ALLEGHENY INSTITUTE FOR PUBLIC POLICY

November 18, 2026 **Policy Brief: Volume 26, Number 42**

Is Pittsburgh's development scene changing?

Summary: On Oct. 27, Pittsburgh City Council approved a controversial inclusionary zoning (IZ) policy after nearly two years of debate and revisions. While the measure included much-needed land-use reforms, it maintains mandatory IZ in neighborhoods with existing policies and establishes voluntary IZ everywhere else (except Downtown). 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.

Background

Inclusionary zoning is a policy which requires a certain number of "affordable" units in new market-rate housing developments, with 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.

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.

While the intent of IZ is to produce more affordable housing, it may very well do the exact opposite. 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. Some projects may not advance at all as lenders may be reluctant to finance such projects. 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.

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. 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.

Focusing on both broad land-use reforms and cutting red tape to make it easier to build all kinds of housing is a far better long-term solution. The city'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.

Pittsburgh's IZ debate

That 2025 proposal would have expanded mandatory inclusionary zoning citywide but permitted developers to add height based on the number of affordable units included as an incentive via a similar points-based system already in use in certain riverfront and urban center areas. It also proposed reducing the minimum lot size and removing minimum parking requirements for most developments, while more widely permitting accessory dwelling units (ADU). The expansion of mandatory IZ citywide was met with significant public debate and split City Council.

In June of 2025, the City Controller's office released a special report addressing two studies released by community advocacy groups – one in favor of IZ and one opposed – which examined multifamily residential construction prior to and following the implementation of IZ in Lawrenceville. The report highlighted the deficiencies in publicly available data while attempts to recreate the studies using internal Department of City Planning data were similarly limited in sample size and scope, making it difficult to draw definitive conclusions.

However, using the data available, the report implied that IZ in Lawrenceville resulted in either 55.5 or 92.5 units *fewer* than expected, depending on how projects in-progress were counted.

On Oct. 15, 2025, City Council narrowly amended the bill to maintain the existing mandatory overlays while establishing a voluntary IZ program elsewhere (except Downtown, which itself has separate incentives). The inclusion of affordable units would still allow developers extra flexibility on height restrictions. However, developers would also have the option to instead access those bonuses by paying a fee per square foot. The minimum affordability window would also shrink from 35 to just 20 years. The parking minimum and ADU reforms remained, as a standalone ordinance reducing the minimum lot size passed months earlier. An ordinance directing the Department of City Planning to create and post a public housing dashboard by the end of 2026 was passed on March 3, 2026.

On Oct. 27, City Council unanimously passed a 176-page ordinance which officially established voluntary inclusionary zoning citywide, aside from the existing policies. The option to allow developers to access the bonuses by paying a fee per square foot in lieu of including affordable units was maintained, and City Council must separately establish the amount of the fee (presumably $25) and the destination for the funds. The height incentive was adapted to be consistent with the zoning code's existing points-based system, with some limitations. The minimum affordability duration was reverted to 35 years. An ordinance requiring bi-annual reports on the voluntary IZ program was passed on Nov. 9.

What's next?

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

As such, additional work is needed. The mayor's ongoing permitting reform was the subject of a post-agenda meeting on Oct. 28. The permitting changes made thus far are promising but work must continue expeditiously. As part of an anticipated comprehensive zoning update, identifying and addressing further onerous and outdated land-use regulations must be a priority to drive down the cost of, and ultimately encourage, development. The city is also participating in a Bloomberg Philanthropies initiative aimed at spreading knowledge and capacity to implement housing solutions that found success in San Diego, Austin and Atlanta.

Austin is one of few American cities which has seen rents fall since the pandemic – a product of extensive changes to the city's zoning code which made it easier to build, including parking and lot-size reforms and allowing up to three homes on single-family lots including ADUs.

A press release from the mayor indicated Pittsburgh will focus on implementing San Diego's model, which involved significant permitting reform such as fast-tracking all fully affordable housing projects. Ideally, a quick permitting process should be the aim for all projects, commercial *and* residential.

Lastly, Atlanta focused on bringing all relevant public agencies together to ensure a streamlined process and focus on development. Keep in mind that the Urban Redevelopment Authority (URA), Housing Authority, Land Bank, state and federal governments *and* philanthropic organizations *all* have a stake in affordable housing in Pittsburgh.

Concluding thoughts

Over the years, the Allegheny Institute has repeatedly called for the city to focus on "core services" and find areas to outsource functions that can be better or more efficiently performed by other levels of government and the private sector. By focusing on removing barriers and lowering the cost of construction (and the need for evermore public subsidies), the city has an opportunity to allow the private sector and other levels of government to do more with less.

For example, the proposed 2027 operating budget proposes reducing a $10 million annual transfer from the city's general fund to the Housing Opportunity Fund, which is administered by the URA for the purposes of affordable housing production and retention. This should be seriously considered. Likewise, the practice of utilizing targeted subsidies and abatements – for residential *and* commercial developments – which divert future property tax revenue must be ended. To that end, the proposed Downtown TRID deserves reconsideration.

The priority must be to continue to implement land-use reforms and permitting changes while more broadly opposing anti-business measures. Reducing the size and scope of government – including Pittsburgh's fealty to unions which further drive up costs, especially when the public sector is involved – will pave the way for investment and development, thereby improving and creating better job opportunities and growth the city desperately needs.

Doing so would represent further steps in the right direction provided the council and the administration resist the temptation to merely loosen red tape in one area while adding a new layer in another.

Alex Sodini, Research Associate

Policy Briefs may be reprinted as long as proper attribution is given.

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
X (Twitter): AlleghenyInsti1