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Inclusionary zoning 'reforms' beget more problems

By Colin McNickle

Pittsburgh City Council has approved a long- and hotly debated "inclusionary zoning" (IZ) policy. And while the measure indeed included long-overdue land-use reforms, its patchwork nature – leaving mandatory IZ in place in neighborhoods with existing programs but "voluntary" IZ everywhere else (except Downtown and with fees to opt out) – the government cudgel has been lowered only slightly.

"But to encourage more development, the city must embrace the private sector more broadly while refraining from increasing interventionism as it prepares for difficult financial years ahead," says a researcher at the Allegheny Institute for Public Policy (in Policy Brief Vol. 26, No. 42).

Inclusionary zoning requires a certain number of "affordable" units in new market-rate housing developments. There are different requirements for rental and traditional housing projects. In Pittsburgh, a "trial" IZ overlay was first applied to Lawrenceville in 2019 before later being made permanent in 2021 and expanding into Bloomfield, Polish Hill and most of Oakland by 2023.

Data suggest that, at least in Lawrenceville, the IZ policies resulted in fewer affordable housing units being developed – up to about 92 fewer units, depending on how "in-progress" units were counted.

Under the overlay, rental developments of 20 or more units must designate at least 10 percent of total units as affordable – defined as no more than 30 percent of disposable monthly income for those earning no more than 50 percent of the area median income ($55,200 annually for a family of four). The "minimum affordability period" is 35 years and units are, with limited exceptions, to be fully integrated and equivalent to market-rate units.

But while the intent of inclusionary zoning is to produce more affordable housing, it may very well do the exact opposite, says Alex Sodini, a research associate at the Pittsburgh think tank. "IZ acts as a form of rent control, creating an inherent funding gap between the rent received and cost of construction. To bridge that gap, market-rate units may face higher rents to subsidize the

affordable units, developments may be scaled down to fit under the unit threshold or relocated where there are no such requirements," he says.

And some projects may not advance at all as lenders may be reluctant to finance them. "In essence, these unintended consequences may instead inflate the price of housing in general by restricting overall supply while a select few reap the benefits."

"And, as with rent control, IZ incentivizes developers to deprioritize maintenance and to focus on building higher-end projects or go elsewhere entirely, further contributing to higher prices and decreasing overall supply."

But Sodini also reminds that government restrictions can also deter or prohibit development in general.

"Restrictions ranging from what can be built where (i.e. land-use or zoning laws), to parking and permitting requirements can make it more financially and logistically difficult to construct simpler affordable housing," Sodini says.

Employing broad land-use reforms and cutting red tape that make it easier to build all kinds of housing is a far better, long-term solution, the think tank researcher says.

Pittsburgh's 2022 Housing Needs Assessment recognized the need for land-use reforms -- to a degree -- which informed the then-mayoral administration's IZ proposal that was positively recommended to City Council by the city's Planning Commission in early 2025.

This past October, City Council unanimously passed a 176-page ordinance which officially established voluntary inclusionary zoning citywide, aside from the existing policies.

Again, while the land-use reforms are long-overdue and much-needed, "maintaining the existing mandatory IZ requirements, reverting the minimum affordability duration and limiting further building flexibility behind a 'paywall' may very well counteract any gains," Sodini says.

Likewise, he says the practice of utilizing targeted subsidies and abatements – for residential and commercial developments – which divert future property tax revenue must be ended.

"Clawing back longstanding interventionist policies only to substitute in another is not the solution; allowing the private market to work is," he notes.

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