

Exclusionary Zoning & Inclusionary Zoning Study

Final Report
December 2021

HR&A

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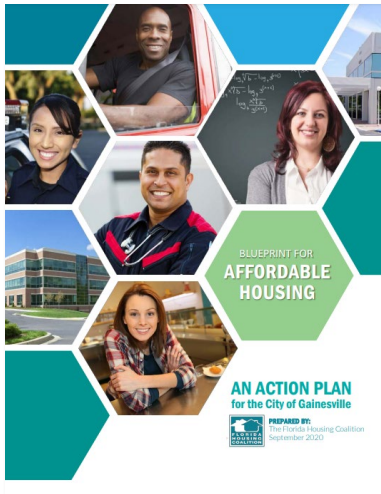
Executive Summary

Project Overview | HR&A Advisors was engaged by the City of Gainesville to analyze the causes of and potential strategies to address housing instability and racial inequities.

This study responds to the following guiding questions:

1. What drives housing instability and inequities in Gainesville?
2. How do exclusionary land use controls drive local housing market trends?
3. How can changes to exclusionary land use controls make housing in Gainesville more equitable?
4. Is an inclusionary zoning policy a feasible and effective tool for producing new affordable housing in Gainesville?
5. What other programs and policies are needed to address housing instability and inequities?

Project Overview | The City of Gainesville has been committed to creating a path toward an equitable housing landscape. This study is additive to these efforts.



Recent Housing Efforts in Gainesville:

- Gainesville's **Housing Action Plan** (2020) calls for diversifying funding sources, increased zoning flexibility, and permanent affordability.
- Gainesville's current **Comprehensive Planning Process** includes a chapter exploring housing strategies to house all Gainesville residents.
- The **Gainesville Community Reinvestment Area** has pursued urban infill housing and worked to attract investment to underserved parts of the city.
- The **Gainesville Housing Authority** has partnered with private developers to subsidize permanently affordable housing.
- The **Gainesville Housing and Community Development Department** continues to administer funding and programs through CDBG, HOME and SHIP programs.

Existing Conditions | An analysis of existing conditions in Gainesville reveals several distinct but related issues that are driving instability and unequal housing outcomes.



Racial Segregation

In Gainesville, race is a key determinant of where you live, access to diverse housing options and homeownership, and the value of your home.



Housing Cost Burden

Extreme housing cost burden, driven primarily by low incomes, is a key driver of housing instability in Gainesville.



Housing Access and Quality

New rental housing in Gainesville has disproportionately benefited student renters, and non-student renters live in older, less diverse housing types as a result.

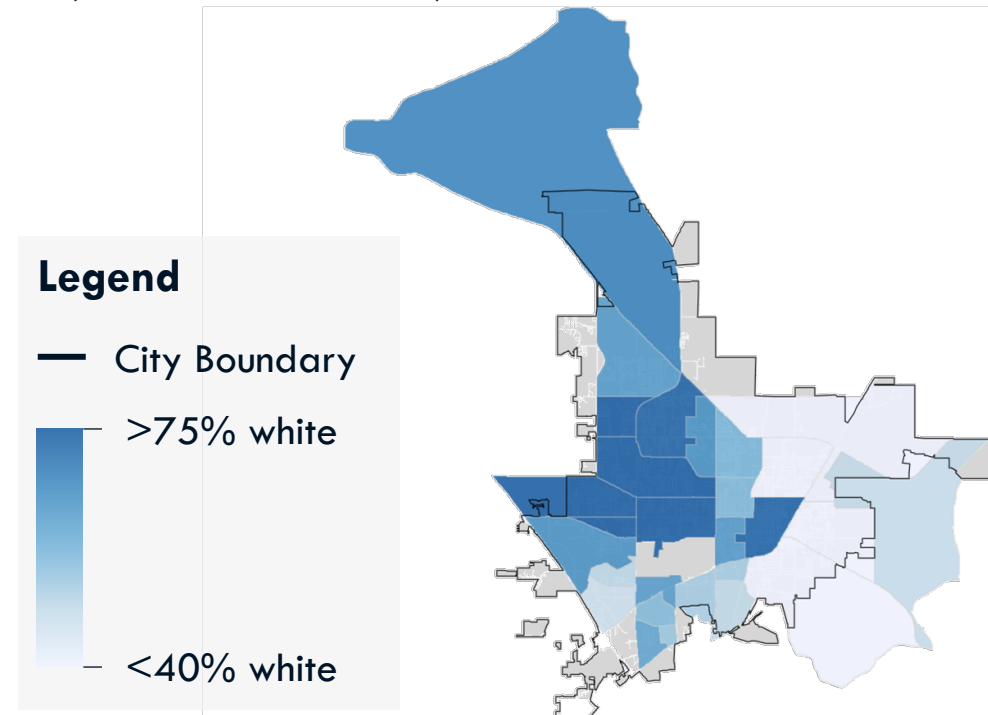
Existing Conditions | In Gainesville, race is a key determinant of where you live, your access to diverse housing options and homeownership, and the value of your home.



Racial Segregation

- White households are more likely to live in single-family homes (which are typically owned, rather than rented).
- Gainesville’s Black population occupies “missing middle” housing, or buildings with 2-4 units, at a high rate relative to the population. These units tend to be more affordable in Gainesville.
- Homes in predominately white neighborhoods are assessed at higher values, increasing the wealth that accrues to white households.

Share of Non-Hispanic or Latinx white Households (Census Tracts, All)



Source: Social Explorer – ACS 2019 (5-Year Estimates)

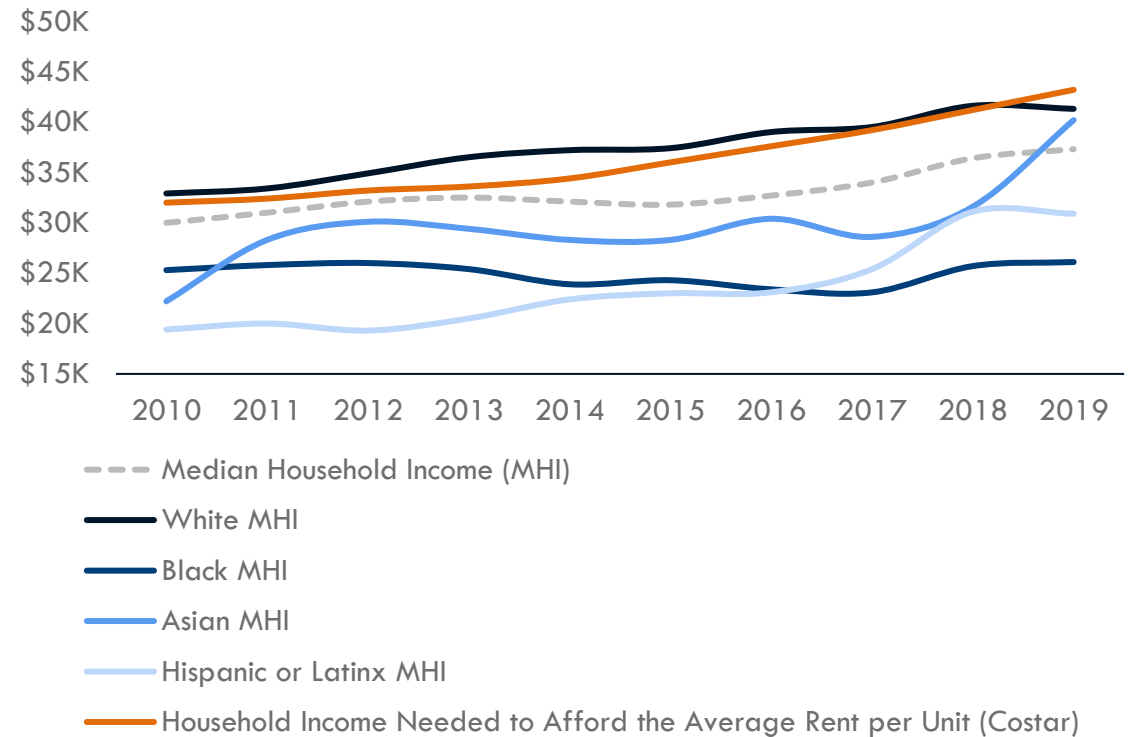
Existing Conditions | Extreme housing cost burden, driven primarily by low incomes, is a key driver of housing instability in Gainesville.



Housing Cost Burden

- Renters across all racial groups earning <\$35K annually experience high rates of housing cost burden.
- Race is a predictor of household income and poverty in Gainesville. Only white and Asian households earn above Gainesville’s median household income. Black households make 73% of the median.
- The average rental unit is currently only affordable to the typical white or homeowner household in Gainesville.

Income at which Average Rental Unit is Affordable by Race (All)



Source: Social Explorer – ACS 2019 (5-Year Estimates)

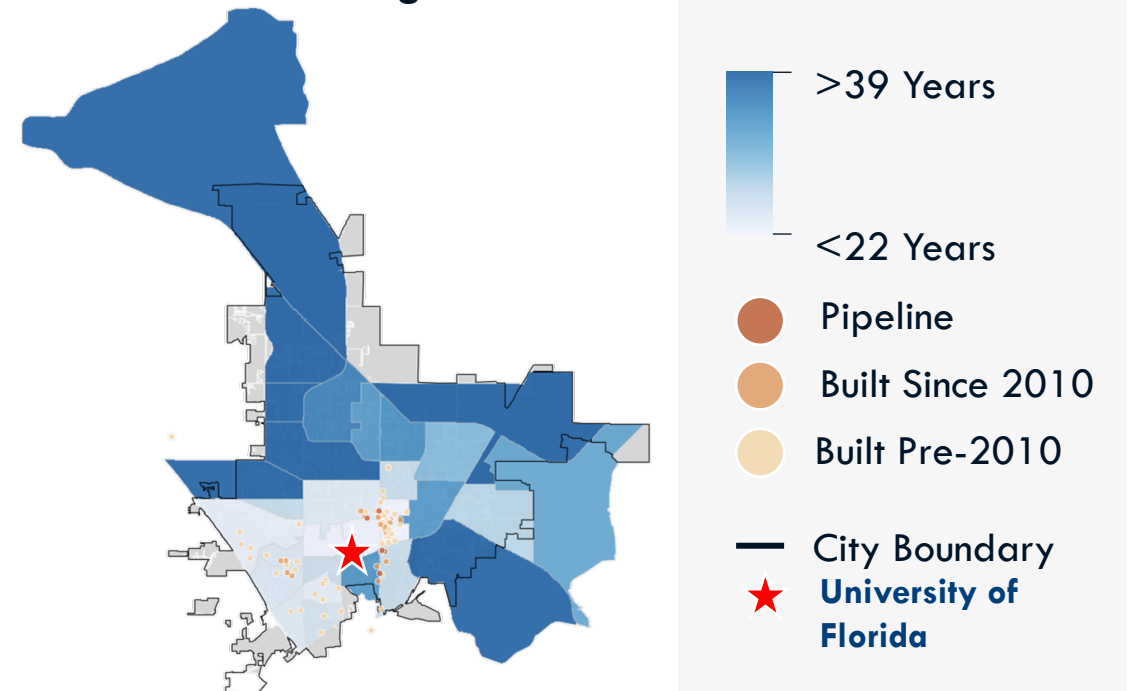
Existing Conditions | The student housing market is the strongest rental market in Gainesville. Non-student renters are not benefitting from new housing at the same rate.



Housing Access and Quality

- Student renters are the primary beneficiaries of new rental housing development in Gainesville, which makes it more difficult for non-students to access such housing.
- Student renters make up 36% of the total population but comprise 50% of the population that lives in housing built after 2000.
- The average household in Gainesville struggles to access homeownership, especially Black, Hispanic or Latinx, and renter households. As a result, 61% of households in the City are renters. Less than a third of Black and Hispanic or Latinx households are homeowners.

Median Age by Census Tract and Student Housing*



*Includes both student housing (i.e., housing that exclusively serves students) and student-focused housing (i.e., housing that caters to students but is available to all residents).

Source: Social Explorer – ACS 2019 (5-Year Estimates)

Land Use | This study explores how land use tools can help to create a housing landscape in which who you are does not determine your housing options.

While there are many housing tools, programs, and mechanisms that can improve housing equity and affordability, this study is tasked with assessing two specific land use strategies.



Land Use Tools use municipal regulations and zoning authority to indirectly improve affordability by increasing the supply of housing and to directly require the production of affordable units.



Subsidy Tools, in the form of below-market rate loans, grants, or other public resources, close the gap between what a household can afford to pay and the costs to develop and operate housing.



Tenants' Rights Tools preserve existing affordable housing and housing stability by using laws and regulations that protect current occupants.

Land Use | Land use mechanisms analyzed here include: (i) redressing exclusionary policies and (ii) implementing an inclusionary zoning program.



In general, land use tools are most effective at addressing the housing needs of moderate-income residents and are not effective at addressing the housing needs of low- and very low-income residents.

Redressing exclusionary policies is a strategy to expand housing options throughout the city, creating housing opportunities for residents of all racial and economic statuses in places that households want and can afford to live in.

Inclusionary zoning, while not necessarily the antidote to exclusionary zoning, is a strategy to produce regulated affordable housing for moderate income households in the private market by incentivizing, requiring, and/or subsidizing private housing developers to deliver new affordable housing when they build new market rate housing.

These two land use strategies can, but don't necessarily need to, work hand in hand. While this study focuses on two specific land use strategies, future housing plans should consider the full landscape of housing tools to increase housing stability and equity in Gainesville, including subsidy and tenants' rights tools.

Recommendations | This study makes recommendations on land use strategies that can help drive an equitable housing landscape in Gainesville.



The City should **redress existing exclusionary land use controls**, with a particular focus on those that have the highest exclusionary impact in Gainesville, including strict lot utilization and parcel constraints, strict design and compatibility requirements, and occupancy and mobile home limitations.

The City should implement a **mandatory IZ policy** requiring that rental developments with at least 10 residential units provide a 10 percent set-aside of units that are affordable to households earning up to 80 percent of Area Median Income, offering a density bonus incentive of up to 30 percent. If possible, the City should also explore additional incentives, such as a synthetic TIF, to deepen affordability (e.g., to create units affordable to 60 percent of AMI).

*Both of these strategies should be used in combination with a **set of housing tools** to address the housing needs of low- and very low-income Gainesville residents, who have the highest housing need. HR&A recommends that the City of Gainesville work to identify revenue sources for an Affordable Housing Trust Fund and assess the possibility of deploying local subsidy for affordable housing.*

Exclusionary Land Use Controls | Exclusionary land use controls exclude a diverse (often racially diverse) range of households from residential neighborhoods.

Exclusionary lands use controls both directly limit the types of housing that can be built, and indirect limit housing access by contributing to prohibitive housing costs. While zoning is a recognizable land use control, it is one of many tools that local government uses to control *how, where, and what kind* of development occurs. County and State land use regulations and housing policy, such as HB 7103, also play a role in determining development patterns in Gainesville. HR&A developed criteria with which to review Gainesville's Code of Ordinances.

Exclusionary land use controls are local regulations that:

- 1. Directly decrease or limit housing supply in residential areas** (*strict lot utilization and parcel constraints*)
- 2. Increase the cost to build new housing** (*strict design and compatibility requirements*)
- 3. Limit the use of existing housing** (*strict occupancy limitations and mobile home location limitations*)

Each of these dynamics drives disparate outcomes by race.

Exclusionary Land Use Controls | Changing exclusionary land use controls is an important tool for reducing racial and economic exclusion across a housing market.



Benefits of Changing Exclusionary LUCs:

- No public funding required to induce private development
- Increases the overall supply of housing
- Can help address legacies of racial segregation by driving new housing supply more evenly across the city
- Reduces the ability of a limited constituency to prevent the creation of housing
- Supports economic growth and expands the City's tax base

Without reducing exclusionary land use controls, all other housing strategies, and those that require subsidy in particular, are less effective and more costly.

Exclusionary Land Use Controls | The City of Gainesville should complete in-depth land use analyses to consider the following changes to exclusionary land use controls.

Actions to Consider

- Reduce setbacks in low and moderate density residential areas.
- Permit lot splits in minor subdivisions.
- Reduce minimum lot dimensions.
- Allow housing typologies beyond single family ("missing middle", 2-4 unit housing) in residential districts with strict lot utilization constraints.
- Eliminate compatibility requirements between multifamily and single family uses.
- Reduce expensive design standards in historic preservation districts.
- Identify additional areas to permit mobile home uses.
- Eliminate single family occupancy limitations in low density districts.
- Increase the bedroom limit in the University of Florida Context Area when a structure includes more than one dwelling (attached housing).

Outcomes



1. Increase the amount and type of housing in residential areas



2. Decrease the cost to build and maintain housing



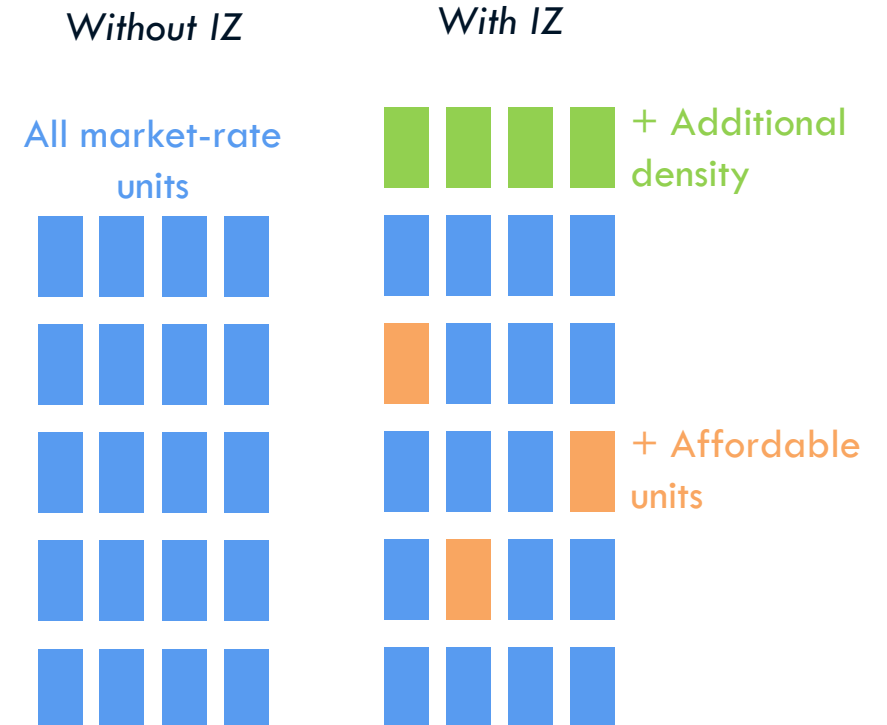
3. Increase options for the use of existing housing

Inclusionary Zoning | The goal of an inclusionary zoning policy is to support Gainesville's housing needs through the creation of affordable housing.

Inclusionary zoning is a land use tool that requires or encourages developers to create affordable units in new market-rate residential and commercial developments. Incentives such as reduced parking requirements, additional density allowances, or tax abatements are sometimes provided to encourage participation.

More than 1000 jurisdictions across 30+ states have inclusionary zoning programs. These programs vary along many design considerations, including whether the program is voluntary or mandatory, what amount and depth of affordability is required, if it applies to rental or for-sale development, whether there are alternative compliance pathways such as the payment of a fee in-lieu, and what incentives are available. These policy elements are adjusted based on local policy priorities, housing market strength, and affordability needs.

Illustrative IZ Policy with Density Bonus Incentive



Inclusionary Zoning | Inclusionary zoning is one of many tools that can support housing affordability, and it presents a variety of benefits and limitations.

Benefits of IZ

Captures value of land in areas with strong housing markets. The Gainesville market has seen steady market-rate development in recent years in some neighborhoods, suggesting the potential to support development of some affordable housing.

Serves households earning up to 80% of Area Median Income (AMI), which is an area of need for Gainesville.

Does not require public subsidy, though public subsidy may be provided as an incentive to achieve more or deeper affordability.

Limitations of IZ

Does not work in weaker housing markets and submarkets, where an overly restrictive IZ policy risks decreasing housing development, which ultimately harms affordability by both failing to deliver the mandated IZ units and limiting overall housing supply. An IZ policy that is overly restrictive relative to nearby jurisdictions also risks driving new development outside of political boundaries.

Do not serve very deep levels of affordability need, such as for households earning up to 30% AMI. For these residents, other alternatives such as housing vouchers should be layered with increased supply of rent-restricted affordable housing.

Need to triangulate and optimize between maximizing depth of affordability, ensuring continued housing development, and limiting the cost of incentives.

Inclusionary Zoning | HR&A tested the feasibility and impact of an inclusionary zoning policy in Gainesville and provided recommendations for policy design.

FEASIBILITY ANALYSIS

- 1. Propose IZ scenarios to test**, based on national precedents
- 2. Test IZ policy impact** on development profitability
- 3. Identify and evaluate incentive tools** to narrow economic gap

POLICY RECOMMENDATIONS

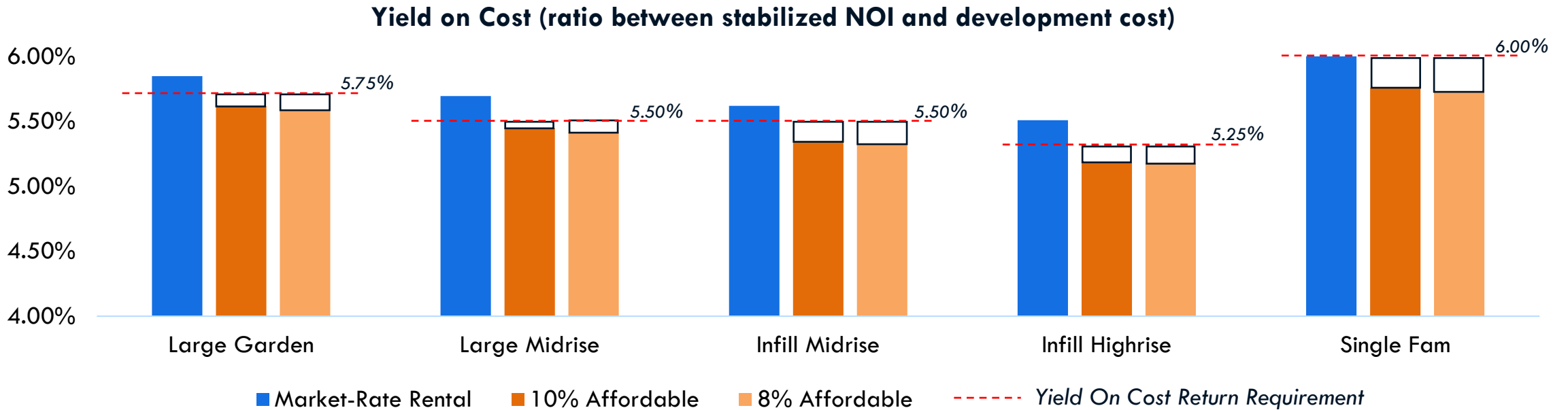
- Propose policy design**, including elements like:
- Affordability depth
 - Affordability duration
 - In-lieu fee
 - Unit pricing
 - Unit characteristics
 - Concurrence of unit delivery
 - Policy applicability

ADMINISTRATIVE RECOMMENDATIONS

- Once Gainesville has designed and adopted an IZ policy, it must administrate the policy through:
- Process Guidelines
 - Development Approvals
 - Program Management

Inclusionary Zoning | HR&A’s modeling finds that 10% and 8% IZ requirements bring project profitability below threshold return requirements for all five typologies.

Project profitability was measured using Yield on Cost, calculated for each property type using a 10-year cash flow model. The model was populated with assumptions gathered from empirical market data and developer interviews (see summary table of assumptions in the Appendix). The calculations below give a sense of the average directional impact and relative magnitude of policies. Falling below the return threshold does not mean every deal will die, but that fewer deals will happen; similarly, not every project above the return threshold will necessarily happen. Based on our model, **the likely profitability gap for a developer per required affordable unit is between \$16,000 to \$140,000.**



Inclusionary Zoning | A range of incentives are available to overcome the gap in expected financial returns.

Incentive	Proposal	Tradeoffs
Additional density	<i>Offer up to 30% additional density (more units)</i>	Can deliver strong financial value for owners without directly spending public dollars, but impact is limited if developers are currently building below existing land use regulations.
Public land contributions	<i>Waive an appropriate portion of public land costs (if density bonus is not sufficient)</i>	A highly valuable tool that reduces upfront development costs, but applicability may be limited (based on City land holdings).
Expedited review	<i>Always prioritize and expedite review for IZ projects, target 2 weeks</i>	Little to no cost to City; likely not valuable enough to be a “but for” incentive
By-right development	<i>Consider by-right approvals for IZ projects</i>	Little to no cost to City; likely not valuable enough to be a “but for” incentive
Synthetic Tax Increment Financing	<i>Explore mechanism for tax-increment financing to further deepen affordability</i>	Some cost to City, need to establish mechanism for residential properties, and requires Council vote; offers way to provide valuable subsidy without commitment of new dollars
Direct subsidy	<i>Not recommended unless reliable source of funding is identified and subsidy is used towards deepening affordability</i>	<ul style="list-style-type: none"> • No sustainable, reliable source of ongoing funding • Highly valuable to developers, but costly to the City, and likely not the highest-impact/efficiency use of limited housing funds
Parking development	<i>Not recommended</i>	Not meaningful as parking requirements are already low, sometimes below market demand

Inclusionary Zoning | HR&A recommends that Gainesville adopt an IZ policy with a 10% set-aside for households earning up to 80% AMI, with the option of an in-lieu fee.

These requirements should be periodically reviewed and adjusted, every two years.

Key Program Design Element	Recommendation
Set Aside & Affordability Requirements: calibrating depth and amount of affordable units, vs. feasibility of requiring units	<ul style="list-style-type: none"> 10% affordable units at 80% AMI
In-Lieu Fee / Flexibility for Compliance	<ul style="list-style-type: none"> Establish in-lieu fee option, set at \$120-160K per affordable unit that would have been built under IZ; adjust fee level every two years
Development Scale (Size of Developments Subject to IZ)	<ul style="list-style-type: none"> Apply IZ requirements to multifamily residential developments with ten or more units
Applicability (Voluntary vs. Mandatory, Applicability to Existing Developments)	<ul style="list-style-type: none"> Voluntary opt-in for geographies outside of IZ policy Incentives applicable to non-market rate units Not applicable to existing development
Affordability Term / Duration	<ul style="list-style-type: none"> 99 years
Unit Pricing (based on household income and size)	<ul style="list-style-type: none"> Follow existing HUD guidelines
Unit Characteristics	<ul style="list-style-type: none"> Ensure affordable units are identical with market-rate units
Concurrency of Delivery of Affordable Units	<ul style="list-style-type: none"> Include a concurrency requirement
Fractional Units	<ul style="list-style-type: none"> Adopt normal rounding rules, rounding up for fractional units above 0.5

Next Steps

Exclusionary Land Use Controls

- Provide guidance to the Department of Sustainable Development on key land use code elements for revision (all or a subset of those identified in this study).
- Implement land use control changes through land use code changes and other code or regulation changes, as needed.

Inclusionary Zoning Policy

- Explore priorities for affordable housing preservation and production to determine whether an inclusionary zoning policy is the highest-priority next step.
 - If IZ is not the highest-priority policy, pursue alternatives, such as an affordable housing trust fund.
 - If IZ is the highest-priority policy, begin to prepare for implementation by establishing an “owner” for policy design and development.

Existing Conditions: Housing Instability in Gainesville

Several distinct but related issues are driving housing instability and unequal housing outcomes in the City of Gainesville.



Racial Segregation

In Gainesville, race is a key determinant of where you live, access to diverse housing options and homeownership, and the value of your home.



Housing Cost Burden

Extreme housing cost burden, driven primarily by low incomes, is a key driver of housing instability in Gainesville.

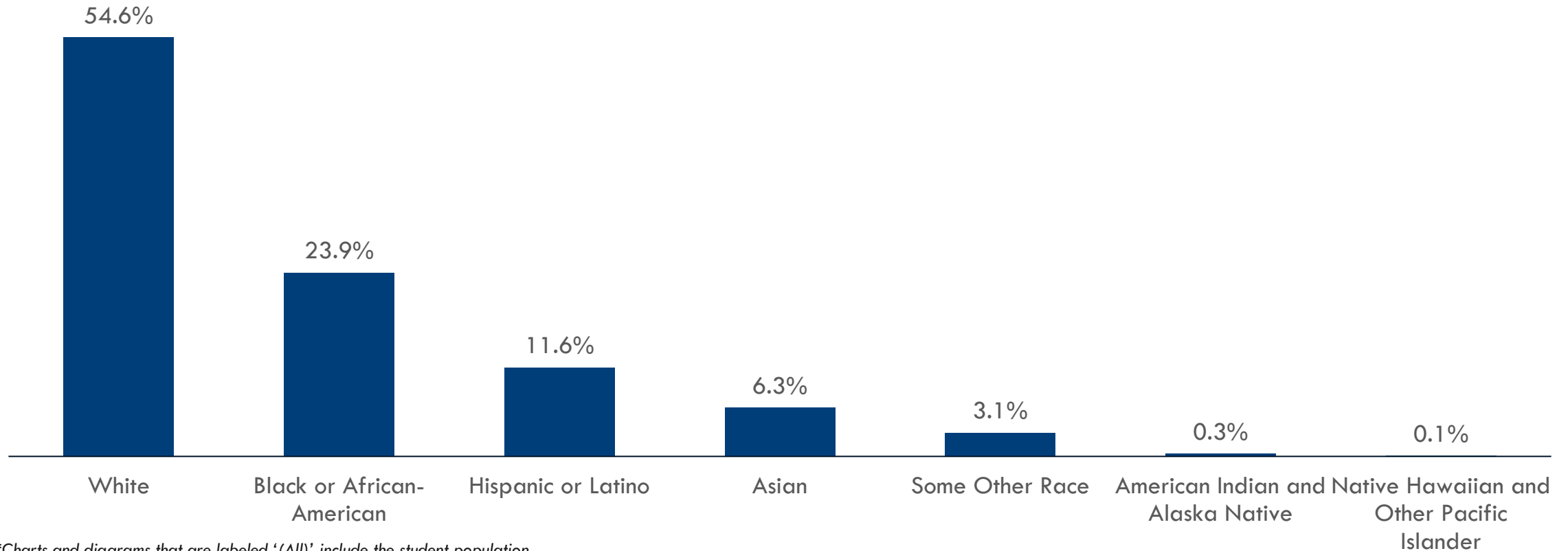


Housing Access and Quality

New rental housing in Gainesville has disproportionately benefited student renters, and non-student renters live in older, less diverse housing types as a result.

Gainesville's population is predominately (55%) white. Black or African Americans are the next largest racial group, making up ~24% of the population.

Percent of Total Population by Race (All)*



*Charts and diagrams that are labeled '(All)' include the student population.

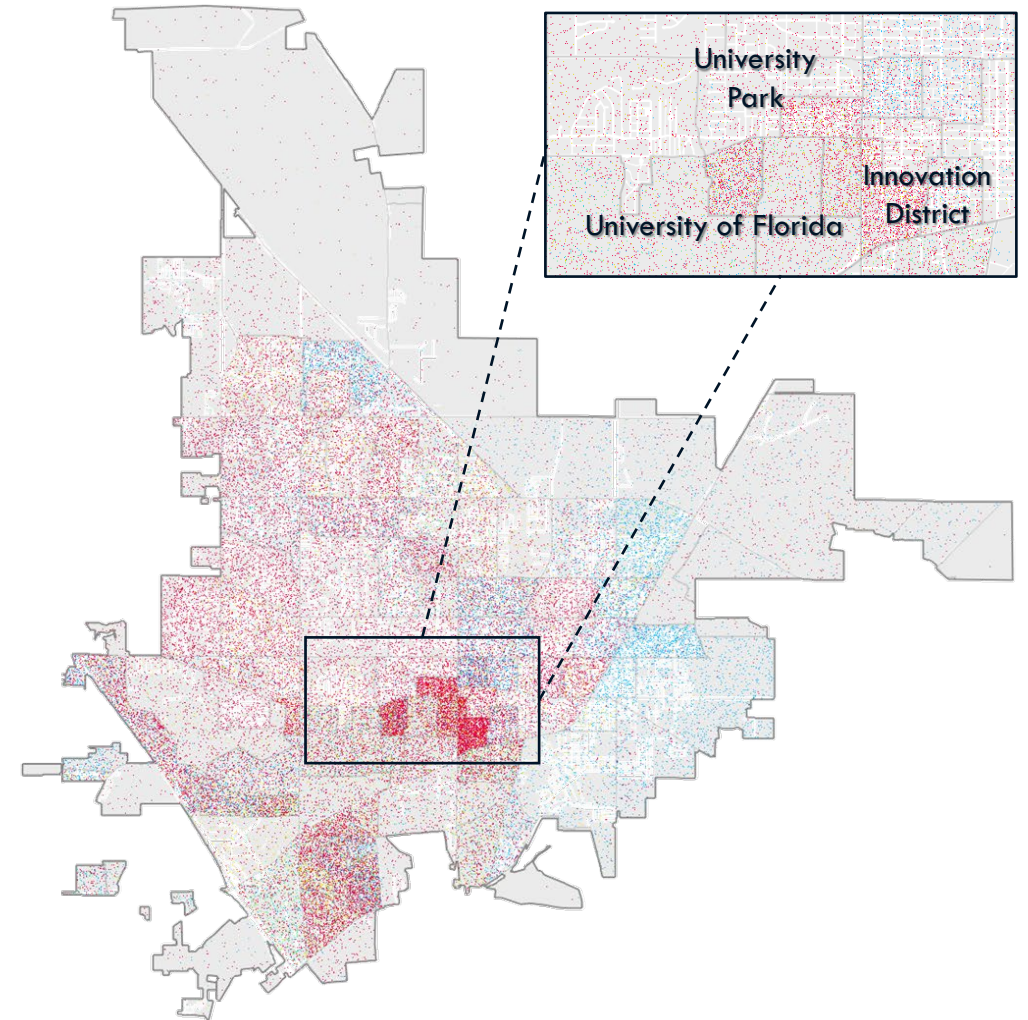
Source: Social Explorer – ACS 2019 (5-Year Estimates)

Gainesville is racially segregated.

White households are increasingly concentrated in west and northwest Gainesville, while Black households are concentrated in east Gainesville and increasingly in the southeast part of the City.

Racial Dot Density Map (All) - Legend

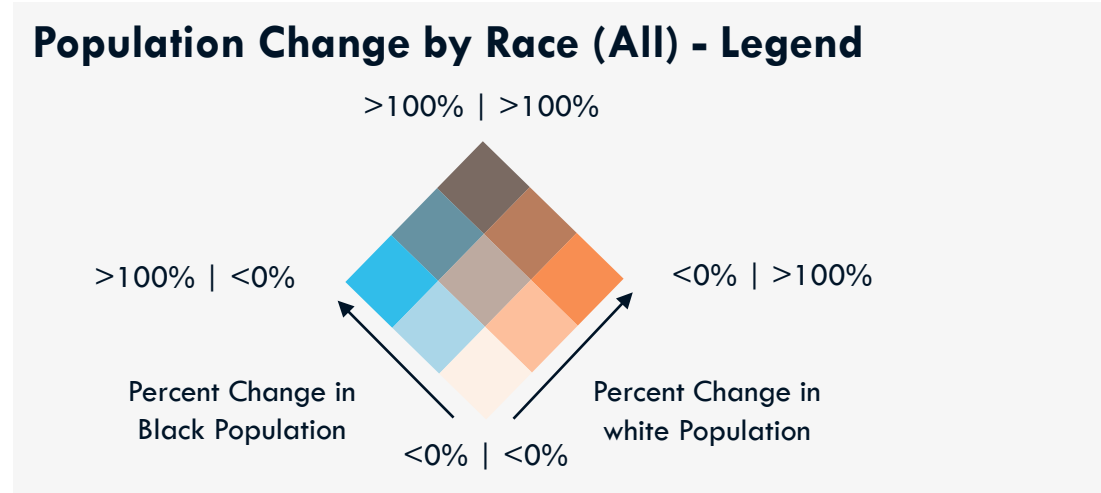
- 1 Dot = 2 People
- White Only
- Black Only
- Asian Only
- Hispanic/Latinx



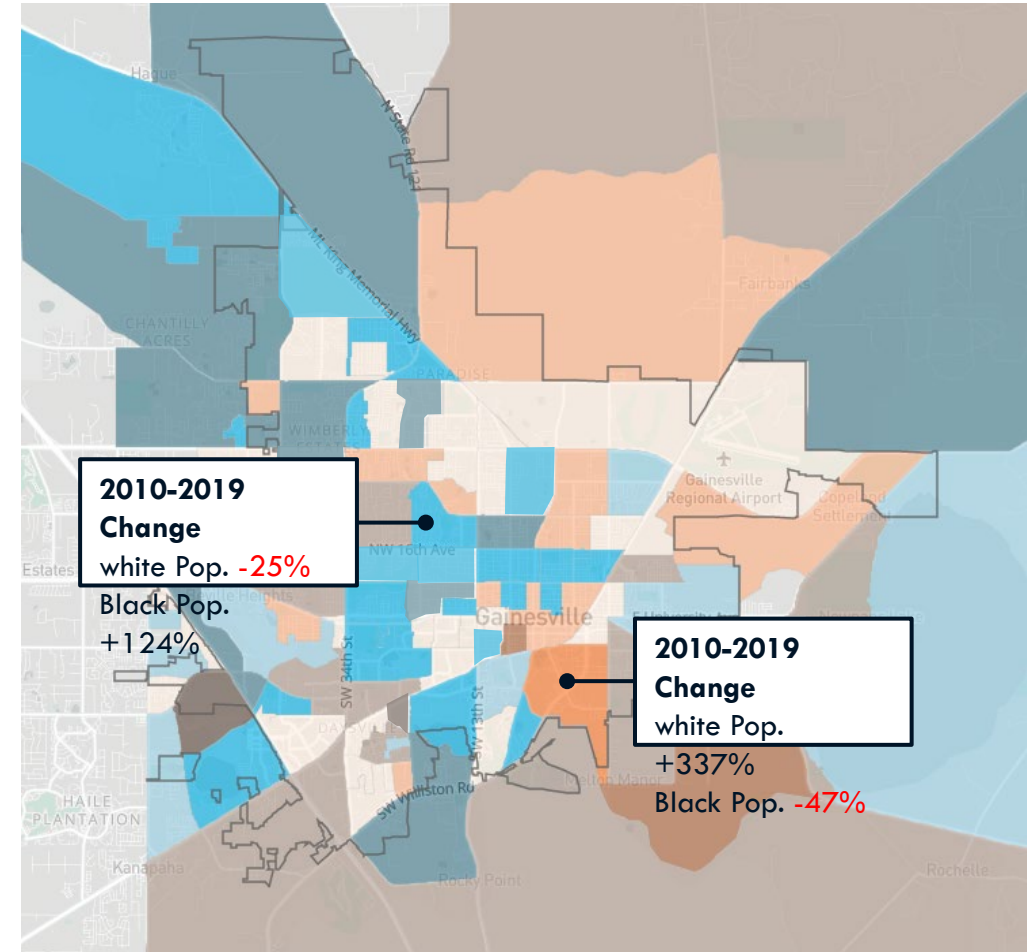
Source: Social Explorer – ACS 2019 (5-Year Estimates)

Race directly shapes population change in Gainesville.

In several areas, an increase in the Black population coincides with a decrease in the non-Hispanic white population, and vice versa. Many of the census block groups to the south of NW 16th Ave and along the Western portion of Gainesville are experiencing growth in their Black population, while also experiencing a loss in the white population. Northern Gainesville in particular has seen a substantial growth in white households while simultaneously losing Black households.



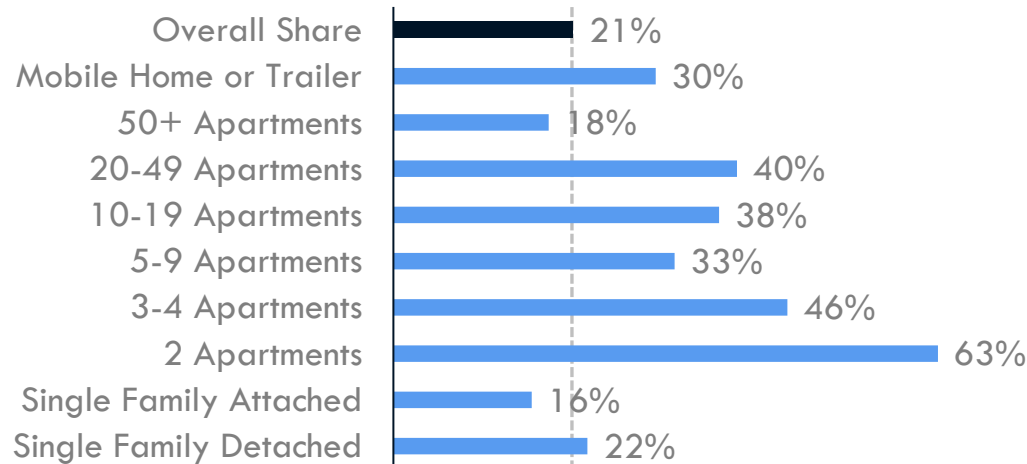
Source: Social Explorer – ACS 2010, 2019 (5-Year Estimates)



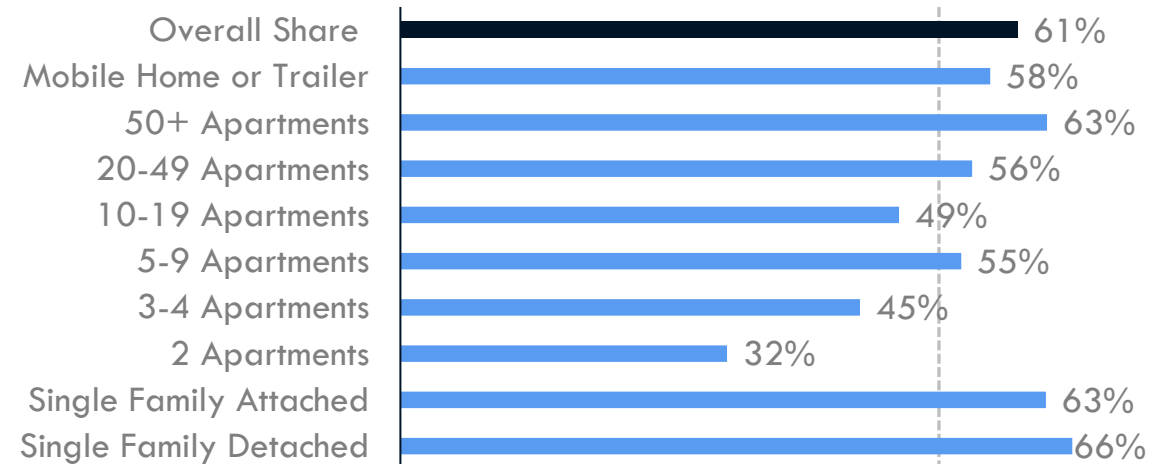
Race determines not only where people live in Gainesville, but also the type of housing in which they live.

Gainesville’s Black population occupies “missing middle” housing, or buildings with 2-4 units, at a high rate relative to the population, while white households are underrepresented in this typology. White households are more likely to live in single-family homes (which are typically owned, rather than rented) and large apartment complexes. The differences in occupancy by race reflect housing affordability trends. In Gainesville, missing middle housing tends to be more affordable to low- and middle-income residents compared to single-family homes and multifamily buildings.

Share of Black Households by Housing Type (Non-Student)



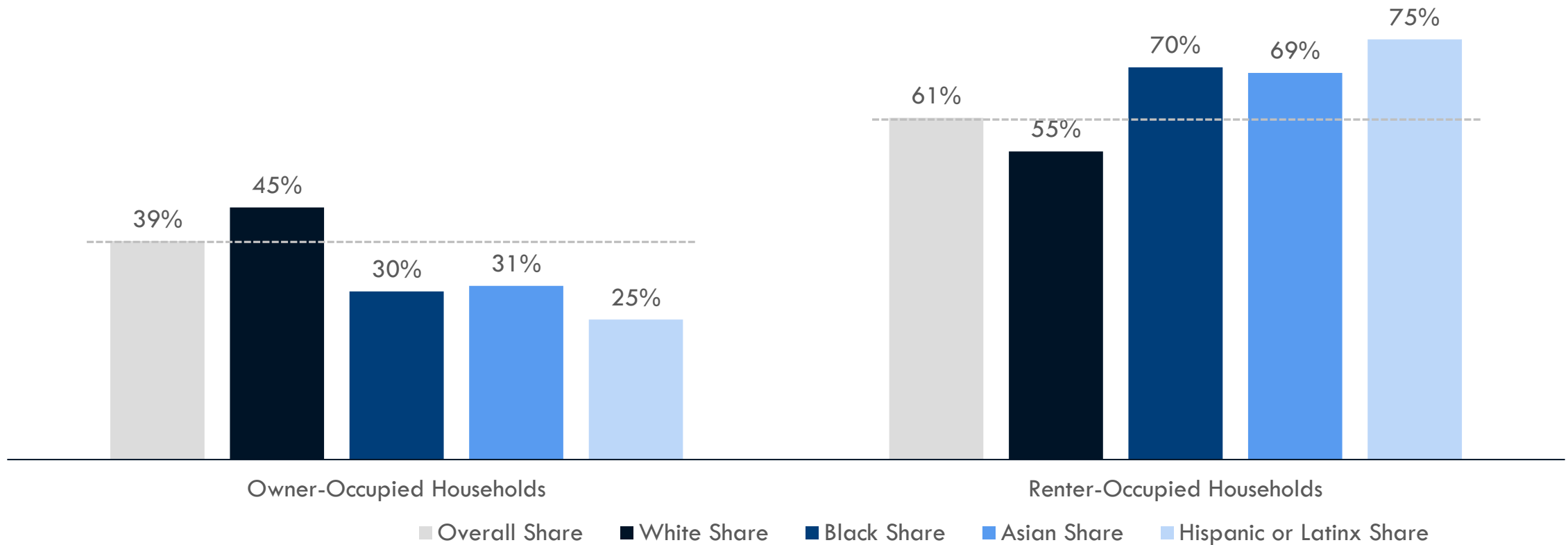
Share of Non-Hispanic White Households by Housing Type (Non-Student)



Source: Public Use Microdata Sample (PUMS) ACS 2019 (5-Year Estimates)

White households are more likely to own homes than non-white and or Hispanic households, cementing a disparity in generational wealth-building.

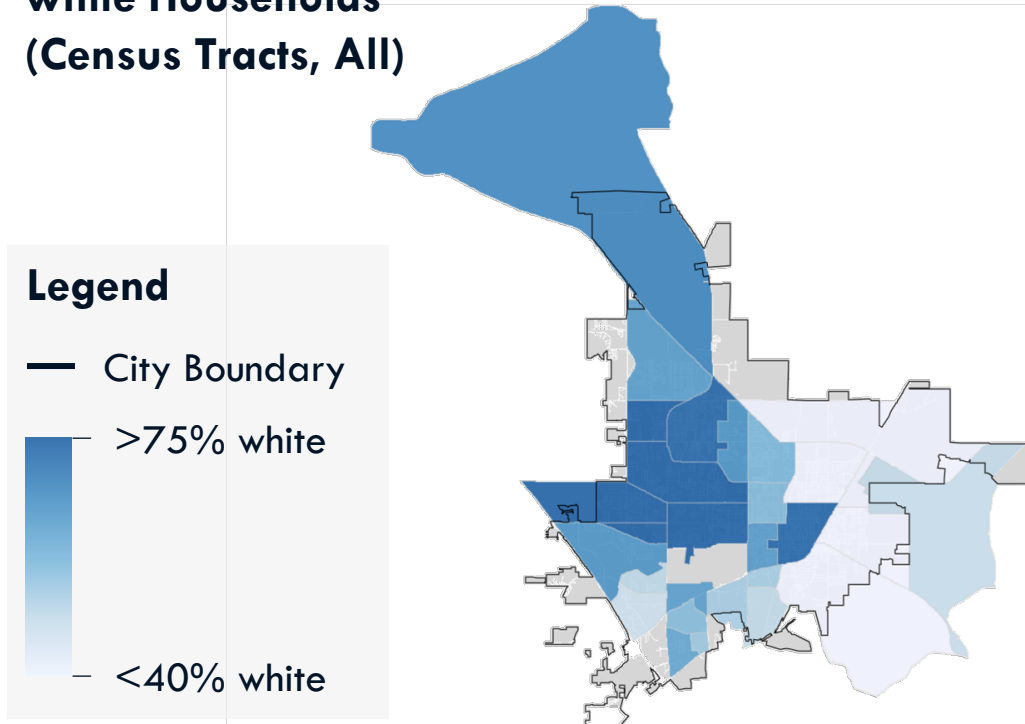
Tenure by Race (All)



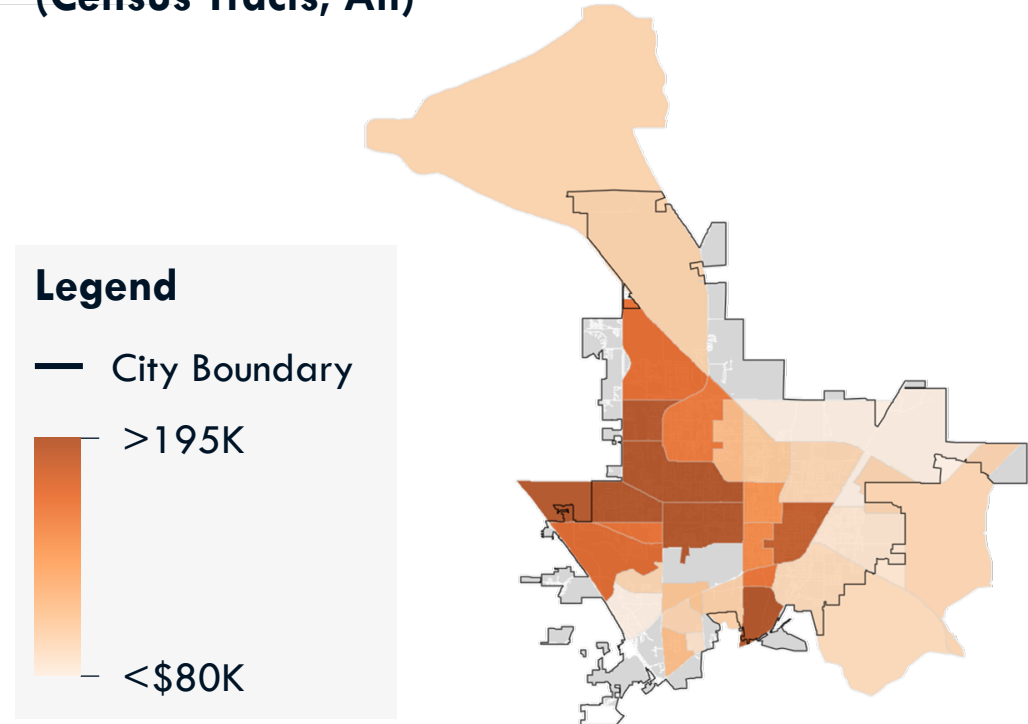
Source: Social Explorer – ACS 2019 (5-Year Estimates)

Predominately white neighborhoods correlate with higher median assessed home values, increasing the wealth that accrues to white households.

**Share of Non-Hispanic or Latinx white Households
(Census Tracts, All)**










**Median Home Value
(Census Tracts, All)**



Source: Social Explorer – ACS 2019 (5-Year Estimates)

Low household incomes, especially for renters, are a key driver of housing cost burden and instability in Gainesville.

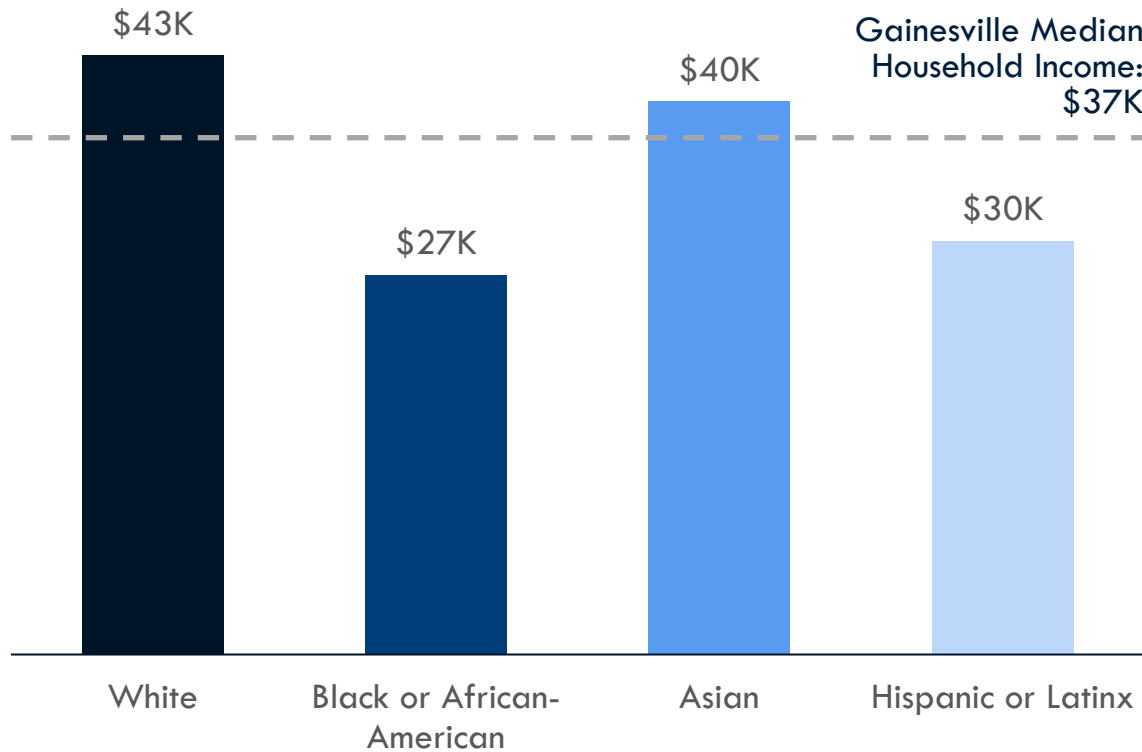
- Housing cost burden is defined by the cost of housing *relative* to incomes. The more a household spends on housing costs, the less **residual income** it has available for other basic needs, such as food and childcare. The median household income is about **\$37,000 in Gainesville**, well below what it costs to maintain a stable living standard.
- A household is considered **cost burdened** when it spends more than 30% of its gross income on housing costs. This measure can be more impactful for lower income households, as they struggle to live with **low residual incomes**.
- When affordable rental housing is unavailable, low-income households face housing instability and are more vulnerable to unsafe living conditions, overcrowding, and costly and harmful evictions.

MONTHLY COSTS	
2 adults and 2 children Gainesville metro area	
 HOUSING	\$894
 FOOD	\$892
 CHILD CARE	\$899
 TRANSPORTATION	\$1,134
 HEALTH CARE	\$1,098
 OTHER NECESSITIES	\$720
 TAXES	\$627
MONTHLY TOTAL	\$6,265
ANNUAL TOTAL	<u>\$75,183</u>

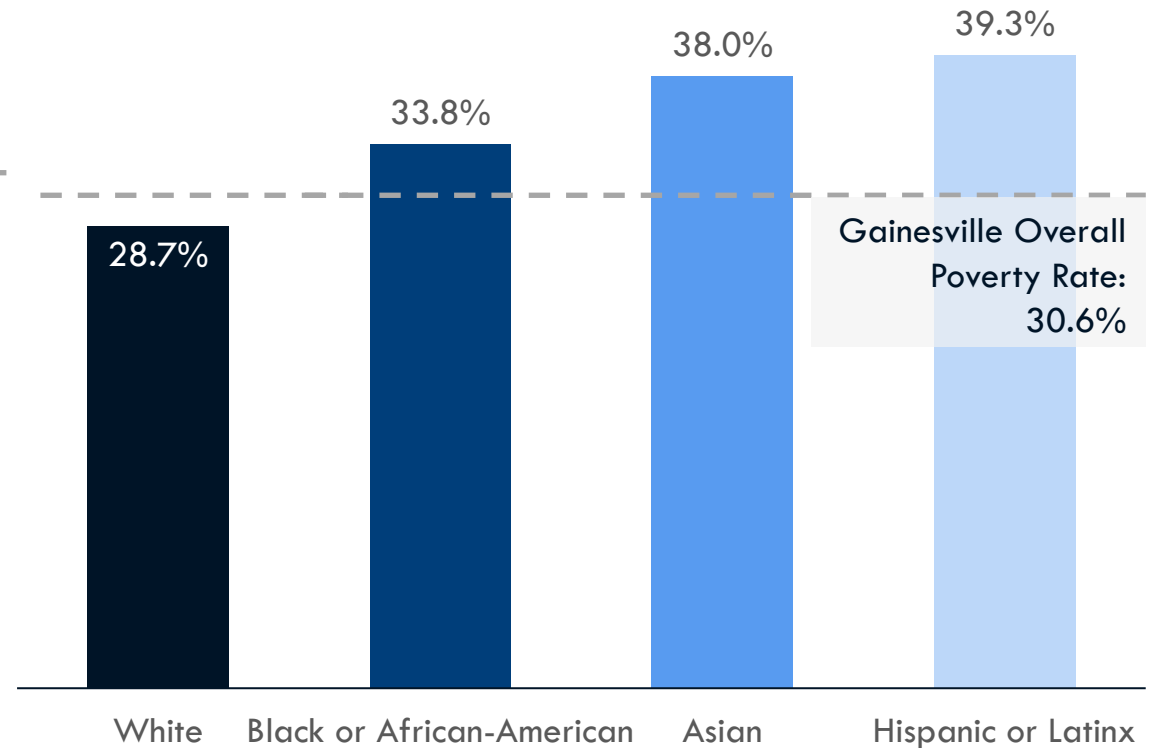
*EPI's Family Budget Calculator measures the community-specific income a family needs in order to attain a modest yet adequate standard of living. Source: Economic Policy Institute, 2018

Race is a strong predictor of household income. Only white and Asian households earn above the median. Black households earn 73% of the median.

Median Household Income by Race (All)



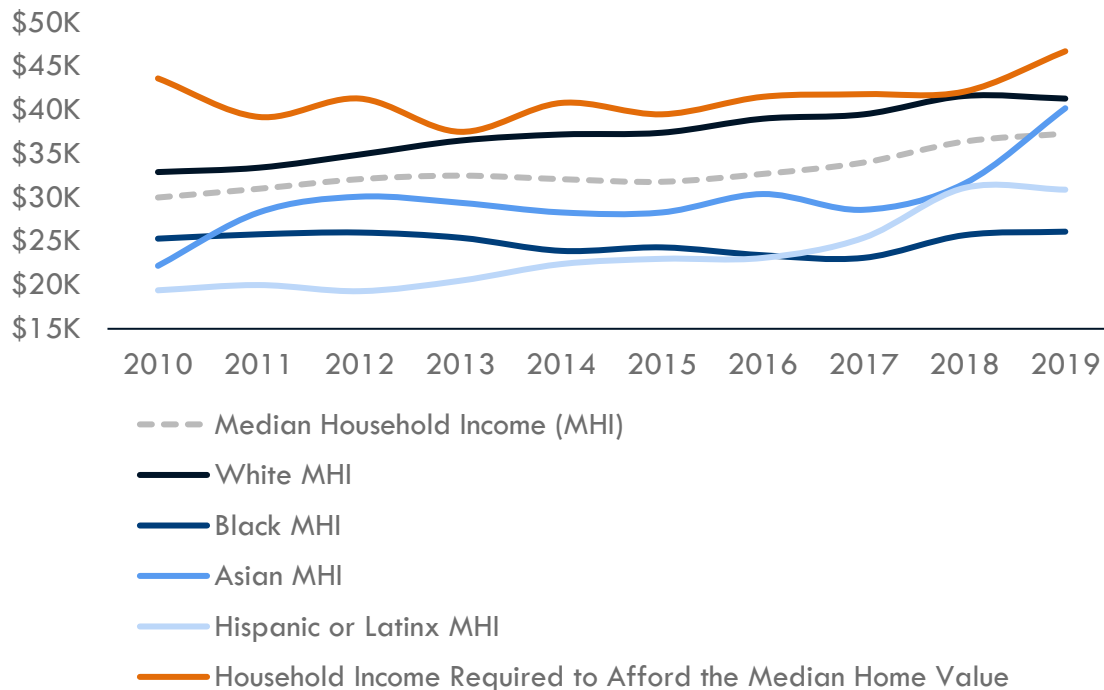
Poverty Rate by Race (All)



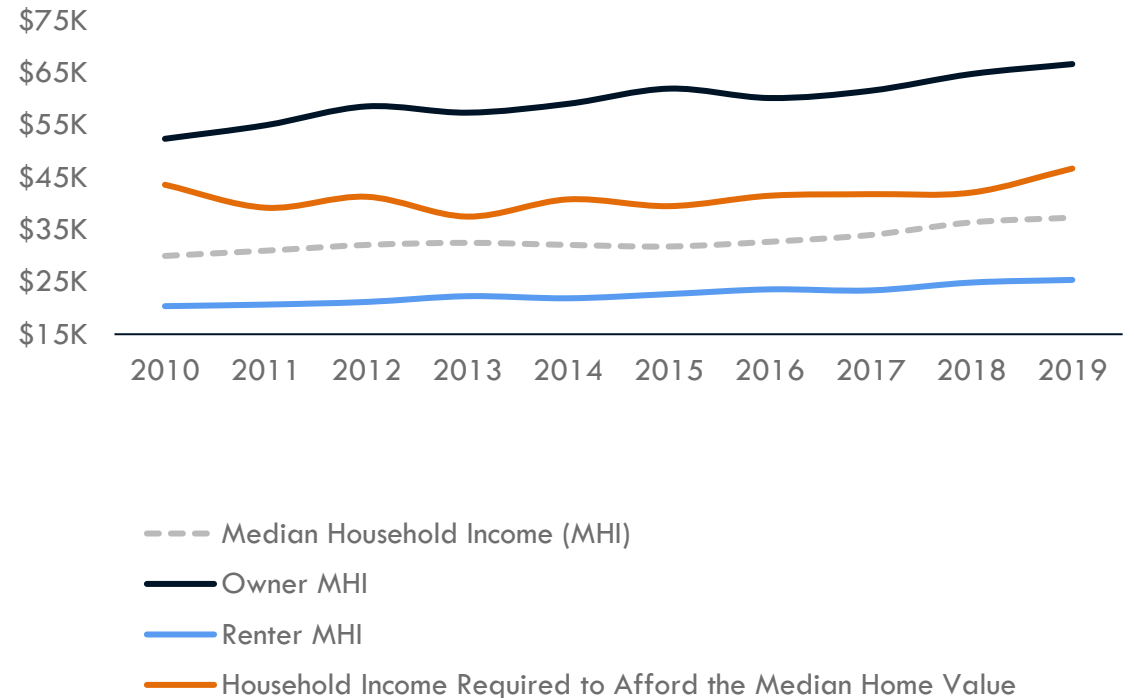
Source: Social Explorer – ACS 2019 (5-Year Estimates)

Homeownership remains unattainable for the average household in Gainesville, especially Black, Hispanic and renter households.

Income at which Median Home is Affordable by Race (All)



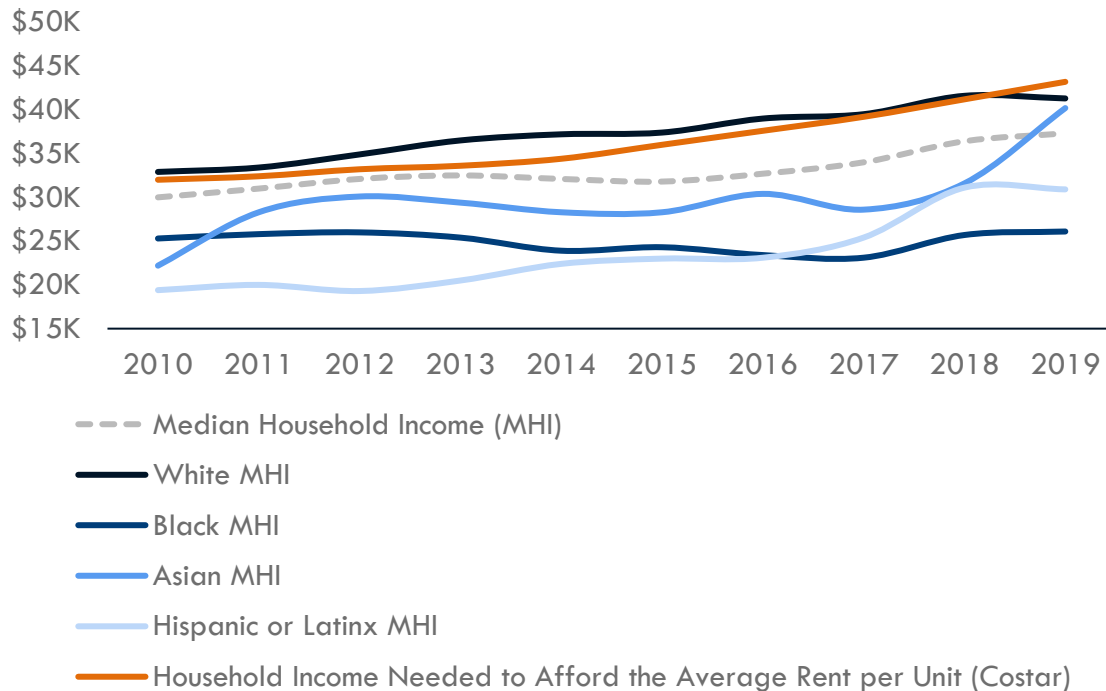
Income at which Median Home is Affordable by Tenure (All)



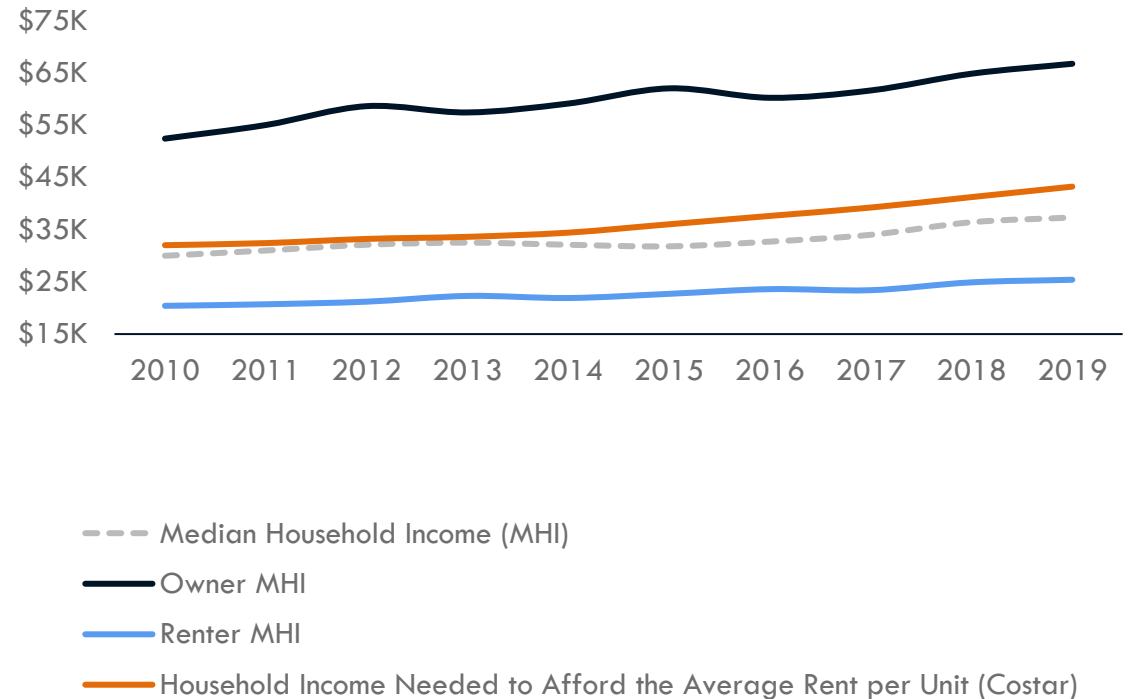
Source: Social Explorer – ACS 2010-2019 (5-Year Estimates)

The average rental unit is only affordable to the typical white or owner-occupied household in Gainesville.

Income at which Average Rental Unit is Affordable by Race (All)



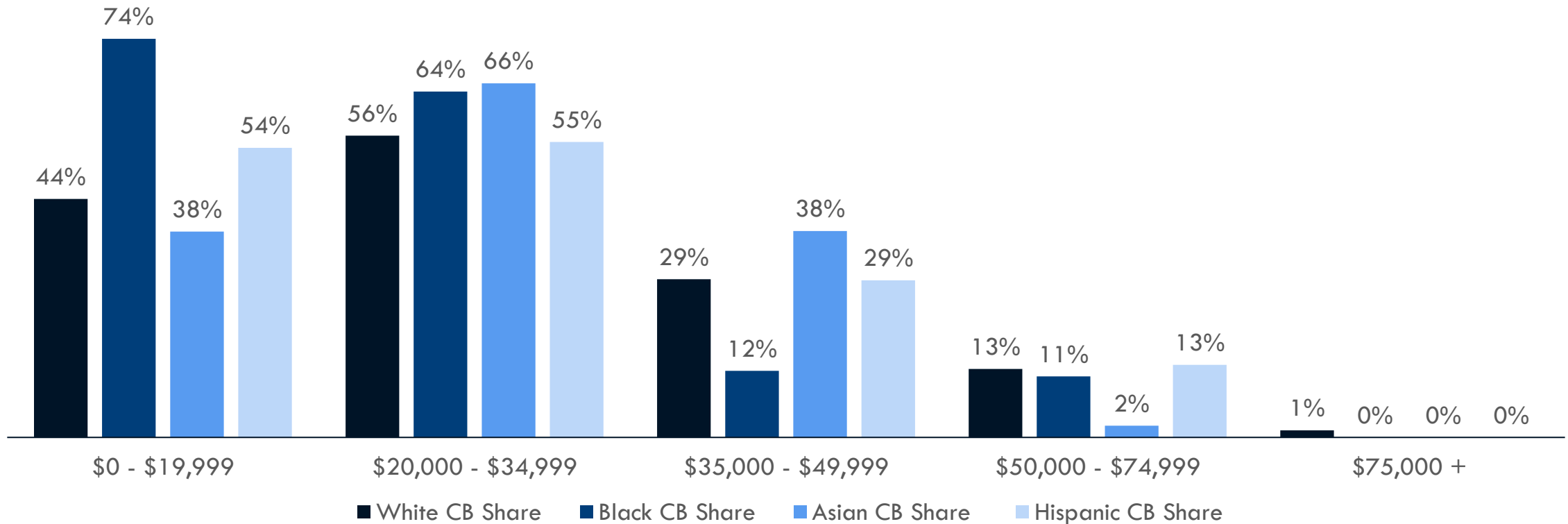
Income at which Average Rental Unit is Affordable by Tenure (All)



Source: Social Explorer – ACS 2010-2019 (5-Year Estimates)

Renters of all races earning <\$35K per year experience high rates of housing cost burden, indicating a need for more affordable rental units.

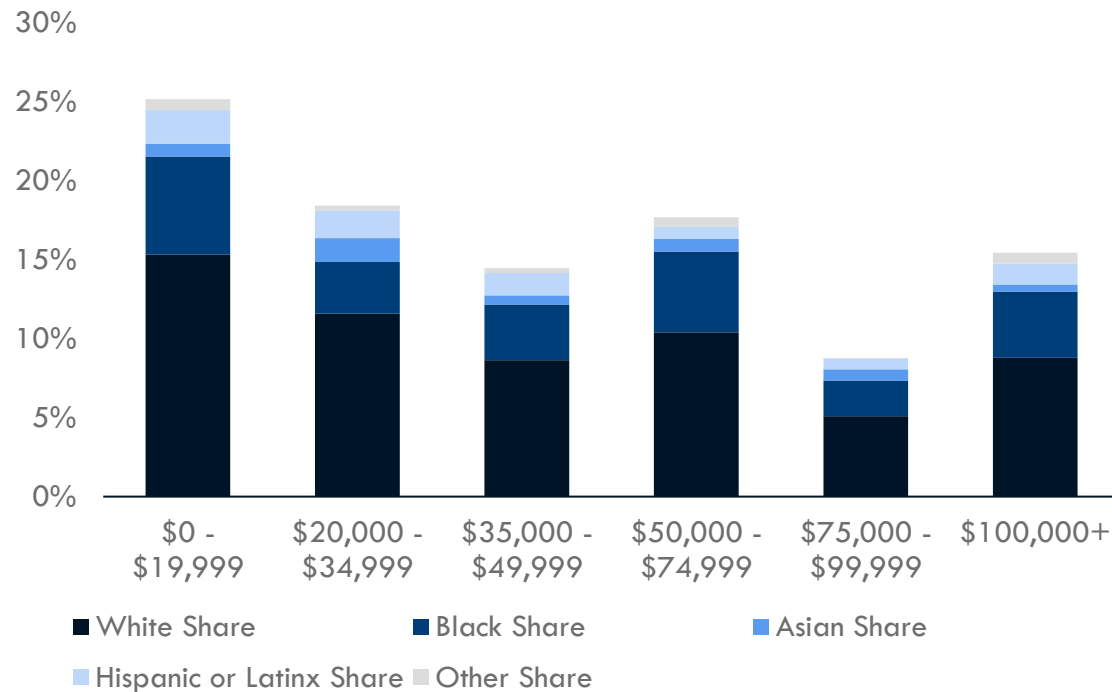
Share of Cost Burdened Renters by Race (Non-Student)



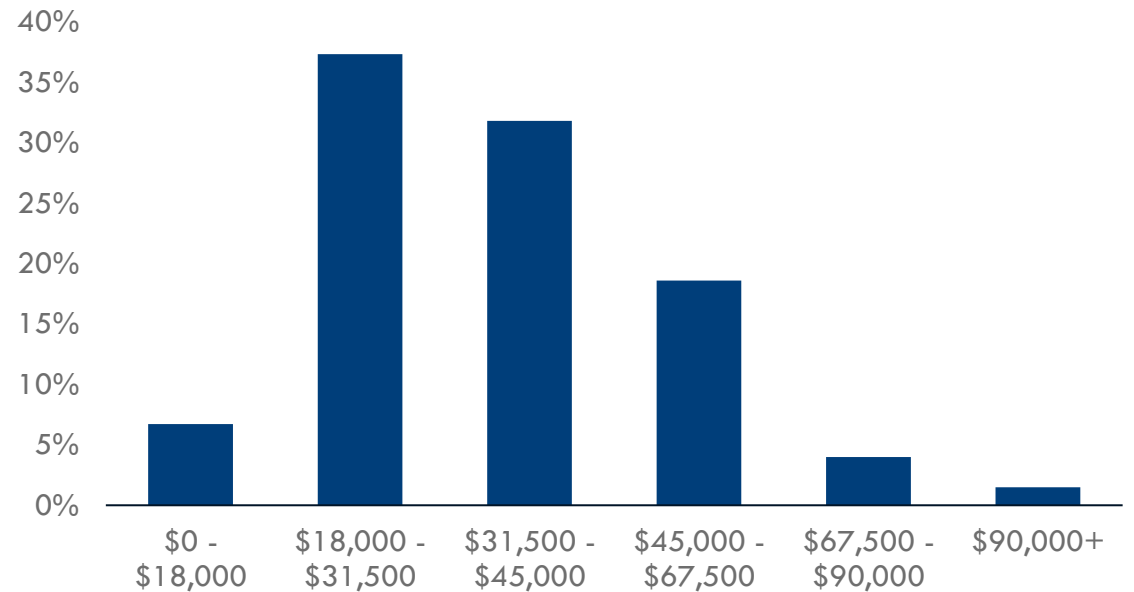
Source: Social Explorer – ACS 2019 (5-Year Estimates)

Homeownership remains unattainable for the average household in Gainesville, especially Black, Hispanic and renter households.

Distribution of Non-Student Renters by Income Group



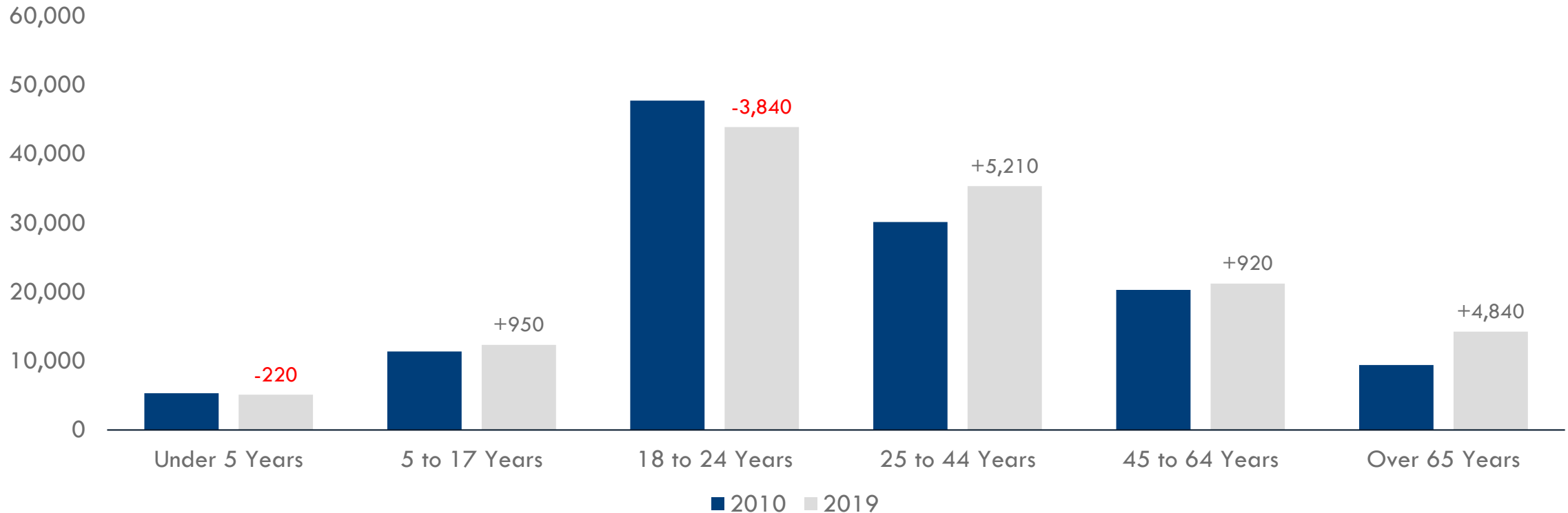
Distribution of Rental Units Affordable to Each Income Group (Non-Student)



Source: Public Use Microdata Sample (PUMS) ACS 2019 (5-Year Estimates)

Nearly a third of Gainesville’s population is between ages 18 to 24, illustrating the significant student population in schools such as University of Florida.

Population Change by Age Group (All)



Source: Social Explorer – ACS 2019 (5-Year Estimates)

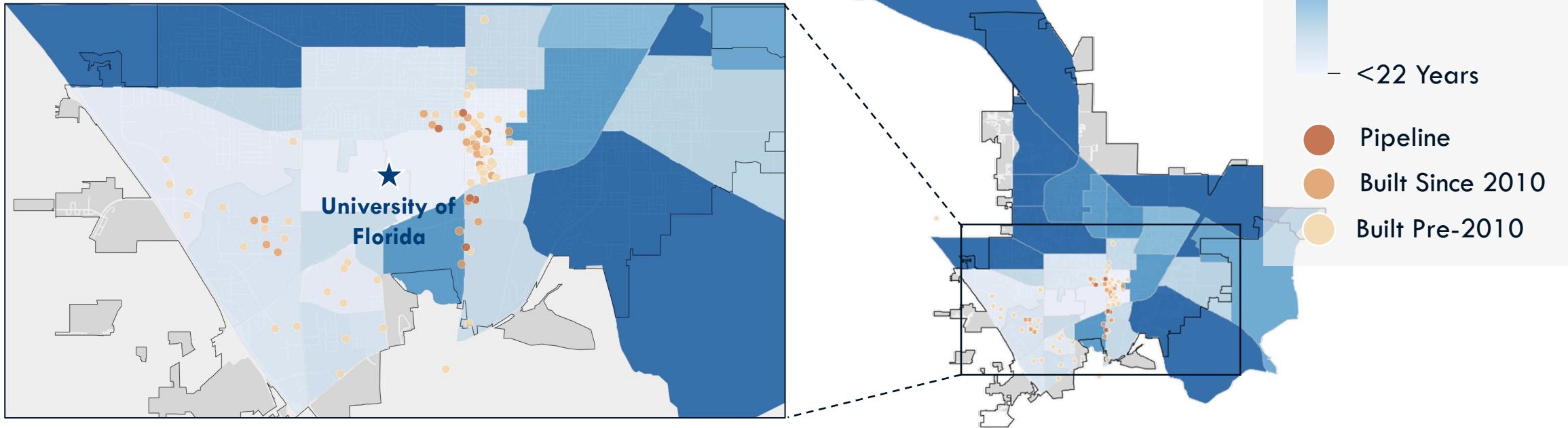
36 percent of all rental units in Gainesville exclusively serve or cater to students.

Younger residents are concentrated around the southwestern parts of Gainesville, in proximity to the University of Florida. Older adults live in the northern and southern suburbs of the City.

Median Age by Census Tract and Student Housing*

Legend

- City Boundary
- >39 Years
- <22 Years
- Pipeline
- Built Since 2010
- Built Pre-2010



*Includes both student housing (i.e., housing that exclusively serves students) and student-focused housing (i.e., housing that caters to students but is available to all residents).

Source: Social Explorer – ACS 2019 (5-Year Estimates), Costar

Exclusionary Land Use Controls

Land use regulations shape the amount, type, and location of newly developed housing, which ultimately affect the cost and affordability of housing.



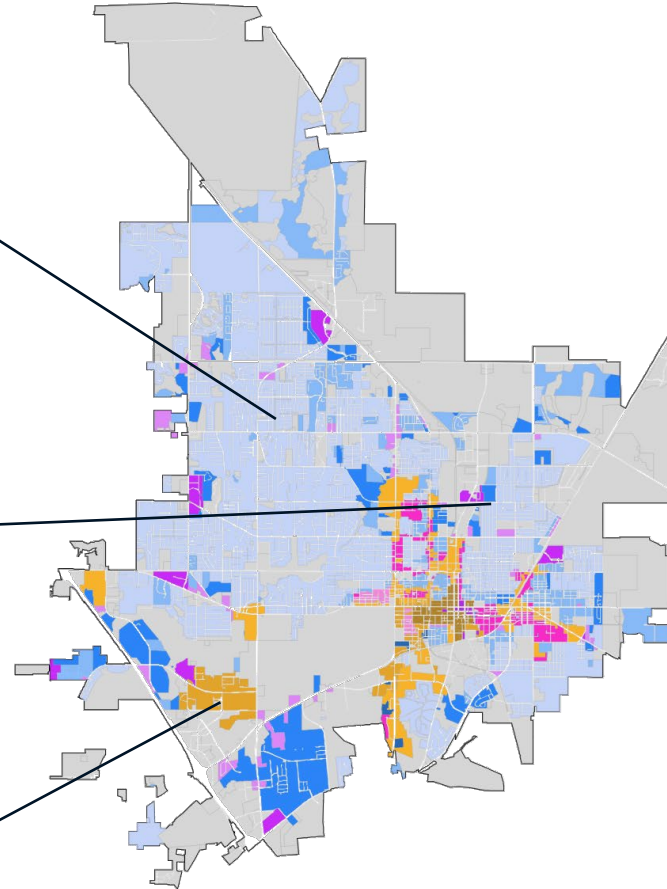
Springtree | Single-Family | 1977



Chelsea Apts. | Rental | 1992



Integra 24 | Rental | 2020



Land use is important because allowing housing supply to grow to match demand is the foundation of creating affordability in a housing market. Without sufficient supply and a range of housing options, all other housing strategies are less effective and more costly.

Legend

- Single-Family
- Residential Low
- Residential Medium
- Residential High
- Mixed-Use Low
- Mixed-Use Medium
- Mixed-Use High
- Mixed-Use Residential
- Mixed-Use Office/Resi.
- Urban Mixed-Use
- Urban Mixed-Use High
- Urban Core

Exclusionary land use controls exclude racially diverse households from residential areas: directly, by limiting what housing is built, and indirectly, by pushing up housing costs.

While zoning is the most recognizable land use control, it is one of many tools that local government uses to control how, where, and what kind of development occurs. County and State land use regulations and housing policy, such as HB 7103, also play a role in determining development patterns in Gainesville. For the purposes of this analysis, HR&A focused on local land use controls that the City of Gainesville has direct control over. HR&A reviewed the existing literature on exclusionary land use controls, the relationship between racial and economic segregation, and the connection between land use controls and the cost of housing. This literature review revealed the following themes:

- Exclusionary land use controls are rooted in explicitly racist local policy but take new forms that are primarily economic.
- “Growth management” or “smart growth” tactics, which limit the extent to which diverse housing types can be built at a rate that accommodates the preferences and price points of a diverse population, can have the same exclusionary impacts.
- The results of this economic exclusion is that non-white residents continue to be excluded from high opportunity* neighborhoods, face continued barriers to asset-building through lower assessment values, and can face displacement pressures as the burdens of growth and new development are not distributed equitably across cities.

*HR&A reviewed a range of academic and professional sources including the Lincoln Institute of Land Policy, and the National Bureau of Economic Research, among others. For a complete list of sources reviewed, see Appendix I. *Enterprise Community Partners measures neighborhood opportunity through housing stability, education, health and well-being, economic security, and mobility.*

HR&A defines exclusionary land use controls as local regulations that fit at least one of three criteria, each of which drives disparate outcomes by race.

Exclusionary land use controls are local regulations that:

- 1. Directly decrease or limit housing supply in residential areas**
(strict lot utilization and parcel constraints)
- 2. Increase the cost to build new housing**
(strict design and compatibility requirements)
- 3. Limit the use of existing housing**
(strict occupancy and mobile home limitations)

Changing exclusionary land use controls reduces racial and economic exclusion across a housing market by increasing housing supply and diversity and reducing housing costs.



Benefits of Changing Exclusionary LUCs:

- No public funding required to induce private development
- Increases the overall supply of housing
- Can help address legacies of racial segregation by driving new housing supply more evenly across the city
- Reduces the ability of a limited constituency to prevent the creation of housing
- Supports economic growth and expands the City's tax base

Without reducing exclusionary land use controls, all other housing strategies, and those that require subsidy in particular, are less effective and more costly.

Using the three exclusionary criteria, HR&A reviewed Gainesville's Code of Ordinances to analyze the implementation and impact of land use controls in Gainesville.

The following slides describe the implementation and impact of land use controls by category.

Key Exclusionary Land Use Controls in Gainesville's Code of Ordinances by Criteria

Criteria	Code of Ordinance Provisions
Directly decreases or limits housing supply in residential areas	<ul style="list-style-type: none"> • Lot utilization constraints (e.g., setbacks, minimum lot dimensions, height limits, density limits) • Parcel constraints (lot split limits)
Increases the cost to build new housing	<ul style="list-style-type: none"> • Design and compatibility constraints (e.g., historic preservation/conservation overlay, development compatibility)
Limits the use of existing housing	<ul style="list-style-type: none"> • Occupancy limitations • Mobile home location

Lot utilization constraints constrain the development potential of an individual lot, increasing the price point of new housing and reducing the diversity of housing types.

While there are important reasons for lot utilization constraints, when too constraining, they limit the number of housing typologies that are feasible to build on a lot. When these constraints are widespread, they limit the diversity of housing across a city and drive up the price point of individual units as developers seek to maximize the value of each lot. These exclude a broad range of households from being able to access and benefit from new housing.

Primary lot utilization constraints in Gainesville's code of ordinances:

**Residential
Density Limits**

Density limits constrain the number of units that can be built per acre of land, regardless of setbacks or height restrictions.

Setbacks

Strict minimum setback requirements on lots that permit multifamily dwellings limit the number of units that can be built, in some cases below the number of units that would otherwise be permitted through density limits.

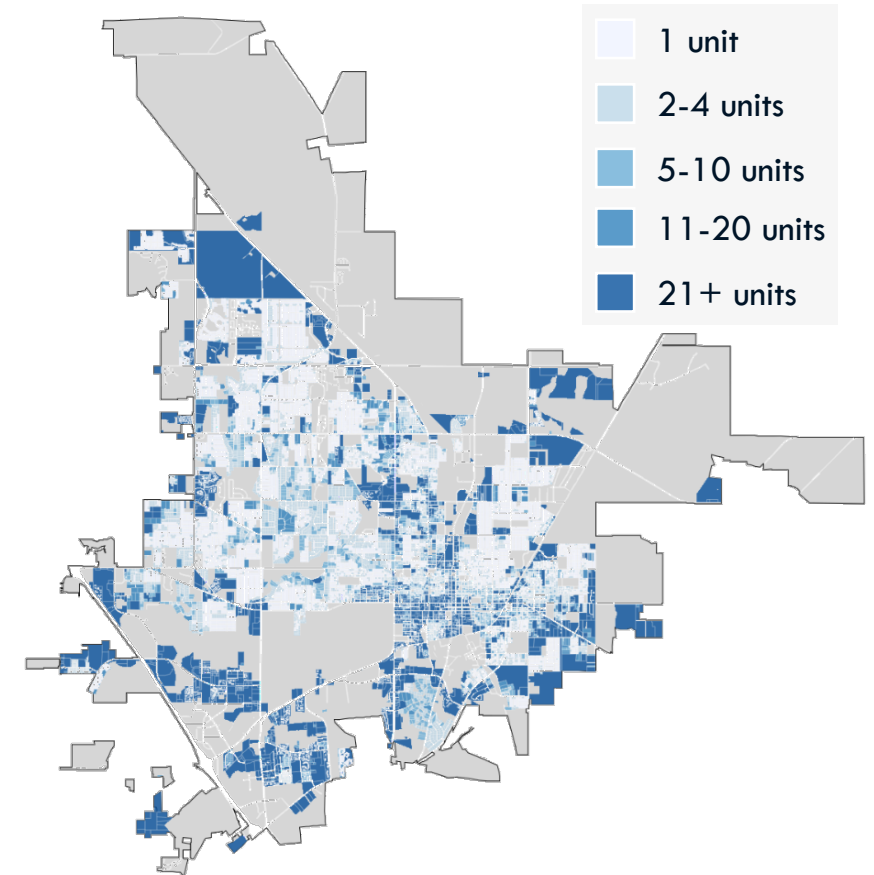
Height Limits

Building height limitations can prevent the construction of vertical housing typologies which accommodate more households on a given lot compared to single-family development.

Residential density limits are the most restrictive lot utilization constraint. In Gainesville, **63%** of residential parcels allow for the construction of only one housing unit.*

Zoning District	Max Density (Code)	Max Density Adjusted to Median Lot Size	Total Land Area in Gainesville	% of Total Residential Land Area
RSF-1	3.5 units/ac	1.2 units	5,793 ac	42.0%
RSF-2	4.6 units/ac	1.1 units	1,506 ac	10.9%
RSF-3	5.8 units/ac	1.1 units	814 ac	5.9%
RSF-4	8.0 units/ac	1.3 units	323 ac	2.3%

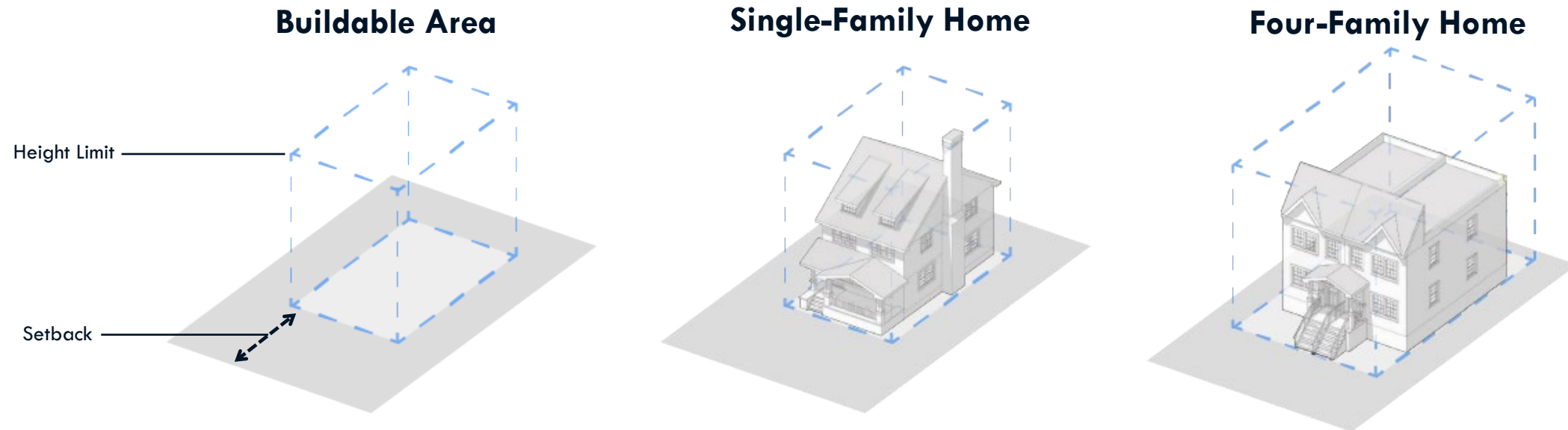
Density Limits Adjusted to Lot Size*



*One unit includes all values greater than 0 to less than 1.5, 2-4 units includes all values greater than or equal to 1.5 and less than 4.5, and so on. Excludes Planned Development zones.

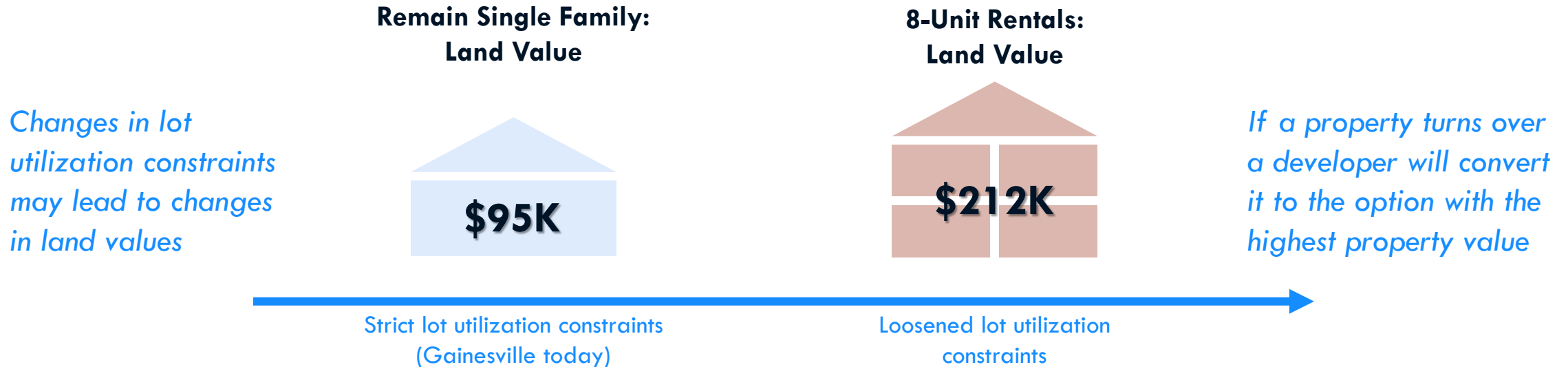
Strict lot utilization constraints incentivize developers to build larger single-family homes to maximize land value. This hurts the affordability of new for-sale housing supply.

Setbacks and height limits work together to form the **buildable area** of the lot, and the density limit determines how many units can be built within that buildable area. When the City sets strict constraints, developers will generally build larger single-family homes to maximize the value of the land within those constraints. When they are not strict, developers will generally build more units on one lot, which can house more families at a more moderate price point.



Loosening lot utilization constraints would encourage developers to build different, denser housing typologies that house more families.

HR&A analyzed development costs at the parcel level for a typical 8,500 SF lot in Gainesville and modeled land-owners decisions in response to reducing residential density limits. When developers are less constrained on a lot, they will build the number of units that maximizes the land value. Analyzing the **land value*** of different typologies on the same lot demonstrates this decision-making.



*"Land value" in this context refers to residual land value (RLV), or the price an investor will pay in a market, arms-length transaction for a piece of property and its development rights, calculated based on anticipated revenues, total development costs, and required return threshold. The 8-unit rental scenario assumes 2-bedroom units of 980 SF using the same lot coverage limits as the baseline scenario but no density limit. Sources: CoStar, Zillow, Gainesville parcel data.

Reducing lot utilization constraints creates more opportunities for families to access new housing at a lower price point.

Changing the number of units built on a single site means that units are delivered at different **price points** based on the intensity of the use.



Remain Single Family



8-Unit Rentals

	Remain Single Family	8-Unit Rentals
Home Price/Rent of New Housing	\$378K	\$1,500 per unit
Annual HH Income Needed to Afford*	\$78K	\$61K
Families Housed per Parcel	1	8

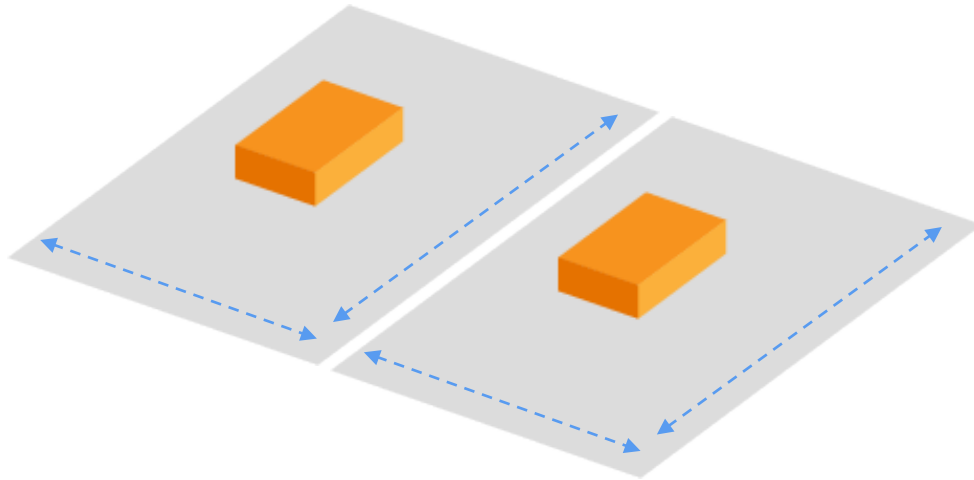
*Assumes a housing cost burden ratio of 30% as per the United States Department of Housing and Urban Development.

Sources: Zillow, CoStar

Parcel constraints limit the intensity of use of a *group* of parcels, reducing the likelihood that new, large housing developments include diverse housing types at a range of prices.

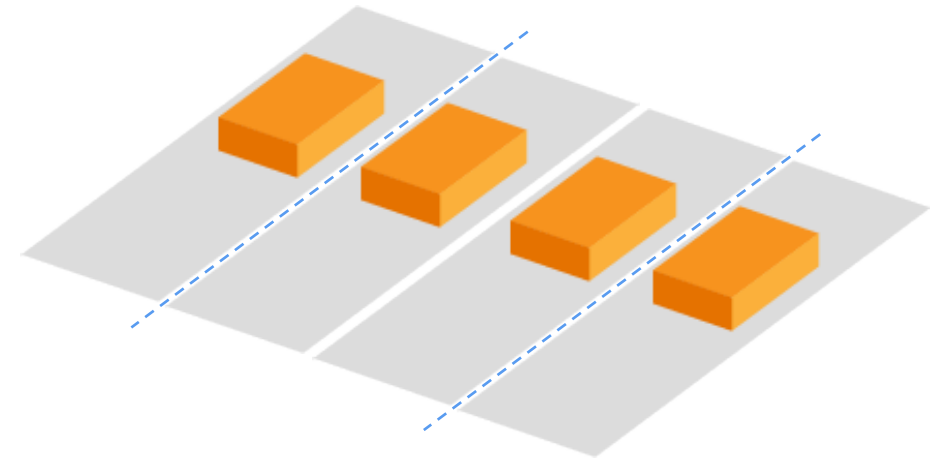
Minimum Lot Dimensions

Lot dimension requirements include minimums on lot width, depth, and overall area. In combination with lot utilization constraints, such requirements result in fewer single-family houses that can be built in an area.



Lot Split Limits

Lot split limits in minor subdivisions prevent developers and existing homeowners from subdividing larger lots to accommodate additional housing units at a more affordable price point.



Design and compatibility requirements increase the cost to build and maintain housing, which raises cost burdens for low-income homeowners and excludes renters.

Historic Preservation Overlays

Historic preservation overlays can require homeowners to construct and maintain certain architectural and aesthetic features on their properties. The upfront investment and upkeep costs related to design requirements makes these homes more expensive and can make homeownership less attainable for low- and moderate-income households in Gainesville.

Development Compatibility Requirements

The Code of Ordinances uses density restrictions and design requirements to physically separate multifamily and single-family residential development. Not only does this directly exclude residents of multifamily buildings, who tend be renters, in certain situations owners of multifamily properties must incur the costs related to building and maintaining buffer areas and partitions, which in turn limits the financial feasibility of denser (and more affordable) housing typologies.



Multifamily property owners must construct and maintain a decorative masonry wall if their property abuts a single-family home.

Strict occupancy requirements encourage developers to build single-family structures rather than attached housing, which would allow more families to live on the same lot.

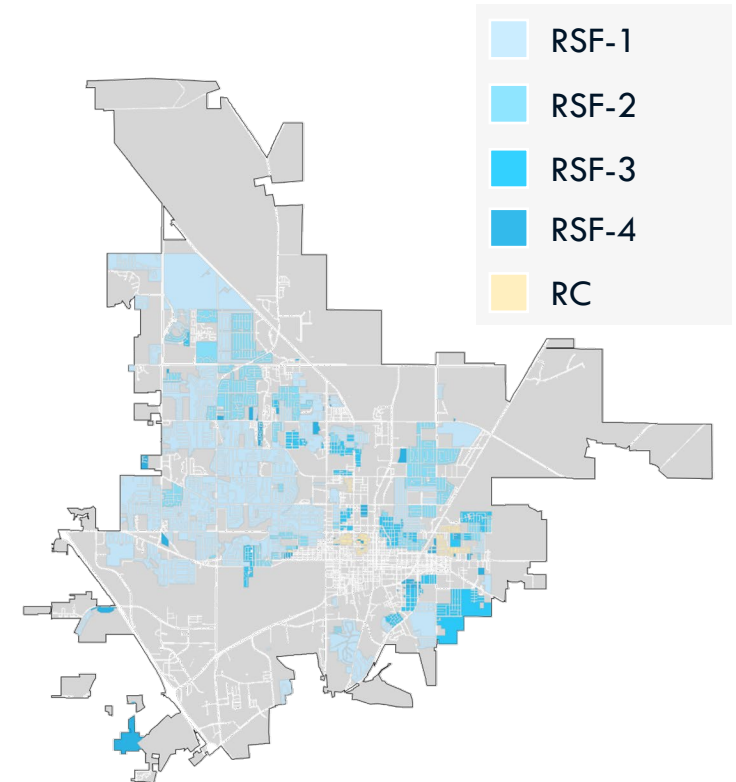
Occupancy Requirements

Occupancy requirements prohibit more than one family from living in one structure, which in turn excludes households with a diverse range of housing needs and preferences. The Code of Ordinances prohibits more than one family from occupying a dwelling in RSF-1, RSF-2, RSF-3, RSF-4, and RC zoning districts. These districts comprise **61%** of the total residential land area in Gainesville. The requirement is also applicable to residential PDs with a maximum residential density of eight units per acre.

Bedroom Limits

In the University of Florida Context Area, the City limits the number of bedrooms that can be located within a single structure. This encourages developers to build single-family houses rather than attached houses, which would have a higher total bedroom count. Placing a cap on bedrooms also constrains the housing supply for large households.

Zoning Districts with Occupancy Requirements



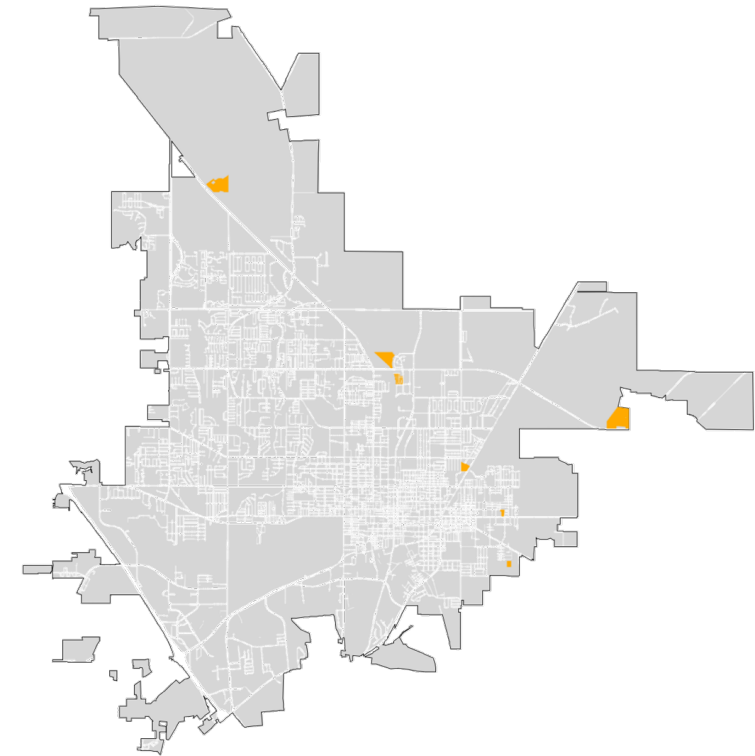
Limitations on the location of mobile homes in Gainesville exclude low-income households for whom mobile homes are an affordable homeownership option.

Mobile homes are a form of naturally occurring affordable housing for lower-income residents. Such homes (as well as other alternative formats such as tiny homes) provide more flexible and financially attainable living arrangements compared to traditional single- or multifamily units.

In Gainesville, mobile homes are only permitted in MH zones, which comprises only **1.3%** of the total residential land area. Because of the zoning restrictions on mobile home construction, lower-income residents may:

- Face greater challenges in seeking homes that meet their financial needs
- Be especially vulnerable to displacement, given that landowners have a financial incentive to redevelop MH-zoned lots to more lucrative single- or multi-family typologies. When these lots are redeveloped, there are very limited options for where mobile home-owners can relocate, leaving them vulnerable to displacement from Gainesville.

Zones Where Mobile Homes are Permitted



The City of Gainesville should complete in-depth land use analyses to consider the following changes to exclusionary land use controls.

Actions to Consider

- Reduce setbacks in low and moderate density residential areas.
- Permit lot splits in minor subdivisions.
- Reduce minimum lot dimensions.
- Allow housing typologies beyond single family ("missing middle", 2- to 4-unit housing) in residential districts with strict lot utilization constraints.

- Eliminate compatibility requirements between multifamily and single family uses.
- Reduce expensive design standards in historic preservation districts.

- Identify additional areas to permit mobile home uses.
- Eliminate single family occupancy limitations in low density districts.
- Increase the bedroom limit in the University of Florida Context Area when a structure includes more than one dwelling (attached housing).

Outcomes



1. Increase the amount and type of housing in residential areas



2. Decrease the cost to build and maintain housing



3. Increase options for the use of existing housing

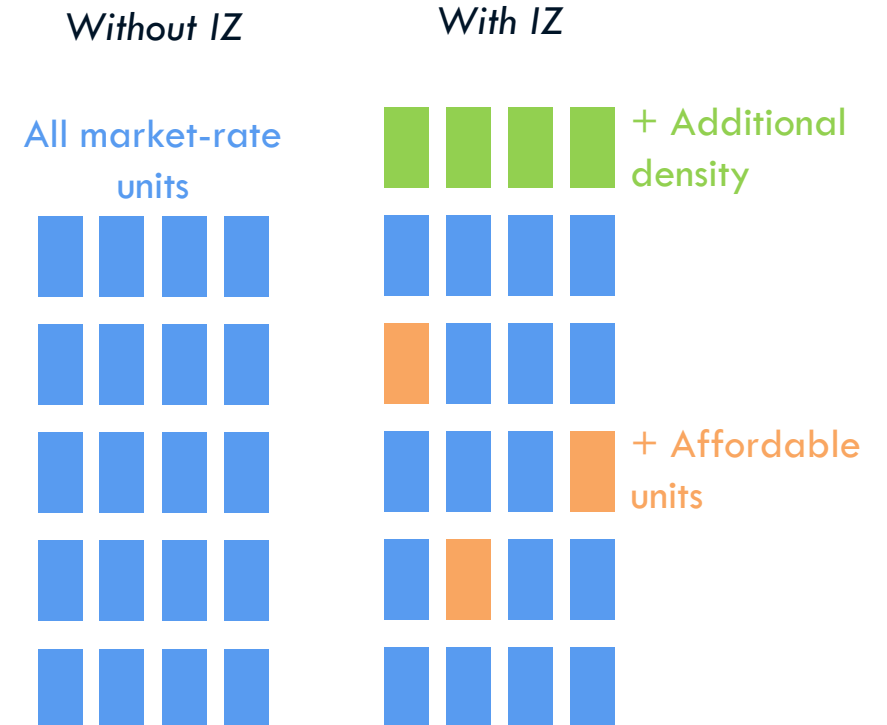
Inclusionary Zoning Feasibility

The goal of an inclusionary zoning policy is to support Gainesville’s housing needs through the creation of affordable housing that the market would not otherwise build.

Inclusionary zoning is a land use tool that requires or encourages developers to create affordable units in new market-rate residential and commercial developments. Incentives such as reduced parking requirements, additional density allowances, or tax abatements are sometimes provided to encourage participation.

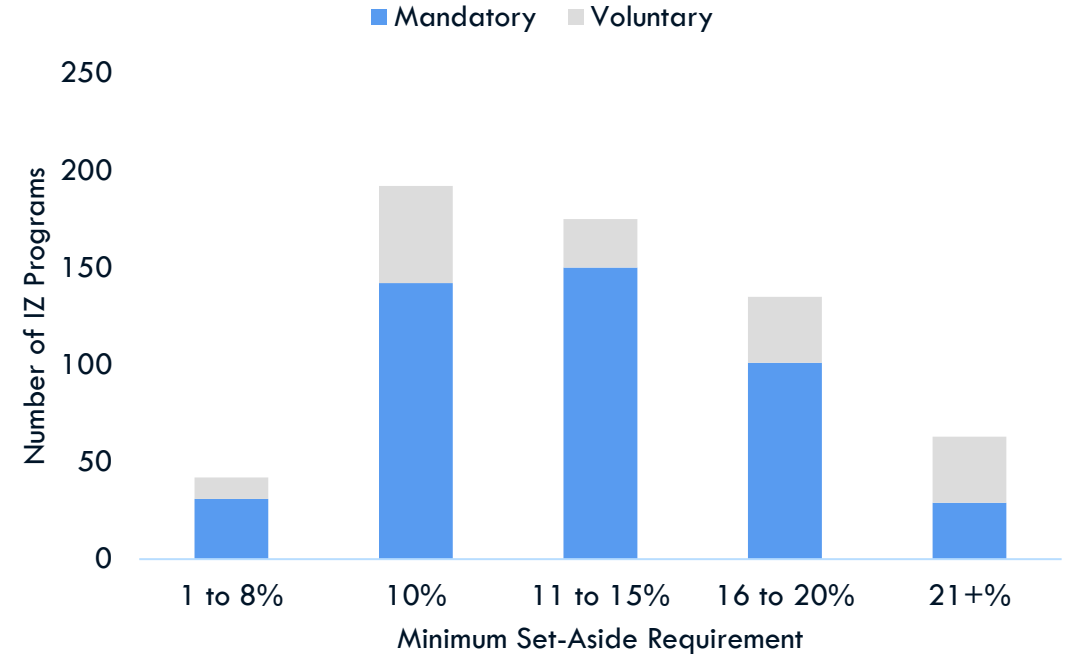
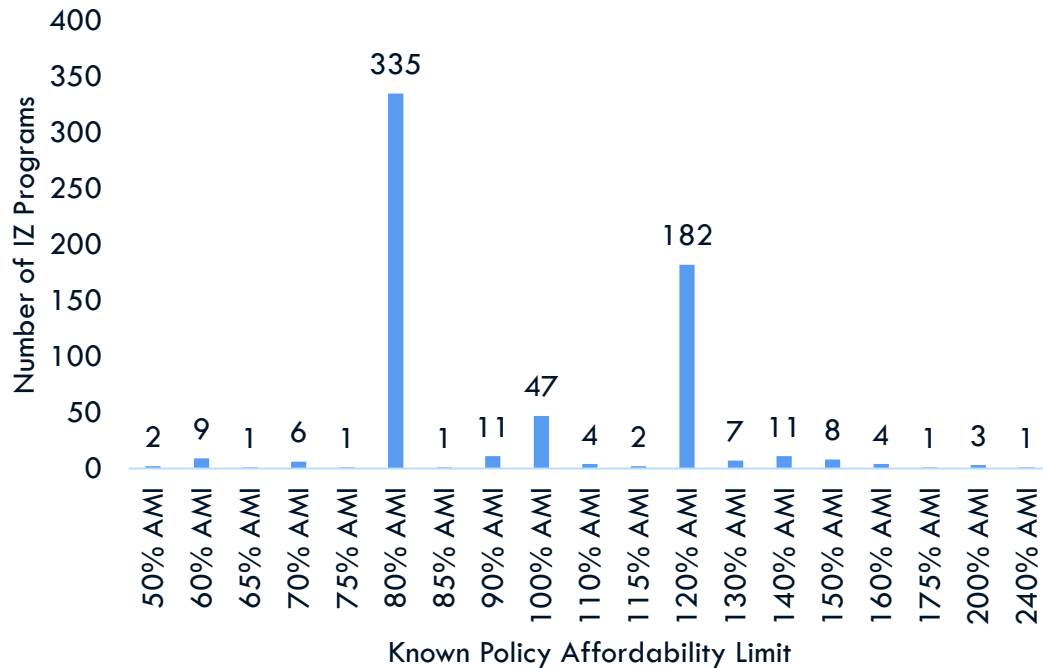
More than 1000 jurisdictions across 30+ states have inclusionary zoning programs. These programs vary along many design considerations, including whether the program is voluntary or mandatory, what amount and depth of affordability is required, if it applies to rental or for-sale development, whether there are alternative compliance pathways such as the payment of a fee in-lieu, and what incentives are available. These policy elements are adjusted based on local policy priorities, housing market strength, and affordability needs.

Illustrative IZ Policy with Density Bonus Incentive



IZ policies around the country typically serve households earning up to 80% or 120% AMI, and require 10, 15, or 20% minimum set-asides.

For programs with greater than 20% affordability set-aside requirements, over half of the IZ programs are voluntary. The depth and amount of affordability required in each program depends on the strength of the local housing market. The programs also vary in the incentives that are offered to support housing development.



Source: HR&A analysis of Grounded Solutions Network Inclusionary Housing Database, 2020.

Inclusionary zoning is one of many tools that can support housing affordability, and it presents a variety of benefits and limitations.

Benefits of IZ

Captures value of land in areas with strong housing markets. The Gainesville market has seen steady market-rate development in recent years in some neighborhoods, suggesting the potential to support development of some affordable housing.

Serves households earning up to 80% of Area Median Income (AMI), which is an area of need for Gainesville.

Does not require public subsidy, though public subsidy may be provided as an incentive to achieve more or deeper affordability.

Limitations of IZ

Does not work in weaker housing markets and submarkets, where an overly restrictive IZ policy risks decreasing housing development, which ultimately harms affordability by both failing to deliver the mandated IZ units and limiting overall housing supply. An IZ policy that is overly restrictive relative to nearby jurisdictions also risks driving new development outside of political boundaries.

Do not serve very deep levels of affordability need, such as for households earning up to 30% AMI. For these residents, other alternatives such as housing vouchers should be layered with increased supply of rent-restricted affordable housing.

Need to triangulate and optimize between maximizing depth of affordability, ensuring continued housing development, and limiting the cost of incentives.

Florida State law requires that local governments seeking to use IZ policies align market economics and public benefit.

Section 125.01055 of Florida’s statutes authorizes localities to increase the supply of affordable housing using land use mechanisms, such as inclusionary housing or linkage fees. Inclusionary housing ordinances may require a specific set-aside of housing units or an in-lieu fee.

In May 2019, the Florida Legislature passed HB7103, which amended this statute to require municipalities in Florida to use incentives to “fully offset all costs” to a developer associated with creating affordable housing units from inclusionary zoning. These incentives may include (but are not limited to) density bonuses, reduced or waived fees, or granting other incentives.

For example, in August 2019, **Palm Beach County** revised the **Workforce Housing Program (WHP)**, a mandatory inclusionary program for 10+ units in Urban/Suburban tiers, to create incentives that reflect the number of affordable units. Similarly, in October 2019, **The City of Ocala** updated the **Affordable Housing Incentive Fund** to offset some of the costs of developing affordable units with money accrued from new development.

Sources: [The Florida Legislature](#), [Florida Housing Coalition](#), [City of Gainesville Affordable Housing Advisory Committee](#)

HR&A tested the feasibility and impact of an inclusionary zoning policy in Gainesville and provided recommendations for policy design.

FEASIBILITY ANALYSIS

1. **Propose IZ scenarios to test**, based on national precedents
2. **Test IZ policy impact** on development profitability
3. **Identify and evaluate incentive tools** to narrow economic gap

POLICY RECOMMENDATIONS

- Propose policy design**, including elements like:
- Affordability depth
 - Affordability duration
 - In-lieu fee
 - Unit pricing
 - Unit characteristics
 - Concurrency of unit delivery
 - Policy applicability

ADMINISTRATIVE RECOMMENDATIONS

- Once Gainesville has designed and adopted an IZ policy, it must administrate the policy through:
- Process Guidelines
 - Development Approvals
 - Program Management

Ultimately, HR&A recommends that Gainesville adopt an IZ policy with a 10% set-aside for households earning up to 80% AMI, with the option of an in-lieu fee.

These requirements should be periodically reviewed and adjusted, every two years.

Key Program Design Element	Recommendation
Set Aside & Affordability Requirements: calibrating depth and amount of affordable units, vs. feasibility of requiring units	<ul style="list-style-type: none"> 10% affordable units at 80% AMI
In-Lieu Fee / Flexibility for Compliance	<ul style="list-style-type: none"> Establish in-lieu fee option, set at \$120-160K per affordable unit that would have been built under IZ; adjust fee level every two years
Development Scale (Size of Developments Subject to IZ)	<ul style="list-style-type: none"> Apply IZ requirements to multifamily residential developments with ten or more units
Applicability (Voluntary vs. Mandatory, Applicability to Existing Developments)	<ul style="list-style-type: none"> Voluntary opt-in for geographies outside of IZ policy Incentives applicable to non-market rate units Not applicable to existing development
Affordability Term / Duration	<ul style="list-style-type: none"> 99 years
Unit Pricing (based on household income and size)	<ul style="list-style-type: none"> Follow existing HUD guidelines
Unit Characteristics	<ul style="list-style-type: none"> Ensure affordable units are identical with market-rate units
Concurrency of Delivery of Affordable Units	<ul style="list-style-type: none"> Include a concurrency requirement
Fractional Units	<ul style="list-style-type: none"> Adopt normal rounding rules, rounding up for fractional units above 0.5

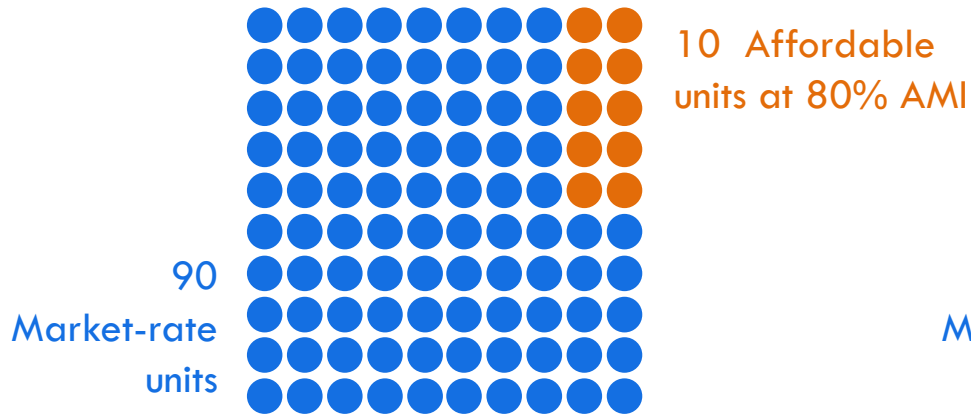
Inclusionary Zoning – Feasibility Analysis

To evaluate the potential impact of IZ, HR&A considered two policy scenarios that present a tradeoff between amount and depth of affordability.

One scenario requires a 10% set-aside of affordable units at 80% AMI, and one requires an 8% set-aside of units at 60% AMI. These scenarios were selected based on precedent IZ policies around the nation.

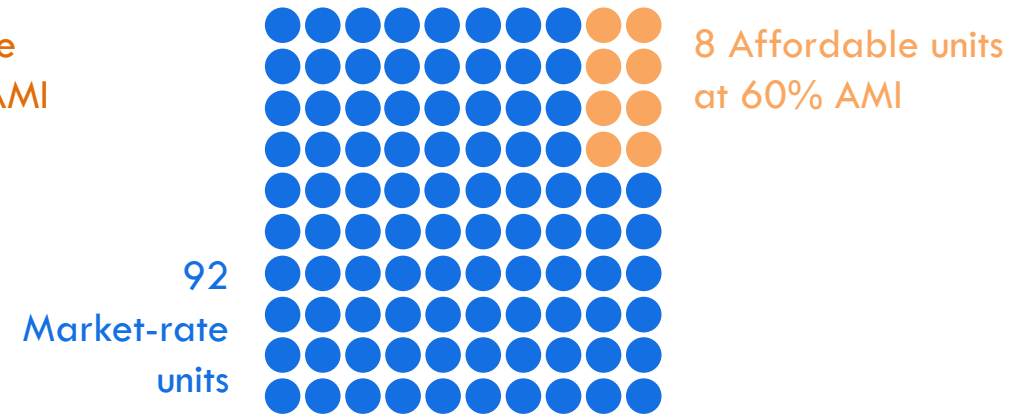
Scenario 1, 10% Affordability Set-Aside at 80% AMI

Example 100-Unit IZ Project



Scenario 2, 8% Affordability Set-Aside at 60% AMI

Example 100-Unit IZ Project



If a mandatory inclusionary zoning policy with a 10% set-aside or an 8% set-aside would have been in place from 2018 to 2020, approximately 250 units or 200 units of affordable housing would have been created, respectively, based on the amount of market-rate multifamily residential housing that was built in those years.

HR&A observed five common types of new development in the Gainesville market and tested the feasibility of an IZ policy against each of these development types.



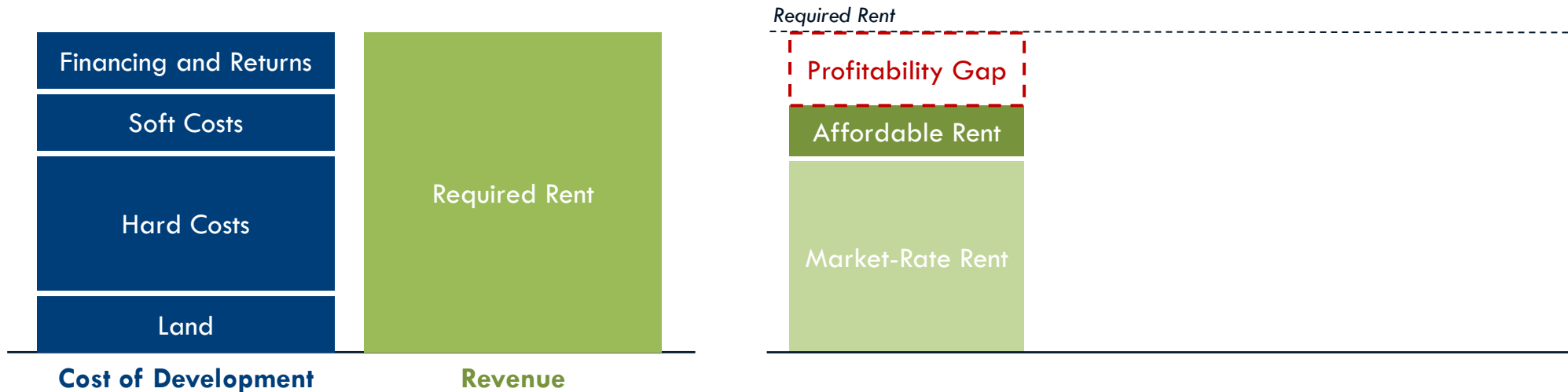
	Large Garden	Large Midrise	Infill Midrise	Infill Highrise	Single-Family
Neighborhood	West and NW Gainesville	West and NW Gainesville	Innovation District, University Heights	Innovation District, University Heights	West and NW Gainesville
Lot Size	Large	Large	Small	Small	Large
Number of Stories	3 – 4	4 – 5	4 – 6	7+	1 – 2
Example Recent Developments (student-oriented developments)	<ul style="list-style-type: none"> • Novo Markets West • 23West • The Mayfair 	<ul style="list-style-type: none"> • City Place at Celebration Pointe • Liv+ Gainesville 	<ul style="list-style-type: none"> • Cascades • Midtown Apartments 	<ul style="list-style-type: none"> • The Standard • Evolve Gainesville 	<ul style="list-style-type: none"> • 88th Street Cottages • Dream Gainesville

*The “single-family” rental developments are built in bulk on a single piece of land and are essentially “horizontal multifamily.” Recent developments include market rate development and “student-oriented developments,” which are those occupied by, and marketed to, students, but not limited to them, separate from dorms or private student housing.

Detailed descriptions in Appendix.

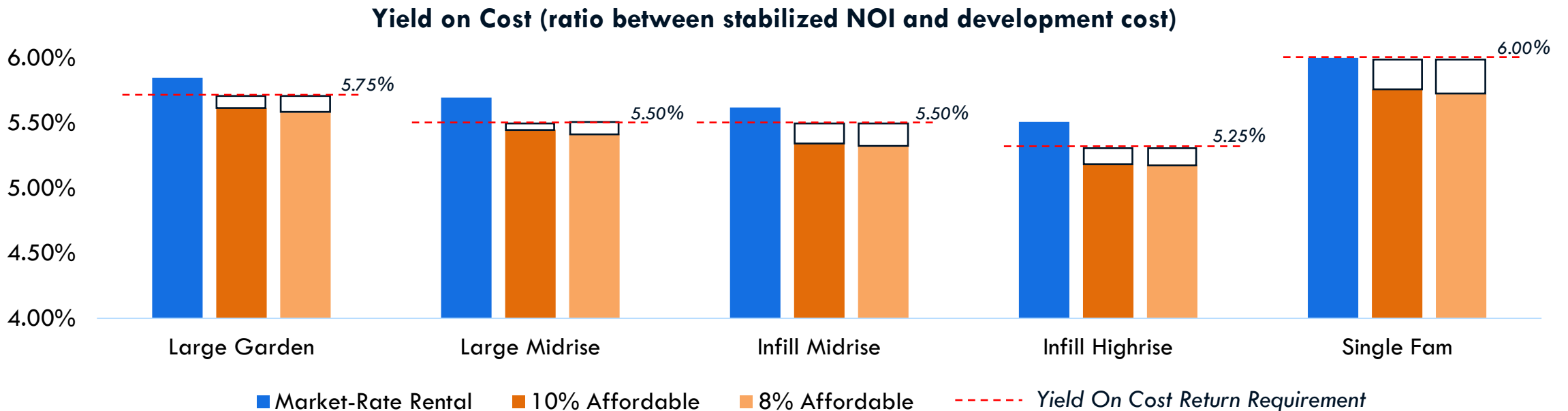
HR&A set up a development model that calculates the financial impact of requiring affordable units for each building typology.

Implementing an inclusionary zoning policy constrains rental revenue, which may reduce project revenues and make a project unprofitable if those revenues can no longer cover development costs. Without sufficient incentives, a mandatory policy could reduce affordability by creating infeasible developments and restricting the production of new units.



HR&A’s modeling finds that 10% and 8% IZ requirements bring project profitability below threshold return requirements for all five typologies.

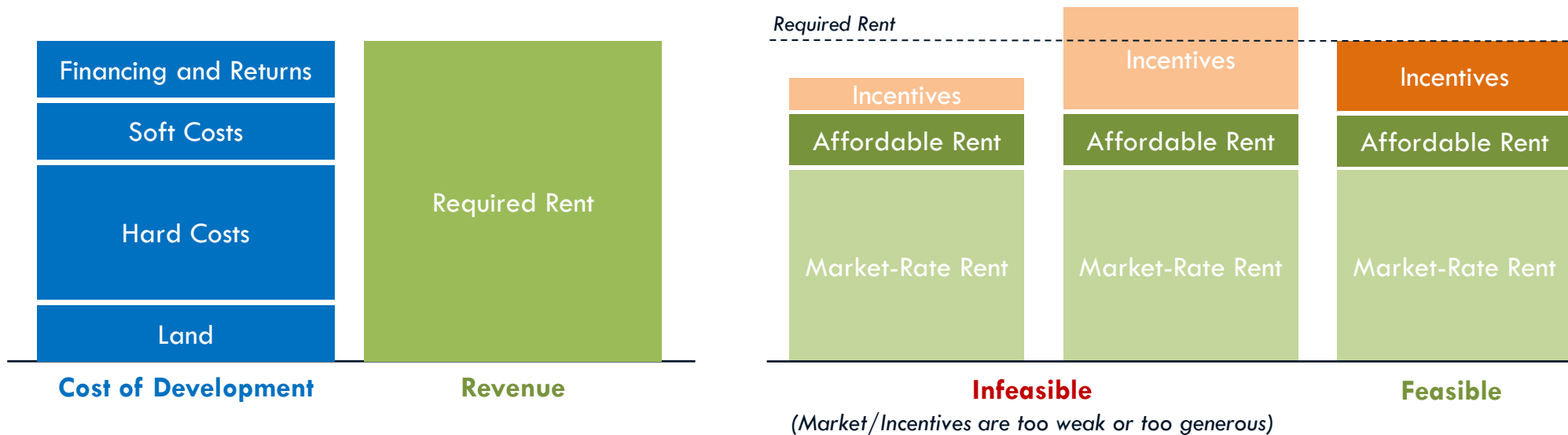
Project profitability was measured using Yield on Cost, calculated for each property type using a 10-year cash flow model. The model was populated with assumptions gathered from empirical market data and developer interviews (see summary table of assumptions in the Appendix). The calculations below give a sense of the average directional impact and relative magnitude of policies. Falling below the return threshold does not mean every deal will die, but that fewer deals will happen; similarly, not every project above the return threshold will necessarily happen. Based on our model, **the likely profitability gap for a developer per required affordable unit is between \$16,000 to \$140,000.**



Bringing new construction projects to meet expected developer returns requires providing incentives that make up the profitability gap.

Using our model, HR&A calculated the dollar value of incentives that would bring a project to a threshold level of feasibility, calibrated such that incentives are neither too weak nor too generous.

Inclusionary Zoning Feasibility | Identifying Appropriate Incentives for Development under IZ



After considering a range of tools, HR&A tested two forms of incentive to overcome the profitability gap.

**Applicable,
impacts modeled**

Additional Density

The City can approve additional density and/or height to counter the loss of revenue associated with affordability.

Public Land Contribution

Where applicable, the City could contribute some or all land, reducing development costs.

**Likely applicable,
not modeled**

Expedited Review

The City may be able to expedite review of certain permits and applications, but the value of this time is not fixed.

By-Right Development

The City could streamline the development process, but this may not shape the “go/no-go” decision for a project.

Needs further consideration

Minimum Parking Reduction

The City already plans to waive parking requirements in many urban areas.

Direct Subsidy

Direct subsidy can be costly and requires identification of a consistent and substantial source of funding. This incentive requires further analysis of (1) the efficiency of using public funds to create new units relative to other methods and (2) the depth of affordability that can and should be achieved with these resources.

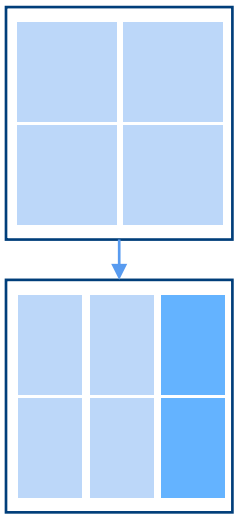
Synthetic Tax-Increment Financing

The City could establish a mechanism in its budget to offset a portion of real estate taxes for IZ properties. In Gainesville, there is precedent for a synthetic TIF for commercial developments, but not yet residential.

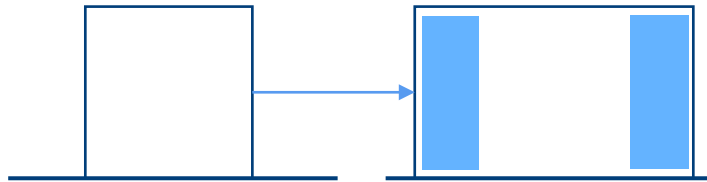
Granting “additional density” to fill the feasibility gap can take several forms from a regulatory perspective to achieve the desired level of profitability.

Our model represents “additional density” as an increase in the number of units, and a commensurate increase in both rents and development costs. In practice, this additional density can be achieved through several zoning and land use changes, including the ones below:

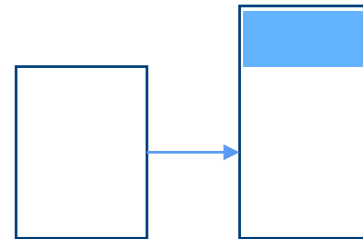
Smaller units



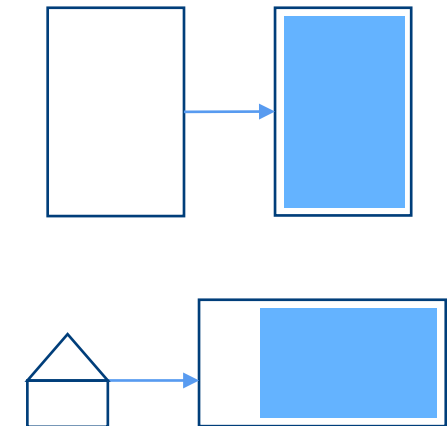
Relaxed setback requirements and increased lot coverage



Additional height allowances



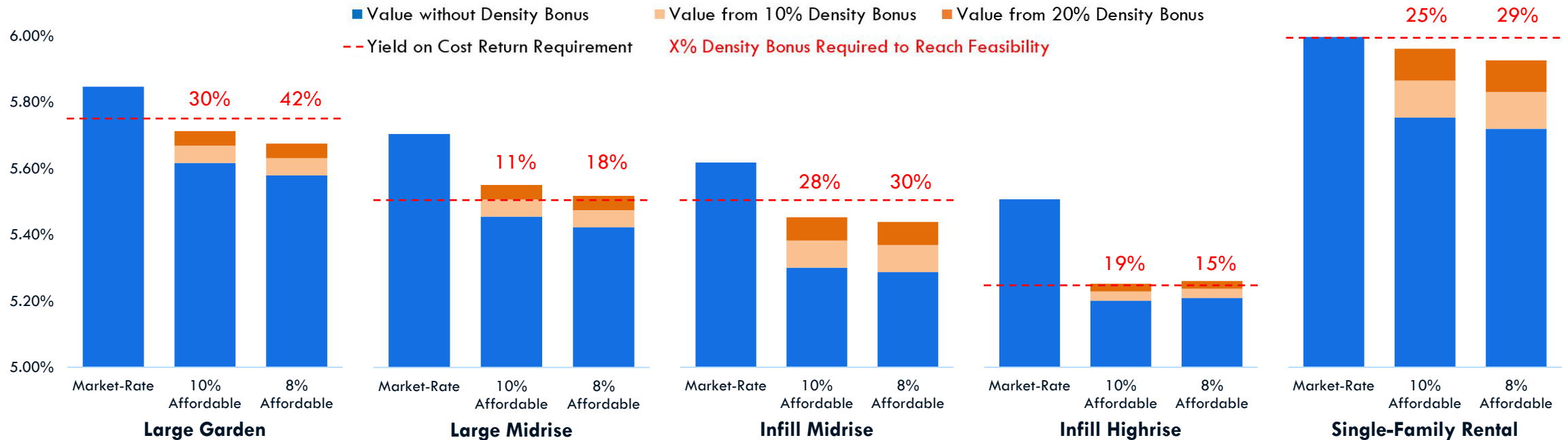
Wholesale land use change (e.g., commercial to resi, single-family to multifamily)



A density bonus of up to 30 percent would help projects meet developer return expectations for all typologies under a 10% IZ requirement.

While additional density is an attractive incentive, the real-world value of additional density is constrained by market demand. Many developers are not currently building up to existing height restrictions because it is costly to build more vertically. A density bonus would be most meaningful for typologies that are currently brushing up against density restrictions—namely, infill high-rise typologies.

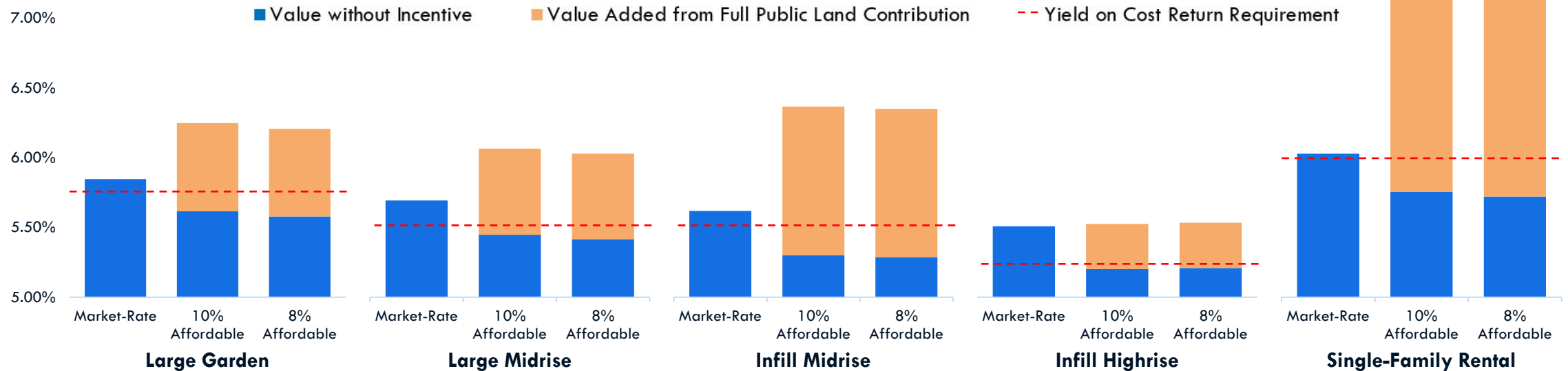
Yield on Cost with IZ Density Bonus



To the extent that public land is available and suitable for new multifamily development, local governments can provide public land to support provision of affordable units.

Waiving the cost of public land in disposition to a developer would be highly valuable as it reduces upfront development costs. In fact, HR&A’s modeling found that contributing the full value of public land (estimated to be between \$4M to \$6M in market value for our hypothetical test cases), exceeds normal developer returns without IZ. This indicates that the City could either waive a portion, but not all, costs associated with the purchase of public land, or could apply a steeper affordability requirement to development of housing on public land (some cities do this today, for instance, requiring up to a 25% set-aside requirements instead of 15% for projects receiving public land contributions).

Yield on Cost with Full Public Land Contribution



Inclusionary Zoning – Policy Recommendations

Set-Aside and Affordability Requirements

PRECEDENTS

City	Affordability Level	Portion of Development
Atlanta, GA	60-80% AMI	10% of units for incomes \leq 60% AMI, or 15% of units for incomes \leq 80% AMI
Boston, MA	70% AMI	13% of total number of units on-site (citywide; percentage varies by zone)
Burlington, VT	65% AMI	15% of units, depending on the avg. price of the market-rate homes
New Orleans, LA	60% AMI	10% of units (Tier 1); 5% of units (Tier 2); voluntary (Tier 3)
Newtown, MA	80-120% AMI	10% of total habitable space
Norwalk, CT	60% AMI (based on state income)	10% of total units
Seattle, WA	60% AMI	5-7% of total units
Stamford, CT	50% AMI	10% of units
Washington, D.C.	60% MFI; tenant must not spend $>$ 41% of income on housing	8-10% of residential square footage

HR&A Recommendation

HR&A recommends that the City of Gainesville implement an IZ policy that requires a set-aside of 10% of units affordable to households, all affordable to households earning 80% of AMI.

In-Lieu Fee

IZ programs often offer developers an option to opt out of developing on-site affordable housing through a financial payment, or in-lieu fee. The in-lieu fee creates flexibility for meeting an IZ requirement and provides funding to support affordable housing that is not being developed by the market, including larger family-sized units, supportive housing, and other forms of housing to serve **specific low-income populations**.

PRECEDENTS

Cities such as Boston, MA have written fees as specific dollar amounts in their policies, while other cities including Portland, OR and San Francisco, CA charge in-lieu fees based on a specified amount per gross square foot of development. In either case, the fee is typically developed based on the difference in market value between a market rate unit and an IZ unit. As market conditions change, the fee must be reevaluated to ensure it remains appropriately priced for the market.

HR&A Recommendation

HR&A recommends that the City of Gainesville establish an in-lieu fee option. The fees should be collected at the issuance of a building permit for the development, and the City should clearly outline how the fees will be deposited into a specified fund for affordable housing. Within an implementation and procedures manual developed separate from policy language, the City should require funds generated through in-lieu fees to be deployed within areas of opportunity—as defined by the City’s affordable housing task force to align production with identified City goals.

Adjustments to the in-lieu fee should be considered every two years to ensure it is set at an appropriate level as market conditions evolve. The IZ policy should clearly outline the process for updating, collecting, and expending fees. In some communities, a failure to update fee formulas has led to artificially low fee levels and developers overwhelmingly choosing to make fee contributions rather than construct on-site units.

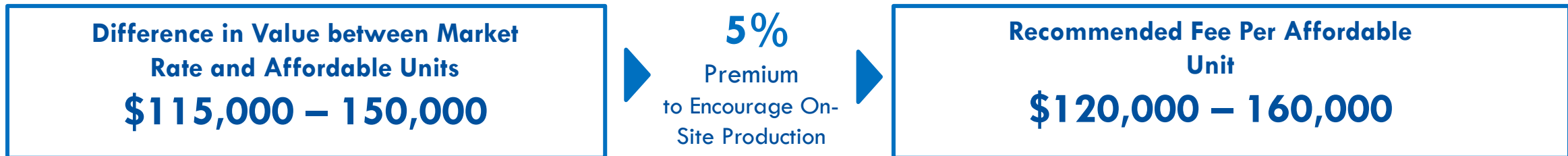
In-Lieu Fee

CALCULATING THE IN-LIEU FEE

In order to ensure that developments in highly desirable neighborhoods still have an incentive to build affordable units on-site, the fee should be set above “average” opportunity cost to more closely resemble the true opportunity cost for high-end buildings. In Gainesville, it will be most appropriate to set this fee based on the most common building typologies. Under this structure, developers choosing to pay the fee will create the largest benefit to the surrounding community, who will receive the benefit of a fee that is larger in total financial worth than the subsidy that would flow to the affordable units within a given development.

HR&A Recommendation

Based on the analysis of current market conditions in Gainesville, the current fee in lieu fee in Gainesville should be \$120,000 to 160,000 per affordable rental unit. The fee calculation is based on the average per-unit difference in market value between building a fully market-rate development and a development that satisfies the IZ requirements. HR&A recommends applying an **additional 5-10% premium to the calculated fee in order to incentivize developers to produce units on-site, in line with City policy goals.**

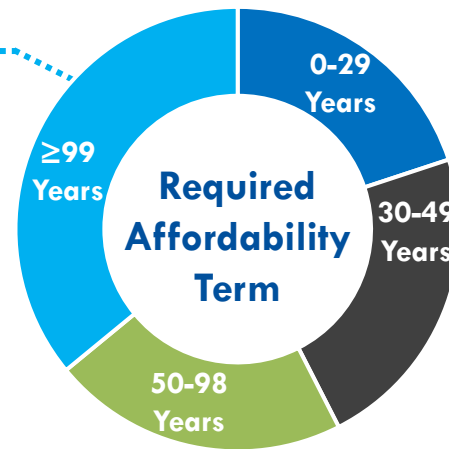


Affordability Term

Affordable housing created through IZ programs vary in the length of time units are required to remain affordable. The term of affordability typically begins for rental units when the unit is granted a certificate of occupancy and for for-sale units at the time a unit is initially sold.

Long-term affordability is viewed as a best practice for preserving affordable housing and newer IZ policies are increasingly focused on long-term affordability.

36% of cities with an IZ policy require an affordability term at or greater than 99 years.



HR&A Recommendation

HR&A recommends that Gainesville establish an affordability term of 99 years. Long-term affordability will reinforce a sustainable model for affordable housing production in Gainesville and relieve pressure that developments to replace units as their term expires. HR&A’s financial analysis supports this term of affordability.

Source: HR&A Analysis of Grounded Solutions Network Inclusionary Housing Database

Development Scale

As a policy that uses the value of market rate development to support the creation of affordable housing, IZ policies typically establish a minimum project size for developments subject to an IZ requirement.

PRECEDENTS

The minimum development scale to require IZ varies by jurisdiction, though most are between ten and twenty units. Washington, DC applies IZ to developments with ten or more units and Portland, OR applies its IZ policy to projects with twenty or more units. Some jurisdictions, including Washington, DC, provide a process for opting into IZ in developments smaller than the minimum requirement if the developer desires to utilize IZ incentives. Niche multifamily residential development types including assisted living facilities and dormitories are typically exempt from adhering to IZ policies due to their different living typologies.

HR&A Recommendation

HR&A recommends Gainesville apply IZ requirements to multifamily residential of ten or more units, though smaller developments should be permitted to voluntarily opt-in in exchange for receiving incentives provided by the IZ policy.

Inclusionary requirements should not be imposed on single-room occupancy (SRO) buildings, such as assisted living facilities or student dormitories. For the purposes of exclusion from IZ, assisted living should be considered separately from independent living and other group homes. IZ should still apply to new market-rate housing that may be student-oriented, i.e., marketed to or occupied by students.

Applicability

VOLUNTARY PARTICIPATION

For developments outside of geographies requiring IZ participation, the HR&A team recommends permitting **voluntarily opt-in for developments to provide affordable units in exchange for IZ zoning incentives**. Receipt of tax abatement or other tax reduction tools in these locations is not tied to meeting an affordability requirement. However, for any scenario in which public funds are being provided, the City should pursue affordable housing and other public goals to the extent possible.

APPLICABILITY OF POLICY TO PLANNED DEVELOPMENT

The City should establish that the policy does not apply to developments that have already been approved. Developments which have already received a permit should not have a requirement to provide IZ units after gaining development approvals. Although this will slow the near-term production of affordable housing, requiring IZ units can significantly alter the financial feasibility of a development and cause an already approved development to no longer be feasible. **However, the HR&A Team recommends that the City provide an opt-in option for approved developments.** Opt-in policies allow development which have already gained approval to voluntarily provide IZ units in exchange for the incentives offered for IZ developments.

HR&A Recommendation

HR&A recommends a policy that has: (1) voluntary opt-in for geographies outside mandatory IZ, (2) available incentives applicable to non-market rate units, and (3) should not apply to developments already approved (with an opt-in option for projects interested in seeking IZ incentives).

Unit Pricing

Unit pricing refers to the rent charged per unit. These are not regulated by Department of Housing and Urban Development (HUD) guidelines, unlike other housing programs. As a result, there is variation in strategy used.

A complete pricing formula must contain:

- **The share of household income for housing that is considered affordable.** Using an affordability standard of 30% of gross household income for housing costs—including rent and utilities—aligns with federal guidance and is most appropriate.
- **Unit size pricing based on household size.** Area Median Income, the common metric used for affordable housing programs, adjusts income limits by household size.
- **The income level used for pricing.** Based on IZ policy recommendations, the policy should clearly state that maximum rental cost levels for inclusionary units are equivalent to an affordable rent at 60% and 80% of AMI (per household).
- **The specific items included in housing costs.** All utilities paid by tenants and owners should be included in the affordability calculation (e.g. water, gas, electric) based on published utility allowances.

HR&A Recommendation

HR&A recommends developing a formula for unit pricing based on existing HUD guidelines. A formula must address share of household income considered affordable (30%), unit pricing based on household size, the income levels used for pricing, and the specific items included in housing costs (utilities, etc.)

Unit Characteristics

Common practice is to ensure IZ units are substantially similar to market rate units and are integrated into the rest of the building.

PRECEDENTS

Most jurisdictions, including San Mateo, CA and Washington, DC, require affordable units to be largely indistinguishable from market rate units. Important considerations include IZ unit location in building, quality of finishes, size, and unit mix relative to market rate units in the building.

HR&A Recommendation

HR&A recommends Gainesville require IZ housing units to be largely indistinguishable from market rate units and be integrated into the rest of the building, including specific guidelines such as:

- Scattering IZ units throughout the building so as not to be co-located on one floor or in less desirable areas of the building,
- Matching the quality of in-unit feature and finishes between affordable and market rate units, and
- Ensuring that IZ units resemble the makeup of the building in terms of unit size and unit mix.

Development Concurrency

Concurrency guidelines ensure IZ units within a development are delivered at the same time as market rate units. Without concurrency guidelines, there is risk that the delivery of IZ units may be delayed until after market rate units are constructed and completed, or never built.

PRECEDENTS

Concurrency is commonplace in IZ programs across the country and policies may use simple and direct language to ensure developers understand their responsibilities for providing a proportional number of affordable units in the same timeframe as market rate units.

HR&A Recommendation

HR&A recommends Gainesville include a concurrency requirement as part of an IZ policy, which will require IZ units to be made available at the same time as market rate units.

Fractional Units

Affordability requirements based on a percentage of total development regularly produce fractional inclusionary unit requirements. For example, a 42-unit building with a 10% affordability set-aside would be required to produce 4.2 affordable units. It is common practice to clarify how such cases should be handled.

PRECEDENTS

Although some jurisdictions require developments to round up to the next highest whole number, the American Planning Association's (APA) model policy for fractional units suggests using normal rounding where fractions above .5 round up to the next highest whole number while fractions below .5 round down to the next lower whole number. In the example 42-unit building above, the APA model policy would produce four units of affordable housing.

HR&A Recommendation

HR&A recommends that Gainesville follow APA guidelines and adopt normal rounding rules for determining the count of IZ units (fractions above .5 round up to the nearest whole unit).

Summary of Recommendations

These requirements should be periodically reviewed and adjusted, every two years.

Key Program Design Element	Recommendation
Set Aside & Affordability Requirements: calibrating depth and amount of affordable units, vs. feasibility of requiring units	<ul style="list-style-type: none"> 10% affordable units at 80% AMI
In-Lieu Fee / Flexibility for Compliance	<ul style="list-style-type: none"> Establish in-lieu fee option, set at \$120-160K per affordable unit that would have been built under IZ; adjust fee level every two years
Development Scale (Size of Developments Subject to IZ)	<ul style="list-style-type: none"> Apply IZ requirements to multifamily residential developments with ten or more units
Applicability (Voluntary vs. Mandatory, Applicability to Existing Developments)	<ul style="list-style-type: none"> Voluntary opt-in for geographies outside of IZ policy Incentives applicable to non-market rate units Not applicable to existing development
Affordability Term / Duration	<ul style="list-style-type: none"> 99 years
Unit Pricing (based on household income and size)	<ul style="list-style-type: none"> Follow existing HUD guidelines
Unit Characteristics	<ul style="list-style-type: none"> Ensure affordable units are identical with market-rate units
Concurrency of Delivery of Affordable Units	<ul style="list-style-type: none"> Include a concurrency requirement
Fractional Units	<ul style="list-style-type: none"> Adopt normal rounding rules, rounding up for fractional units above 0.5

Appendix

Appendix

Exclusionary Land Use Controls Literature Review

1. Gregory Ingram and Yu-Hung Hong, “Fiscal Decentralization and Land Policies”, 2007, Lincoln Institute of Land Policy.
2. Edward Glaeser and Joseph Gyourko, “The Impact of Zoning on Housing Affordability”, 2002.
https://www.nber.org/system/files/working_papers/w8835/w8835.pdf
3. Robert Manduca, “How Rising U.S. Income Inequality Exacerbates Racial Economic Disparities”, 2018, The Washington Center for Equitable Growth <https://equitablegrowth.org/how-rising-u-s-income-inequality-exacerbates-racial-economic-disparities/>
4. Christopher Silver, “The Racial Origins of Zoning in the American Cities”, 1997. <https://www.asu.edu/courses/aph294/total-readings/silver%20--%20racialoriginsofzoning.pdf>

Appendix

Precedent IZ Requirements

Existing IZ policies vary in their design, depending on local market conditions, public goals, and available tools.

City	Affordability Level	Length of Affordability	Portion of Development	In-Lieu Fee Amount Per Rental Unit
Atlanta, GA	60-80% AMI	20 years	10% of units for incomes \leq 60% AMI, or 15% of units for incomes \leq 80% AMI	\$124,830 - \$167,364 (varies by geography)
Boston, MA	70% AMI	30 years, with the right to renew for 20 years	13% of total number of units on-site (citywide; percentage varies by zone)	\$68,400 (market-rate); \$380,000 (affordable)
Burlington, VT	65% AMI	99 years	15-25% of units, depending on the avg. price of the market-rate homes	No in-lieu fee
New Orleans, LA	60% AMI	99 years	10% of units (Tier 1); 5% of units (Tier 2); voluntary (Tier 3)	HR&A proposal: \$29,100 (market-rate); \$291,000 (affordable)
Newtown, MA	80-120% AMI	40 years	10% of total habitable space	
Norwalk, CT	60% AMI (based on state income)	In perpetuity	10% of total units	Fee based on a percentage of State of CT median income; percentage varies by affordability level of unit
Seattle, WA	60% AMI	75 years	5-7% of total units	\$5.00 - \$32.75 per square foot
Stamford, CT	50% AMI	Life of building	10% of units	Fee based on a percentage of SMSA median household income; percentage varies by affordability level of unit
Washington, D.C.	60% MFI; tenant must not spend $>$ 41% of income on housing	Life of building	8-10% of residential square footage	No in-lieu fee

Appendix IZ Model Typology 1: Large Garden

Large Garden style apartments, have primarily been built in West or Northwest Gainesville, where land is more available and cheaper.

Large Garden style apartments generally consist of multiple buildings of 3 to 4 stories spread across a large lot.

Recent example developments include The Mayfair, Park Avenue Apartments, 23 West, and Novo Markets West in the pipeline.



Year Built	2018
Land Area (sf)	601,729
Stories	3
Units	243
Parking	392
Avg PSF Rent	\$1.32



Year Built	2016
Land Area (sf)	663,419
Stories	3
Units	298
Parking	400
Avg PSF Rent	\$1.58

Appendix

IZ Model Typology 2: Large Midrise

Large Midrise style apartments have predominantly been built in West Gainesville.

Large Midrise style apartments generally consist of single or few buildings in 3-4 stories spread across a large lot.

Recent example developments include Liv+ Gainesville and The City Place at Celebration Pointe.



Year Built	2020
Land Area (sf)	130,000
Stories	4
Units	235
Parking	
Avg PSF Rent	\$2.24



Year Built	2021
Land Area (sf)	108,900
Stories	4
Units	220
Parking	400
Avg PSF Rent	\$1.84

Appendix

IZ Model Typology 3: Infill Midrise

Typology 3 consists of Infill Midrise style apartments in University Heights (East of the campus) or the Innovation District.

Infill Midrise style apartments are usually a single wood-frame building of 4 to 5 stories built on a small lot in more land-constrained areas, such as near downtown.

Almost all of these infill properties have been targeted to students, which leads to higher per-square foot rents, larger units, and higher operating costs.

Recent example developments include Social 28 and Cascades.



Year Built	2015
Land Area (sf)	45,739
Stories	6
Units	169
Parking	
Avg PSF Rent	\$2.75



Year Built	2018
Land Area (sf)	84,942
Stories	5
Units	67
Parking	50
Avg PSF Rent	\$2.20

Appendix

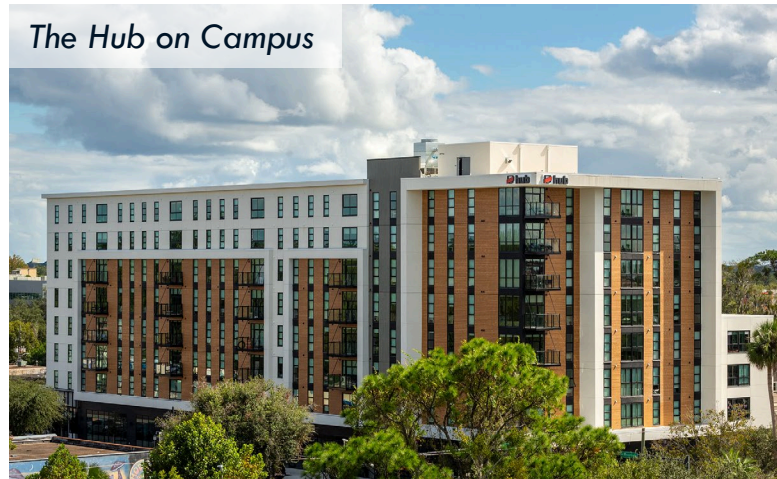
IZ Model Typology 4: Infill Highrise

Typology 4 consists of Infill Highrise style apartments in University Heights.

Infill Highrise style apartments are usually a single building of 7 stories or higher.

Almost all of these infill properties have been targeted to students, which leads to higher per-square foot rents, larger units, and higher operating costs.

Recent example developments include the Hub on Campus or the Standard at Gainesville.



Year Built	2020
Land Area (sf)	96,155
Stories	8
Units	201
Parking	25
Avg PSF Rent	\$1.91



Year Built	2017
Land Area (sf)	61,420
Stories	11
Units	430
Parking	250
Avg PSF Rent	\$2.67

Appendix

IZ Model Typology 5: Single-Family Rental

Typology 5 consists of single-family rental properties in West or Northwest Gainesville.

Most single-family rentals are bulk construction of single-family homes in large plots of land.

Recent example developments include the 88th Street Cottages and The Retreat at Gainesville.



88th Street Cottages

Year Built	2020
Land Area (sf)	166,835
Stories	2
Units	27
Parking	
Avg PSF Rent	\$1.33



The Retreat at Gainesville

Year Built	2016
Land Area (sf)	827,828
Stories	2
Units	82
Parking	150
Avg PSF Rent	\$1.70

Appendix

Inclusionary Zoning Model Assumptions

We used a yield on cost analysis to estimate the amount of value that can be derived from different types of development. The yield on cost was calculated using a 10-year cash flow model that used a range of assumptions gathered from market data and developer interviews.

	Large Garden	Large Midrise	Infill Midrise	Infill Highrise	Single-Family Rental
Total Land (SF)	600,000	300,000	60,000	40,000	500,000
Land Cost (PSF)	\$10	\$15	\$120	\$120	\$10
All-in Construction Costs (GSF)	\$161	\$184	\$207	\$230	\$115
Average Unit Size (NSF)	1,150	935	1,003	1,080	1,420
Market Rent (NSF)	\$1.80	\$2.10	\$2.40	\$2.70	\$1.60
Parking Rent (space/month)	\$125	\$125	\$225	\$225	\$50
Operating Expense per unit	\$4,500	\$5,000	\$6,500	\$7,500	\$5,000
Cap Rate	4.50%	4.25%	4.25%	4.00%	4.75%

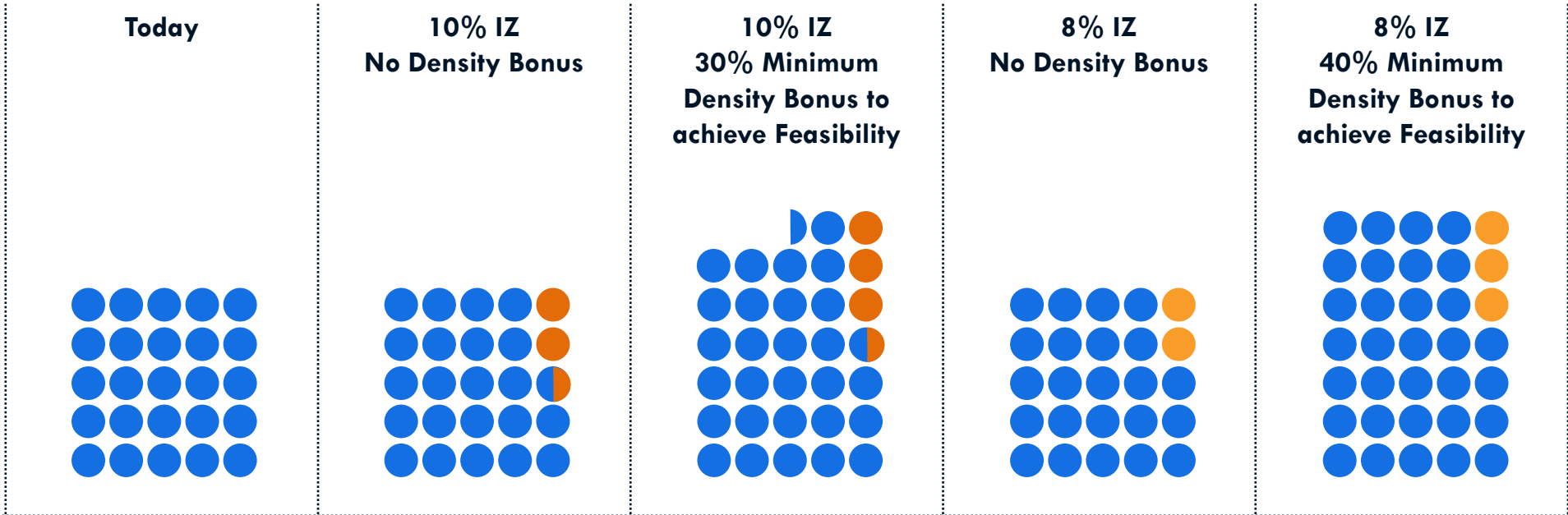
Appendix

Summary of IZ Incentive Impacts

	Large Garden	Large Midrise	Infill Midrise	Infill Highrise	Single-Family Rental
Target Yield On Cost	5.75%	5.50%	5.50%	5.50%	6.00%
Today's Yield On Cost	5.85%	5.69%	5.57%	5.53%	6.03%
Scenario 1					
10% (all 80% AMI)	Infeasible	Borderline	Infeasible	Borderline	Infeasible
+ 15% Density	Borderline	Feasible	Borderline	Borderline	Borderline
+ 30% Density	Feasible	Feasible	Feasible	Feasible	Feasible
+ 100% Land Contribution	Feasible	Feasible	Feasible	Feasible	Feasible
Scenario 2					
8% (all 60% AMI)	Infeasible	Borderline	Infeasible	Borderline	Infeasible
+ 15% Density	Borderline	Borderline	Borderline	Feasible	Infeasible
+ 30% Density	Borderline	Feasible	Feasible	Feasible	Feasible
+ 100% Land Contribution	Feasible	Feasible	Feasible	Feasible	Feasible

Appendix IZ Example Project: Large Garden

- = 10 units
- Market Rate Unit (\$1440 for 1 Bedroom)
- 60% AMI Unit (\$824 for 1 Bedroom)
- 80% AMI Unit (\$1099 for 1 Bedroom)



Yield On Cost (5.75% target)	5.85%	5.62%	5.75%	5.58%	5.75%
Total Units	250	250	325	250	350
Affordable Units	0	25	33	20	28

Appendix IZ Example Project: Large Midrise

- = 10 units
- Market Rate Unit (\$1680 for 1 Bedroom)
- 60% AMI Unit (\$824 for 1 Bedroom)
- 80% AMI Unit (\$1099 for 1 Bedroom)

	Today	10% IZ No Density Bonus	10% IZ 10% Minimum Density Bonus to achieve Feasibility	8% IZ No Density Bonus	8% IZ 10% Minimum Density Bonus to achieve Feasibility
Yield On Cost (5.50% target)	5.69%	5.45%	5.50%	5.42%	5.50%
Total Units	200	200	220	200	240
Affordable Units	0	20	22	16	19

Appendix IZ Example Project: Infill Midrise

- = 10 units
- Market Rate Unit (\$1920 for 1 Bedroom)
- 60% AMI Unit (\$824 for 1 Bedroom)
- 80% AMI Unit (\$1099 for 1 Bedroom)

	Today	10% IZ No Density Bonus	10% IZ 30% Minimum Density Bonus to achieve Feasibility	8% IZ No Density Bonus	8% IZ 30% Minimum Density Bonus to achieve Feasibility
Yield On Cost (5.50% target)	5.57%	5.30%	5.50%	5.29%	5.50%
Total Units	150	150	195	150	195
Affordable Units	0	15	20	12	16

Appendix IZ Example Project: Infill Highrise

- = 10 units
- Market Rate Unit (\$2160 for 1 Bedroom)
- 60% AMI Unit (\$824 for 1 Bedroom)
- 80% AMI Unit (\$1099 for 1 Bedroom)

	Today	10% IZ No Density Bonus	10% IZ 20% Minimum Density Bonus to achieve Feasibility	8% IZ No Density Bonus	8% IZ 15% Minimum Density Bonus to achieve Feasibility
Yield On Cost (5.25% target)	5.53%	5.20%	5.25%	5.21%	5.25%
Total Units	250	250	300	250	288
Affordable Units	0	25	30	20	23

Appendix IZ Example Project: Single Family

- = 10 units
- Market Rate Unit (\$1440 for 1 Bedroom)
- 60% AMI Unit (\$824 for 1 Bedroom)
- 80% AMI Unit (\$1099 for 1 Bedroom)

	Today	10% IZ No Density Bonus	10% IZ 25% Minimum Density Bonus to achieve Feasibility	8% IZ No Density Bonus	8% IZ 30% Minimum Density Bonus to achieve Feasibility
Yield On Cost (6.00% target)	6.03%	5.76%	6.00%	5.72%	6.00%
Total Units	100	100	125	100	130
Affordable Units	0	10	13	8	10