

Enhanced Inclusionary Zoning for Pittsburgh

Councilperson Bob Charland

January 28, 2025



Why are we here?

② Low-Income Renters are Leaving Pittsburgh

The number of renter households earning less than 30% AMI decreased by over 3k between 2015 and 2019. Incomes for less educated households grew more slowly than more educated households, and many low-income renters left the city.

④ Shrinking Supply Gap Caused by Fewer Low-Income Renters

While the supply gap remains high in 2019, this represents a decrease from the 14.1k gap in 2015, though this decrease does not indicate improving affordability as the decrease is primarily driven by many low-income renters leaving the city and a large increase in regional incomes.

⑤ Losing Existing Black Households

Black households were the only racial or ethnic group to experience a decline in the number of households in Pittsburgh since 2015. This decline is driven by the significant loss of existing middle-income and low-income Black households across both renters and homeowners.

In other words...

- **We do not have enough rental units that are obtainable to Pittsburghers.**
 - More than 2 in 5 renters in Pittsburgh are *cost-burdened*, spending more than 30% of income on housing, with over a quarter qualifying as extremely cost-burdened, spending over 50% of income on housing. (Housing Needs Assessment, 2022)
- **We don't have anywhere near enough deeply affordable units in Pittsburgh.**
 - The most critical supply gap is for under 30% AMI households as these units are harder for the market to produce at scale without subsidy. (HNA)
- **We are losing Black Pittsburghers because of it.**
 - Pittsburgh lost nearly 700 Black-owned households since 2015. (HNA)

We need to create policy that will solve for this problem.

Why am I here?

- Housing affordability is deeply personal to me
- I am a renter/tenant myself
- I represent a district which will be hurt and not helped by an unfunded mandate like IZ and the costs far outweigh benefits

We need to do this right.

DOES THIS MAKE SENSE?

Neighborhood	Average Home Values	Median Gross Rent
Arlington	\$ 30,539.15	\$ 931.22
Beltzhoover	\$ 23,877.65	\$ 953.42
Knoxville	\$ 41,072.70	\$ 1,274.79
Allentown	\$ 42,152.48	\$ 1,361.07
Mt. Oliver	\$ 82,492.28	\$ 931.00
St. Clair	\$ 60,223.44	\$ 931.00
South Side Slopes	\$ 75,102.85	\$ 1,254.84
South Side Flats	\$ 375,631.81	\$ 1,575.33
City Average Property Value (OPA)	\$ 395,903.41	
City Median Gross Rent	\$ 1,323.00	

Two Inclusionary Zoning Proposals

- **Mayor's IZ proposal**

- Allegedly puts cost of building affordable units on developers
- Crafted in Lawrenceville, with input from Lawrenceville stakeholders
- Modeled after policies that had to be reformed to work in pioneer IZ cities

- **Enhanced IZ Proposal**

- Shares cost of building affordable units among all who live or do business here
- Crafted with input from the people who actually will be building (or not building) housing
- Modeled after reformed policies that work in pioneer IZ cities

Where are we since last time?

Councilperson Strassburger and I met with DCP staff on 1/22 and 1/23, found common ground for

1. Preventing evictions based on income gains

- a. There is a shared desire to allow low-income renters to continue to stay in units as their incomes increase while also creating a point where a resident makes a high enough income that they should no longer qualify as an inclusionary unit
- b. We agree that there is opportunity to further develop the standard or language around units no longer qualifying as IZ units when renters exceed the AMI standard by a certain amount

2. Subsidization of affordable units

- a. City Council could undertake a supporting tax financing or gap financing program, but DCP does not believe that tax policy can live in the Zoning Code
- b. We would be willing to work together and explore where an eventual tax rebate/incentive program for gap financing could interact with the IZ bill

3. Citywide standards vs. additional overlay districts

- a. We agree to disagree about where this needs to be citywide
- b. However, we would continue to be open to discussions around unique and creative approaches

No common ground for

1. Qualifying AMI levels and percentage of affordable units:

- a. There may be an opportunity for a geographically targeted separate effort around workforce housing, but a lot more careful and collaborative work would be needed to make sure that it would actually achieve intent

2. Slowing down current, hasty timeline

Who Pays for IZ in Pittsburgh?

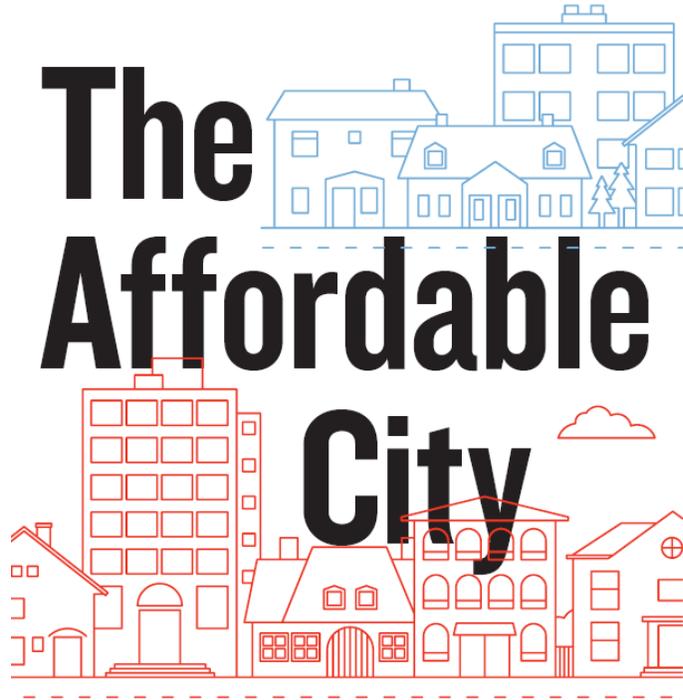
- Current IZ policy is paid for by renters
 - Average Homeowner net worth - \$255k¹
 - Average Renter net worth - \$6k
- Only applies to multifamily rental buildings
 - Increases the cost of developing new apartments or rehabilitating existing apartments
 - Reduces the supply of apartments
 - Lower supply -> Lower vacancy -> Higher rent costs



Shane Phillips
Housing Initiatives Manager
UCLA Lewis Center

*An Overview of Inclusionary Housing Research:
Trade-Offs and Policy Implications*

Strategies for Putting
Housing Within Reach
(and Keeping it There)



SHANE PHILLIPS

UCLA

Lewis Center
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What is inclusionary zoning?

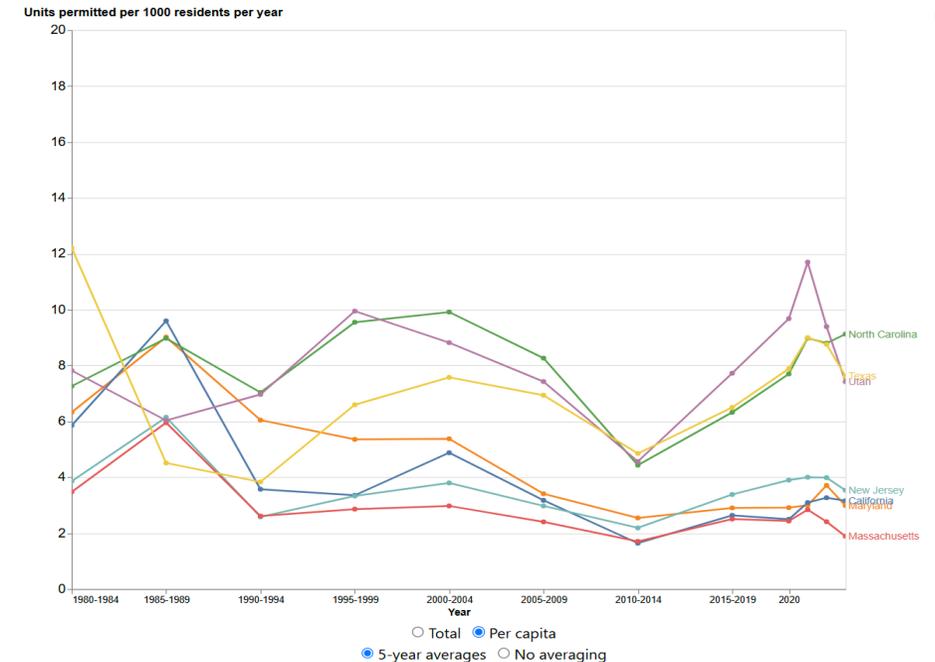
- Policy requiring a share of units in new residential developments to be rented to lower or moderate income households at below-market rents
- Goals:
 - Produce affordable units through market mechanism
 - Promote economic (and indirectly, perhaps racial/ethnic) integration
- IZ may be:
 - Mandatory without offsets
 - Mandatory with offsets (increased density or floor area, reduced taxes, etc.)
 - Voluntary with offsets

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Where is inclusionary zoning found?

- Wang and Balachandran (2023) identified 1,019 local inclusionary housing programs in 31 US states, 74% of which were in CA, MD, NJ, and MA
- IZ programs tend to be in places with very strong markets
 - As a group, jurisdictions with IZ had median home values two standard deviations above jurisdictions without IZ, and vacancy rates 0.67 standard deviation below



Graph created at:
HousingData.app

How effective is IZ at producing affordable units?

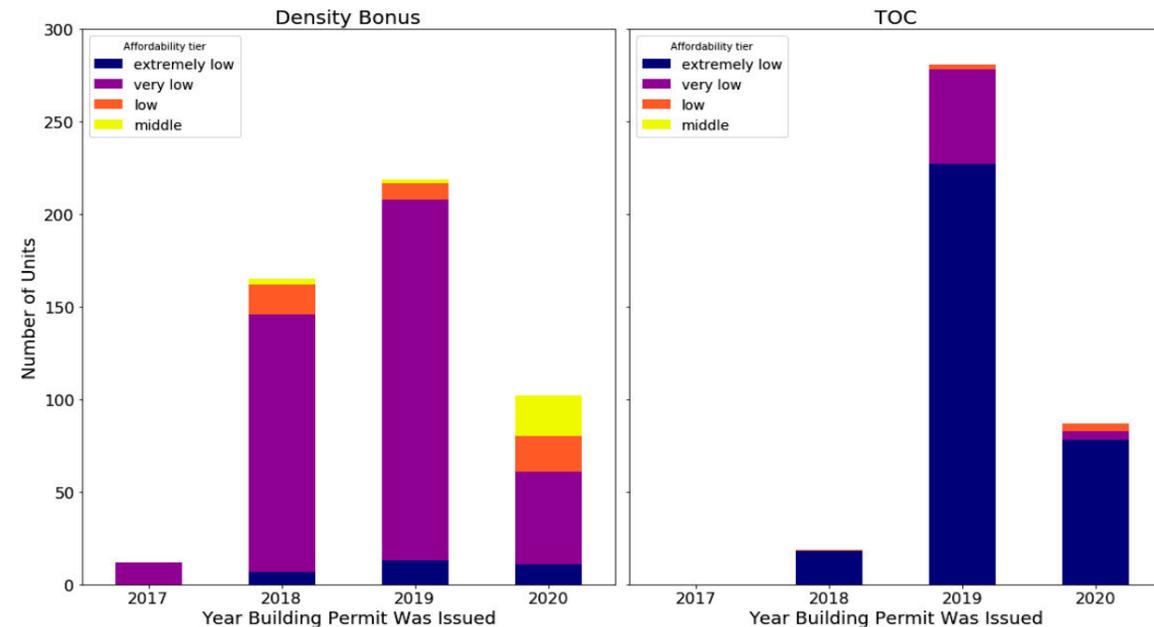
- It depends on your perspective
- Of 383 programs that reported the number of affordable units created in Wang and Balachandran (2023):
 - 258 report at least one unit
 - 125 cities report producing zero units
 - Among cities with one or more, average is 426 units and median is 61
 - Total is roughly 33,000 for-sale 70,000 rental units
 - (Nearly 2/3 in CA, MA, and NJ)

How does inclusionary zoning affect the housing market and housing affordability?

- Surprisingly difficult to measure empirically; policies vary by geography, affordability, share, eligibility, age, bonuses
- Most programs produce some amount of below-market housing, but not usually a lot

Exhibit 5

Number of Approved Units for Density Bonus and TOC Affordable Units



Source: Building Permit data on TOC and DB from LADCP

Zhu, Linna, et al. "Los Angeles' housing crisis and local planning responses." *Cityscape* 23.1 (2021): 133-160.

How does inclusionary zoning affect the housing market and housing affordability?

- Some find reduced housing production (Means & Stringham, 2012; Schuetz et al., 2011)
 - Others don't (Bento et al., 2009; Mukhija et al., 2010; Hamilton, 2021)
- Some find increased prices or rents (Hamilton, 2021; Schuetz et al., 2011)
 - Others don't
- The effects depend on policy design: Simply put, how much are we asking for and how much are we giving in return?
- **Caveat:** Most studies are of IZ in strong housing markets, and one would expect worse performance in weaker markets, all else equal

LA has an aggressive RHNA housing target, and an impossible affordable housing target

- ~455,000 units over eight years
- ~185,000 units for low or very low income households
- 185,000 units * \$500,000 in subsidies per unit = \$92.5 billion

- We don't have the funding to meet this target, but what can inclusionary zoning policy contribute?
- At current ~15% IZ, we'd need to build over 1 million units in eight years
- **But what if we increased the IZ requirement — what would happen?**

What happens if we increase reliance on IZ?

My analysis explores this question, but no one can predict the answer with certainty

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A TURNER CENTER REPORT - APRIL 2024

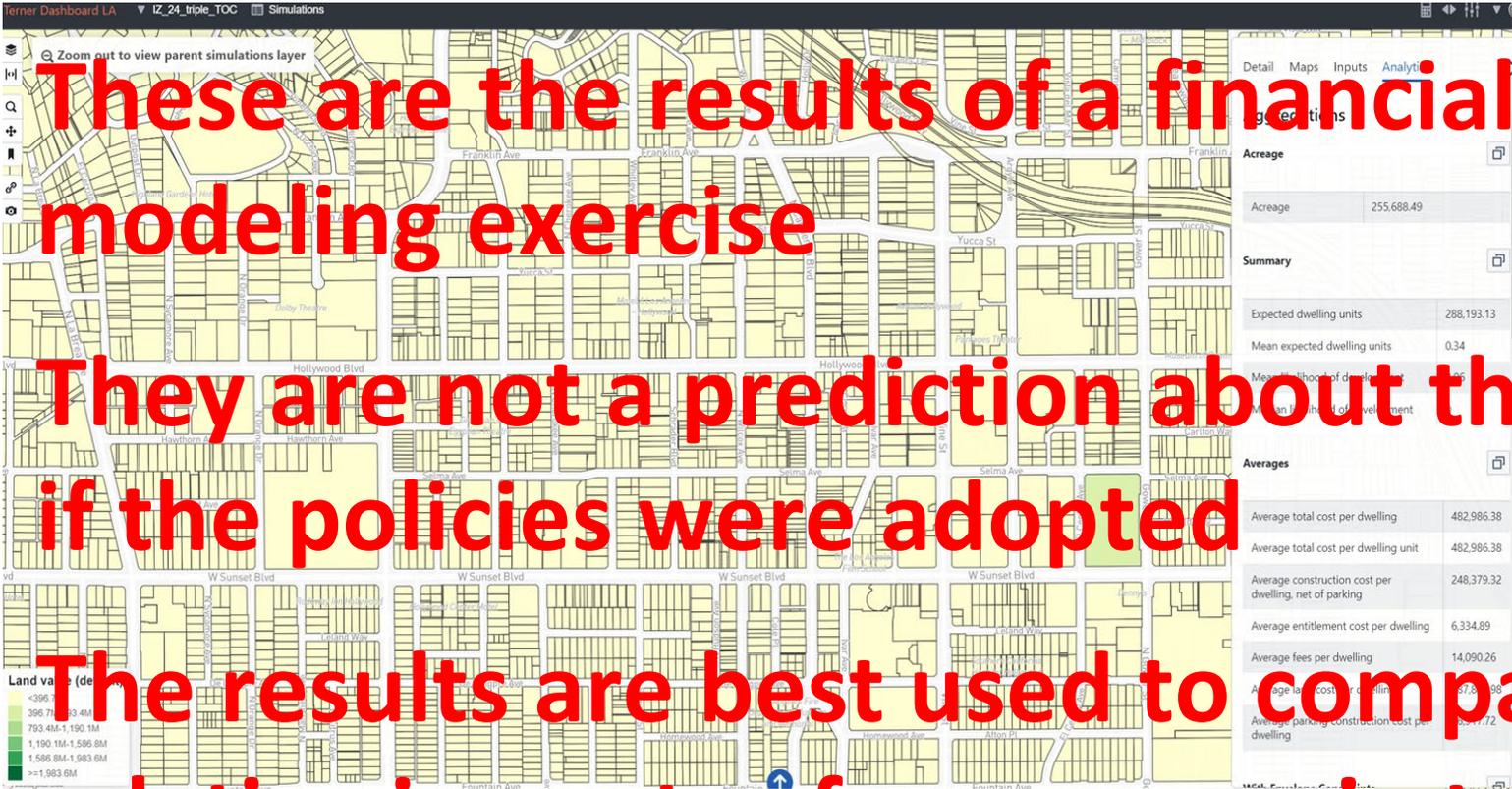
Modeling Inclusionary Zoning's Impact on Housing Production in Los Angeles: Tradeoffs and Policy Implications

AUTHOR:

SHANE PHILLIPS,

UCLA LEWIS CENTER FOR REGIONAL POLICY STUDIES

The Turner Housing Policy Simulator



These are the results of a financial modeling exercise

They are not a prediction about the future if the policies were adopted

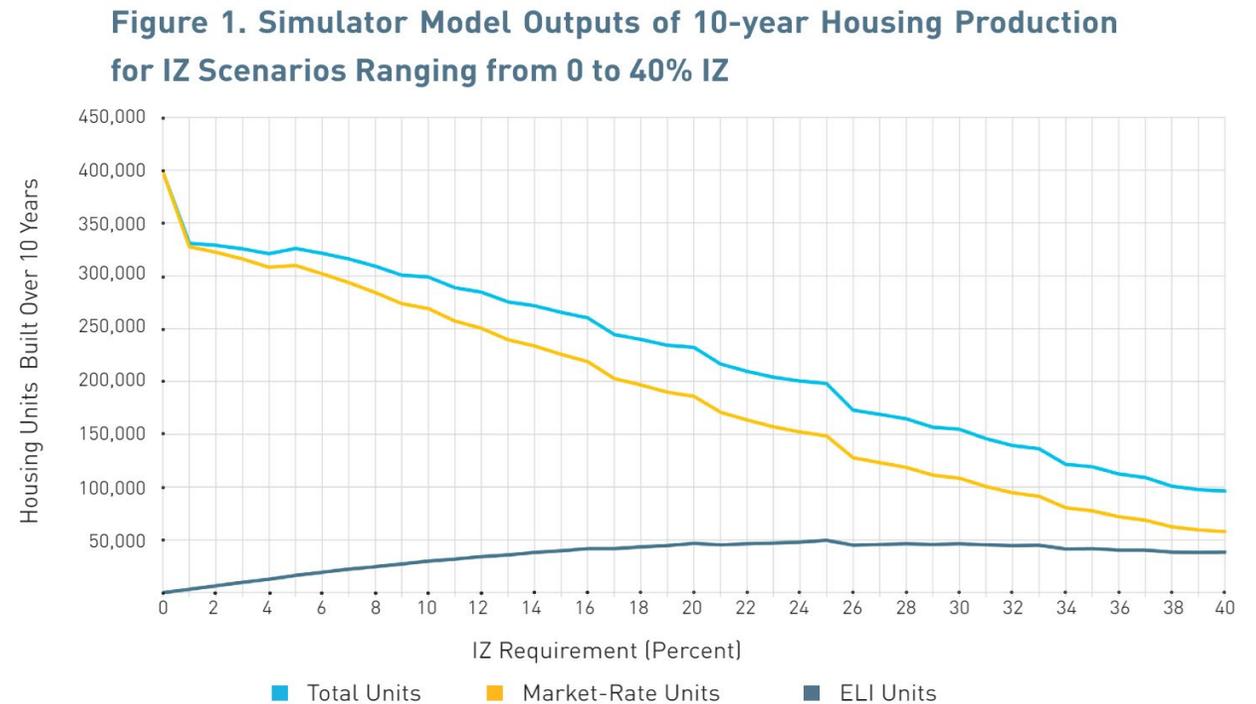
The results are best used to compare the relative impacts of one scenario to another

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What happens if we increase IZ requirements for the TOC program (and do nothing else)?

Starting from a 0% IZ baseline, *with* TOC bonuses, as IZ requirement increases:

- Total housing production (over 10 years) falls
- As does market-rate prod.
- Below-market (ELI) prod. increases slower and slower until peaking at 25%



What happens if we increase IZ requirements for the TOC program (and do nothing else)?

Existing policy is the 11% ELI IZ scenario, which the model simulates producing 289,000 units over 10 years, 31,800 affordable

0% IZ w/ TOC bonuses yields 399,000 (all market-rate)

25% IZ yields 18,000 more ELI units than current policy, but 90,000 fewer market-rate

All scenarios exchange at least 4 MR units for each BMR unit

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Table 2. Simulator Model Outputs for Housing Production Over 10 Years Under Selected IZ Scenarios with TOC Bonuses

IZ Requirement	0%	11%	16%	25%	40%
Privately-Subsidized ELI Units	0	31,800	41,700	49,500	38,500
Market-Rate Units	398,800	257,200	218,700	148,500	57,700
Total Housing Units*	398,800	289,000	260,300	198,000	96,200
Change in Market-Rate Units Relative to 0% IZ*	-	(141,600)	(180,200)	(250,300)	(341,100)
Market-Rate-to-ELI Unit Exchange Rate**	-	4.5	4.3	5.1	8.9

Notes: *May not sum to total due to rounding.

**Exchange rate is the ratio of market-rate units lost to ELI units gained relative to a 0% IZ baseline.

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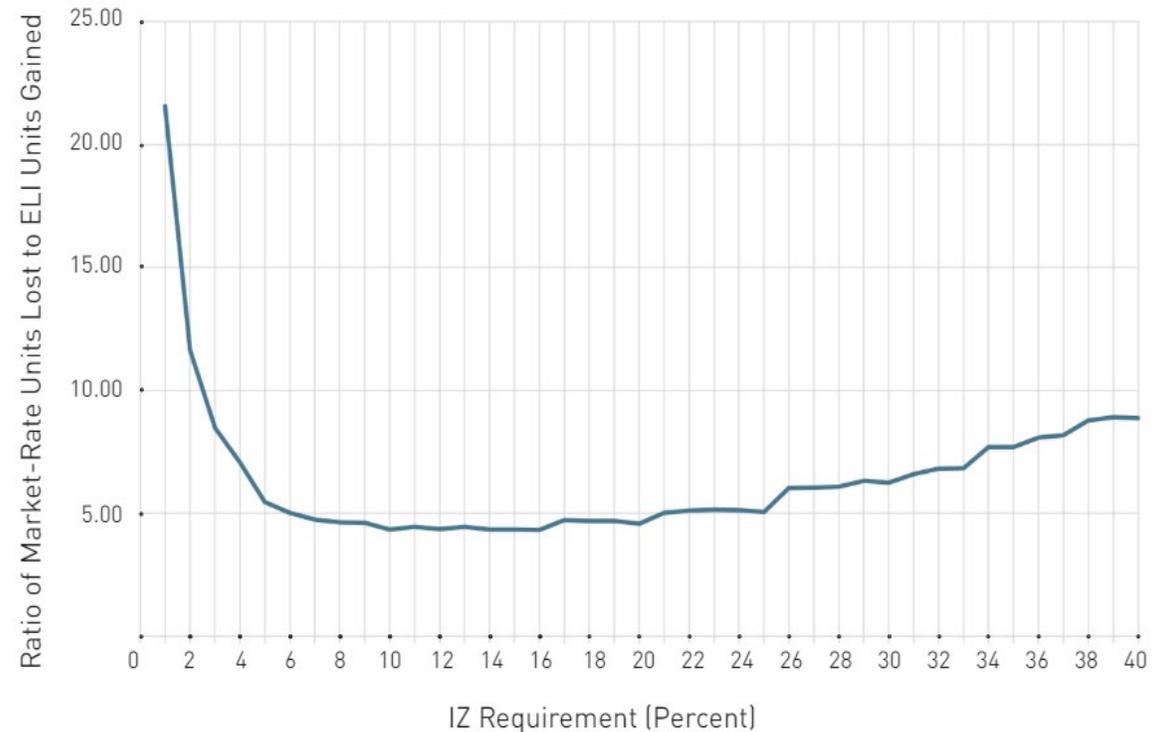
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Figure 2. Ratio of Market-Rate Units Lost to ELI Units Gained, Relative to a 0% IZ Baseline, for Each Simulation from 1 to 40% IZ



Santa Monica, CA case study (LUCE)

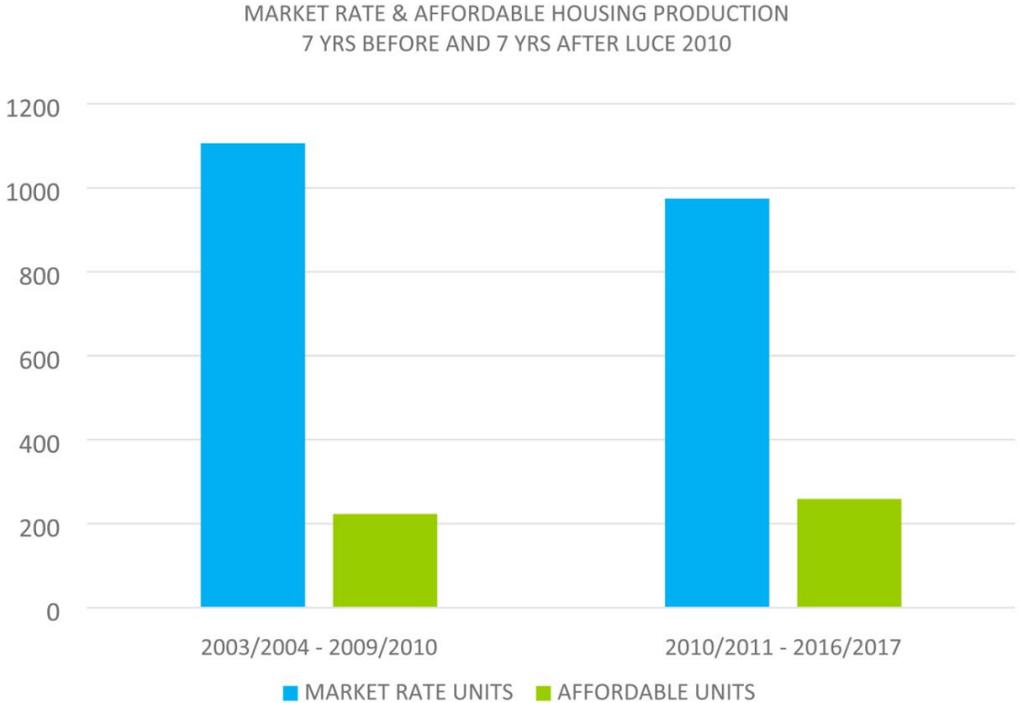
Increased IZ affordable housing requirements after 2010

Affordable housing production increased by 36 units, from 223 to 259

Market-rate production decreased by 132, from 1,106 to 974

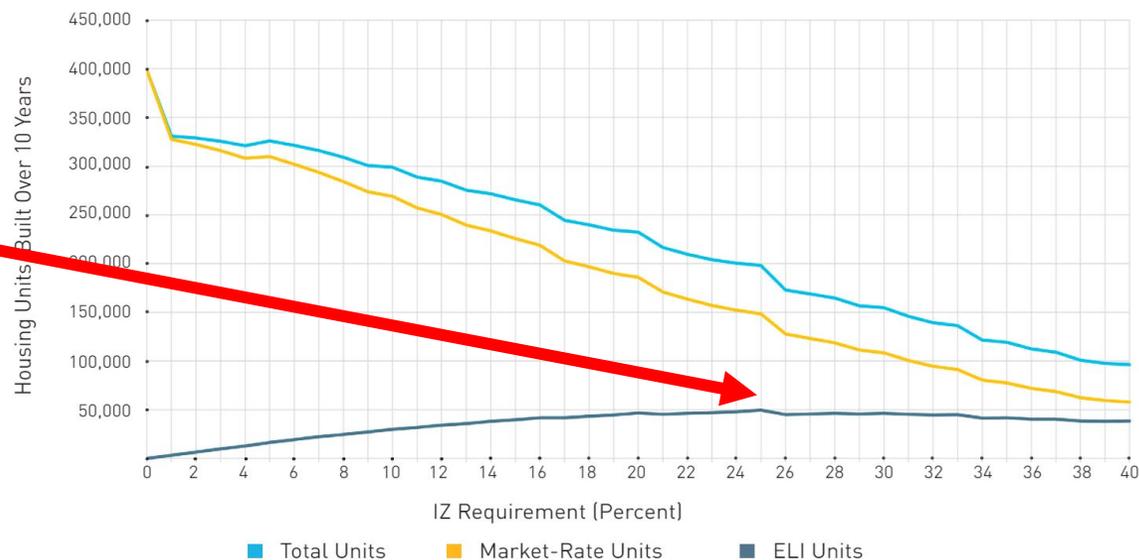
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Figure 5 of 13
Figure 5. Market rate & Affordable units' production in Santa Monica 2003-2017. Source: Authors' elaboration on City of Santa Monica data, December 2018.



Does this mean 25% IZ is optimal?

Figure 1. Simulator Model Outputs of 10-year Housing Production for IZ Scenarios Ranging from 0 to 40% IZ



Do we want to be at the highest point on this line?

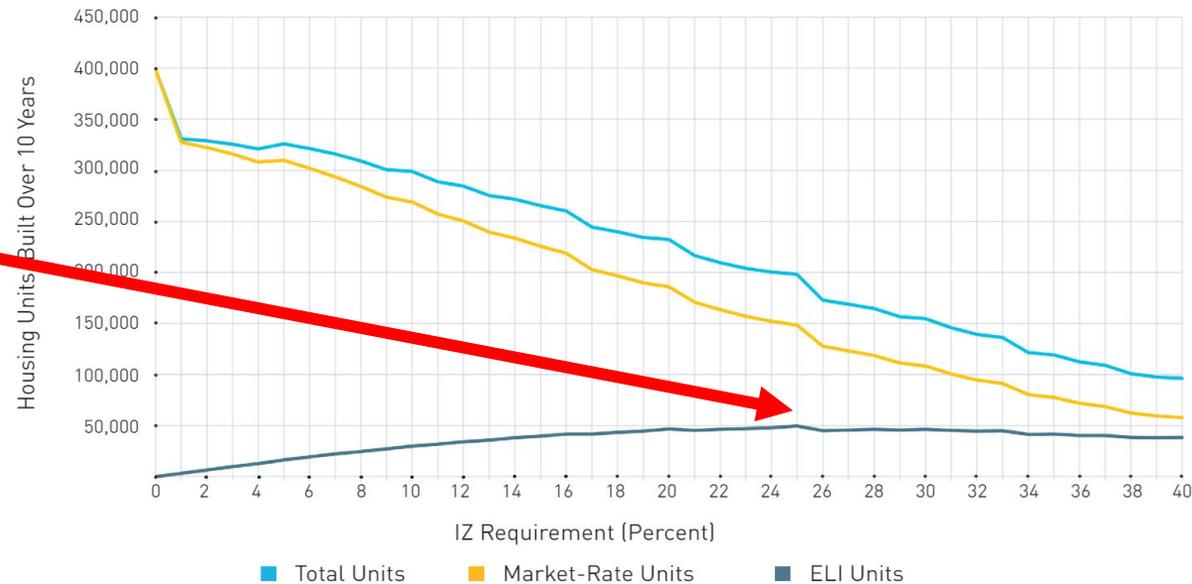
Only if market-rate units don't contribute to affordability or other priorities (and they do)

(Also, again, it's a simulator, not an oracle)

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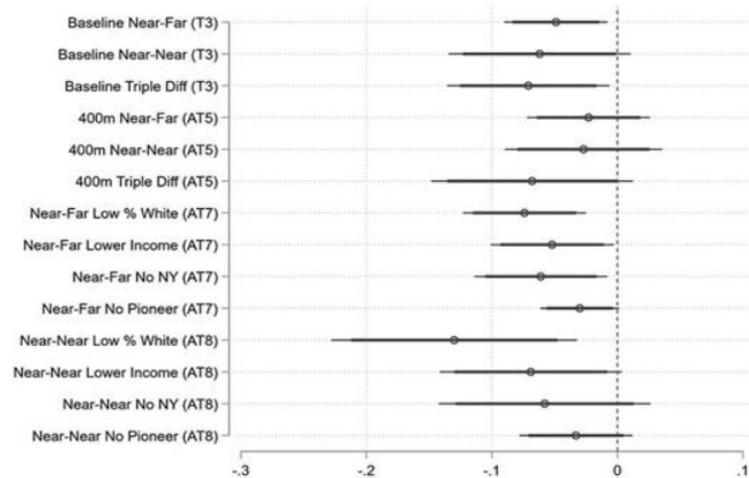


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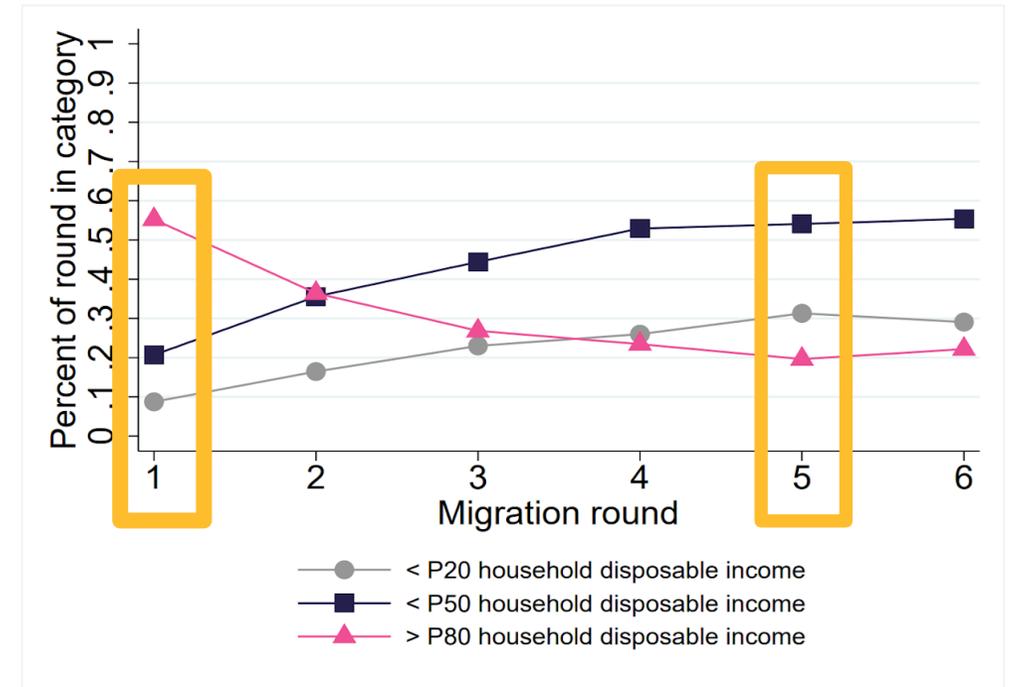
New buildings “pull people up” into higher quality homes, loosening pressure across the market

Figure 3.



[View large](#) [Download slide](#)

This figure shows difference-in-differences estimates for the log(rent) outcome across the three empirical strategies, as well as a variety of robustness checks. The thicker bar represents a 90% confidence interval, and the thinner, a 95%. The parenthetical in each line of the legend indicates the table or appendix table that contains the estimate.



(e) Market-rate, individuals

Left: Asquith, B. J., Mast, E., & Reed, D. (2023). Local effects of large new apartment buildings in low-income areas. *Review of Economics and Statistics*, 105(2), 359-375.

Right: Bratu, C., Harjunen, O., & Saarimaa, T. (2023). JUE Insight: City-wide effects of new housing supply: Evidence from moving chains. *Journal of Urban Economics*, 133, 103528.

IZ reduces housing production, but with appropriate bonuses it *can* still be a win-win

Existing policy (TOC bonuses w/ 11% IZ) produces less housing than TOC bonuses without IZ

However, 0% IZ *without* TOC bonuses produces fewer market-rate *and* fewer below-market units than existing policy

But how do we decide which TOC scenario is better? 11% IZ? 25? 0?

Table 2. Simulator Model Outputs for Housing Production Over 10 Years Under Selected IZ Scenarios with TOC Bonuses

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Table 3. Simulator Model Outputs for Housing Production Over 10 Years Under Selected IZ Scenarios Without TOC Bonuses

IZ Requirement	0%	11%	16%	25%	40%
Privately-Subsidized ELI Units	-	20,700	28,000	33,100	26,400
Market-Rate Units	245,300	167,800	147,200	99,300	39,500
Total Housing Units*	245,300	188,600	175,300	132,500	65,900

Notes: *May not sum to total due to rounding.

Estimating costs and benefits of different levels of MR and BMR housing production

All TOC IZ scenarios produce significant amounts of affordable housing, worth hundreds of millions or over a billion dollars annually

The value of these subsidies can't entirely be measured in dollars; the beneficiaries may value the subsidy more than whoever's paying for it

So who's paying for it?

Table 4. Estimated Value of Private Subsidy of Extremely Low-Income Units Produced Under Different IZ Scenarios

IZ Requirement	5%	11%	16%	25%
Total Housing Units	326,100	289,000	260,300	198,000
Privately-Subsidized ELI Units	16,300	31,800	41,700	49,500
Annual Rent Discount on ELI Units (Year 10)	\$33,784			
Total Value of Private Subsidy of ELI Units (Year 10)	\$551 million	\$1.08 billion	\$1.41 billion	\$1.67 billion

Private market renters bear the costs of low production and vacancy, and rising rents

Low production reduces vacancies, and low vacancies are associated with faster rent growth

So if IZ reduces production, it should also increase rent growth for the 85-90% of renters on the private market, in non-deed-restricted units

I find that very marginal increases in rent growth can increase aggregate private market rents by more than the subsidies going to BMR IZ units

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Table 5. Incremental Rent Increase Needed to Raise Rents for Private Market Renters by an Amount Equal to the Value of Private Subsidy of ELI Units Under Different IZ Scenarios

IZ Requirement	5%	11%	16%	25%
Reduction in Market-Rate Units (Compared to 0% IZ Baseline)	(89,000)	(141,600)	(180,200)	(250,300)
Incremental Annual Rent Increase Needed to Negate Private Subsidy of ELI Units	0.3%	0.6%	0.8%	0.9%

Notes: Incremental rent increase is multiplicative, above 4% baseline annual increase.

Takeaways (1)

It is important to evaluate tradeoffs between using IZ to produce BMR units and its impacts on market-rate production.

Broad-based land use reforms combined with increased public funding are likely to have greater benefits and fewer unintended consequences than IZ policies.

Takeaways (2)

Two aspects of inclusionary zoning are critical: providing development incentives when market-rate developers include BMR units, and making program participation voluntary.

This point is arguably especially important in Pittsburgh, which has a weaker market than most IZ cities

The city has less headroom to “pay for” affordable IZ units with high rents or lowered land values

Takeaways (3)

Density bonuses and other incentive-based housing production policies have limits, suggesting that increasing development incentives won't necessarily make higher IZ requirements feasible.

Taller buildings cost more to build per square foot, so allowing taller/denser buildings does not always increase profit

Portland, OR has adopted an innovative model to fund IZ projects

In February 2024, the city approved a policy to provide time-limited property tax exemption to developers to offset the cost of providing affordable units

The program balances broad, community-wide affordability (by maximizing production) with capital-A Affordable housing units (through cost-effective subsidies)

Future property tax (and other) revenues help offset short-term exemption

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NOW FULLY FUNDED, PORTLAND'S AFFORDABILITY MANDATE SHOULD BE A MODEL

Underfunded inclusionary zoning fails, but fully funded programs can be a boost to below-market housing and a fiscal bargain.



Construction in Portland. Photo by Mark E McClure

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Modeling Inclusionary Zoning's Impact on Housing Production in Los Angeles: Tradeoffs and Policy Implications

AUTHOR:

SHANE PHILLIPS,

UCLA LEWIS CENTER FOR REGIONAL POLICY STUDIES



Jack Billings

Pro-Housing Pittsburgh Researcher

PhD Student at the University of East Anglia

*The Economic Implications of
Inclusionary Zoning*

Current IZ Program in Pittsburgh

- Mandatory
- Applies to buildings of 20 units or more
- Requires 10% of units to be affordable (no more than 30% of income) to households making 50% Area Median Income (for renters)
- 80% Area Median Income (for owners)
- Duration of affordability of 35 years

2024 Area Median Income (AMI) Limits for Pittsburgh

Household Size	50% AMI	80% AMI	100% AMI	AMI Rent
1 Person	\$32,100	\$51,350	\$64,200	\$885.00
2 Persons	\$36,700	\$58,700	\$73,400	\$1,012.50
3 Persons	\$41,300	\$66,050	\$82,600	\$1,138.75
4 Persons	\$45,850	\$73,350	\$91,700	\$1,265.00
5 Persons	\$49,550	\$79,250	\$99,100	\$1,366.25
6 Persons	\$53,200	\$85,100	\$106,400	\$1,467.50
7 Persons	\$56,900	\$91,000	\$113,800	\$1,568.75
8 Persons	\$60,550	\$96,850	\$121,100	\$1,670.00

Table: 2024 AMI Limits and Monthly Affordable Rent (50% AMI) for Pittsburgh. Source: URA, Author's calculations

IZ Is Not Fully Funded

- **LERTA (Local Economic Revitalization Tax Assistance Act)** - Tax abatement on improved value of building. Done separately through three different taxing bodies: Allegheny County, City of Pittsburgh, Pittsburgh Public Schools. Capped at \$250,000 a year max, and limited to 10 years.
- **Housing Vouchers (both section 8 and Project based)**- limited in number in Pittsburgh- funding only exists for 5,600 units, 5,171 of them are currently in use. (Source: Jankiewicz, 2024)
- **LIHTC (Low income housing tax credits)**- also limited in Pittsburgh, competitive semi-annual application process, usually only used by developers that specialize in affordable housing

What IZ is NOT - Other Proposed Zoning Reforms

- Parking minimum reforms- Good
- Accessory Dwelling Units - Good
- Transit Oriented Development - Good
- Minimum Lot Sizes - Good

All zoning text amendments have been lumped into one bill, but there's no reason that has to be the case. All of the above reforms can be passed without touching IZ.

Map Of IZ Overlay

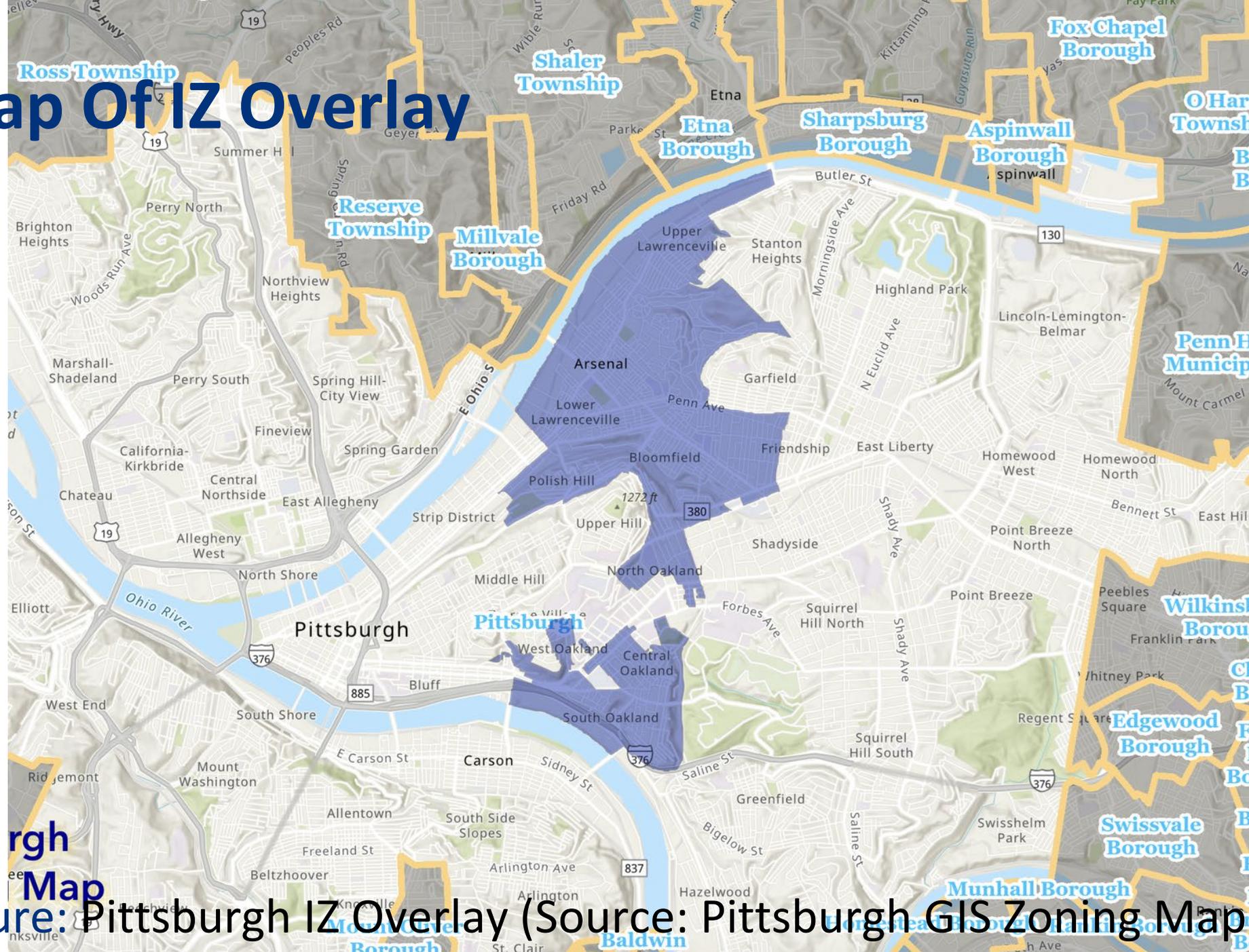
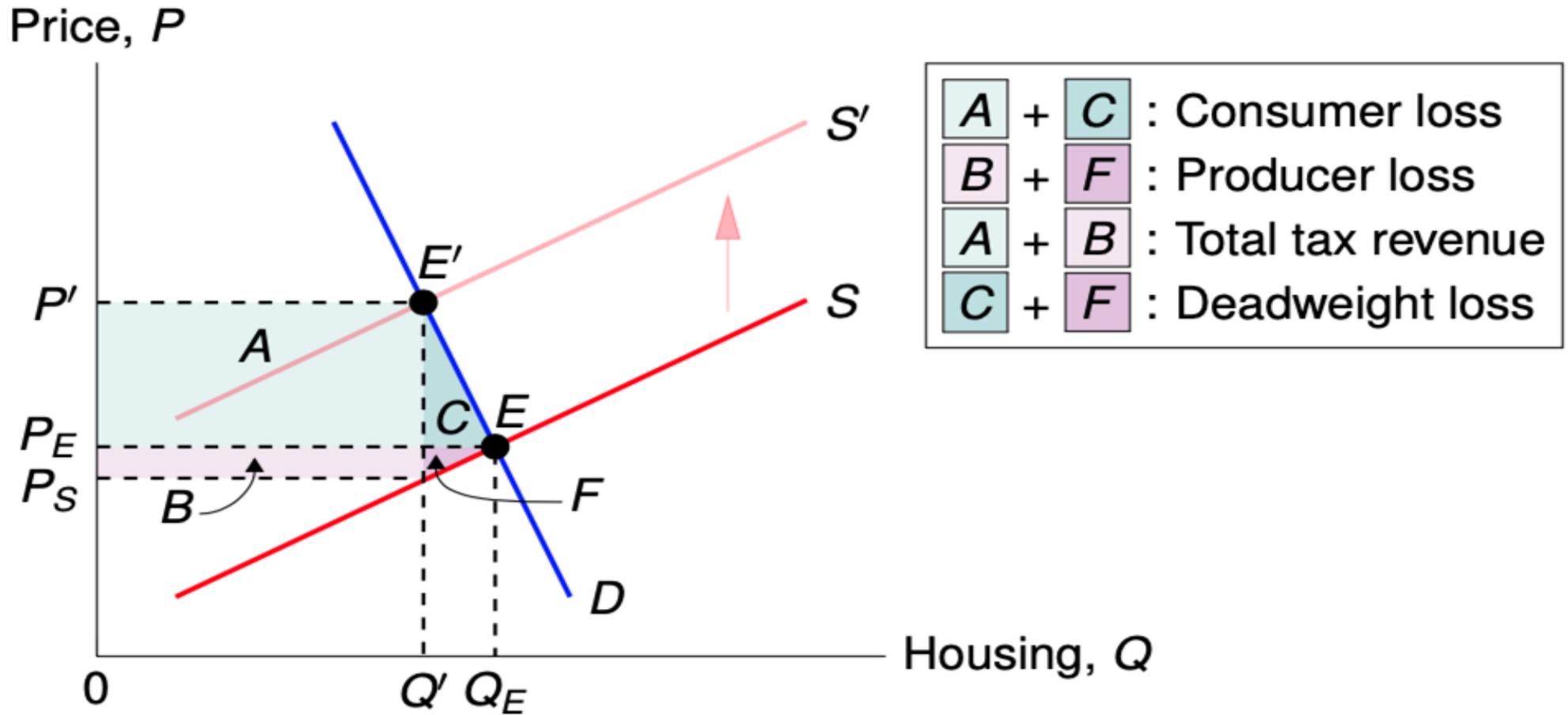


Figure: Pittsburgh IZ Overlay (Source: Pittsburgh GIS Zoning Map)

How IZ Can Affect Housing Supply: Example

- ***Arsenal 201*** - studio (380 square feet) is \$1,417/month
- ***Brewer's Block*** - 1 bed/1 bath (537 sq ft) is \$1,875/month
- ***Glasshouse*** - 1 bed/1 bath (836 sq ft) is \$2,365/month
 - Affordable for 1 person 50% AMI is \$885/month
 - Affordable for 2 people at 50% AMI is \$1,012.50/month
 - Affordable units are 1/4 - 3/4 of the market rate
 - Requiring 10% of units to rent or sell at 1/4 to 3/4 of market rate is a roughly 2.5%-7.5% tax on new construction
 - If a developer's pro forma doesn't pencil, the building doesn't get built

How IZ Can Affect Housing Supply: Graph



The effect of an underfunded Inclusionary Zoning mandate on production and affordability of housing.

How Can We Measure The Effect On Housing Production?

- We need an experiment (Or something close to it.)
- Identify a treatment group (neighborhoods with IZ) and a control group (neighborhoods without IZ)
- Determine that the control group is as similar to the treatment group as possible
- Collect data on housing units in built in both groups before IZ was implemented (Pre-period) and after IZ was implemented (Post-period)
- The difference between the groups post-period, after controlling for the difference between groups pre-period AND the differences in the control group pre- and post-period, is the effect of IZ.
- This method is called Difference-in-Differences (DID)

Diff-in-Diff Regression

$$Y_{it} = \beta_0 + \beta_1 \text{Treatment} + \beta_2 \text{Post} + \beta_3 (\text{Treatment} \times \text{Post}) + \epsilon_{it} \quad (1)$$

Y_{it} - number of housing units built in a neighborhood

β_0 - units built in a Control neighborhood, pre-IZ

β_1 - difference between Treatment and Control, pre-IZ

β_2 - difference between pre-IZ and post-IZ, Control

β_3 - our estimate for how IZ has changed housing production.

ϵ_{it} - error term, everything else

Treatment Group

- Lawrenceville, Polish Hill and Bloomfield, and Oakland's IZ overlays started at different dates.
- Since the start of IZ, only Lawrenceville has seen buildings completed that were permitted after IZ.
- Lawrenceville is the Treatment Group.

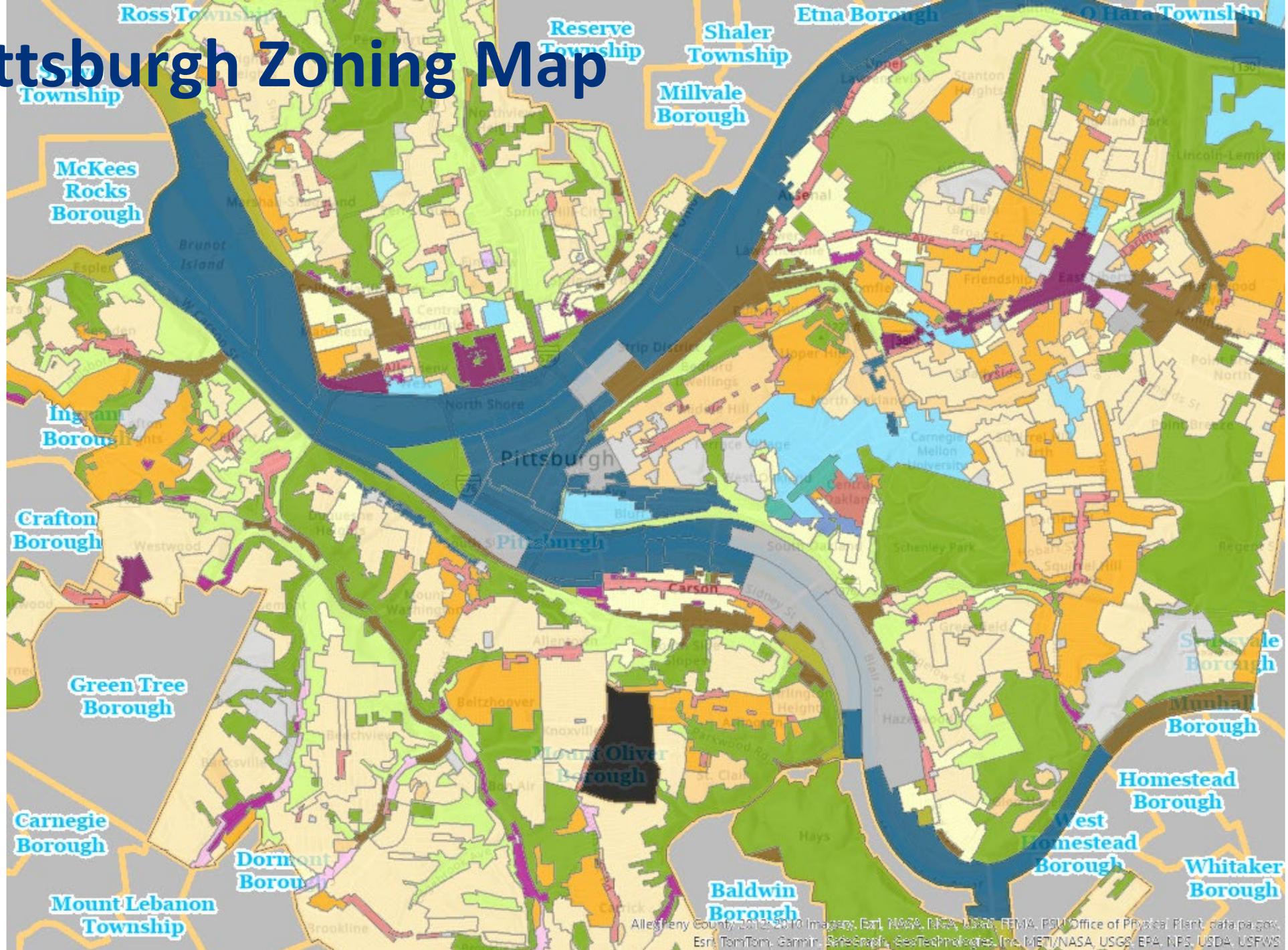
Lawrenceville Zoning Changes

Two major changes since 2012:

- The RIV zoning district - which began in June 2016 (as RIPOD)
- Inclusionary Zoning - February 2019

To disentangle the effect of IZ on housing production from RIV, the control group must have RIV zoning starting in June 2016, but no IZ

Pittsburgh Zoning Map



Allegheny County, 2012. 2010 Imagery: Esri, NOAA, Intel, Mapbox, FEMA, PRU Office of Physical Plant, data.psgov, Esri, TomTom, Garmin, Bing, Google, GeoTechnologies, Inc. (METI/NASA, USGS, EPA, NPS, USDA, USFWS)

Zoning Comparison

Neighborhood	Land Area (Acres)	RIV Area (Acres)	River Frontage (mi)
Lawrenceville	1156 acres	326 acres	2.6 mi
Strip District	390 acres	178 acres	1.7 mi
South Side Flats	602 acres	164 acres	3.2 mi

Table: Neighborhood Land Area and Zoning Comparison

Demographic Comparison

Tract	Neighborhood	Pop.	Med. Income	Med. Rent
603	Lawrenceville (Lower)	2,641	\$86,904	\$1,669
901	Lawrenceville (Central)	2,038	\$99,500	\$1,570
902	Lawrenceville (Central)	2,678	\$83,167	\$1,250
10111	Lawrenceville (Upper)	2,394	\$84,609	\$1,650
203	Strip District	1,845	\$114,109	\$2,225
1609	South Side Flats	3,483	\$88,792	\$1,609
1702	South Side Flats	3,984	\$67,407	\$1,499

Table: Census Tracts and Neighborhoods Demographics: 2020 Census and 2023 ACS, Source: Data.Census.Gov

Housing Units Per Neighborhood

Neighborhood	Pre Units	Post Units	Proposed Units
Lawrenceville	677	378	794
Strip District	805	880	2,132
South Side Flats	612	574	638

Table: Housing Units Pre-, Post-Feb 19, 2019, and Proposed
Source: Pro-Housing Pittsburgh Housing Projects Database

Completed Units Results

	Units
Intercept	708.50** (127.91)
Treatment	-31.50 (221.54)
Post	18.50 (180.89)
Treatment × Post	-317.50 (313.31)
Observations	6
R-squared	0.588

Notes: Standard errors in parentheses. ** $p < 0.05$.

Completed Units Discussion

IZ has produced **35** affordable units in Lawrenceville so far.

Lawrenceville has **317.5** less units completed post-IZ than it would without IZ.

For every affordable unit it created in Lawrenceville, IZ stopped 9 market rate units

Completed & Proposed Unit Results

	Units
Intercept	708.50 (640.04)
Treatment	-31.50 (1108.59)
Post	1403.50 (905.16)
Treatment × Post	-908.50 (1567.78)
Observations	6
R-squared	0.627

Notes: Standard errors in parentheses. ** $p < 0.05$.

Table: Difference-in-Differences (DID) Regression Results

Completed & Proposed Unit Discussion

- IZ is projected to produce **116** affordable units in Lawrenceville (including the 35 already built).
- Lawrenceville has **908.5** less units completed and proposed post-IZ than it would without IZ.
- **For every affordable unit it creates in Lawrenceville, IZ stops 7-8 market rate units.**

Previous IZ Literature

- **Ellickson, 1980** - “inclusionary zoning [...] is likely to push up housing prices across the board [...] its net effects are apt to be the opposite of the ones advertised.”
- **Schuetz et al., 2011** - “[...] it appears that IZ has put some upward pressure on housing prices”
- **Means and Stringham, 2012** - “Between 1980 and 1990, cities that imposed a below-market housing mandate ended up with, on average, 8 percent fewer homes and 9 percent higher prices. Between 1990 and 2000, [...] 7 percent fewer homes and 20 percent higher prices.”
- **Hamilton, 2021** - “ I find evidence that mandatory IZ programs increase house price[...].”
- **Phillips, 2024** - “One of IZs fundamental shortcomings is that it does not address - and likely exacerbates - the housing scarcity that drives higher rents and home prices”

Housing Production Literature

- **Pennington, 2021** - “I find that rents fall by 2% for parcels within 100m of new construction. Renters’ risk of displacement to a lower-income neighborhood falls by 17%”
- **Li, 2022** - “I provide event study evidence that for every 10% increase in the housing stock rent decreases 1% and sale prices also decrease within 500 feet.”
- **Asquith et al., 2023** - “New buildings decrease rents in nearby units by about 6% relative to units slightly farther away or near sites developed later, and they increase in-migration from low-income areas.”
- **Mense, 2024** - “Adding one new housing unit to the stock for every 100 rental housing units offered on the market in a given month reduces rents by 0.4-0.7%”

Filtering Literature

- **Mast, 2023** - “new market-rate housing construction can improve housing affordability for middle- and low-income households, even in the short run.” - estimates 100 new market rate units results in 17 to 40 bottom quintile income units. “Nearly all of the effect occurs within five years.”
- **Bratu et al., 2023** - “The supply of new market rate units triggers moving chains that quickly reach middle- and low income neighborhoods and individuals [...] The share of residents originating from the bottom quintile grids [...] increases gradually in subsequent rounds reaching 30% by rounds five and six. [...] the moves we study happen between two adjacent years, i.e. we study the very short-run”

Every 7-9 market rate units built creates 2-3 affordable units.

Results Summary

- **From our results** - Every 1 affordable unit IZ creates stops 7-9 market rate units.
- **From the economics literature** - Every 7-9 market rate units built creates 2-3 affordable units.
- ***Every 1 affordable unit IZ created stops 2-3 affordable units.***

Policy Implications

If we want IZ to increase affordability, it must not constrain the housing supply.

To make sure it does not constrain supply, we should:

- Make it **voluntary**
- Make it **fully funded**

Sources I

- Asquith, B. J., Mast, E., & Reed, D. (2023). Local effects of large new apartment buildings in low-income areas. *Review of Economics and Statistics*, 105(2), 359–375.
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Sources II

- Li, X. (2022). Do new housing units in your backyard raise your rents? *Journal of Economic Geography*, 22(6), 1309–1352.
- Mast, E. (2023). Jue insight: The effect of new market-rate housing construction on the low-income housing market. *Journal of Urban Economics*, 133, 103383.
- Means, T., & Stringham, E. P. (2012). Unintended or intended consequences? the effect of below–market housing mandates on housing markets in california. *Journal of Public Finance and Public Choice*, 30(1-3), 39–64.
- Mense, A. (2024). The impact of new housing supply on the distribution of rents [Forthcoming]. *Journal of Political Economy Macroeconomics*.
- Pennington, K. (2021). Does building new housing cause displacement?: The supply and demand effects of construction in san francisco [Available online: June 15, 2021].

Sources III

- Phillips, S. (2024). *Modeling inclusionary zoning's impact on housing production in Los Angeles: Tradeoffs and policy implications* (tech. rep.). Turner Center for Housing Innovation.
- Schuetz, J., Meltzer, R., & Been, V. (2011). Silver bullet or trojan horse? the effects of inclusionary zoning on local housing markets in the united states. *Urban Studies*, 48(2), 297–329.
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<https://www.ura.org/pages/housing-resources>

2022 Housing Needs Assessment

- Largest gaps in supply are for <30% AMI and >120% AMI
- Current IZ regime does nothing to resolve **either issue**:
 - Supply gap of 8,200 units for <30% AMI (~\$22k/year for a single person)
 - Supply gap of 16,000 units for >120% AMI (~\$85k/year for a single person)



PITTSBURGH HOUSING NEEDS ASSESSMENT

Final Report | January 2022

Rental Supply/Demand Gap by AMI Level, 2019



We are all supportive of mixed use, desegregated neighborhoods

- If there was a program that would create these developments and would make the developers pay for affordable units, I would not be here
- Unfortunately, unfunded, **mandated IZ will be paid for by renters** in this city and not homeowners, commercial real estate, and people who do business here

You are going to hear about projects in the pipeline

Status of Inclusionary Zoning Projects

	Development Name	Address	Total Units	AH Units	Neighborhood	Sale or Rent
Built Projects						
	Arsenal Phase 2	147 39th St	343	35	Lower Lawrenceville	Rent
Total			343	35		
Under Construction						
	Albion	5275 Butler Street	267	27	Upper Lawrenceville	Rent
	Holy Family	250 44th Street	55	5	Central Lawrenceville	For Sale
Total			322	32		
Approved by Planning Commission						
	Dalian	3812 Foster Street	334	34	Lower Lawrenceville	Rent
	450 Melwood Avenue	450 Melwood Avenue	31	4	North Oakland	Rent
	The Parker	435 Melwood Avenue	166	17	North Oakland	Rent
		262 McKee Place	169	17	Central Oakland	Rent
	Foundry Phase II	4107 Willow Street	100	10	Central Lawrenceville	Rent
Total			800	82		
Complete Application						
	37th Street Apartments	3634 Penn Avenue	50	5	Lower Lawrenceville	Rent
Total			50	5		

Roughly 80 of these AH units are more likely not be built than built.

There is a big divide between approval and built.

You are going to hear a lot about 35 units in L'ville

“From my personal experience and perspective, the existing IZ overall in Lawrenceville hasn't worked. The math doesn't work. *No affordable units have been created there other than 35 units at Arsenal 201. As the original project executive of the project,* I'm certain the only reason that Arsenal Phase II was able to be built is that the land price was negotiated in 2014 (at half of today's prices), IZ was then passed between phases, and the project received both City and School tax abatements (LERTA). As an independent developer since 2016, we do not pursue 20+ unit projects in Lawrenceville because the *math does not work.*”

-Shawn Kichline
Oxide Real Estate
(Formerly of Milhaus)

To recap that quote:

- The **only developer** who completed a project in IZ said it was only made possible because the land cost half as much as it does now
- The developer now **actively avoids** the overlay.

IZ is already chasing investment away.

Highlights of Enhanced Inclusionary Zoning

- EIZ spreads the cost of building affordable units more equitably across Pittsburgh homeowners, renters and entities who do business here
- EIZ commits to fully fund affordable unit construction
- EIZ allows neighborhood empowerment and determination
- EIZ keeps existing overlays intact
- EIZ Building more ensures that renters and homeowners up and down the income spectrum have more options and lower costs (mixed income neighborhoods!)
- EIZ reduces administrative burdens for projects committed to including affordable units
- EIZ creates multiple tiers of affordability
(10% at 50 AMI, 15% at 80 AMI, 20% at 99 AMI)
- EIZ does not evict families for getting a raise or a family member moving out

How a neighborhood opts in?

Here are two ways it could happen but to be clear - this would be a *policy* and does not need to be deliberated in this legislation

- Example 1:
 - After a housing study is performed and it is determined that displacement is occurring or costs are going up
 - Signed off by the member of council
 - Signed off by the RCO
- Example 2:
 - An RCO would elect to hold a Development Activities Meeting to become an IZ neighborhood
 - This DAM would trigger an application with the Planning commission

Why voluntary is so important

- To be abundantly clear, if a home builder wants to build affordable units, we should encourage that and never stand in their way.
- We should create incentives that make a home builder volunteer to build affordable units OVER market rate.
- This *already exists* in the RIV and Uptown Eco District (as pointed out in *The Case for Citywide Mandatory Inclusionary Zoning in Pittsburgh* by Pittsburgh Community Reinvestment Group and Lawrenceville United | January 2025).

How a project determines the gap we need to fund

Household Type:	Income Level:	Net Rental Amount:	Cost Per Unit: ¹	Value Per Unit: ²	Equity Value Lost:
2 Person Market Rent	\$110,000.00	\$2,400.00 (+\$100 Utilities)	\$350,000.00	\$411,000.00	\$0.00
2 Person @ 80% AMI (10% of Total = 15 Units)	\$ 64,250.00	\$1,512.50 (+\$100 Utilities)	\$350,000.00	\$256,286.00	(\$154,714.00 per Unit) \$2,320,710.00 Total
2 Person @ 50% AMI (10% of Total = 15 Units)	\$ 40,200.00	\$ 905.00 (+\$100 Utilities)	\$350,000.00	\$152,143.00	(\$258,857.00 per Unit) \$3,882,855.00 Total

¹ This assumes \$300K for construction and \$50K for land.

² This Value is based on 150 Units charging market rent at 7% Capitalization Rate which is conservative in this market.

How EIZ Would Fund the Gap

- EIZ is not prescriptive on how subsidy would be assembled
 - Future discussion for City Council, URA, HOF, HACP, etc.
 - Potential monetary sources include:
 - Housing Opportunity Fund, URA low interest loans/grants, HACP direct equity/vouchers/housing assistance payments
 - Potential non-monetary sources include:
 - Tax Abatement through LERTA or other programs, relaxation of onerous requirements such as bird safe glazing, non-standard green roof requirements (9 inch Tray vs 3 inch Tray)

Minneapolis, MN

- Came years after major upzoning
- Came after a Comprehensive Plan
- Delayed Phase in (24 months after 500 units are built)
- 20 Year period
- 8% at 60% AMI, 4% at 30% AMI, and others
 - Certain projects are eligible for: The Revenue Loss Offset assistance is intended to ensure an IZ-Assisted Development remains financially feasible to develop.
- Reviewed every 3-5 Years
- Includes provisions for exemptions

Inclusionary Zoning Tracker

In 2019 the City Council adopted an Inclusionary Zoning Ordinance and Policy (IZ) to create mixed-income communities by requiring some affordable units in new market rate housing development.

Last Data Refresh: 11/12/2024

COLOR LEGEND

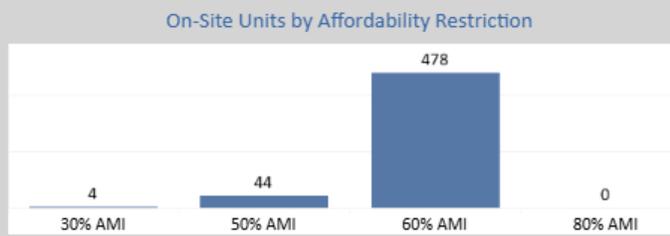
- Permitted IZ Projects
- Permitted Projects Exempt from IZ
- Pipeline Development Projects Greater than 20 Units

Switch to Geographic Summary

Permitted IZ Projects

Projects	Affordable On-Site Units	Affordable Student BR	Total Dwelling Units
25	248	278	4,504

Year of Permit	Project Name	Rental Compliance Option	Proposed Dwelling Units	Proposed On-site Affordable Units	Student BRs	Proposed Off-site Affordable Units	Project Address
2023	Accolade Minneapolis	8% at 60% AMI on-site	605	28	54	0	2630 UNIVERSITY AVE SE
	Groove Lofts	20% at 50% AMI on-site	216	44	0	0	111 6TH ST S
	The Standard at Dinkytown	8% at 60% AMI on-site	307	9	91	0	521 15TH AVE SE
	1000 Main St NE	8% at 60% AMI on-site	49	3	0	0	1000 MAIN ST NE
	3601 Nicollet	8% at 60% AMI on-site	52	5	0	0	3601 NICOLLET AVE



Unit Type	30% AMI	50% AMI	60% AMI	80% AMI
Studio	2	6	82	0
1BR	2	15	84	0
2BR	0	23	30	0
3BR	0	0	4	0
4+BR	0	0	0	0
Student BR			278	
Grand Total	4	44	478	0

IZ Revenue Loss Offset Financial Assistance
\$6,920,000.00

In-lieu Payments
\$6,787,497.02

Projects: Rental vs Ownership
Rental: 25

Rental Compliance Option
On Site: 20
In-lieu fee payment: 4
Off-site: 1

Permitted Projects Exempt from IZ

Project Name	Exempt Reason	Proposed Dwelling Units	Project Address	Exempt Projects	Units in 20-49 Unit Projects
20 Unit Apartment Building	Temporary 30-40 unit exemption	20	3232 54TH ST E	56	606

Minneapolis, MN (continued)

Only One American City Has Fought Inflation and Won – 2 Simple Ways It Keeps Costs Low

Seychelle Thomas
October 28, 2023 • 3 min read

yahoo!finance



“This measure has shown great promise in Minneapolis, for example, which has been nationally recognized for having the lowest inflation rate in America, due mainly to its successful efforts to tame housing cost growth (Thomas, 2023).”

<https://finance.yahoo.com/news/only-one-american-city-fought-210119140.html>

3 minute read: great article, no mention of IZ.

Minneapolis, MN (continued)

From “Only One American City Has Fought Inflation and Won [...]”

- In Minneapolis, a direct result of the slower rent growth is a lower portion of income dedicated to housing payments.
- In an [interview with Bloomberg](#), Jacob Frey, the Mayor of Minneapolis, shared, “I can’t tell you how many people were like, ‘Oh, look at all this supply, look at all these just brand new buildings,’ and kind of scoffing at it like this was going to lead to gentrification or rents skyrocketing-The exact opposite has happened.”
- Since 2018, the city has invested \$320 million in rental assistance programs to address affordability issues. The housing crisis is also due to a lack of supply, so the city passed a [comprehensive zoning reform](#) in 2019. The new rule eliminated single-family zoning across the city and permitted the construction of multi-family housing.

Portland, OR - IZ 2.0

- A revision to a Mayor-style IZ program after 19 unit buildings doubled and building was suppressed
- 10% at 60 AMI
- Fully funded
- Joint program City/County

“In 2017, the number of permitted units shot up to 6,250, according to the report. But in the year after the inclusionary housing policy took effect, developers sought permits for only 12 projects that met its 20-unit threshold, totaling just 654 units”

Brey, J. (2018, Apr 10). Portland real estate market still adjusting to inclusionary housing. *Next City.Org*, Retrieved from <https://www.proquest.com/magazines/portland-real-estate-market-still-adjusting/docview/2024073411/se-2>

Fact Check



Pittsburgh is experiencing a shortage of about 8,200 units affordable to households that make 30% or less of the annual median income (AMI).

- The Mayor's IZ proposal only builds for 50% AMI
- Deeply affordable housing is typically addressed through the Low Income Housing Tax Credit (LIHTC) program
- The Mayor's IZ proposal will never build deeply affordable housing

Eligibility and Affordability Requirements



Targets deeply affordable housing by requiring 10% units at Very Low-income households (earning between 50% of AMI or less) for rental housing and 10% units for households earning 80% of AMI or less for for-sale housing. Owners that accept housing choice vouchers may receive higher rents, so long as the tenant-paid rent does not exceed the IZ limit. ***This helps ensure deeply affordable housing.***

Increases eligibility and requirements for rental housing to allow

- 15% units at Low-income households (earning between 51% and 80% of AMI)
- 20% units Workforce households (earning between 81% and 99% of AMI)

Increases cap for for-sale units to only apply to workforce households (earning between 81% and 99% of AMI). ***This misses the goal of creating deeply affordable housing.***

- ***Deeply affordable*** (30% AMI) housing is not targeted by either program
 - Again, this income range is much better addressed through Action Housing or Beacon Communities' developments

Fact Check, continued



Two out of five Pittsburgh households who rent their homes are cost-burdened. These cost-burdened households spend over 30% of their income on rent.

- Landlords pass costs (Real Estate taxes, Deed Transfer Taxes) on to renters
- Under Lawrenceville IZ, The cost of affordable units is paid for by a suppressed rental market that only affects renters
- The only Pittsburghers who will pay for this suppression are renters who are “cost-burdened”

Fact Check, continued

“All of these projects are occurring in a significantly softer market than Lawrenceville. According to the latest Market Value Analysis commissioned by the URA, which uses quantitative data to measure the market strength of block groups and assign a ranking of market strength from “A” (representing the highest housing values) to “J” (representing the lowest housing values), five of these seven projects occurred in a “G” market.”

-The Case for Citywide Mandatory Inclusionary Zoning in Pittsburgh - Pittsburgh Community Reinvestment Group (PCRG) and Lawrenceville United (LU) | January 2025

PCRG AND LU's report acknowledges that the entire City's housing market is not homogenous.

Fact Check: IZ Decreases Segregation

Table 8: Demographics of Lawrenceville, 2012-2023 (Source: US Census ACS; Census tracts 603, 901, 902, 1101, 9810)

Year	Population	Black Population	% of Total	% Change
2012	9,280	1,473	16%	N/A
2018	9,598	866	9%	-43%
2023	9,889	668	7%	-25%

Margin of Error, Black Population: 2012: $\pm 7.0\%$; 2018: $\pm 3.5\%$; 2023: $\pm 5.5\%$

Table 9: Demographics of South Side Flats, 2012-2023 (Source: US Census ACS; Census Tracts 1609, 1702)

Year	Population	Black Population	% of Total	% Change
2012	6,604	146	2%	N/A
2018	6,407	274	4%	94%
2023	7,429	964	13%	203%

Margin of Error, Black Population: 2012: $\pm 1.8\%$; 2018: $\pm 3.1\%$; 2023: $\pm 8.5\%$

Fact Check - Uptown Eco District

“Beyond these theoretical explanations, Pittsburgh already has evidence of utilizing these density bonuses to encourage affordable housing in the Uptown Public Realm Zoning District, also known as the EcoInnovation District” - *The Case for Citywide Mandatory Inclusionary Zoning in Pittsburgh*, page 29

***Creating bonuses for affordability is very effective.
This is voluntary IZ.***

IZ in other cities

If mandatory, unfunded IZ works as intended, why are the cities who pioneered IZ removing the unfunded mandates and enhancing their programs?

Cities that have reformed IZ:

- *Montgomery County, MD*
- *Baltimore, MD*
- *Portland, OR*
- *Minneapolis, MN*
- *More*



LyLena Estabine



CENTER FOR POVERTY
SOLUTIONS
NOVEMBER 28, 2024

They call it “inclusionary zoning,” but in reality the government mandate for a portion of developments to be “affordable” limits supply and drives up costs. Chicago should pull back from this form of rent control.

“Layering inclusionary zoning on top of the rules that stand in the way of new relatively low-cost multifamily housing will never produce housing markets that serve the majority of low- and moderate-income households well [...] Relying on new housing construction to provide subsidized units is not a strategy that can lead to more housing that’s affordable for more people. In cases where inclusionary zoning raises house prices generally, the costs of the policy fall hardest on the lowest-income residents who aren’t lucky enough to qualify for one of the units that’s been designated as affordable.”

- Dr. Emily Hamilton, George Mason University

INCLUSIONARY HOUSING COMPARISON BY CITY

	PITTSBURGH	PORTLAND	MINNEAPOLIS	PHILADELPHIA	BALTIMORE
YEAR BEGAN	Proposed	2017, 2024 (with funding)	2019	2021 revised 2024 – 2021 legislation created very few units	2007 (without funding), 2024 (with funding)
CITY WIDE	Yes	Yes, different standards in urban than less dense neighborhoods – not a one size fits all solution	Yes	No – limited to a few neighborhoods by an overlay district	Yes
FUNDING	Not in full – limited lerta for city taxes only	Yes – 10 year full tax exemption for dense urban projects (5 to 1), exempt from excise and infrastructure charges	Yes, revenue loss offset assistance for 20% – 30 years option	No – except for housing vouchers	Yes. Offset the actual lost rent for each calendar year as a property tax credit on the following year's tax bill.
AMI LEVELS	50% or below	20% at 80% or 10% at 60%, developers choice	30% or below; 60% or below; or 50% or below – 90% of projects at 60%	40% or below	5% at 50% and 5% at 60%
PERCENTAGE OF UNITS	10%	10% or 20%	4% or 8% or 20%	20%	10%
MAXIMUM TERM	Perpetual	Perpetual	20 or 30 years	50	30 years
PAYMENT IN LIEU OPTION	No	Yes	Yes	Yes	No
NEIGHBORHOOD INPUT	No	No	No	Limited to two neighborhoods	City wide
MINIMUM SIZE	20 units	20 units	20 units	10 units	20 units and cost of construction exceeds \$60,000 per unit



Shawn Carter
Legislative Projects Manager, Pittsburgh City Council

TWO VERY DIFFERENT APPROACHES

No one can remember the last time the Planning Commission was forced to consider two drastically conflicting Zoning Code Text Amendments

IN THE SAME HEARING!

TWO VERY DIFFERENT APPROACHES

No one can remember a time when the staff of the Department of City Planning, the people charged with providing the Commission with a recommendation, publicly attacked a text amendment from City Council.

TWO VERY DIFFERENT APPROACHES



Inclusionary Zoning Proposals

What is inclusionary zoning?

Inclusionary zoning is a land use policy that requires or incentivizes developers to create a certain percentage of affordable housing units in new or redeveloped residential projects to promote economic diversity and address housing affordability.

What's the point?

Inclusionary zoning in Pittsburgh aims to ensure that new residential developments contribute to the creation of affordable housing, prevent displacement, and promote equitable access to housing across the city.

Pittsburgh's housing crisis, at a glance:



Pittsburgh is experiencing a shortage of about 8,200 units affordable to households that make 30% or less of the annual median income (AMI).



Two out of five Pittsburgh households who rent their homes are cost-burdened. These cost-burdened households spend over 30% of their income on rent.



Since 2015, 90% of newly constructed homes have been luxury multi-family units.



Renters without a college degree disproportionately struggle with rising rent costs.

How will inclusionary zoning help address the housing crisis?

- Inclusionary zoning requires developers to include affordable units in new projects, directly increasing the supply of affordable housing in Pittsburgh.
- Inclusionary zoning fosters mixed-income communities, reducing economic segregation and ensuring equitable access to opportunities.
- Inclusionary zoning uses private development to create affordable housing, reducing reliance on public funding while addressing housing needs.

Where else has inclusionary zoning worked?

- Minneapolis: Implemented a citywide inclusionary zoning policy requiring affordable units in all new residential developments, contributing to increased affordable housing supply.
- Los Angeles: The Transit Oriented Communities (TOC) program is an IZ program designed by the Los Angeles Department of City Planning to improve previous IZ efforts to develop affordable housing.
- Baltimore-Washington region: Inclusionary Zoning in multiple counties and cities in the region did not reduce housing supply.

Where are we at with inclusionary zoning right now?

The Department of City Planning (DCP) proposed citywide inclusionary zoning as a recommendation from the 2022 Housing Needs Assessment. However, Councilman Bob Charland proposed a competing inclusionary zoning bill (Legislation 2024-1284) on December 3rd, 2024. This bill presents many significant issues that may prevent it from achieving the intended goals of the initiative. A detailed comparison of these two proposals can be found on the other side of this page.

Comparing Inclusionary Zoning Proposals

	City Planning Inclusionary Zoning Proposal	Inclusionary Zoning Proposal Council Bill 2024-1284
Applicability 	Applicable city-wide. <i>This ensures affordable housing is distributed equitably across the city.</i>	Allows neighborhoods to decide whether to require inclusionary zoning for future developments or not. <i>This creates the possibility of continuing to concentrate affordable housing in already disadvantaged neighborhoods.</i>
Funding 	<i>Includes development bonus incentives to offset the cost of providing affordable housing. Encourages developers to secure additional funding for affordable housing through grants, housing vouchers, or subsidies.</i>	<i>Introduces an unfunded mandate for gap financing that places the financial burden on public agencies. May not be legal as currently proposed in the Zoning Code.</i>
Approval Process 	Adheres to the procedures outlined in the zoning code, with the timeframe beginning when the applicant submits a "complete application." <i>This ensures that applications are comprehensive before they go to the Planning Commission and minimizes the likelihood of denials.</i>	Sets a mandated 90-day hearing timeframe for the Planning Commission and Zoning Board of Adjustment from the date of application submission, at the end of which the project would be "deemed accepted." <i>This conflicts with the zoning code and will lead to the submission of incomplete applications and more frequent denials.</i>
Eligibility and Affordability Requirements 	<i>Targets deeply affordable housing by requiring 10% units at Very Low-income households (earning between 50% of AMI or less) for rental housing and 10% units for households earning 80% of AMI or less for for-sale housing. Owners that accept housing choice vouchers may receive higher rents, so long as the tenant-paid rent does not exceed the IZ limit. This helps ensure deeply affordable housing.</i>	Increases eligibility and requirements for rental housing to allow <ul style="list-style-type: none"> • 15% units at Low-income households (earning between 51% and 80% of AMI) • 20% units Workforce households (earning between 81% and 99% of AMI) Increases cap for for-sale units to only apply to workforce households (earning between 81% and 99% of AMI). <i>This misses the goal of creating deeply affordable housing.</i>
Off-Site Standards 	The applicant is required to obtain a Certificate of Occupancy for any affordable off-site units before a final Certificate of Occupancy is given. The developer must also ensure that the off-site property has comparable or better public transit access. <i>This gives flexibility in circumstances where on-site inclusionary units are difficult to provide.</i>	Removes requirements to obtain a Certificate of Occupancy for the off-site units and establish comparable public transit access. <i>This approach could lead to a concentration of luxury units in affluent neighborhoods and push affordable units elsewhere. It could also lead to delays or avoidance of building off-site units altogether.</i>
Student Housing 	Does not differentiate between developments intended for students or other types of households. Dormitory and Fraternity/Sorority Uses are exempt. <i>This provision ensures all multi-family developments are treated equally, upholding fair housing laws.</i>	Exempts developments that would primarily house students. <i>It is impossible to predict who will reside in any development, making it challenging to enforce.</i>
Development Bonuses 	Developments are given incentives where each bonus point is worth 15 feet of additional height and 1 FAR, consistent with the Performance Points system in the Zoning Code. <i>These bonuses are designed to minimize any negative impacts on residential neighborhoods.</i>	Increases the value of each performance point. Also mandates that the National Pollutant Discharge Elimination System (NPDES) shall "supersede any applicable local rules". <i>The NPDES regulates water pollution and is outside the scope of the zoning code, making this provision unclear and difficult to enforce.</i>

DCP's EXAMPLES FROM OTHER AREAS

Where else has inclusionary zoning worked?

- Minneapolis: Implemented a citywide inclusionary zoning policy requiring affordable units in all new residential developments, contributing to increased affordable housing supply.
- Los Angeles: The Transit Oriented Communities (TOC) program is an IZ program designed by the Los Angeles Department of City Planning to improve previous IZ efforts to develop affordable housing.
- Baltimore-Washington region: Inclusionary Zoning in multiple counties and cities in the region did not reduce housing supply.

BALTIMORE-WASHINGTON REGION

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(DCP, 2025)

“Other studies of counties in southern California (Mukhija et al., 2010), the Baltimore/DC area (Hamilton et al., 2021), and interviews with developers in Montgomery County (MD) and Fairfax County (VA) (Institute et al., 2012), found no effect from IZ on housing supply.”

(PCRG/LU, 2025, p. 6)

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(PCRG/LU, 2025, p. 6)

“In this article, the author uses a new dataset on inclusionary zoning in the Baltimore-Washington region to estimate its effects on market-rate house prices and building permits... [t]he author finds some evidence that inclusionary zoning increases market-rate house prices but none that it reduces new housing supply” (Hamilton, 2021).

ONE OF THESE THINGS LOOKS NOTHING LIKE THE OTHER

Category	Baltimore-Washington Region Average (Hamilton)	Pittsburgh	Baltimore-Washington Avg. vs. Pittsburgh Percent Difference
White Alone Median Family Income	\$ 192,651	\$ 106,488	181%
African-American Alone Median Family Income	\$ 104,540	\$ 49,034	213%
Asian Alone Median Family Income	\$ 153,420	\$ 96,875	158%
Other Races/Ethnicity Median Family Income	\$ 83,001	\$ 62,813	132%
White (Not Latino) Alone Median Family Income	\$ 197,445	\$ 106,771	185%
Latino Alone Median Family Income	\$ 100,598	\$ 106,972	94%
Total Median Gross Rent	\$ 2,047	\$ 1,221	168%
Median Gross Rent - 0BR	\$ 1,663	\$ 1,109	150%
Median Gross Rent - 1BR	\$ 1,801	\$ 1,079	167%
Median Gross Rent - 2BR	\$ 2,101	\$ 1,269	166%
Median Gross Rent - 3BR	\$ 2,505	\$ 1,450	173%
Median Gross Rent - 4BR	\$ 2,992	\$ 1,605	186%
Median Gross Rent - 5BR+	\$ 3,089	\$ 1,853	167%
Median Home Value	\$ 619,794	\$ 193,200	321%
Median Home Value - 2020 or Later	\$ 1,041,800	\$ 468,500	222%
Median Home Value - 2010 to 2019	\$ 827,344	\$ 593,600	139%
Median Home Value - 2000 to 2009	\$ 656,081	\$ 423,600	155%
Median Home Value - 1990 to 1999	\$ 627,256	\$ 289,000	217%
Median Home Value - 1980 to 1989	\$ 546,594	\$ 256,700	213%
Median Home Value - 1970 to 1979	\$ 520,188	\$ 229,300	227%
Median Home Value - 1960 to 1969	\$ 539,275	\$ 195,200	276%
Median Home Value - 1950 to 1959	\$ 572,075	\$ 159,400	359%
Median Home Value - 1940 to 1949	\$ 575,756	\$ 143,100	402%
Median Home Value - 1939 and earlier	\$ 726,388	\$ 198,000	367%

PITTSBURGH vs. BALTIMORE-WASHINGTON REGION

2025 Housing Choice Voucher Payment Standards		
	Pittsburgh	Washington, D.C.
0BR/EFF	\$ 1,840	\$ 3,762
1BR	\$ 1,970	\$ 3,845
2BR	\$ 2,360	\$ 4,327
3BR	\$ 3,010	\$ 5,410
4BR	\$ 3,243	\$ 6,382
5BR	\$ 3,730	\$ 7,340
6BR	\$ 4,216	\$ 8,297

PITTSBURGH vs. BALTIMORE-WASHINGTON REGION

Every inclusionary zoning (IZ) jurisdiction in the Baltimore-Washington region is in a state or district which requires landlords to accept Housing Choice Vouchers, not as source-of-income anti-discrimination law, but as a state law mandate.

IZ NEEDS HOUSING CHOICE VOUCHERS TO WORK

According to Grounded Solutions Network, there are approximately 1,019 active IZ programs in the United States.

927, or 88% of these programs, are in states or districts (Washington, D.C.) where state law mandates acceptance of the vouchers.

IZ WORKS BEST IN WEALTHY COMMUNITIES

Category	All U.S. Municipalities	Average of All Mandatory IZ Municipalities	Pittsburgh
White Alone Median Family Income	\$ 93,618	\$ 159,870	\$ 106,488
African-American Alone Median Family Income	\$ 76,148	\$ 118,994	\$ 49,034
Asian Alone Median Family Income	\$ 137,784	\$ 173,798	\$ 96,875
Other Races/Ethnicity Median Family Income	\$ 77,890	\$ 104,854	\$ 62,813
White (Not Latino) Alone Median Family Income	\$ 95,329	\$ 162,915	\$ 106,771
Latino Alone Median Family Income	\$ 83,320	\$ 121,232	\$ 106,972
Total Median Gross Rent	\$ 1,001	\$ 1,962	\$ 1,221
Median Gross Rent - 0BR	\$ 1,041	\$ 1,645	\$ 1,109
Median Gross Rent - 1BR	\$ 813	\$ 1,599	\$ 1,079
Median Gross Rent - 2BR	\$ 1,003	\$ 2,061	\$ 1,269
Median Gross Rent - 3BR	\$ 1,200	\$ 2,481	\$ 1,450
Median Gross Rent - 4BR	\$ 1,603	\$ 2,761	\$ 1,605
Median Gross Rent - 5BR+	\$ 2,036	\$ 2,776	\$ 1,853
Median Home Value	\$ 226,008	\$ 721,231	\$ 193,200
Median Home Value - 2020 or Later	\$ 226,008	\$ 752,067	\$ 468,500
Median Home Value - 2010 to 2019	\$ 387,254	\$ 927,836	\$ 593,600
Median Home Value - 2000 to 2009	\$ 324,503	\$ 850,808	\$ 423,600
Median Home Value - 1990 to 1999	\$ 277,326	\$ 799,058	\$ 289,000
Median Home Value - 1980 to 1989	\$ 249,044	\$ 688,842	\$ 256,700
Median Home Value - 1970 to 1979	\$ 226,552	\$ 657,305	\$ 229,300
Median Home Value - 1960 to 1969	\$ 225,604	\$ 686,024	\$ 195,200
Median Home Value - 1950 to 1959	\$ 210,799	\$ 673,487	\$ 159,400
Median Home Value - 1940 to 1949	\$ 207,740	\$ 669,339	\$ 143,100
Median Home Value - 1939 and earlier	\$ 220,360	\$ 732,559	\$ 198,000

FACT vs. FANTASY

“Pittsburgh’s careful crafting of its IZ ordinance to entice developers to accept vouchers is another way that the goal of undoing segregation is actively embedded in the policy.” (PCRG/LU, 2025)

In 2015, at the behest of local community organizations, many of whom are here in this room today, and many of whom continue to push the voucher narrative, Pittsburgh City Council enacted a source of income anti-discrimination ordinance to protect Section 8 voucher holders from being shut out of the local rental market.

Six years and two trips to the Pennsylvania Supreme Court later...

FACT vs. FANTASY

“Here, we [the Pennsylvania Supreme Court] hold that the [Home Rule Charter and Optional Plans Law’s] Business Exclusion [53 Pa.C.S.A. § 2962(f)] precludes a Pittsburgh ordinance that proscribes source-of-income discrimination in various housing-related contexts.”

***Apartment Association of Metropolitan Pittsburgh v. City of Pittsburgh
(2021)***

So, the Department of City Planning’s mandatory IZ ordinance, which sets the income ceiling at 50% AMI (the voucher standard) and essentially forces landlords to either accept vouchers or suffer financial losses, almost certainly runs afoul of the Court’s ruling in Apartment Association.

FACT vs. FANTASY

As PCRG/LU point out, ten years ago, RHLS produced a report on affordable housing which described the City's legal authority to enact inclusionary zoning in the following manner:

“Pennsylvania’s Home Rule Charter and Optional Plans Law does not impose any restrictions on Pittsburgh’s power as a home rule municipality to enact zoning laws in general or IZ in particular.”

(RHLS, 2015, p.20)

BUT IF THE CITY CANNOT FORCE LANDLORDS TO TAKE VOUCHERS, ULTIMATELY DCP’S IZ LAW WILL FAIL.

GENUINE LONG-TERM RISKS

The City has been locked in a legal battle in federal court with the Builders Association of Metropolitan Pittsburgh (BAMP) over the existing expansions to the City's IZ Ordinance for nearly 3 years.

Lawrenceville United is well aware of this because they petitioned the federal court to intervene in the litigation and was denied.

BAMP is arguing that the City's existing IZ Ordinance violates the Home Rule Charter and Optional Plans Law and the Fifth Amendment to the United States Constitution.

GENUINE LONG-TERM RISKS

From Regional Housing Legal Services (2015):

“The U.S. Supreme Court altered its regulatory takings analysis in 2005. As a result, future regulatory takings cases will most likely be analyzed under the factors set forth in the Supreme Court’s decision in *Penn Central Transp. Co. v. City of New York*: (1) the economic impact of the policy (2) the extent to which the policy interferes with investment backed expectations and (3) the nature of the regulation...”

“Although there are no reported court decisions applying *Penn Central* in the context of IZ, the Third Circuit Court of Appeals applied it in the context of a rezoning that deprived a property owner of 89% of the value of his property, and held that there was no taking. **A well-designed IZ policy with cost off-sets and waiver provisions should have no problem satisfying the *Penn Central* factors.”**

DCP’s one-size-fits-all, citywide IZ ordinance with no waiver provisions runs afoul of the advice RHLS gave the City 10 years ago.

GENUINE LONG-TERM RISKS

If it is to be the public policy of this government to provide affordable housing to its citizens, the solution cannot be to, "force some people alone to bear public burdens which, in all fairness and justice, should be borne by the public as a whole."

Armstrong v. U.S., 364 U.S., at 49.

GENUINE LONG-TERM RISKS

BAMP doesn't need a federal court to rule on the state law issues inherent in either the existing IZ legislation, or the Department of City Planning's proposed citywide expansion. The decisions in *Apartment Association* (2021 - Source of income), or *Landlord Service Bureau* (2023 - Rental registration) or *Pennsylvania Restaurant & Lodging Association* (2019 - Building security guards) upholding the Business Exclusion in § 2962(f) of the Home Rule Charter and Optional Plans Law would likely have resulted in an instant injunction against the existing IZ ordinance.

The only reason to take the case to federal court on a Fifth Amendment claim is to...

GENUINE LONG-TERM RISKS



PITTSBURGH vs. LOS ANGELES

The Department of City Planning and PCRG/LU both mention the Transit Oriented Communities Program in the City of Los Angeles in an attempt to defend how density bonuses alone can offset the net revenue losses from below market-rate units.

PITTSBURGH vs. LOS ANGELES

The TOC program in Los Angeles is a...

VOLUNTARY

PROGRAM

IN A CLASS OF ITS OWN

With 1,019 IZ programs in approximately 860 municipalities, neither the Department of City Planning nor PCR/LU can point to a mandatory, citywide IZ program which justifies their proposal.

INCLUSIONARY ZONING BEST PRACTICES

PCRG and Lawrenceville United argue that according to Wang & Fu (2022), the Department of City Planning's mandatory, unfunded IZ bill will work – IF we remove the two most important determinants of success from the equation:

- Local housing market conditions;**
- Institutional factors (the law, government structure, etc.)**

INCLUSIONARY ZONING BEST PRACTICES

From Wang & Fu (2022):

The authors cautiously stated the following:

“[V]oluntary IZ policies, when designed appropriately, can be as effective in producing affordable units as mandatory policies.”

Notably, Prof. Wang and Dr. Fu also found that:

“Policies with a single income requirement, on the other hand, were 63% less likely to produce any affordable units.”

INCLUSIONARY ZONING BEST PRACTICES

From Thaden & Wang (2017)

Ultimately, inclusionary housing programs must consider local market conditions and balance the economic impacts of a policy against the desire to create affordable housing (Hollingshead 2015; Schuetz, Meltzer, and Been 2011).

INCLUSIONARY ZONING BEST PRACTICES

From Grounded Solutions Network (2024)

Of the mandatory IZ jurisdictions with policies most similar to DCP's proposal (n=380)

63% set their income floor no lower than 80% AMI;

28% (n=114) set their income ceiling at no greater than 50% AMI

- of this group, 91% (n=104) are located in states where landlords are required by state law to accept vouchers.**

INCLUSIONARY ZONING BEST PRACTICES

From Reyes & Wang (Grounded Strategies, 2021)

“[I]nclusionary housing tends to produce the most units in places that have mid-to-high levels of development activity and relatively high housing costs.”

“While the average production rate across all programs is 27 units per year, excluding programs that have produced zero units, average production rate for the country’s top 20 programs is 235 units per year—almost 10 times greater.”

VOLUNTARY IZ PROGRAMS CAN WORK

From Hamilton (2021)

Voluntary IZ programs can work under the following conditions:

- 1. Highly restrictive development environment;**
- 2. Economically rational incentives.**

VOLUNTARY IZ PROGRAMS CAN WORK

Reyes & Wang (2021)

Of the nation's 20 most productive IZ programs, 40% (n = 8) are voluntary.

The most productive voluntary programs rely on providing benefits that are extremely desirable or financially necessary.

THE TRUTH ABOUT MANDATORY IZ

From Wang et. al. (2025)

“Essentially, the mechanism by which IZ affects housing markets is by incentivizing or discouraging building activities. When IZ takes effect, the net revenue loss from fulfilling the [below market-rate] unit requirement, either by including [below market-rate] units or paying in-lieu fees, functions as a development tax.”

THE TRUTH ABOUT MANDATORY IZ

Wang et. al. (2025), citing Hamilton (2021)

“Price increases occurred exclusively in areas with mandatory inclusionary zoning policies.”

THE TRUTH ABOUT MANDATORY IZ - WHO PAYS?

Wang et. al. (2025)

Delivering [below market-rate] units via IZ incurs costs. These costs have to be distributed between:

- Developers;**
- Market-rate housing consumers;**
- Landlords;**
- Local governments**

THE TRUTH ABOUT MANDATORY IZ - WHO PAYS?

Wang et. al. (2025)

When demand is elastic, prices fall on landlords and developers. (Price goes up, people consume less)

When demand is inelastic, prices fall on consumers who either choose not to move away or cannot move away. (Price goes up, consumption stays the same)

INCLUSIONARY ZONING BEST PRACTICES

- 1. Would be informed by the comprehensive plan;**
- 2. Offset the costs in weak markets;**
- 3. Vary the requirements by geography;**
- 4. Use a low % set-aside;**
- 5. Phase in requirements over time (like Minneapolis);**
- 6. Maximize flexibility and ease for developers;**
- 7. Contain economically rational incentives;**
- 8. Would be fully funded (Portland/Baltimore);**
- 9. Periodic review of the policy;**
- 10. Conduct, or update, the financial feasibility study.**

WHY ARE FEASIBILITY STUDIES ESSENTIAL?

DCP, PCRG and Lawrenceville United all clearly understand the economic implications of DCP's proposal. In the PCRG/LU report, they state the following:

“[A] safer approach to IZ to ensure that the proposed policy wouldn't lower estimated internal rates of return for development below 14%, at which point projects would be unlikely to get financed.”

From Grounded Solutions - Memorandum to DCP (2017):

LERTA	Affordable Units	Peninger	Committee	Softer
No LERTA	0%	18.70%	9.81%	7.75%
Full LERTA	0%	24.37%	16.68%	15.43%
Full LERTA	10% @ 50% AMI	22.68%	15.16%	14.05%
Full LERTA	15% @ 50% AMI	21.82%	14.24%	13.21%

Brown shading indicates scenarios with IRR above 14%.

WHY ARE FEASIBILITY STUDIES ESSENTIAL?

Cost of Land: DOUBLE

Cost to Borrow Money: DOUBLE

Construction Costs: INCREASE OF 36%

Labor Costs: INCREASE OF 30%

WHY ARE FEASIBILITY STUDIES ESSENTIAL?

The Department of City Planning, PCRG and Lawrenceville United all KNOW that if they throw those numbers into their model, the rate of return lands somewhere in the single digits, far too low to secure financing for these projects.

WHY IS DCP'S MANDATORY IZ POLICY CITYWIDE?

DCP argues that citywide application “ensures affordable housing is distributed equitably across the city.”

But if we apply the best practices and lessons from the research, any rational approach would only target neighborhoods which met the twin conditions of high land prices and high housing costs, which allow the costs to be spread out more easily.

WHY IS DCP'S MANDATORY IZ POLICY CITYWIDE?

Reyes (2018)

“[W]here housing development is profitable, the added cost of an inclusionary housing program that requires developers to sell or rent a certain percentage of new units at below market-rate prices can be fairly easily borne... [b]ut in softer markets, where land values, rents, and sales prices are lower, and profit margins are thinner, inclusionary housing programs are more of a challenge. No city wants to impose requirements that the market can't bear.”

WHY IS DCP'S MANDATORY IZ POLICY CITYWIDE?

There are, at best, 26 City neighborhoods which meet the twin conditions.

In most of the remaining 64 neighborhoods, many of which have not seen a market-rate development in nearly a half-century (or longer), an IZ mandate will only further frustrate economic and residential development goals.

WHY IS DCP'S MANDATORY IZ POLICY CITYWIDE?

There is nothing equitable about implementing a policy which ensures that the most distressed and vulnerable neighborhoods in our City, which have been victims of disinvestment and neglect for decades, never see any market-rate development for the purposes of uniformity and “ease of administration.”

“Engagement”

- DCP has been working on IZ policy since 2011
- Presenting to the public only began in 2024

Timeline

- July 2024
 - X Beltzhoover Consensus Group
- August 2024
 - X Knoxville Community Council
 - Oakland Planning and Development Corporation (OPDC)
 - X Beltzhoover Consensus Group
 - Housing Justice Table
- September 2024
 - X Squirrel Hill Urban Coalition
 - X Beltzhoover Consensus Group and Mount Washington CDC
- October 2024
 - Hill District CDC
 - X Polish Hill Civic Association
 - Pittsburgh Downtown Partnership
 - Sheraden
 - Housing Opportunity Fund
 - Point Breeze Organization
- November 2024
 - Strip District Neighbors
 - North Side Informational Briefing
 - North Oakland and Shadyside
- January 2025
 - Bloomfield-Garfield-Friendship

Slide from the DCP staff presentation to the Planning Commission on 12/10/2024

“The Mayor has the Authority to Remove Any Member of the Planning Commission At Will” (Home Rule Charter, Section 215)

- DCP wants their bill passed knowing that there are going to be changes made afterwards
 - If substantive enough changes are made to the Mayor’s Inclusionary Zoning bill, the bill would have to return to Planning Commission
 - This back and forth will ultimately cause delays in building affordable units
- Planning Commission’s recommendation(s) today will determine the future of affordability and housing availability for decades to come

Why are we trying to implement an inclusionary zoning policy that multiple cities across the United States have already had to reform?