unreliable heat, and the lack of a flushing toilet (American Housing Survey US census). These funds will be used to fill in the gaps in existing home repair programs that are unable to deal with certain types of physical inadequacies. These funds will be distributed as a grant from the Department of Community and Economic Development to a single designated entity in each county. The county entities will be required to do the following:

1. Address emergency, basic systems, and habitability repairs necessary to meet eligibility requirements for existing programs.
2. Provide technical assistance and case management services to homeowners, landlords, service providers, and administrators to untangle the complexity presented by the reliance on multiple federal funding streams, to better coordinate intake, and to achieve comprehensive home repairs by sequencing programs.
3. Set job seekers up for success by proving them with wrap-around services needed to complete workforce development programs.

There are three existing major funding sources available to low-income Pennsylvanians in need of specific types of home modifications or repairs.

1. The U.S. Department of Energy's Weatherization Assistance Program (WAP) provides funds to conduct on-site energy audits and residential improvements designed to improve energy outcomes for low-income individuals at or below 200% of the federal poverty level. To access these energy efficiency-based home repairs, basic deferred maintenance issues must first be addressed. However, due to extremely limited federal funding, WAP is unable to help most homeowners with deferred maintenance issues.
2. The PA Low-Income Usage Reduction Program requires gas and electric utilities to provide customers below 150% of the federal poverty line household energy use reduction programs. The funds require an energy assessment of eligible customers and the installation of energy-saving measures based on the assessment. Though there is a small amount of funding designated to address deferred maintenance issues that need to be corrected before the installation of the energy-saving measures, it is not enough to meet the need.
3. The Pennsylvania Department of Human Services provides funding through partner organizations for adaptive modifications for eligible participants. These funds can be used to cover things such as chair lifts or bathroom modifications, however, there are no funds available for deferred maintenance issues. These homes with deferred maintenance issues are ineligible to receive home modification funds.

FUNDING GAPS

It is abundantly clear that though there are funds available to provide significant repairs to housing stock, these funds fall short of the need experienced by many low-income homeowners and small-scale landlords. Each of the existing major home repair programs available in Pennsylvania can provide significant cost savings and quality-of-life-improving upgrades to the existing housing stock. However, due to limited funding and project eligibility restrictions, many low-income households find themselves unable to access these programs. Funding for basic household updates, such as roof replacement and electrical upgrades, is necessary so that households can access these programs and maintain quality existing affordable housing stock.

The first branch of the Whole-Home Repair funding program is designed to address this exact need. By providing county-level organizations with flexible funding options for direct repairs, households will not only gain access to other

existing funds but will be brought up to code and remain safe, habitable, and affordable structures. These funds are also opened to small-scale landlords who also may struggle to make repairs to their housing units. This will help to ensure that affordable rentals will remain high quality, despite their low rental rates.

TECHNICAL ASSISTANCE

With multiple intersecting funding sources available to eligible homeowners and landlords, the process through which they can apply for these funds can be prohibitive. To guide people effectively through funding applications and processes, the Whole-Home Bill requires the county entity tasked with receiving the funds to provide technical assistance. These funds can be used to both hire staff and utilize data management tools required to streamline program processes, answer questions, and assist with the sequencing of programs. This funding requirement aims to improve the overall efficiency of home repair funds usage, while simultaneously breaking down barriers that would have been prohibitive to those who would otherwise be eligible for assistance.

WORKFORCE DEVELOPMENT

With the availability of funds for home repair projects, there is subsequent anticipation for increased demand for a skilled workforce able to complete the repairs. To meet this anticipated demand, the Whole-Home Repair Fund will provide the county entity with flexible funds aimed at increasing the completion rate of training and certification programs. It allows for stipends for essential needs to be provided directly to trainees, aimed at lowering the financial stress of attending classes. This access to direct financial assistance will allow individuals to complete training programs and enter the workforce ready to meet the needs of their communities. This portion of the program will also help stabilize and possibly lower the costs of home repair projects by alleviating the impacts of labor shortages.

HOME REPAIR VS. INCLUSIONARY ZONING

The development of new housing stock in Pennsylvania is not evenly distributed. In Appendix 3, Table 1, it is made abundantly clear that the vast majority of new housing permits are limited to a few counties in the Southeast or South-Central part of the Commonwealth. Most communities wouldn't see the impacts of inclusionary zoning requires even if they were in place, as these requirements only apply to newly constructed units, often with a project size requirements.

With the lack of new development in most communities throughout the Commonwealth, affordable housing takes the form of existing units. As Pennsylvania's housing stock is significantly older than the national average (Appendix 3, Table 2), it is unsurprising that physical inadequacies are a common occurrence. Without addressing these physical inadequacies existing affordable units can quickly become uninhabitable, especially when it comes to deferred maintenance issues surrounding broken heating units or leaky roofs. Once a previously affordable unit falls into disrepair, it becomes difficult to bring it back onto the market, often contributing to a community's struggle with blight. These blighted properties are unlikely to be replaced by new units based on the distribution of development in the state, further worsening the affordability crisis.

As Whole-Home Repair funds tend to benefit homeowners to a greater extent than renters, it should be reiterated that a significant portion of homeowners are also cost-burdened, paying more than 30% of their income on housing. Though mortgages make up a majority of the housing costs for homeowners, basic repairs and utility bills also play a significant role in the unaffordability of housing.

By providing funds to repair properties, the direct costs of necessary maintenance can be made far more manageable for homeowners. Additional utility-saving home improvements will also be made possible through these funds by sequencing activities with existing repair funds. Renters will also see some benefits from this program, as small-time landlords, similar to those who often operate in small towns and rural areas, can also receive funds for home repairs. This will help preserve rental properties that have low property values that can expect little return on investment for any repairs paid out of pocket.

HOW HOME-REPAIR RELATES TO INCLUSIONARY ZONING

As this report has made clear, inclusionary development is only currently occurring in a small number of Pennsylvania counties. While the main driver of this is simply the concentration of new development principally in these counties, the other barrier is educating local officials and private developers and understanding how the private contributions toward affordable housing—units or fees—could be best used in each county. The Whole-Home Repair legislation requires that each county that elects to access these funds have a single entity that administer the program in the county. As described above, this program will have coordination of housing and service programs and workforce development as core elements of their organization in order to receive the funds. This will create knowledgeable people in each county who can identify opportunities to use IZ to expand their ability to meet local housing needs, and work with local officials and builders to add this tool to the new toolkit they have been given through the Whole-Home Repair infrastructure. Having this core of locally based housing experts and advocates may even enable more counties to conduct outreach to attract regional developers to explore projects in more counties of need.

COST BURDEN

For many households, additional assistance is necessary to maintain the affordability of their current unit or to find a unit that is considered affordable. To meet this demand there are a number of federal subsidy programs designed to lessen the cost burden on households to afford existing housing units.

According to the Pennsylvania Comprehensive Housing Study from 2020, over 90,000 Pennsylvanians receive Housing Choice Vouchers. This makes Housing Choice Vouchers the most utilized subsidy program in the state. These vouchers can be used at any qualifying housing unit to cover rent in excess of 30% of the household's income. These vouchers are distributed by County level housing agencies and are made available to households based on income.

It should be noted that though the Housing Choice Voucher Program helps thousands of individuals each year, many people who are eligible for the program are unable to utilize it. This is caused by two separate issues. First, the number of Housing Choice Vouchers available is extremely limited which has led to the development of waitlists and the closure of the application all together in some jurisdictions. Second, many private landlords refuse to accept vouchers as a form of payment. This rejection of vouchers limits the available units on the market and makes it difficult for some program participants to utilize the vouchers awarded to them. It some communities they are attempting to combat this issue. For example, in Philadelphia there is a law barring housing discrimination based on "source of income", meaning that all forms of legal income, including vouchers must be accepted as payment, although many landlords still ignore this requirement.

Beyond federal programs, localities also have the power to provide some forms of housing assistance, often through municipal or county level housing authorities. Funds from these initiatives often come from the federal sources such as The Community Development Block Grant, Emergency Solutions Grant, and Investment Partnership Funds. Additional funding may also be available through a number of State level entities. New rental assistance programs have been created during the pandemic utilizing federal recovery funds with great success in keeping tenants in their homes, but it is unclear how these programs will continue as these funds are fully expended.

INCLUSIONARY ZONING'S ROLE IN COST BURDEN REDUCTION

An important alternate use of funding obtained via "in lieu" payments is to preserve and improve existing affordable housing that would otherwise be lost, either to more upscale redevelopment or to further deterioration. These funds could go to subsidized rental units in projects where their affordability compliance periods are expiring or to naturally occurring affordable housing (NOAH) units that don't have statutory income limits but are affordable due to the age and condition of units. These first two categories are predominantly rental units but could include resale-restricted owner-occupied units. Finally, funds could be used to maintain safe, weather tight, and energy efficient owner-occupied homes, in the ways that the recently enacted Whole-Home Repair bill lay out for the Commonwealth.

Every year, affordable units are lost as developments reach the end of the period for maintaining required income limits for tenants. Many of these are Low Income Housing Tax Credit (LIHTC) developments that were built 15-30 years prior, with an obligation to maintain affordability for that many years, but no requirements beyond that. Typically, these were built in areas where rents in the immediate areas were also low, and it was assumed that these units would remain affordable long beyond their required time period.

Today, as rents have risen across the Commonwealth, even in areas with little new private development, many of these buildings will be able to command much higher rents when their initial restrictions expire. Also, at this point, many of these buildings are in need of costly maintenance to systems that are reaching the end of their useful lives, including roofing, heating and cooling, as well as needed updates to common areas and even kitchens and bathrooms in units, and sometimes windows, flooring, and lighting. Without a new infusion of cash tied to ongoing rent restrictions, the building owners will need to raise rents to cover the cost of these capital improvements.

Areas where the local housing market is supporting new market-rate development are the ones where these "expiring" affordable units are most at risk of being converted to much higher cost, market-rate units, so this is a prime area where "in lieu" payments could be tied to the preservation of these affordable units avoiding displacing many lower income existing residents. While this doesn't create new affordable units, per se, it stops a reduction of affordable units in the immediate neighborhood and reduces the need for new affordable units to house those displaced, effectively reducing the need for more costly newly constructed units by investing in upgrading the existing units. Thus, the same amount that would be spent to provide a small number of new units on site of the new development would likely preserve four times that number of units through the investment in improving existing units in buildings at risk of conversion to market rate rents.

CODE ENFORCEMENT

Code enforcement is an important factor when addressing housing-related challenges. Anyone performing building plan reviews, inspecting construction or equipment, or administering the Uniform Construction Code must be certified by the Pennsylvania Department of Labor & Industry as a Building Code Official ("BCO"). BCOs are also responsible for issuing building permits and occupancy permits, as well as issuing notices of violation and orders to vacate dwellings when necessary. Therefore, BCOs are the first line of defense in ensuring that housing stock is constructed in a safe manner and in compliance with Pennsylvania law and regulations. BCOs may be municipal employees and are often tasked with performing other roles within the municipality. BCOs are often employed by third-party agencies that are under contract with municipalities. Many municipalities, particularly those in more rural regions of the state, have fewer options available to serve as BCOs than municipalities in more populated regions of the state or have BCOs that sometimes juggle their responsibilities for many different municipalities at the same time. With so many pressing needs in their communities and limited financial resources, committing necessary resources for training and continued education of code enforcement officers can be a challenge for some municipalities.

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In addition to building code-related enforcement issues, municipal code enforcement officers are responsible for enforcing other aspects of municipal ordinances, including property maintenance, nuisance, noise, and other ordinances that are enacted to protect the health, safety, and welfare of residents. Enforcement of these more generalized ordinances is a key component of ensuring the continued habitability of those properties, thus preventing housing units from falling into disrepair and out of circulation for others, but also to protect the interests of neighboring property owners and tenants by improving the value of the housing units in the area and giving the appearance of a safe and vibrant community in which to live. Regardless of the type of housing – single-family homes, apartments, townhomes, manufactured housing, etc. – it is important to the continued viability of the community that residents and potential new residents have safe options available to them.

Code enforcement officers perform inspections as required (such as for building-related matters) and conduct routine patrols and inspections within their municipalities. Enforcement-related issues can often become a source of frustration for code enforcement officers, governing bodies, and residents alike. However, enforcement is vital to the long-term success of a community. Continued and proper enforcement of municipal codes also ensures that properties do not get to a point where they are blighted (municipalities, even those in areas with strong land bank structures, often do not have the resources available to combat blighted areas on a meaningful level) or there are so many major issues that need addressed that the property becomes unmanageable for the property owner.

Quality regulations for rental units in communities are also important. Some municipalities will require that landlords register their units, while others will conduct regular inspections for smoke alarms, plumbing, electrical, sewer, and proper ventilation.

In many instances, code enforcement officers also serve as zoning officers, who are responsible for ensuring compliance with the municipality's zoning ordinance. In the context of housing, zoning compliance can take many different forms, as is set forth in more detail throughout this paper, including ensuring that accessory dwellings comply with regulations, short-term rentals are permitted in that zoning district, and more. Zoning officers also work with their governing bodies to review and update zoning ordinances to account for changing conditions within the community. For example, a municipality with vacant commercial buildings may rezone that district to allow for apartment units on upper floors of those buildings. Other municipalities that have increasing numbers of residents who are working from home and/or opening home-based businesses may be updating their ordinances to account for those types of uses. These code enforcement and zoning officers play an integral role in ensuring that municipalities' rules and regulations are followed and that municipalities stay on top of the needs of the community when it comes to housing issues. Some municipalities will adopt ordinances that require landlords to register their rental units with the municipality so that code enforcement personnel can conduct regular inspections to identify and correct problems associated with smoke alarms, plumbing, electrical, sewer, and proper ventilation.

Another housing/enforcement issue is the housing courts that were created by the General Assembly when it enacted Act 90 in 2010. The courts of common pleas are permitted, but not required, to establish housing courts, which provide services such as counseling to code violators on their responsibilities to bring properties into code compliance. Housing courts may also be vested with jurisdiction over criminal and civil actions involving housing occupants. Housing courts are an additional tool for jurisdictions who wish to maintain their existing housing stock. Ideally, the services provided will assist in bringing properties into compliance in a swift manner, that does not financially burden the property owner to the point that making the necessary repairs would be unfeasible.

The goal of code enforcement and the associated regulations should be to maintain safe, habitable, and affordable housing stock within a community. If a property owner is cited for an enforcement violation, educational materials should be provided to assist in process of bringing the property into compliance. Assistance connecting property owners, especially those who may be financially strapped, to funding resources should be a priority for a community's code enforcement office. Failing to provide this assistance could result in an individual with financial need losing their home and possibly causing a formally affordable unit to be abandoned.

CONCLUSION

Lemoyne, PA

This publication is by no means an all-encompassing source on solutions to the housing affordability question faced by communities across the Commonwealth. All of the topics included could, by their own right, be a multi-page research documents. If any of the subject areas are of interest to your community, please utilize the resources listed below to continue your research. County planning agencies, consulting firms, housing authorities, local nonprofits, and the Pennsylvania Department of Community and Economic Development are all additional entities that can assist your community in planning for housing needs and creating workable solutions. Through inclusionary zoning and numerous other housing affordability initiatives, it is possible to match our communities housing stock to the needs of all Pennsylvanians.

This report was created by the Pennsylvania State Planning Board at the direction of the Governor's Office. An Ad Hoc committee on Inclusionary Zoning and Affordable Housing was created for the completion of this project. This committee was chair by board member David W. Feldman and the project was managed by Tree L. Zuzzio of DCED.

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APPENDIX 1

MANDATORY INCLUSIONARY ZONING, VOLUNTARY INCLUSIONARY ZONING, NATURALLY OCCURING AFFORDABLE HOUSING & LAND DISPOSITION POLICIES THEIR EFFECT ON PRODUCING AFFORDABLE HOUSING AT SCALE

Mandatory Inclusionary Zoning – Does it work?

Definitions

Mandatory Inclusionary Zoning means legislating a specific number of affordable units in a development that meets some legislatively-determined geographical area. It's a form of rent control. Typically, these units are deed restricted for 15+ years with target rent prices leased to tenants or buyers with specific incomes. In short, these units are revenue restricted for people that meet an income requirement.

Mandatory Inclusionary zoning mainly targets private market-rate developments in attempt to increase supply of affordable units on the market.

What is considered **'affordable housing'**?

The affordability spectrum has no minimum, of course, but has a maximum of 120% of Area Median Income. Others define it as housing that can be affordable to people making up to 80% of AMI. Below is a chart showing what that translates to in term of dollars. For example, the yellow box highlighted is the maximum rent that could be charged for a 1-bedroom deed restricted unit to someone making an income not exceeding 60% of Area Median Income (AMI). That's a $1,186 rent for a one bedroom for someone making $44,280 per year.

PHDC LAND MANAGEMENT

Limit Area	Median Family Income	FY 2021 Income Limit Category	Persons in Family						
			1	2	3	4	5	6	
mden- DE-MD MSA	$105,400	120% AMI ($)	$ 88,536	$ 101,184	$ 113,832	$ 126,480	$ 136,598	$ 146,717	$
		100% AMI ($)	$ 73,780	$ 84,320	$ 94,860	$ 105,400	$ 113,832	$ 122,264	$
		90% AMI ($)	$ 66,402	$ 75,888	$ 85,374	$ 94,860	$ 102,449	$ 110,038	$
		80% AMI ($)	$ 59,040	$ 67,520	$ 75,920	$ 84,320	$ 91,120	$ 97,840	$
		70% AMI ($)	$ 51,660	$ 59,080	$ 66,430	$ 73,780	$ 79,730	$ 85,610	$
		60% AMI ($)	$ 44,280	$ 50,640	$ 56,940	$ 63,240	$ 68,340	$ 73,380	$
		50% AMI ($)	$ 36,900	$ 42,200	$ 47,450	$ 52,700	$ 56,950	$ 61,150	$

PHFA RENTAL FY 2022 Income Limit Category	BEDROOMS						
	EFF	1	2	3	4	5	
80% AMI ($)	$ 1,476	$ 1,582	$ 1,898	$ 2,193	$ 2,446	$ 2,699	$
70% AMI ($)	$ 1,291	$ 1,384	$ 1,660	$ 1,918	$ 2,140	$ 2,361	$
60% AMI ($)	$ 1,107	$ 1,186	$ 1,423	$ 1,644	$ 1,834	$ 2,024	$
50% AMI ($)	$ 922	$ 988	$ 1,186	$ 1,370	$ 1,528	$ 1,686	$

Is Mandatory IZ Executable in The City of Philadelphia & Can it bring Scalable Affordable Housing to The Market?

The Short Answer is 'No', it does not work. But before that, lets take a step back and understand the parameters of financing a private development project. These developments rely on debt and equity as the capital stack making up the financing of a project. For simplicity, 25% of project cost comes from sponsor or investor equity and 75% comes from bank debt financing. To be able to secure the equity and debt, there are parameters that need to be met.

For the debt portion, the net operating income of a building must cover the mortgage payment by a 1.25 ratio. In other words, if a building has rent revenue of $120,000, operating expenses of $20,000 then the operating income is $100,000. With a net operating income of $100,000, the maximum mortgage payment that would allow an approved loan can not be more than $80,000. That 1.25 ratio is calculated as the NOI (net operating income) divided by the mortgage payment; in this case $100,000/$80,000 equaling 1.25. That number is called the Debt Service Coverage Ratio (DSCR)

For the equity portion, a project pencils out if the annual cash on cash is over 7.5%. Meaning if a $10 million development cost project with an equity requirement of $2.5m is to be feasible for the sponsor equity, the annual cash on cash needs to be at $187,500 on that $2.5m investment

Now let us go back to the short answer of 'No' for the question of whether Mandatory inclusionary zoning can bring scalable affordable housing to the market and explain why that is.

A model was ran over 500 times to test these 2 parameters (Debt Service Coverage Ratio and Cash on Cash) at different project densities, various land costs as well as various affordability components. The results were tabulated and was color coded with red if the criteria was not met to have the project finance and green if it does.

RM-1 / CMX-2 & DENSITIES OF 92 UNITS / ACRE

Annual Cash on Cash Returns % (BELOW 7.50% IS TYPICALLY UNFAVORABLE)

60% AMI AFFORDABILITY COMPONENT %	LAND PRICE PER SQUARE FOOT OF LAND										
	0	10	20	30	40	50	60	70	80	90	100
0%	9.39%	8.67%	7.98%	7.33%	6.73%	6.13%	5.58%	5.04%	4.48%	4.02%	3.60%
5%	9.05%	8.34%	7.66%	7.02%	6.43%	5.83%	5.30%	4.76%	4.33%	3.80%	3.34%
10%	8.74%	8.01%	7.34%	6.71%	6.12%	5.54%	5.01%	4.48%	4.01%	3.55%	3.08%
20%	8.04%	7.35%	6.70%	6.09%	5.38%	4.95%	4.43%	3.92%	3.49%	3.03%	2.55%

DEBT COVERAGE RATIO (BELOW 1.25 WILL NOT BE FINANCED BY A BANK)

60% AMI AFFORDABILITY COMPONENT %	LAND PRICE PER SQUARE FOOT OF LAND										
	0	10	20	30	40	50	60	70	80	90	100
0%	1.58	1.53	1.49	1.45	1.42	1.38	1.34	1.31	1.28	1.25	1.22
5%	1.56	1.51	1.47	1.43	1.40	1.36	1.32	1.29	1.26	1.23	1.20
10%	1.53	1.49	1.45	1.41	1.38	1.34	1.30	1.27	1.24	1.22	1.19
20%	1.49	1.45	1.41	1.37	1.34	1.30	1.27	1.24	1.21	1.19	1.16

THE ABOVE RESULTS ARE BASED ON THE BELOW ASSUMPTIONS

- BUILDING COST @ $160 / SQ.FT (MID RISE PODIUM PLUS 5 WOOD)
- DENSITY @ 92 HOMES / ACRE
- 30% EQUITY REQUIREMENT
- 5% FINANCING INTEREST RATE
- 6% CAP RATE
- AVG RESIDENTIAL RENT RATE of $2.07/SQ.FT (ASSUMED FOR KENSINGTON)

CMX-2.5 & DENSITIES OF 128 UNITS / ACRE

Annual Cash on Cash Returns % (BELOW 7.50% IS TYPICALLY UNFAVORABLE)

60% AMI AFFORDABILITY COMPONENT %	LAND PRICE PER SQUARE FOOT OF LAND										
	0	10	20	30	40	50	60	70	80	90	100
0%	9.39%	8.87%	8.36%	7.87%	7.41%	6.96%	6.53%	6.11%	5.71%	5.32%	4.95%
5%	9.05%	8.53%	8.04%	7.56%	7.15%	6.65%	6.23%	5.81%	5.42%	5.04%	4.67%
10%	8.72%	8.20%	7.71%	7.24%	6.78%	6.35%	5.93%	5.52%	5.13%	4.75%	4.39%
20%	8.04%	7.54%	7.06%	6.60%	6.16%	5.74%	5.33%	4.93%	4.55%	4.18%	3.83%

DEBT COVERAGE RATIO (BELOW 1.25 WILL NOT BE FINANCED BY A BANK)

60% AMI AFFORDABILITY COMPONENT %	LAND PRICE PER SQUARE FOOT OF LAND										
	0	10	20	30	40	50	60	70	80	90	100
0%	1.58	1.54	1.51	1.48	1.45	1.43	1.40	1.37	1.35	1.33	1.30
5%	1.56	1.52	1.49	1.46	1.44	1.41	1.38	1.56	1.33	1.31	1.29
10%	1.53	1.50	1.47	1.44	1.42	1.39	1.36	1.34	1.31	1.29	1.27
20%	1.49	1.46	1.43	1.41	1.38	1.35	1.33	1.30	1.28	1.26	1.23

THE ABOVE RESULTS ARE BASED ON THE BELOW ASSUMPTIONS

- BUILDING COST @ $160 / SQ.FT (MID RISE PODIUM PLUS 5 WOOD)
- DENSITY @ 128 HOMES / ACRE
- 30% EQUITY REQUIREMENT
- 5% FINANCING INTEREST RATE
- 6% CAP RATE
- AVG RESIDENTIAL RENT RATE of $2.07/SQ.FT (ASSUMED FOR KENSINGTON)

IRMX & DENSITIES OF APPROX 180 UNITS / ACRE

Annual Cash on Cash Returns % (BELOW 7.50% IS TYPICALLY UNFAVORABLE)

60% AMI AFFORDABILITY COMPONENT %	LAND PRICE PER SQUARE FOOT OF LAND										
	0	10	20	30	40	50	60	70	80	90	100
0%	8.06%	7.75%	7.44%	7.13%	6.82%	6.51%	6.20%	5.89%	5.58%	5.27%	4.96%
5%	7.74%	7.43%	7.13%	6.82%	6.52%	6.21%	5.91%	5.60%	5.30%	4.99%	4.69%
10%	7.42%	7.11%	6.82%	6.52%	6.22%	5.92%	5.62%	5.32%	5.02%	4.72%	4.42%
20%	6.77%	6.48%	6.19%	5.90%	5.61%	5.32%	5.03%	4.74%	4.45%	4.16%	3.87%

DEBT COVERAGE RATIO (BELOW 1.25 WILL NOT BE FINANCED BY A BANK)

60% AMI AFFORDABILITY COMPONENT %	LAND PRICE PER SQUARE FOOT OF LAND										
	0	10	20	30	40	50	60	70	80	90	100
0%	1.49	1.48	1.46	1.45	1.43	1.42	1.40	1.39	1.37	1.36	1.34
5%	1.47	1.46	1.44	1.43	1.41	1.40	1.38	1.37	1.35	1.34	1.32
10%	1.45	1.44	1.42	1.41	1.39	1.38	1.36	1.35	1.33	1.32	1.30
20%	1.42	1.40	1.38	1.36	1.34	1.32	1.30	1.28	1.26	1.24	1.22

THE ABOVE RESULTS ARE BASED ON THE BELOW ASSUMPTIONS

- BUILDING COST @ $170 / SQ.FT (MID RISE PODIUM PLUS 5 WOOD)
- DENSITY @ 180 HOMES / ACRE - 4 STORY
- 30% EQUITY REQUIREMENT
- 5% FINANCING INTEREST RATE
- 6% CAP RATE
- AVG RESIDENTIAL RENT RATE of $2.07/SQ.FT (ASSUMED FOR KENSINGTON)

WITH VARIANCE DENSITIES OF 250 UNITS / ACRE

Annual Cash on Cash Returns % (BELOW 7.50% IS TYPICALLY UNFAVORABLE)

		LAND PRICE PER SQUARE FOOT OF LAND										
		0	10	20	30	40	50	60	70	80	90	100
60% AMI AFFORDABILITY COMPONENT %	0%	6.29%	6.06%	5.87%	5.67%	5.47%	5.28%	5.08%	4.90%	4.71%	4.54%	4.35%
	5%	6.00%	5.79%	5.58%	5.39%	5.19%	5.00%	4.80%	4.62%	4.43%	4.26%	4.08%
	10%	5.70%	5.49%	5.29%	5.10%	4.90%	4.71%	4.52%	4.35%	4.16%	3.98%	3.80%
	20%	5.10%	4.90%	4.71%	4.52%	4.33%	4.15%	3.96%	3.78%	3.60%	3.44%	3.26%

DEBT COVERAGE RATIO (BELOW 1.25 WILL NOT BE FINANCED BY A BANK)

		LAND PRICE PER SQUARE FOOT OF LAND										
		0	10	20	30	40	50	60	70	80	90	100
60% AMI AFFORDABILITY COMPONENT %	0%	1.39	1.37	1.36	1.35	1.34	1.33	1.31	1.30	1.29	1.28	1.27
	5%	1.37	1.36	1.34	1.33	1.32	1.31	1.29	1.28	1.27	1.26	1.25
	10%	1.35	1.34	1.32	1.31	1.30	1.29	1.28	1.26	1.25	1.24	1.23
	20%	1.31	1.30	1.29	1.28	1.27	1.25	1.24	1.23	1.22	1.21	1.20

THE ABOVE RESULTS ARE BASED ON THE BELOW ASSUMPTIONS

- BUILDING COST @ $185 / SQ.FT (MID RISE PODIUM PLUS 5 WOOD)
- DENSITY @ 250 HOMES / ACRE
- 30% EQUITY REQUIREMENT
- 5% FINANCING INTEREST RATE
- 6% CAP RATE
- AVG RESIDENTIAL RENT RATE of $2.07/SQ.FT (ASSUMED FOR KENSINGTON)

WITH VARIANCE DENSITIES OF 300 UNITS / ACRE

Annual Cash on Cash Returns % (BELOW 7.50% IS TYPICALLY UNFAVORABLE)

		LAND PRICE PER SQUARE FOOT OF LAND										
		0	10	20	30	40	50	60	70	80	90	100
60% AMI AFFORDABILITY COMPONENT %	0%	4.77%	4.61%	4.46%	4.31%	4.17%	4.02%	3.88%	3.74%	3.60%	3.46%	3.33%
	5%	4.49%	4.34%	4.19%	4.04%	3.90%	3.78%	3.62%	3.48%	3.34%	3.21%	3.07%
	10%	4.21%	4.06%	3.92%	3.76%	3.63%	3.49%	3.35%	3.22%	3.08%	2.95%	2.81%
	20%	3.66%	3.51%	3.37%	3.23%	3.09%	2.95%	2.82%	2.69%	2.56%	2.43%	2.30%

DEBT COVERAGE RATIO (BELOW 1.25 WILL NOT BE FINANCED BY A BANK)

		LAND PRICE PER SQUARE FOOT OF LAND										
		0	10	20	30	40	50	60	70	80	90	100
60% AMI AFFORDABILITY COMPONENT %	0%	1.29	1.28	1.27	1.26	1.26	1.25	1.24	1.23	1.22	1.21	1.20
	5%	1.28	1.27	1.26	1.25	1.24	1.23	1.22	1.21	1.20	1.20	1.19
	10%	1.26	1.25	1.24	1.23	1.22	1.21	1.21	1.20	1.19	1.18	1.17
	20%	1.22	1.22	1.21	1.20	1.19	1.18	1.17	1.17	1.16	1.15	1.14

THE ABOVE RESULTS ARE BASED ON THE BELOW ASSUMPTIONS

- BUILDING COST @ $200 / SQ.FT (MID RISE PODIUM PLUS 5 WOOD)
- DENSITY @ 300 HOMES / ACRE
- 30% EQUITY REQUIREMENT
- 5% FINANCING INTEREST RATE
- 6% CAP RATE
- AVG RESIDENTIAL RENT RATE of $2.07/SQ.FT (ASSUMED FOR KENSINGTON)

Here are some takeaways from the above analysis

- In low revenue markets such as Philadelphia neighborhoods (this analysis was done based on Kensington), where land averages about $40-$50 per square foot, ANY inclusionary zoning does not work, REGARDLESS of density. Implementing IZ policies results in non-financeable projects
- A $1,000 discount per month in rent is equivalent to a $200,000 private subsidy for that unit
- The previous analysis was done a year ago with a 5.0% financing rate. In todays 7% interest rate environment much of the green ‘doable’ results in the past tabulated results turn into red
- **Mandatory Inclusionary zoning can not exist without accompanying incentives to bridge the financing gap**
- Mandatory inclusionary zoning can result in 15-20% increase in market rate rents to close the financial gap making ‘naturally occurring affordable housing’ much harder to achieve
- Increasing density has its limitations as density increases means taller structures that cost more per square foot and so density gains are counter weighed by construction cost increases (per sq.ft)

What is Naturally Occurring Affordable Housing?

Naturally occurring affordable housing occurs when non-deed restricted units being rented at market rate rents happen to meet affordability pricing. Many, if not most, of the units produced in Philadelphia’s neighborhoods rent for pricing that range in the 70%-95% Area Median Income per below table. In essence fully market rate developments are leased as market rate units but happen to be at affordable prices. Implementing Mandatory Inclusionary Zoning where deeper affordability is required with no subsidies on a percentage of units causes operators to increase pricing of the market rate units and move them out from being ‘naturally occurring affordable housing’ hurting large scale affordability.

PHDC LAND MANAGEMENT

Limit Area	Median Family Income	FY 2021 Income Limit Category	Persons in Family					
			1	2	3	4	5	6
mden- DE-MD MSA	$105,400	120% AMI ($)	$ 88,536	$ 101,184	$ 113,832	**$ 126,480**	$ 136,598	$ 146,717
		100% AMI ($)	$ 73,780	$ 84,320	$ 94,860	**$ 105,400**	$ 113,832	$ 122,264
		90% AMI ($)	$ 66,402	$ 75,888	$ 85,374	**$ 94,860**	$ 102,449	$ 110,038
		80% AMI ($)	$ 59,040	$ 67,520	$ 75,920	**$ 84,320**	$ 91,120	$ 97,840
		70% AMI ($)	$ 51,660	$ 59,080	$ 66,430	**$ 73,780**	$ 79,730	$ 85,610
		60% AMI ($)	$ 44,280	$ 50,640	$ 56,940	**$ 63,240**	$ 68,340	$ 73,380
		50% AMI ($)	$ 36,900	$ 42,200	$ 47,450	**$ 52,700**	$ 56,950	$ 61,150

PHFA RENTAL FY 2022 Income Limit Category	BEDROOMS					
	EFF	1	2	3	4	5
80% AMI ($)	$ 1,476	$ 1,582	$ 1,898	$ 2,193	$ 2,446	$ 2,699
70% AMI ($)	$ 1,291	$ 1,384	$ 1,660	$ 1,918	$ 2,140	$ 2,361
60% AMI ($)	$ 1,107	$ 1,186	$ 1,423	$ 1,644	$ 1,834	$ 2,024
50% AMI ($)	$ 922	$ 988	$ 1,186	$ 1,370	$ 1,528	$ 1,686

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Voluntary Inclusionary Zoning

Voluntary inclusionary zoning occurs when zoning policies encourages developers to build deed restricted units in return for height and density bonuses. The policy would also have an option for getting the height and density bonus without affordable units but for an 'in lieu of' fee per affordable unit not built. This program works when the ILO fees are equivalent in its financial cost to the cost of building these affordable units.

In Philadelphia this program worked but the ILO fees were low which resulted in no affordable units built and replaced with monies paid towards the housing trust fund that weren't good enough.

The fees were increased considerably, which is a good thing but that option stripped away the height bonus and so the City lost on getting the monies that would go in the Trust fund because it didn't make sense to get the units bonus without the height bonus

Ultimately this policy would work with 50% units' bonus, extra story in height with a 10% give back in units being deed restricted affordable housing.

Realistically though, voluntary inclusionary zoning would be a contributor but not be a main driver for affordable housing in the market.

Public Land Disposition Policies

Taking Philadelphia as a case study, public land dispositions mainly depended on public land offered through an RFP process to build affordable homeownership projects on mainly infill lots

The City owns over 15,000 infill lots but the issue becomes that the private for-profit developer market could only deliver 100%-120% AMI upper tier workforce affordable housing on the land without subsidies and the margins were slim.

2 problems with the above. First, limited RFP participation. Second, could only work with upper tier of affordable housing for people making $30-$35/hour

The city recognized the need to get the private sector energized to build affordable homes at scale. A non-competitive land disposition policy was passed 2 years ago which allowed the transfer of land to qualified applicants who would deliver projects with only a 51% affordability component and a 49% market rate component.

This policy solved both issues mentioned above. First, the margins on such jobs were much better bringing in the 'scale' factor to affordable housing production. Second, allowing market rate housing on nominally priced land, allowed developers to cross subsidize the 51% affordable component reaching deeper affordability

In essence instead of building 20 homes all at 120% AMI, a developer could do 9 market rate homes, maybe 3 at 120%, 5 at 80% AMI and 3 @ 60% AMI

CONCLUSION – AFFORDABLE HOMES PRODUCTION AT **SCALE**

Preserve market dynamics that allows for naturally occurring affordable housing to thrive

Mandatory Inclusionary zoning would have a largely negative impact on the housing market as a whole

Implement proper density and height bonuses with limited 10% give back to deed-restricted affordable housing

Encourage private sector to develop affordable housing by implementing good public land disposition policies

Encourage municipalities to implement a full tax abatement for projects that have affordable units (HB581). It helps close the gap for operators.

CASE	UNITS	CASH ON CASH	YEAR 3 EXIT IRR	DEBT SERVICE COVERAGE RATIO	BANK FEASABLE	SPONSOR/INVESTOR FEASABLE
BASE CASE	150	4.89%	12.36%	1.25	YES	BARELY
BASE CASE WITH CURRENT IZ AT 20% @ 40% AMI	150	1.58%	-7.41%	1.08	NO	NO
BASE CASE WITH HB581 IZ AT 30% @ 60% AMI	150	1.68%	-6.70%	1.08	NO	NO
BASE CASE WITH HB581 IZ AT 30% @ 60% AMI WITH FULL ABATEMENT	150	2.68%	-0.13%	1.14	NO	NO
BASE CASE WITH HB581 IZ AT 30% @ 60% AMI WITH FULL ABATEMENT PLUS NPI	150	4.66%	10.05%	1.26	YES	BARELY

Notes
favorable cash on Cash is more than 7.5%
favorable IRR is more than 16%
land value at $20,000 per unit (less than anything on the market)
where it is noted barely means that some investors and sponsors would not do the deal
case 4 changes the IZ to 30% at 60% ami from 20% at 40% ami to match HB581 passed at state level to be able to achieve 10 year tax abatement
Numbers above are based on a construction cost of $195/sq.ft.
Based on a 5.3% financing Interest Rate
Based on a 6% CAP

An analysis conducted by the Building Industry Association of Philadelphia: Submitted by Mo Rushdy

APPENDIX 2

LOWER MERION TOWNSHIP: EXAMPLE ADU REGULATIONS

§ 155-177 Restricted accessory apartment.

In any residentially zoned district, the Zoning Hearing Board may authorize as a special exception the conversion of a single-family dwelling into two nonprofit housekeeping units, each with its own cooking facilities, provided that the following criteria are met:

A. All individuals living in the dwelling are related by blood, marriage or legal adoption.

B. One of the housekeeping units shall contain no more than two persons, each of whom shall be 62 years of age or older. [Amended 3-15-1989 by Ord. No. 3143]

C. The owner of the property must execute an agreement with the Township, which shall be recorded with the Recorder of Deeds of Montgomery County and which provides for the immediate removal of separate cooking facilities at such time as they are no longer being utilized by persons meeting the same criteria as the persons for whom they were originally installed.

D. All provisions of the Lower Merion Township Code, Chapter 62 thereof, entitled "Building Construction," shall be complied with.

E. At least 1 1/2 on-site, off-street parking spaces shall be provided for each living unit. The provisions of § 155-114D of the Code of the Township of Lower Merion shall be applicable.

F. If the restricted accessory apartment is located in an accessory structure, the accessory structure must comply with the principal building setbacks in the underlying zoning district. [Added 1-17-2001 by Ord. No. 3598] *

G. The zoning permit granted for this use shall expire six months after the building ceases being occupied by elderly persons as herein provided, and the dwelling shall revert back to a single-family dwelling.

H. The owner shall apply for and receive an annual permit from the Township.

I. One housekeeping unit shall have no less than three times the square footage of occupied space than the other.

J. If the facility is not owner occupied, its use must be sponsored by a nonprofit organization, a purpose of which is to provide housing for the elderly and to assume responsibility for overseeing the care and welfare of the residents thereof. Such organization shall have a designated agent resident or with offices in the Township.

* *Editor's Note: Former Subsection F, regarding proximity to other lots used for alternative housing facilities, was repealed 7-18-1990 by Ord. No. 3199.*

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APPENDIX 3

Table 1: Housing Permits, 2020 and 2021[1]

Area	Housing Units Authorized, 2020	# Units per 100,000, 2020	Housing Units Authorized, 2021	# Units per 100,000, 2021
United States	1,471,141	443.851	1,736,982	523.3548
Pennsylvania	25,706	197.6974	47,894	369.4368
Adams County	226	217.6174	438	420.6402
Allegheny County	1,974	157.847	2,263	182.7815
Armstrong County	28	42.71027	62	95.24834
Beaver County	216	128.4071	172	103.2264
Bedford County	54	113.5002	66	139.0615
Berks County	515	120.0889	493	114.8269
Blair County	96	78.16189	94	77.19661
Bradford County	57	95.05228	82	136.9131
Bucks County	730	112.9091	984	152.2989
Butler County	1,298	669.8905	1,120	576.5083
Cambria County	59	44.20403	62	46.91035
Cameron County	N/A	N/A	N/A	N/A
Carbon County	110	169.8868	144	220.1431
Centre County	380	240.2448	654	415.1669
Chester County	2,242	419.5257	2,056	381.6957
Clarion County	16	42.9634	20	53.82711
Clearfield County	59	73.23552	76	94.90272
Clinton County	26	69.4259	19	50.714
Columbia County	59	91.15207	142	218.8926
Crawford County	56	66.71591	73	87.58143
Cumberland County	817	314.8738	757	287.9214
Dauphin County	552	192.7368	675	234.8643
Delaware County	254	44.03377	534	93.05584
Elk County	22	70.99064	21	68.21947

1. **Philadelphia had a huge bump in 2021 from 25,706 to 47,894 because permits had to be issued by Dec 31, 2021, to lock in the full 10-year tax abatement on new projects. So, the statewide permits without Philadelphia were 20,041 in 2020 and only up to 22,637 in 2021.**

Erie County	201	74.20369	217	80.66585
Fayette County	187	145.1818	235	185.14
Forest County	2	28.68206	8	113.7656
Franklin County	330	211.6307	382	244.419
Fulton County	27	185.4905	30	206.5689
Greene County	40	111.2533	41	115.9207
Huntingdon County	102	231.3345	52	118.4807
Indiana County	21	25.22644	26	31.36839
Jefferson County	47	105.637	46	104.2753
Juniata County	34	144.6255	34	145.9415
Lackawanna County	172	79.66799	254	117.7763
Lancaster County	1,338	241.96	1,039	187.663
Lawrence County	64	74.35808	67	78.36532
Lebanon County	434	302.952	507	353.3273
Lehigh County	426	113.7344	1,024	272.6747
Luzerne County	385	118.2454	365	111.945
Lycoming County	52	45.53894	56	49.29361
McKean County	29	71.72537	28	70.1034
Mercer County	68	61.45393	86	78.20172
Mifflin County	87	188.5443	91	197.2429
Monroe County	212	125.9453	370	218.5818
Montgomery County	1,892	220.8853	1,498	174.0691
Montour County	31	170.9307	17	93.99016
Northampton County	848	270.9689	1,249	398.2425
Northumberland County	64	69.83316	63	69.02899
Perry County	91	198.5079	110	239.2032
Philadelphia County	5,665	353.2243	25,257	1602.346
Pike County	119	203.2972	377	628.8364
Potter County	18	109.7829	24	147.6106

Schuylkill County	104	72.70236	139	97.02368
Snyder County	41	103.181	57	143.8631
Somerset County	71	95.77898	65	88.28283
Sullivan County	6	102.7397	15	255.6237
Susquehanna County	44	114.482	59	153.6899
Tioga County	45	109.6358	41	100.1735
Union County	46	107.7763	55	129.205
Venango County	24	47.56808	31	62.07698
Warren County	21	54.42247	27	70.80296
Washington County	587	280.393	692	330.3576
Wayne County	120	234.5812	133	258.5989
Westmoreland County	534	150.5655	679	192.3202
Wyoming County	27	103.5713	25	96.02827
York County	1,204	263.7817	1,316	286.9003

Data Source: Building Permits Survey. U.S. Census Bureau.

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Table 2: Median Housing Construction Year, Pennsylvania.

Area	Median Year Structure Built -- All Occupied Units
United States	1978
Pennsylvania	1964
Adams County	1979
Allegheny County	1957
Armstrong County	1959
Beaver County	1958
Bedford County	1971
Berks County	1969
Blair County	1958
Bradford County	1969
Bucks County	1974
Butler County	1979
Cambria County	1955
Cameron County	1956
Carbon County	1966
Centre County	1979
Chester County	1982
Clarion County	1967
Clearfield County	1966
Clinton County	1968
Columbia County	1968
Crawford County	1965
Cumberland County	1977
Dauphin County	1969
Delaware County	1957
Elk County	1959
Erie County	1963
Fayette County	1957
Forest County	1970
Franklin County	1977
Fulton County	1976
Greene County	1964
Huntingdon County	1970
Indiana County	1970
Jefferson County	1959
Juniata County	1974
Lackawanna County	1956
Lancaster County	1976
Lawrence County	1956
Lebanon County	1971
Lehigh County	1968
Luzerne County	1958
Lycoming County	1961
McKean County	1950
Mercer County	1961
Mifflin County	1962
Monroe County	1985
Montgomery County	1970
Montour County	1974
Northampton County	1970
Northumberland County	1955
Perry County	1978

Philadelphia County	1949
Pike County	1985
Potter County	1967
Schuylkill County	1949
Snyder County	1974
Somerset County	1960
Sullivan County	1966
Susquehanna County	1974
Tioga County	1971
Union County	1974
Venango County	1958
Warren County	1957
Washington County	1965
Wayne County	1978
Westmoreland County	1964
Wyoming County	1974
York County	1976

Data Source: 2020, 5-year Average, American Community Survey, U.S. Census Bureau

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Table 3: Median Housing Construction Year, National

	Median Year Structure Built -Total:
United States	1978
District of Columbia	1954
New York	1957
Massachusetts	1961
Rhode Island	1962
Pennsylvania	***1964***
Connecticut	1966
New Jersey	1968
Ohio	1969
Illinois	1970
Iowa	1970
Michigan	1971
Nebraska	1973
Vermont	1974
Wisconsin	1974
California	1975
Indiana	1975
Kansas	1975
West Virginia	1975
Maine	1976
Minnesota	1977
Missouri	1977
Maryland	1978
New Hampshire	1978
South Dakota	1978
Hawaii	1979
Montana	1979
North Dakota	1979
Oklahoma	1979
Oregon	1979
Louisiana	1980
Wyoming	1980
Kentucky	1981
New Mexico	1983
Virginia	1983
Washington	1983
Alabama	1984
Alaska	1984
Colorado	1984
Delaware	1984
Mississippi	1984
Arkansas	1985
Tennessee	1985
Florida	1987
Idaho	1988
Texas	1988
North Carolina	1989
South Carolina	1989
Utah	1989
Arizona	1990
Georgia	1990
Nevada	1994

Data Source: 2020, 5-year Average, American Community Survey, U.S. Census Bureau

ADDITIONAL RESOURCES

DEMOGRAPHICS AND HOUSING IN PENNSYLVANIA

- The Pennsylvania State Data Center's Demographics data
- Housing Alliance of Pennsylvania's 2022 Fact Sheet
- The Center for Rural PA's Assessment and Analysis of Housing Quality and Policies in Rural Pennsylvania

IZ REPORTS

- Lincoln Institute: Inclusionary Housing, Creating and Maintaining Equitable Communities
- Report on the economics of inclusionary housing from the Terwillenger Center
- Summary of the Montgomery County MD program, established in 1974 as the first IZ ordinance in the country

IZ ORDINANCES

- New Haven, CT: Core area overlay for new building with 10+ units, remainder of city for new buildings with 75+ units, and optional for smaller projects. Requires 10% affordable to 50% AMI, plus 5% for HCV or 80% AMI. Bonuses offered include increased FAR, reduced parking and a density bonus. Payments in lieu of on-site units are permitted.
- Grounded Solutions Network's interactive map of all IZ programs in the country
- The City of Chicago's IZ Ordinance
- The Borough of State College's Inclusionary Zoning Ordinance
- The City of Pittsburgh's Inclusionary Zoning Proposal
- The City of Philadelphia's Inclusionary Zoning Ordinance

ADU ORDINANCES

- HUD Report on Variations of Shared Housing
- California ADU Handbook
- AARP Model Ordinances for ADU
- AARP Handbook for ADU
- DVRPC Age Friendly Communities Report

MANUFACTURED HOUSING

- Pennsylvania Manufactured Housing Association

PUBLIC LAND

- 2019 RFP for redevelopment of city owned land in Mantua, Philadelphia for workforce housing at 80% to 120% AMI
- 2022 RFP for redevelopment of city land in Gray's Ferry, Philadelphia for workforce housing for sale under 80% AMI

WHOLE-HOME REPAIR

- 2022 PA Home Repair Bill
- PA Home Repair Legislative Brief

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