

Inclusionary Zoning/Workforce Affordable Housing

Alternatives to a Misguided Policy Solution to Maine's Workforce Housing Crisis

What is an Inclusionary Zoning/Workforce Affordable Housing Mandate?

Inclusionary Zoning (IZ) is a term that refers to a **Workforce Affordable** housing mandate by which **housing-creators must subsidize** the cost of certain new dwelling units as part of a housing creation project. These projects are not supported by state or federal subsidy, such as a low-income housing tax credit (LIHTC).



How Does it Work?

When a housing creator is creating a specific new number of dwelling units – for rent or for sale; the housing creator must carve out a specific percentage of those dwelling units; to be offered at a price subsidized by the housing creator, which is defined by ordinance as being affordable to an individual earning some percentage of the Area Median Income (AMI).

Example:



If more than 20 dwelling units are being created, at least 10% of those units must be made available, for rent or sale, at a price that is affordable to an individual earning not more than 120% of AMI.

What Better Alternatives Exist to Incentivize Workforce Affordable Housing?

New Housing Law Includes Incentives

Public Law
2021, Ch. 672

Effective July 1, 2023

- For designated growth areas, or areas serviced by public sewer or water, the new law provides **density bonus of 2 ½ times** the number of workforce affordable units that would otherwise be permitted.
 - ❖ Income limits at: 80% of AMI or 120% of AMI (to rent, or to own, respectively).
- Fewer required parking spaces per workforce affordable housing unit.

Your Town Can Act Sooner and Do More!

- **Implement** the law sooner!
- **Broaden income requirements to service more community members.**
- Allow more units on a lot; **create height exceptions**; lower setback, and frontage requirements; and fewer parking spaces per unit.

*30-A MRSA § 4364, enacted as [Public Law 2021, Chapter 672](#)

Other Tools to Incentivize Workforce Affordable Housing

- ❖ **Create an Affordable Housing Tax Increment Financing (ATIF) for the project.**
Partner with housing creators to provide Affordable Housing Tax Increment Financing (ATIF). MaineHousing can assist your town with establish an ATIF. Learn more about ATIFs here.
- ❖ **Issue Municipal Bonds to Subsidize Workforce Affordable Units.**
As a public policy priority, consider issuing bond funds to subsidize the lower cost of workforce affordable units. This shifts the burden off of the housing creator and onto the community as a whole.
- ❖ **Establish a Local Land Bank.**
A new law enables towns to establish a land bank to purchase properties, rehabilitate them if necessary, and offer them for sale to developers, including housing creators. See 30-A MRSA § 5151 et. seq., enacted as Public Law 2021, Chapter 664.
- ❖ **Reduce Permitting, In-Lieu, and other Municipal Fees.**
Municipal and administrative costs and fees contribute to the overall expense of a project. When these costs are passed on to the end user, they substantially increase housing costs.

Why an IZ/Workforce Affordable Housing Mandate Is Not the Right Policy Solution

Discourages Housing Creation

- Lack of federal or state subsidy forces housing creators to subsidize workforce affordable units, penalizing those who step up to build housing for your community.

Exacerbates the Missing Middle

****Mandate favors some at the expense of others****

Example:

An IZ/Workforce Affordable housing mandate that requires that rental properties be made **affordable at 80%** of AMI substantially benefits anyone earning at or below 80% of AMI **at the expense of the person earning 81%** of AMI.

Discourages Small and Local Entrepreneurs

- Creates financing challenges; discourages community housing creation; shifts opportunities to out-of-state developers who can bear high costs and risks.
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