

Next Stop Revere: Inclusionary Zoning

How it works

Inclusionary zoning (IZ) requires that a percentage of units in new housing development be affordable to low- or moderate- income households. Because it requires private developers to bear the burden of creating a community benefit—Affordable Housing units—an IZ policy must include elements to offset some of the cost of producing housing for rent or sale at below-market rates. An IZ policy must carefully balance affordability requirements and cost offsets, otherwise there's a risk that market rents will increase or development will be deterred.

In the same way that a person needs to earn enough money to pay for their expenses, a housing development must bring in enough money in rent to pay for the cost of building and maintaining the housing. If a building includes an Affordable Housing unit, that unit brings in less money than it would if that unit were market rate. As more Affordable Housing units are included in a development, it brings in even less money overall.

Most projects can absorb the cost of some affordability, meaning that the developer may earn fewer profits, but the project will likely still bring in enough in rents to cover the cost of building and maintaining the housing. This is called feasibility. However, if a City asks for too much affordability, the building's rents will not be enough to cover its expenses. When this happens, the project is not built, resulting in no new housing, affordable or market. This is where cost offsets come in.

If a City wants an IZ policy that requires more affordability, it can offer ways to offset the cost of that affordability. The two pieces must balance: the more affordability required, the more offsets should be provided.

Cities that require only moderate affordability need to offer only moderate offsets, such as a density bonus or relief from other dimensional requirements such as setbacks or lot size.

On the other hand, Cities that require more affordability must offer more valuable offsets. One common offset, especially for cities like Revere that have strong public transit, is a reduction in the number of required parking spaces. This is an effective offset because parking is very expensive to build, as much as \$30,000 per space. Revere's current requirement of 2 spaces per unit is unusually high. Property tax relief is another powerful though less common offset. This is so effective because it offers ongoing relief, which balances the ongoing reduced rents from the Affordable Housing units.

Affordability isn't free!

In the examples below, each “●” represents how much the IZ requirement reduces the rents. Think of this as the “cost” of the policy.

Some cities adopt IZ policies that ask for a small level of affordability that may reduce developer profits but maintain feasibility:

10% of units affordable to moderately low-income families (80% AMI): ● ●

Other cities adopt policies that require more affordability. This can mean more Affordable Housing units:

15% of units affordable to moderately low-income families (80% AMI): ● ● ●

Or units affordable to lower-income families:

10% of units affordable to lower-income families (60% AMI): ● ● ● ● ●

These policies must offer cost offsets to balance the greater affordability requirement.

Here are some cost offsets and how powerful they are as indicated by each “●” after. The more powerful a cost offset is, the more Affordable Housing (in number or depth of affordability) can be required of developers.

Dimensional relief: ●

Waive building permit fee: ● ●

Reduce parking requirement: ● ● ●

Property tax relief: ● ● ● ● ●

IZ options for Revere

The City is considering two possible IZ policies for Revere based on housing need, community input, and financial analysis. Both policies balance the affordability requirements, or what the city gets out of the policy, with cost offsets, or what the city gives in exchange.

Option 1 requires deeper affordability—units that are affordable to very low-income families. This option responds to the higher need among very low-income families in Revere. However, because the rents affordable to a very low-income family are even lower, they aren't

enough to cover the building's costs, so the City must include more and powerful cost offsets.

In this option, the combination of the dimensional relief, parking reduction, and especially the tax relief is enough to offset most of the cost of the more deeply affordable units.

Option 2 requires more moderate levels of affordability and offers more moderate cost offsets.

Deeper Affordability

What Revere gets:

15% of units



Affordable to lower-income families (50-60% AMI)



What Revere gives:

Dimensional relief



Parking reduction



Tax relief



Moderate Affordability

What Revere gets:

15% of units



Affordable to a mix of lower and moderate-income families (60-80% AMI)



What Revere gives:

Dimensional relief



Waive building permit fee



Parking reduction



“Deeper Affordability”

“Moderate Affordability”



1-person household

2-person household

4-person household

50% AMI

Earns < \$47,000
Aff. rent: \$1,175

Earns < \$53,700
Aff. rent: \$1,350

Earns < \$67,100
Aff. rent: \$1,675

60% AMI

Earns < \$56,400
Aff. rent: \$1,400

Earns < \$64,440
Aff. rent: \$1,600

Earns < \$80,520
Aff. rent: \$2,000

80% AMI

Earns < \$70,750
Aff. rent: \$1,775

Earns < \$80,850
Aff. rent: \$2,025

Earns < \$101,050
Aff. rent: \$2,525