

WHAT IS INCLUSIONARY ZONING?



Purpose

In January 2004, the Madison Common Council approved subsection 25 of Madison General Ordinance 28.04 that created an inclusionary housing program. The ordinance states its purpose is to further the availability of the range of housing choices for families of all income levels in all areas of the city. The Council acted on the judgment that a full range of housing options promotes diverse and thriving neighborhoods, schools, and communities, and aids in the recruitment and retention of businesses and their employees, each of which contributes to the overall economic well-being of the city.



Covered Developments

To achieve these goals, the Council expects that every development meeting the qualifications listed below will offer housing at rents or prices affordable to people at 80% or less than the area median income, adjusted for household size. In return, the City offers a range of incentives to developers, from greater density to consideration for reductions in park fees, to special financial assistance or variances in parking requirements.

For rental units, the ordinance requires that all development with ten or more rental dwelling units, on one or more contiguous parcels, that requires a zoning map amendment, subdivision, or land division, shall provide a number of inclusionary dwelling units no less than 15% of the total number in the development. Developments that are smaller than 10 units, and developments financed in part with Section 42 low-income housing tax credits or with volume cap tax-exempt bonds are exempted from the provisions of the ordinance.

For units that are to be owner-occupied (for sale) units, including condos, the ordinance requires that all development with ten or more units provide a number of inclusionary units no less than 15% of the total number in the development.



Process for the Owner/Developer

Developer/owners considering proposals that are covered by the ordinance will move through the following nine steps. These are summary descriptions of the steps; more detailed information is found in the City publication *Roadmaps to the Development Process*, and by contacting the lead staff indicted in each step.

- 1. Hold Pre-conference with City Planning Staff**
This is an opportunity to informally discuss issues related to the preparation of a zoning application and an Inclusionary Dwelling Unit Plan (IDUP). Lead staff is Planning (266-4635).
- 2. Present Concept to City's Development Review Staff Team**
Owner presents basic development concept to staff group that includes all related City agencies (from Planning to Engineering, Traffic, Parks, Metro, Fire, Police, Real Estate, CDBG, and Business Assistance), and receives initial feedback. Lead is Planning (266-4635).
- 3. Submit Zoning Application and IZ Dwelling Unit Plan**
Owner submits written application, including IDUP to Planning staff. The IDUP should describe how the owner will meet the goals of the IZ ordinance, and the types of City incentives the owner seeks for the development, such as greater density, parkland credit, parking requirement variations, street tree planting or a cash subsidy. Some of the incentives may require a specific application or decision by the City policy body governing that topic, such as the Park Commission. If owner concludes that the development cannot be financially feasible and meet the 15% affordable unit requirement, developer may seek a "waiver" of the requirement. Owner would need to complete a financial pro-forma and submit this to the CDBG Office (267-0740).
- 4. Formal Review by City's Development Review Staff Team**
City's Development Review Staff Team reviews written application materials and makes formal recommendations concerning Plan Commission adoption, with specific contingencies. Owner may meet with individual agencies to follow through on specific issues or requests for incentives under the Inclusionary Zoning ordinance, such as Parks development credit. Planning Unit will compile City staff comments and provide them to the owner one week prior to the Plan Commission meeting.
- 5. Formal Review by Plan Commission**
Plan Commission reviews formal application and written staff comments. Developer may present site plans and additional material to Commission. Commission takes action on the application, and may recommend specific conditions of acceptance. If owner seeks a waiver of the IZ provisions, the Commission would act on request for waiver, based on staff

review of request and choice of alternative means to comply with ordinance, such as off-site units, payment to IZ Reserve Fund, or alternate developer. Zoning staff will file a temporary deed restriction on the individual parcels designated as IZ dwelling units to assure compliance with the ordinance during the construction phase; Engineering will require a performance bond to assure compliance for site development issues.

- 6. Appeal Plan Commission Decision to Common Council (optional)**
Owner may appeal Plan Commission decision to Common Council. Council would need 2/3 vote to overrule Plan Commission.
- 7. Comply with Approved Inclusionary Dwelling Unit Plan**
The IDUP agreement will outline various responsibilities for the owner to fulfill during the rent-up or sales phase, including marketing, notification to the City of available inclusionary units, and establishment of sales/rental prices for the inclusionary dwelling units.
- 8. Construct Development According to Inclusionary Dwelling Unit Plan**
Owner arranges site preparation and construction according to approved plans and the Subdivision Agreement (if applicable), including the exterior appearance and scattered siting of the inclusionary dwelling units. Building Inspection and Engineering staff will monitor the status of the site development.

As part of the approved IDUP, the owner may arrange for the City to purchase completed lots or dwelling units at this stage for transfer to a qualified non-profit or the Community Development Authority, as a way to meet the affordable unit goals. For all designated inclusionary dwelling units intended for sale/purchase, the City will take an option to purchase on the property that details price and sale considerations. For all designated inclusionary dwelling units intended for rental, the City will register a deed restriction on the property as a means to enforce the approved IDUP.
- 9. Comply with any Continuing Requirements**
For inclusionary dwelling units that are owner-occupied, the owner must notify the City CDBG Office of intent to sell 120 days in advance, and the City may exercise or waive its option to purchase. If the owner wishes to refinance where the owner wishes to withdraw some accumulated equity, the owner must receive City permission. For inclusionary dwelling units that are rental, the owner must notify the City CDBG Office of its availability 60 days in advance of offering the unit on the open market.

The City will also sample approximately 5% of the inclusionary dwelling units annually to review compliance with the terms of the IDUP and the ordinance.



What Incentives Does the City Offer?

Depending upon the “points” awarded to a project based on the percentage of affordable units targeted toward certain income levels, a developer may be eligible for some of the following incentives:

- A. Density bonus of 10% (except developments of 4 or more stories and >75% of parking is underground, or has 30 or fewer detached dwelling units, then density of 20% per point) (limited to 3 points)
- B. Reduction in Park development fees (limit of 1 point)
- C. Reduction in Park Dedication requirements (limit of 1 point)
- D. 25% reduction in parking requirements (limit of 1 point)
- E. Non-City provision of street tree landscaping
- F. Cash subsidy from IZ fund of up to \$2,500/IZ unit (limit of 2 points including incentive G), contingent on availability of funds within the IZ Reserve Fund
- G. Cash subsidy from IZ fund, \$5,000/IZ unit for lower range income of households, up to 50% of on-site IZ units with 49 or fewer detached dwelling units or developments with 4 or more stories and at least 75% of parking is underground (limit of 2 points, including incentive F.) Contingent on availability in IZ Fund.
- H. One additional story in downtown design zones, not to exceed certain height requirements
- I. Eligibility for residential parking permits equal to number of IZ units in PUD
- J. Assistance in obtaining other funds related to housing
- K. Preparation of a neighborhood development plan from non-city sources (if development located in Central Services Area, is contiguous to existing development and no such plan exists)



What City Agencies are Involved in the Inclusionary Zoning Process?

PLANNING UNIT

The Mission of the Planning Unit is to prepare and implement the City’s urban development policies to promote the orderly development of the city.

BUILDING INSPECTION UNIT

The Mission of the Zoning Section of the Building Inspection Unit is to protect the character and maintain the stability of residential, commercial, manufacturing and other areas by regulating the location, intensity, and use of buildings, structures, and land in accordance with the Zoning Code.

CDBG (Community Development Block Grant) OFFICE

The Mission of the CDBG Office is to improve the quality of life for residents of the City of Madison, including the development of affordable housing and the improvement of the access of low and moderate-income people to housing information and resources.

For more information about any of the particular steps, call the individual lead City agency. For more information about the City’s Planning and Zoning process, call the Planning Unit at 266-4635. For more information about the City’s investments in affordable housing, contact the CDBG Office at:

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ABC's of INCLUSIONARY ZONING for MADISON DEVELOPERS and BUILDERS

CITY OF MADISON
 Department of
 Planning and Development

Planning
 Zoning
 CDBG



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 Mayor of Madison