

Inclusionary Zoning in Massachusetts: A Solution to Exclusion or Short-Sighted Delusion?

By Andrew Mikula



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Executive Summary

Billed as a solution to local land use regulations that make housing unaffordable to low-income families, inclusionary zoning (IZ) either requires or incentivizes developers to provide some income-restricted housing units in otherwise market-rate projects.

Massachusetts has among the highest concentrations of local IZ policies in the country. Many of these IZ programs were first adopted in the 2000s and early 2010s. More recently, many have been updated with higher affordable unit set-aside percentages. The exact requirements and applicability of these programs vary enormously from municipality to municipality, but most have produced a paltry amount of affordable housing (with the exceptions of IZ programs in Boston and Cambridge).

IZ works best in areas that have expensive housing; strict traditional zoning; and a political appetite for affordable housing, large-scale buildings, and growth in general. Particularly in affluent and expensive communities, IZ can help reduce income segregation by allowing some low-income families to move to areas with greater economic opportunities. However, in practice most mandatory IZ policies, combined with neighborhood opposition and other regulations, make it harder on net to produce housing in such desirable communities.

Academic literature generally finds that mandatory IZ policies often force developers to raise market-rate prices to compensate for monetary losses from income-restricted units. The evidence is more mixed on whether IZ suppresses supply growth by discouraging new development overall.

IZ policies are rarely targeted at the lowest-income households in a given area, and in isolation creating more subsidized housing cannot be expected to offset widespread market-based price appreciation. Thus, increasing the number of units affordable to low-income households also requires moderating price appreciation among market-rate homes, which in practice requires building market-rate housing.

Ironically, IZ projects are often dependent on high market-rate housing prices for their financial viability in the first place. Thus, IZ is inherently limited as a tool for improving housing affordability at a broad level, although it can provide a select group of moderate-income families an opportunity to live in newly built housing. Carefully tailoring IZ policies to local market conditions, regularly updating market feasibility studies that inform those policies, and including generous density bonuses and streamlined permitting procedures can all help maximize IZ's positive impacts and minimize negative ones.

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DATA NOTES

Much of the data used in this research originates from a 2019 survey conducted by the Massachusetts Housing Partnership on behalf of the Grounded Solutions Network. The survey was completed by hundreds of local officials who occasionally gave ranges for answers, expressed low confidence in their responses, or simply left questions blank. Thus, while this survey is considered the best source for information on local inclusionary zoning laws in Massachusetts, it is not as comprehensive or reliable as would be required to make specific claims about individual IZ programs. Thus, all information associated with specific municipalities in this research paper has been independently verified with current municipal staff or via publicly available web sources. However, aggregations of the 2019 survey data cited in this report and visualized in Figures 1 through 5 have not been independently verified.

Introduction: Inclusionary vs. Exclusionary Zoning

For much of the 20th century, the land use regulatory paradigm now known as “exclusionary zoning” went essentially unchallenged as a way of organizing residential neighborhoods in North America. Exclusionary zoning involves separating cities into distinct areas, or “zoning districts,” in which only a few specific uses are permitted, and then creating a series of rules controlling the size, shape, and orientation of buildings, as well as the parcels of land they sit on. Commonly, suburban residential zoning districts would ban heavy industrial activity and other nuisances and prescribe a minimum lot size required for a new home to be built, sometimes a half-acre or more.¹

In time, however, some of the negative impacts of this regulatory paradigm became much clearer. Use restrictions in suburban residential areas often not only banned factories and landfills, but increasingly also corner stores, apartment buildings, and even live/work arrangements. As land values rose, a given home quickly became more pricey for second-generation buyers, but zoning would prevent the subdivision of the lot in a way that could spread the land costs across multiple units. The result was that families who couldn’t afford to buy a single-family home on a large tract of land had little access to the more desirable communities within a major metropolitan area, and in some cases couldn’t find housing at all in areas where their families had lived for generations.²

Exclusionary zoning is alive and well today in Massachusetts. Many suburbs within commuting distance of downtown Boston—like Weston, Acton, and Marshfield—have large areas where at least an acre of contiguous land is required to build a new home.³ As of 2021, the majority of communities in Greater Boston have zoned at least 80 percent of their land area exclusively for single-family homes.⁴

However, building housing specifically for low-income households, rather than simply adding flexibility to use restrictions and dimensional requirements, is often characterized as the solution to exclusionary zoning’s flaws. Starting in the 1970s, some cities, counties, and other local governments started either requiring or incentivizing developers of new market-rate housing to set aside a portion of the units for households making below a specified income. Fifty years later, this policy, known as inclusionary zoning (IZ), existed in some form in more than 40 percent of Massachusetts municipalities, giving the Bay State the second highest prevalence for the policy after New Jersey.⁵

While expanding housing options for families of modest means is a noble goal, IZ risks making otherwise market-rate housing developments financially unviable to build, contributing to an already harrowing housing shortage in Massachusetts. In tight housing markets, IZ could also contribute to higher market-rate prices by forcing developers to raise rents on market-rate units, as below-market-rate units typically cost more to build than their rents or sales prices can justify.

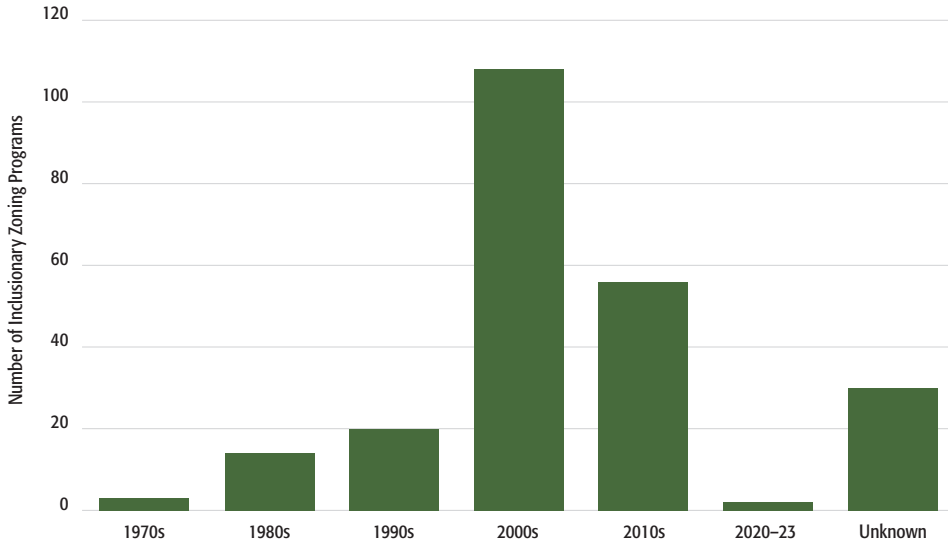
This paper explores the risks and benefits of inclusionary zoning in Massachusetts. It first documents the prevalence and different manifestations of IZ throughout the state before examining how IZ operates in practice. The paper includes plenty of empirical findings on IZ’s long-term effects on the housing market, as well as whether it contributes to broader affordability and adequate housing options. The paper concludes with recommendations for cities and towns that have either adopted IZ bylaws or are considering doing so.

Inclusionary Zoning in Massachusetts

Increasingly, Massachusetts cities and towns require some housing units in new developments to be “affordable,” meaning they can only be sold or rented to households below a specified income. In the 10 years between 2014 and 2023, there were 37 new inclusionary zoning programs implemented in Massachusetts, and many amendments to existing ones.⁶ However, this number is dwarfed by the number of IZ ordinances passed in the 2000s and early 2010s (see Figure 1).

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Figure 1: Number of IZ Programs Enacted in Massachusetts by Decade, 1970s to 2023⁷

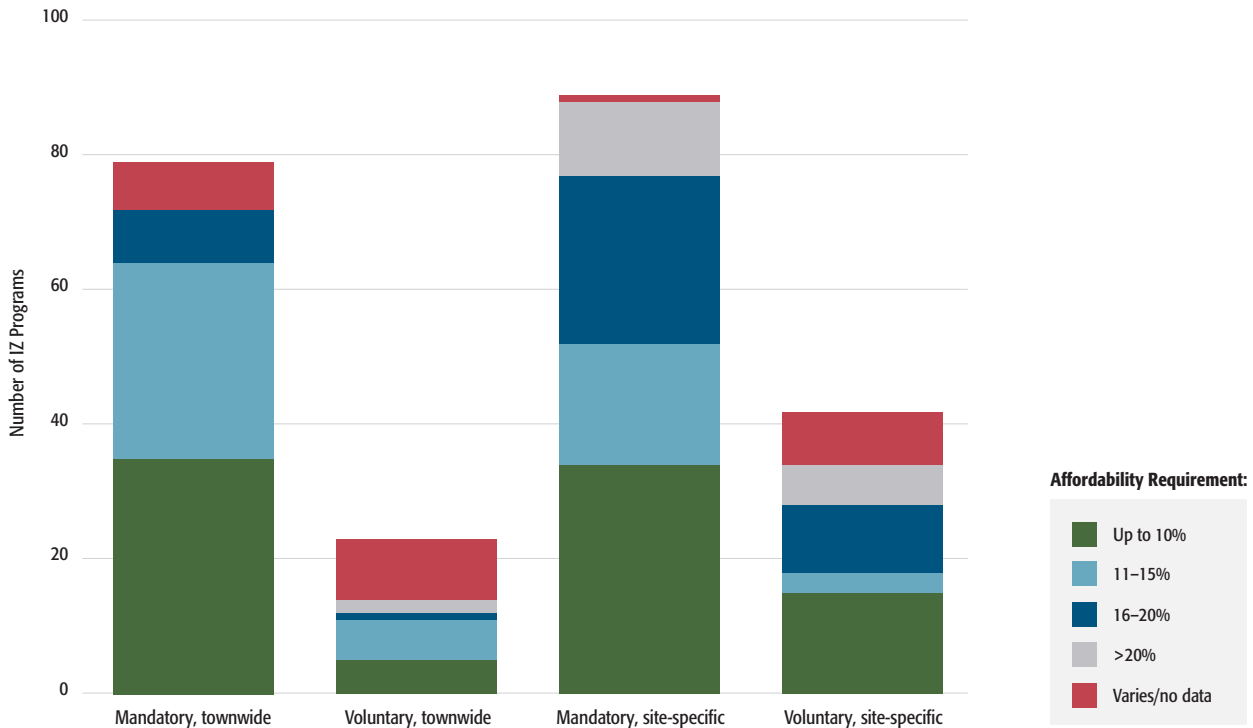


The exact requirements and applicability of these programs vary enormously. Among the 141 Massachusetts municipalities that have some form of IZ, about half (71) mandate that a certain percentage of units in each development be designated as below market rate. Another 43 require site-specific set-asides for affordable housing, meaning a certain affordability percentage is required in some districts or types of development but not others. In the remaining 27 localities, the IZ program is completely voluntary, and most voluntary programs allow developers to build more units overall than would be allowed in a non-inclusionary project (see Figure 2).

There’s also significant variation in the minimum project size at which the IZ policy takes effect, from 2 to 20 housing units. Some towns only apply the IZ policy to subdivisions taking up a certain minimum land area, usually between 2 and 10 acres.⁸

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Figure 2: Number of IZ Programs in Massachusetts by the Share of Below-Market-Rate Units Required, Whether it Covers the Entire Jurisdiction, and Whether it is Mandatory or Voluntary, as of 2019⁹



Many municipalities give developers options besides building the new affordable units on the same site as the market-rate units. In some programs, the affordable units can be constructed in a separate, off-site building. In others, the developer can either make a cash payment or donate land to the municipality to construct the units. In still others, the developer can renovate existing housing units and designate them as affordable. Saugus and Westport are among the communities that give developers substantial flexibility in this regard.¹⁰

Other attributes of the programs are more uniform. Across municipalities, the affordable units are commonly income restricted in perpetuity, as opposed to being allowed to revert to market-rate after a certain number of years.¹¹ Further, the vast majority of IZ programs apply to both owner-occupied and renter-occupied homes, although there are some exceptions. For example, Aquinnah’s inclusionary zoning program explicitly only includes rental units.¹²

Likewise, relatively few communities reserve IZ units for occupants making below 80 percent of the area median income (AMI), but some do, including Barnstable (65 percent), Worcester (60 percent), and Malden (50 percent).¹³ Several communities also reserve some units for households with higher earnings than the AMI, including Aquinnah (120 percent), Brookline (120 percent), and Wellesley (140 percent).

Almost all the municipal IZ programs in Massachusetts ultimately derive rent and sales price limits from the U.S. Department of Housing and Urban Development’s (HUD’s) AMI calculations. However, different programs may vary in how they handle utilities and parking costs, what is the maximum share of an occupant’s income he or she can spend on housing, and how the household size or unit type affects the maximum allowable rent. For example, Acton caps monthly rents for three-bedroom units at 20 percent of the AMI and then applies an “adjustment factor” for units with more or fewer bedrooms.¹⁴ Newton caps rents for all of them at 30 percent of HUD’s maximum income limits, which vary by the number of occupants, not the number of bedrooms.¹⁵ Note that these policies solely regulate the rent that landlords can charge—separate rules specify the maximum incomes tenants can have to qualify for the housing.

A couple of exceptional IZ programs are worth highlighting. In Groveland, the required percentage of units to be designated as affordable varies depending on the average sale price of a unit in the entire project.¹⁶ Cambridge calculates the set-aside percentage based on the square footage of the building, not the number of units.¹⁷ Meanwhile, Cambridge, Wellesley, and West Tisbury probably have the strictest IZ requirements in the state, mandating that 20 percent of units are designated as affordable in most parts of the jurisdiction where net new units are allowed to be built.¹⁸

The above statistics originate from a 2021 national IZ database published by the nonprofit affordable housing consortium Grounded Solutions Network, with most of the underlying data tabulated in 2019.¹⁹ Since then, many Massachusetts communities have made their IZ program requirements more stringent. On October 1, 2024, the City of Boston began enforcing higher IZ requirements for most residential projects, raising set-asides for affordable units from 13 percent of units to 17 percent, lowering the average income needed to qualify for affordable rental units, and requiring an additional 3 percent of units be set aside for households using Housing Choice Vouchers.²⁰

In Boston and Cambridge, municipal IZ programs have produced well over 1,000 affordable housing units each.²¹ At the same time, one-third of IZ programs in Massachusetts have produced precisely zero new units as of 2019. In total, municipal IZ programs in Massachusetts facilitated the creation of approximately 9,400 affordable units between 1971 and 2021, although this is likely an undercount due to incomplete data.²²

By comparison, Massachusetts General Law Chapter 40B produced more than 35,000 affordable units in a similar time frame.²³ Chapter 40B is essentially designed like a voluntary IZ program with substantial incentives for developers to provide below-market-rate units. The law allows

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developers to apply for a waiver from local *exclusionary* zoning laws if their projects meet certain affordability requirements. Notably, municipalities have limited power to object to 40B developments unless they have at least 10 percent of their housing stock in the state’s subsidized housing inventory (SHI). State laws like Chapter 40R that also function similarly to IZ but are entirely voluntary for municipalities have led to substantially less production than Chapter 40B.²⁴

This begs the question: how effective are IZ programs implemented by local governments in Massachusetts? Which characteristics (either of a community or of the program itself) predict a more impactful IZ policy? The next section explores these questions in detail.

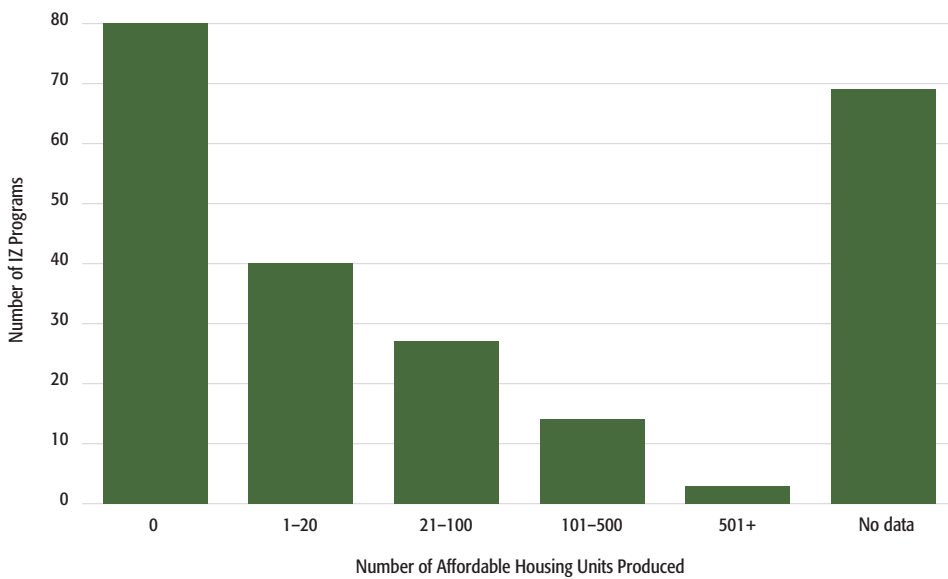
Where Does Inclusionary Zoning Work?

Inclusionary zoning rarely has one narrow, quantifiable goal and often varies substantially in how it is implemented across communities. That said, most IZ bylaws are united by the premise that set-asides for affordable housing in otherwise market-rate developments can measurably increase the number of housing options for low-income buyers and tenants in a given community.

There are certainly cases in which IZ programs have produced a substantial number of affordable housing units over time. As of November 2024, Boston had 4,960 inclusionary housing units, easily the most in the state.²⁵ On a per capita basis, as of June 2024, Cambridge had even more: its 1,602 inclusionary housing units make up nearly 12 percent of the city’s housing stock built since the IZ ordinance was adopted in 1998.²⁶ Still, that translates to just 62 new affordable units per year on average in a city of 118,000 people.

In most Massachusetts municipalities, IZ has resulted in a paltry increase in homes reserved for low- and moderate-income households. After Boston and Cambridge, the number of affordable units created in communities with the most successful IZ policies falls off dramatically (see Figure 3). Even Somerville, a city of 80,000 that has had inclusionary zoning since 1990, had just 310 IZ units as of 2021.²⁷

Figure 3: Number of Affordable Housing Units Produced Via Inclusionary Zoning by a Given Program in Massachusetts as of 2019²⁸



Part of the reason Boston and Cambridge are outliers in terms of IZ production may be about scale. Policymakers often recognize that IZ is unworkable in projects that contain relatively few units, as economies of scale are usually necessary for a builder to achieve a sufficient profit margin to justify including some income-restricted units. Also, many municipalities with IZ round up

the number of affordable units required after applying a flat percentage, which could entail an especially large effect on financial viability in small-scale projects.

Thus, most communities will only apply IZ to projects with a minimum number of total units, which is typically between 5 and 10. Few suburban towns in Massachusetts make it easy to build housing at this scale in general, with larger projects usually subject to special permits, rezonings, and other discretionary review processes, which are often used to deny the project outright.²⁹ Thus, IZ may be best suited to places where large-scale development is more politically palatable—for example, in redevelopments of commercial or industrial areas and in cities with pre-existing large apartment buildings (like Boston and Cambridge).

In addition to large-scale projects, IZ’s impact also depends on a rapid pace of development. Economist Joe Cortright has expressed this fact in vivid terms: “All newly built housing is generally a fraction of one percent of a city’s housing market in any given year; housing that triggers inclusionary requirements is less than that; and you then have to reduce *that* number by 80 to 90 percent to get to the 10 to 20 percent set-aside of affordable units.”³⁰ Again, few Massachusetts suburbs seem willing to grow at a pace that would actually create a substantial amount of affordable housing under the IZ model.

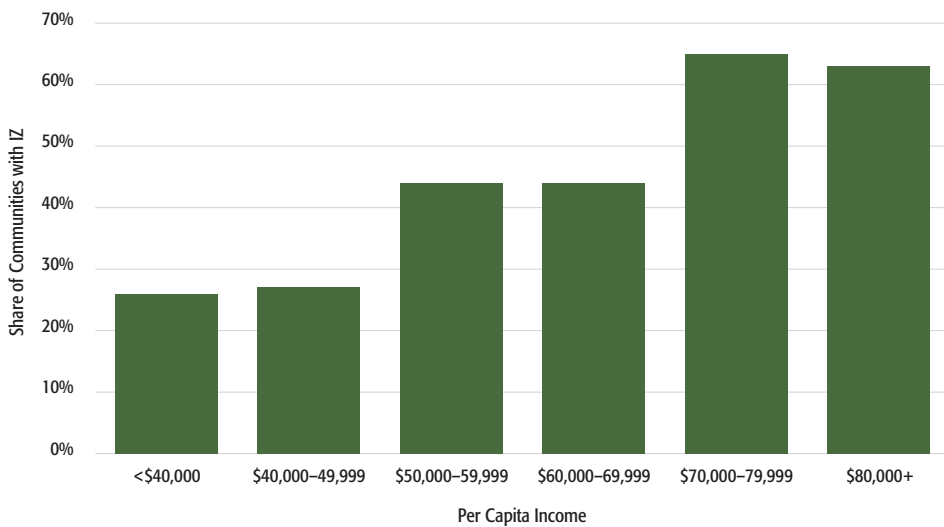
That said, local market conditions can also make mandatory IZ particularly appealing in some places. Areas with strong housing demand and low supply often have home prices that are significantly higher than construction costs, which makes it more feasible to build under IZ. The Furman Center at New York University has also found that places with strict pre-existing land use regulations are more likely to adopt IZ, especially if they are also relatively large and affluent.³¹

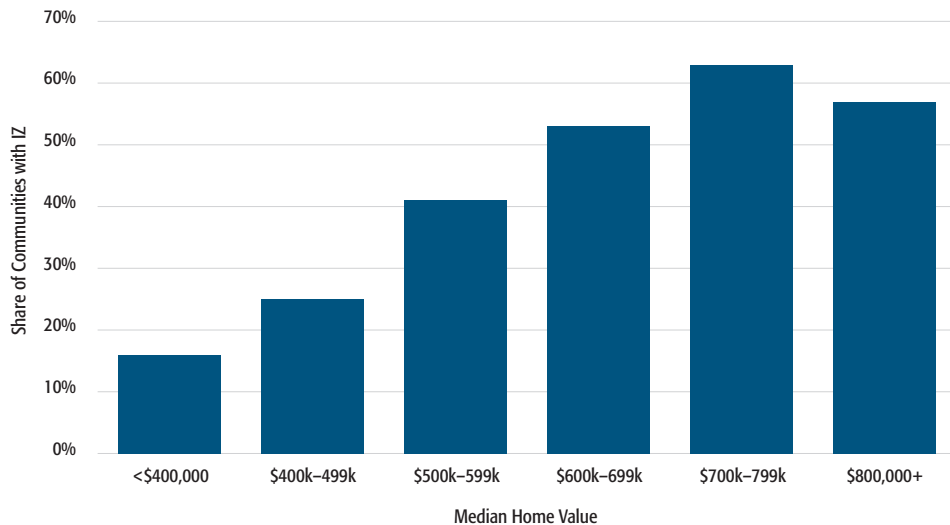
IZ is likely both more financially viable for developers and more impactful at expanding socioeconomic diversity in communities with expensive market-rate homes that would otherwise only be available to the wealthy. Empirically, across Massachusetts, communities with higher average incomes and home prices are much more likely to adopt IZ in some form (see Figure 4).

Few suburban towns in Massachusetts make it easy to build housing at a scale at which IZ would be financially viable.

Areas with strong housing demand and low supply often have home prices that are significantly higher than construction costs, which makes it more feasible to build under IZ.

Figure 4: Share of Massachusetts Communities with IZ by Income and Median Home Value³²





While more difficult to measure, political attitudes around affordability shape the viability of IZ immensely, and in some places, IZ may make it politically easier to build sizable market-rate housing projects. Local housing advocacy groups in Massachusetts often tout the inclusionary housing units in a given project as a major benefit,³³ while detractors of new housing projects often question whether income-restricted units are *truly* “affordable.”³⁴ At the very least, this implies that creating affordable units is typically regarded as a good thing among residents in places with IZ, whereas in other places affordable housing may be perceived as a harbinger of lower property values and higher crime rates.³⁵

However, there’s no guarantee that the political preference for affordability in newly constructed homes aligns with the economics at the local level. A 2023 Harvard Kennedy School (HKS) study cites several examples of communities that had to reduce the share of units designated as affordable in a given project to make it feasible for developers to provide units affordable at substantially less than 80 percent of area median income.³⁶

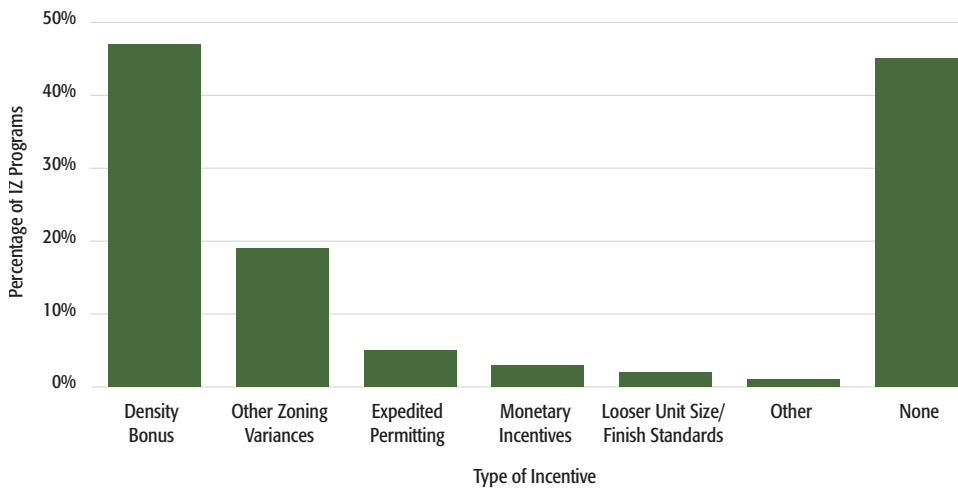
In some contexts, building additional affordable units may come with tradeoffs that are unpalatable to policymakers and their constituents. For example, many community leaders strongly prefer the construction of owner-occupied affordable units to renter-occupied affordable units on the grounds that owner-occupied units can more effectively stabilize the living situations of vulnerable populations.³⁷ However, the 2023 HKS study found that, at a given percentage of required affordable units, rental housing is more feasible to build than owner-occupied housing, as the gap between market-rate and affordable rents is smaller than that between market-rate and affordable sales prices.³⁸

Accounts from Massachusetts developers and housing service providers put some specific numbers behind HKS’s academic insights. In Salem, for example, the difference between market-rate and affordable sales prices is typically three- or four-fold, whereas market-rate rents are about 30–40 percent higher than affordable rents.³⁹ Thus, creating a strong incentive for developers to build affordable housing also privileges the construction of rental homes over owner-occupied ones.

Even IZ programs that take factors like tenure into account are, according to the HKS study’s authors, “unlikely to be successful without positive incentives, such as eliminating parking requirements and adding density bonuses.”⁴⁰ Density bonuses, the most common concession granted in exchange for building inclusionary housing (see Figure 5), essentially allow developers to construct more units or taller buildings than zoning otherwise allows. These density bonuses often need to be substantial to entice developers to build inclusionary housing. For example, Everett gives its Planning Board the discretion to waive “any dimensional restriction” to facilitate the creation of up to 50 percent more units in an inclusionary project than would otherwise be allowed under the city’s zoning ordinance.⁴¹

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Figure 5: Share of Massachusetts IZ Programs by the Type of Incentives Available to Inclusionary Housing Developers as of 2019⁴²



This is both the blessing and a curse of IZ: because it ultimately relies on proposals from private developers, it doesn't require ongoing public subsidies in the way that many other affordable housing policies (vouchers, grant programs, etc.) do.³⁶ But if the math behind housing development is misaligned with programmatic regulations and incentives, IZ likely won't create much affordable housing at all. A 2022 Urban Institute analysis even found that "voluntary IZ policies, when designed appropriately, can be as effective in producing affordable units as mandatory policies."³⁷ This implies that harmonizing IZ policies with local market conditions is more conducive to success than maximizing the level of regulatory muscle they wield.

Some communities fail to make the most of inclusionary zoning because of community opposition to development in general. For example, in 2023, the City of Peabody, which requires 15 percent of new housing units in projects of at least eight units to be income-restricted, bought an 80-acre parcel of land for \$7.2 million to prevent a developer from building housing on it.⁴³ For a wide variety of reasons, many other projects with inclusionary components get sharply criticized by neighborhood groups or individual abutters at public meetings, putting enormous pressure on elected officials to deny them.⁴⁴

While streamlined permitting is a common incentive for developers to use IZ in many municipalities, usually this merely reduces the number of boards or committees who must review the project prior to its approval. IZ bylaws still often give elected officials on some boards or committees substantial discretion over whether to waive various zoning requirements or apply other incentives to a given project.⁴⁵ The result is that there is often a clear avenue for naysayers to stop an inclusionary development on the grounds that it is too large and dense (i.e., just large and dense enough to justify including income-restricted units in a private sector project in the first place).

In summary, IZ can provide moderate-income (but rarely very low-income) households with additional housing choices in new construction, and it is most likely to do so in relatively affluent and expensive communities with a strong appetite for expanding the housing stock overall. Additional benefits include its ability to reduce income segregation and move relatively disadvantaged households to areas with greater economic opportunities. In some places, policies like IZ that promote affordability may make it politically easier to expand the supply of market-rate homes. However, even in communities theoretically well-suited for IZ, the design of IZ policies is often not well-aligned with local market conditions, and community opposition and bureaucratic processes can also make it infeasible in practice.

The next section of this paper addresses concerns with IZ that are less contextual and more fundamental: whether developers respond to affordable housing mandates by either raising the prices of market-rate units or simply building less housing overall.

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The Major Downsides: Market-Rate Prices and Supply

The 2023 HKS study mentioned in the previous section identifies most IZ programs as “not well-grounded in prospective analyses of its potential effects.”⁴⁶ Those skeptical of IZ often claim it will worsen housing affordability for market-rate buyers, either by discouraging new supply or necessitating increases in market-rate prices among new units that are built. This section of the paper explores both of these potential effects, in turn holding important lessons for policymakers and affordable housing advocates at the local level.

Much of the early academic literature evaluating the pricing and supply effects of IZ focused on California. In a study of Golden State IZ policies between 1988 and 2005, a 2009 study found that the policies don’t affect the rate of housing starts, but they do raise housing prices, especially in areas that already had high prices.⁴⁷ Intuitively, it could be that, in a hot housing market, developers have the leverage to simply pass along the costs of providing inclusionary housing units to market-rate tenants or buyers, thus raising prices.

That said, the 2009 study also found that developers seem to respond to IZ policies in accordance with relative market preferences for home size and affordability. For example, in areas where home buyers are relatively more sensitive to prices when making a purchase, developers reduced the size of market-rate homes instead of increasing the price.⁴⁸

Other studies have concluded that IZ has affected both pricing and supply in California. In a 2012 paper, researchers Tom Means and Edward Stringham observed that adopting IZ between 1980 and 2000 was a strong predictor of higher prices and lower supply growth at the municipal level.⁴⁹

The effects of IZ are empirically similar in Greater Boston. A 2011 University of Southern California paper found that IZ in the region “has contributed to increased housing prices and lower rates of production,” but only at times when the region underwent general price appreciation.⁵⁰ The same paper also offered more nuanced conclusions elsewhere, including that IZ raised prices but did not affect housing supply growth in the San Francisco Bay Area.

More recently, in a 2024 study of the effects of property tax abatements on new development in Boston, Harvard economists concluded that, under a range of tax abatement policies available to developers, “17 percent IDP [inclusionary development policy] will reduce the total number of units produced by 5 percent to 12 percent relative to 13 percent IDP.”⁵¹ Notably, none of these tax abatement proposals were adopted, but it seems unlikely that adding tax abatements would alter the magnitude of the effect of IZ on new housing supply. This suggests that Boston’s recent IDP reforms could be associated with a 5-12 percent decrease in the number of new units created.

Outside of Greater Boston, the Baltimore-Washington region has one of the largest concentrations of IZ policies on the east coast.⁵² A 2019 George Mason University analysis focused on Baltimore-Washington found that IZ has increased market prices but hasn’t affected the supply of market-rate homes.⁵³ This result, also found in the 2009 study of California mentioned earlier, may seem counterintuitive—if anything, economic theory suggests that IZ might increase market prices *because* it reduces supply. Some observers may postulate that IZ doesn’t change market prices at all, given that developers will tend to charge the most they can no matter what.

Instead, Maryland-based developer AJ Jackson has described how IZ often forces developers to change their business model to “build only higher end housing,” a higher-risk, higher-reward proposition given the immense demand for modestly priced homes.⁵⁴ Were it not for IZ, some developers may have been unwilling to take on the risks that come with a volatile luxury market.

An equally notable finding from the George Mason study is that most voluntary IZ programs that use density bonuses and other incentives to attract development have had only limited success, perhaps because they do not go far enough to “offset developers’ costs of providing subsidized

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housing.”⁵⁵ Study author Emily Hamilton argues incentives ultimately fall short because “optional programs rely on exclusionary zoning to work. They do not solve [the] underlying problem of exclusionary zoning.” In other words, voluntary IZ is most appealing to developers if there is a large difference between the baseline zoning requirements and those that come with affordable unit set-asides. In practice, strict baseline zoning often explains the appeal of IZ better than generous density bonuses or parking requirement waivers.

That said, other research, including the 2008 Furman Center study, has found that the “inclusion of effective cost offsets” can reduce the risk there are adverse price and supply effects from IZ policies.⁵⁶

Some analyses have used more indirect evidence that IZ distorts the market, particularly the so-called “mansard effect,” named after the historical tendency for French developers to circumvent height restrictions by adding mansard roofs to their projects.⁵⁷ The equivalent effect in the context of IZ involves developers building projects with the maximum number of units that are not subject to a given jurisdiction’s IZ law. Before recent reforms to reduce the minimum project size triggering the inclusionary development policy (IDP) in Boston from 10 units to 7, Mayor Wu said that “many developers pursue nine-unit projects to avoid IDP.”⁵⁸ Similar effects have been observed in cities like Newark, New Jersey; Minneapolis, Minnesota; and Portland, Oregon.⁵⁹

This mansard effect of IZ is, in turn, also a potential explanation for its empirical role in raising prices without reducing supply. Smaller projects not subject to IZ may become more financially viable than larger ones subject to it, even though developers often use economies of scale to keep costs down in larger projects. Emily Hamilton, the George Mason researcher, has suggested that it “may be less efficient to build smaller numbers of units in each project, resulting in higher prices without a reduction in total new supply.”⁶⁰

It’s worth noting that Portland in particular has tried to overcome some of the market distortions created by IZ by providing tax abatements to offset developer costs. This policy was enacted in February 2024,⁶¹ so it’s a little early to assess its effectiveness, but in general forgoing tax revenue from properties that are expected to appreciate in value is likely not the most cost-efficient way of creating affordable housing.⁶² Further, since tax abatements usually only apply once the housing has been built, Portland’s policy might have an underwhelming impact to the extent that construction costs are a more immediate barrier to building affordable housing.

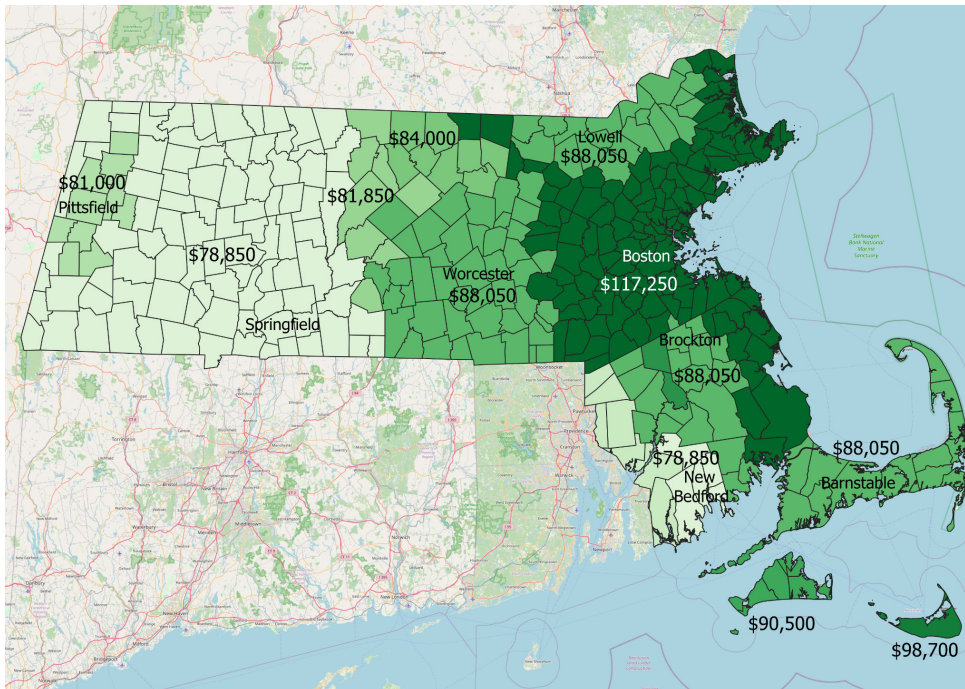
Inclusionary Zoning and Broad-Based Affordability

It will likely take many years before housing that is affordable for the typical family is widely available in Massachusetts. Beyond whether IZ provides some more options for a lucky few families in the interim, this section examines its potential to contribute to the ultimate goal of broad-based affordability, where most families can find moderately priced housing options that suit their needs.

As a point of emphasis, it’s worth examining what “affordability” means under IZ, as opposed to in layperson’s terms. Because IZ ultimately depends on the private sector earning a positive investment return on a development project, inclusionary housing units are rarely affordable to those with the lowest incomes in a given community, nor are they intended to be.⁶³ In technical terms, affordable housing built under IZ has a restriction in its deed or in a separate development agreement that prevents the owner from selling or renting it to a family making above a certain percentage (usually 80 percent) of the area median income (AMI). The AMI, in turn, is a regionally defined metric calculated by the U.S. Department of Housing and Urban Development. For a family of three in Greater Boston in 2024, 80 percent of the AMI was \$117,250.⁶⁴ In most of Western Massachusetts and near New Bedford, the corresponding figure was \$78,850 (see Figure 6).

Because IZ ultimately depends on the private sector earning a positive investment return on a development project, inclusionary housing units are rarely affordable to those with the lowest incomes in a given community, nor are they intended to be.

Figure 6: Map of Maximum Income a Three-Person Household Can Have to be Eligible for a Typical Inclusionary Housing Unit (80% of Area Median Income) in Massachusetts, 2024⁶⁵



These income figures are substantially lower than \$185,251, which according to Realtor.com, was the minimum income necessary to afford the median-priced home in Massachusetts in April 2024.⁶⁶ At the same time, they are well above the incomes of the region's neediest families and thus don't directly serve "the poor" in the way that laypeople may assume they do. As of 2023, 51 percent of City of Boston households make less income than the maximum threshold for three-person families to qualify for most IZ units.⁶⁷

Further, many IZ programs cap the percentage of incomes tenants can spend on rent and require that affordable unit buyers qualify for a private mortgage loan.⁶⁸ These policies put a practical floor on the incomes of the affordable units' occupants, and landlords are often allowed to enact even stricter caps on rent-to-income ratios as long as they apply to market-rate tenants as well.⁶⁹ Some cities even specify a minimum income as a share of the AMI for every inclusionary housing unit. In Cambridge's IZ program, that minimum income is 50 percent of the AMI, or \$67,000 for a family of three seeking to rent a two-bedroom apartment.⁷⁰

This begs the question: if households with very low incomes often don't qualify for affordable units under IZ, how does IZ provide a long-term, scalable solution to Massachusetts' housing affordability crisis? The answer is that it doesn't, at least not by itself. But to see what else is necessary to provide that scalable and sustainable solution, it's worth examining how IZ *can* help very low-income families.

Namely, when families who make about 80 percent of the AMI are able to occupy IZ units, they're no longer competing with lower-income families for the options that are available to both of them—such as projects subsidized under other housing programs or low-cost market rate options. Reduced competition in turn makes it easier for the lowest-income families to find adequate housing they can afford.

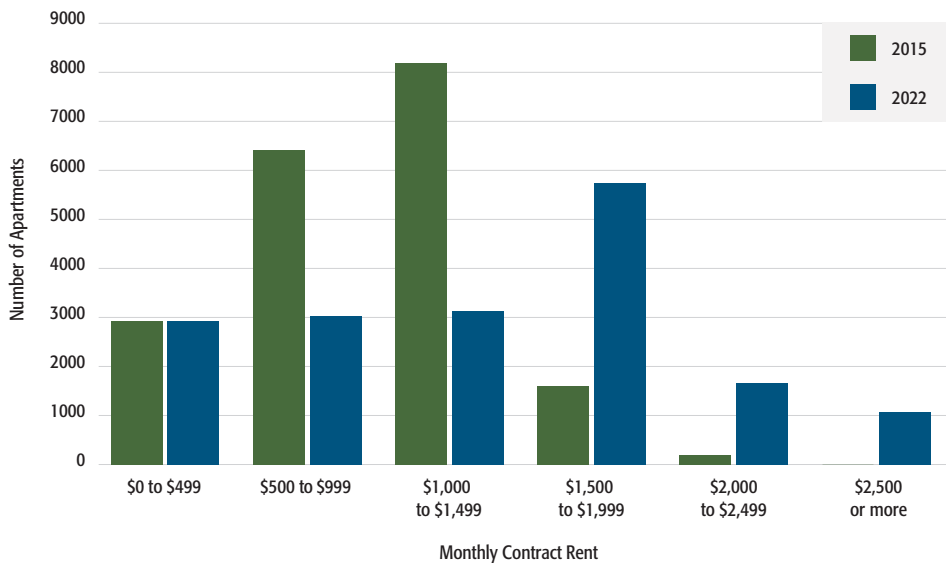
With or without IZ, this logic extends all the way up the housing ladder. Building upmarket new housing empirically reduces competition for existing housing, thus benefiting lower-income tenants by moderating upward pressure on rents in the area, even if those lower-income tenants can't afford the new units.⁷¹ In general, the marginal effect of upward pressure on market-rate

The marginal effect of upward pressure on market-rate rents is much more impactful for the typical low-income family than the effect of adding a few inclusionary housing units.

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To see why, consider that in many places in Massachusetts, increases in the subsidized housing inventory available to families qualifying for IZ have not offset the rise of market rate rents in low-cost units in recent years. Cape Cod is an extreme example. According to the U.S. Department of Housing and Urban Development (HUD), a three-person household making 80 percent of the AMI on the Cape could afford to spend about \$1,500 in rent in 2015 and about \$2,000 in rent in 2022.⁷² The American Community Survey has estimated that there were 17,532 Cape Cod rental homes with a monthly rent lower than \$1,500 in 2015 and just 14,843 with a monthly rent lower than \$2,000 in 2022 (see Figure 7).⁷³ At the same time, the number of units in the Massachusetts Executive Office of Housing and Livable Communities’ subsidized housing inventory (SHI) in Cape Cod grew from 5,706 in 2014 to 6,524 in 2023 (the SHI is not updated every year).⁷⁴ The SHI units include most IZ units as well as most housing built under Chapter 40B and other affordable housing programs.

Figure 7: Number of Cape Cod Rental Housing Units by Monthly Rent, 2015 and 2022



To recap, Cape Cod gained 816 subsidized housing units classified as affordable to households making 80 percent of the AMI in nine years, while in a shorter period 2,689 (likely mostly market-rate) units became newly unavailable to those same households.

Importantly, the number of rental units has declined on Cape Cod in general in recent years, likely because of a surge in non-resident buyers who do not make units available as long-term rentals.⁷⁵ However, the overall decline (1,760 units) is substantially less than the loss of moderately-priced units in particular (2,689), suggesting that market-based price appreciation is still a significant explanatory factor behind the decreasing availability of inexpensive rentals.

Thus, focusing on moderating market-based price appreciation may have a bigger impact on housing affordability for most low-income families in the long term compared to policies like IZ. Providing additional housing options specifically for low-income families is still necessary, but academic studies have shown that demand-side subsidies (such as rental vouchers) cost public entities substantially less per household than subsidizing new housing in private developments.⁷⁶

The deeper irony of IZ’s long-term prospects for improving housing affordability is that, as alluded to above, the policy tends to work better in places with already expensive housing markets. It’s simply easier for developers to use the profits from market-rate units to subsidize affordable units if the market-rate units are much more expensive than construction costs. However, in a well-balanced

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housing market—where supply is meeting demand and there is plenty of competition among builders—it should be expected that market-rate units *are* priced close to construction costs.⁷⁷

Thus, in places where the policy is mandatory, IZ can become a barrier to further progress on the journey from widespread housing crisis to broad-based affordability. This is why writer and urban planner Daniel Herriges has called IZ a “policy remedy to a very expensive housing market [that] depends on those very high prices for its viability.”⁷⁸ It’s also why raising the set-aside percentage for affordable housing under IZ in places like Boston likely won’t help achieve measurable progress towards widespread housing affordability across the region.

While it’s too early to empirically assess the impact of Boston’s IDP update on home prices and production, the city is, on paper, a prime example of how IZ policies are poorly tailored to local market conditions. Boston is a large and incredibly diverse city, with market-rate rents in the North End and Back Bay nearly twice what they are in Mattapan and Hyde Park.⁷⁹ Yet Boston’s updated IZ rules (IDP) have a single citywide set-aside percentage for rental units.⁸⁰

Mayor Wu has defended the new citywide affordable set-aside requirement, 17 percent, by arguing that “the average affordability rate for BPDA-approved development [was] already around 17%” when the IDP reforms were proposed.⁸¹ However, BPDA-approved developments aren’t necessarily representative of all of the projects that are feasible or even desirable, but rather reflect the political priorities of those with a voice in the approval process. Assuming a 17 percent set-aside isn’t financially viable in all contexts, turning an average result into a new minimum requirement may still eliminate the potential for some new housing developments to be built.

In fact, the consultant who examined the higher IDP requirements’ financial feasibility in February 2023 didn’t examine any modeled for-sale development scenarios with fewer than 50 units, despite also finding that “smaller projects [are] more sensitive to IDP changes.”⁸² This suggests that, while “typical” developments (in terms of size and otherwise) may remain financially viable under the updated IDP policy, many others may not.

It’s also likely that the rising percentage of affordable units Mayor Wu observed reflects worsening broader affordability in the market, which enables builders to afford to dedicate more units to households with lower incomes in a typical project. However, changing the IDP to reflect worsening broader affordability may make it more difficult for broader affordability to return to what it was beforehand, as builders still need an excess of profit over building costs from the market-rate units to dedicate to the affordable units.

While it is easy to single out Boston because it is a large, regional economic anchor, the city has similar disincentives to contribute to broader housing affordability as any other community in the state. Statewide, community groups and local officials are often ultimately interested in increasing the stock of affordable housing in their community in particular, not affordability at a regional level.⁸³ City and town officials might recognize that IZ is not going to meaningfully aid broad-based affordability, but to the extent that matching supply and demand is required to achieve broad-based affordability, they also can’t achieve it by acting alone.

This is because there were 13,214 homes permitted to be built in Massachusetts in 2023,⁸⁴ compared to the Metropolitan Area Planning Council’s statewide annual demand estimate of about 28,600.⁸⁵ Realistically, no one community can make up this gap of more than 15,000 homes by itself.

IZ starts to look a lot more attractive if “expanding local affordable options” is the only housing policy goal that’s immediately impactful on the local level. But if the parochial response to lack of affordability is solely policies like IZ, and IZ comes with adverse price and supply effects, this lack of broad-based affordability perpetuates itself.

Ultimately, this is the potential danger of IZ: driving a wedge between market-rate home prices and construction costs so that local affordable options exist for a few lucky families. At best, it is a narrow, short-term solution that is out of scale with the long-term housing affordability problem.

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Any community that expects to achieve, maintain, or contribute to broad-based housing affordability should seriously consider the risks of IZ. To that end, recommendations for municipalities considering adopting or amending IZ programs follow.

Recommendations and Conclusion

- **Recognize that inclusionary zoning is not a monolith.** IZ ordinances vary enormously in terms of their impact, effects on supply, and the market and political contexts in which they were created. Local officials shouldn't expect to "copy and paste" program design elements in places that produce a lot of affordable housing and see similar results in their own communities.
- **Proactively amend unworkable IZ laws.** IZ is only effective when it's producing a substantial number of income-restricted housing units. In most places, either because of program design elements, market conditions, or other regulatory constraints, it simply isn't doing so. Municipalities that have seen zero new homes built under an IZ ordinance over a period of several years should seriously consider reducing set-aside requirements, streamlining permitting, or providing other incentives to make IZ projects more workable for developers. In October 2024, Ayer did just that: after seven years without a single project proposal under its IZ bylaw, the town reduced the required affordable housing set-aside percentage from 20 percent to 10 percent.⁸⁶
- **Involve practitioners in the process of creating or amending an IZ bylaw.** Ultimately, IZ depends on private developers to be successful. City staff and/or consultants should use cost data and local insights from individual developers active in the area to inform an IZ program's design details. Conducting market feasibility studies of a variety of housing typologies buildable under the IZ program should be a prerequisite for adopting one.
- **Regularly update the market feasibility studies used to inform affordable housing policies.** In practice, market home prices and construction costs will always change faster than municipal regulations. But cities and towns can mitigate the risk of a market/ordinance mismatch by systematically reassessing market conditions at regular intervals. Chelsea's IZ ordinance, for example, requires city staff to conduct a housing market assessment every five years to "ascertain the need for revisions."⁸⁷ This approach could help ensure that desirable development projects remain financially viable under a municipality's IZ paradigm.
- **Use substantial density bonuses and zoning waivers to encourage production under IZ programs.** Under voluntary IZ programs, density bonuses and streamlined permitting have the potential to create significant amounts of affordable housing without disrupting broader market pricing or availability. The success of state policies like Chapter 40B, which often allows developers to circumvent local zoning if their project contains a sufficient amount of affordable housing, attests to this. That said, individual municipalities can adopt similar programs on their own. Most notably, Cambridge's 100 percent Affordable Housing Overlay (AHO) significantly loosens zoning and permitting requirements for projects in which all the housing units are income-restricted. In its first four years on the books, more than 700 units were approved under the AHO, and as of this writing more than 400 are under construction.⁸⁸
- **In addition to simplifying the permitting process for IZ projects, require the process to be faster.** Community opposition and process-based delays can make IZ projects exceedingly difficult even in places with fewer hurdles for IZ than under their traditional zoning. In addition to removing steps in the process, communities should place a ceiling on how much time each board or committee has to review an IZ project. Some states even tie limits on review time to whether a community has IZ. For example, Florida requires municipalities to complete permit reviews within 30 days of application if they have enacted IZ programs.⁸⁹
- **Ensure that IZ program requirements are clear and predictable.** It's not uncommon for town boards and committees to offer confusing or conflicting information regarding IZ program requirements or otherwise rehash program details during the approval process for a particular

Under voluntary IZ programs, density bonuses and streamlined permitting have the potential to create significant amounts of affordable housing without disrupting broader market pricing or availability.

project. Municipalities should strive for standards that are precise enough that they don't create unnecessary risks for developers, but flexible enough that they can be adapted to fit short-term shifts in market conditions. Any IZ program that determines affordable housing set-asides based on "moving target" criteria like average sales prices in the property makes it very difficult for developers to responsibly plan project financing and construction details.

- **Make IZ laws as easy as possible to administer.** A common downside of IZ is that it can be expensive and time-consuming for local governments to administer. While rental units often have higher turnover, homeownership units can also require heavy-handed monitoring to ensure that individual owners are not illegally refinancing or renting out their properties.⁹⁰ Municipalities can cut down on administration costs by simplifying eligibility requirements and other program details.⁹¹ An administrative body should be identified from the program's inception, and most Massachusetts towns with IZ either administer their programs in-house or have a professional consultant (as opposed to outsourcing it to a quasi-public agency).⁹²

The debate over inclusionary zoning's merits reflects a tension between the urgent, short-term needs of many low-income households to find affordable, secure living arrangements and the long-term desire to stabilize market home prices for everyone. Inclusionary zoning helps address urgent, short-term housing needs for a few families, but can also jeopardize long-term, broad-based affordability by discouraging new supply and necessitating increases in market-rate prices to offset monetary losses from income-restricted units.

In the interim, some IZ projects will remain financially viable in certain areas with hot housing markets, and will enable some low-income households to move to places with better economic opportunities than they could otherwise afford to live in. But in the long term, mandatory IZ programs will likely fall far short of the goal of putting housing prices within reach for more people at a broad level.

The reliance on a strong market to overcome regulatory barriers to new housing is something that inclusionary zoning has in common with its namesake: exclusionary zoning. IZ that truly lives up to its name would necessarily involve tackling exclusionary zoning at its roots, perhaps by lowering minimum lot sizes and loosening rules around the separation of uses. Mandating some income-restricted units in new construction is a band-aid solution that inherently cannot address Massachusetts' housing affordability crisis at scale.

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