



Advancing Racial Equity in Inclusionary Housing Programs

A Guide for Policy and Practice

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OVERVIEW

What is the purpose of this guide?

Two national organizations, the National Initiative on Mixed-Income Communities and Grounded Solutions Network, came together in early 2020 to address the need for more practical resources related to racial equity. In the wake of the COVID-19 pandemic and the historic movement for racial justice, we received requests from colleagues around the nation who want to eliminate embedded racism within the field of housing and community development. We hope this guide will spark courageous conversations and meaningful actions focused on racial equity.

Who should read this guide

The content is relevant to a wide range of audiences, including policymakers, planners, program administrators, developers, owner-operators, property managers, advocates, community organizers, and residents who seek to infuse racial equity into policies and programs.

Why is Racial Equity in Inclusionary Housing important?

Racism is a belief, along with reinforcing behaviors and attitudes, that race is a fundamental determinant of human traits and capacities and that racial differences produce an inherent superiority of a particular race. For far too long, housing policies and practices such as redlining, local zoning codes, real estate steering and blockbusting, contract selling, and restrictive covenants have been used to reinforce racism. All these actions directly benefited White investors and homeowners, while reinforcing disinvestment and limiting wealth for Black, Brown and other families of color. The cumulative outcome has produced a dramatic Black-White wealth gap; the net worth of a typical White family is nearly ten times greater than that of a Black family.⁴

Race-conscious strategies are necessary to mitigate racist barriers and expand opportunities for people of color. We believe that all of us stand to gain from racial equity. Addressing past and current inequities is an economic imperative. Racial gaps in income and wealth have severe economic consequences. A newly-released study from Citi economist Dana Peterson and global chief economist Catherine Mann concludes that since 2000 the U.S. has experienced a loss of \$16 trillion of Gross Domestic Product (GDP) due to anti-Black racism. If the current racial gaps for African Americans — wages, education, housing, and investment -- are closed today, over the next five years \$5 trillion can be added to the GDP.

Racial equity will be achieved only through intentional actions and decisions. Even with intentionality, racial equity will be difficult to put into operation. Within the field of housing and community development, racial equity approaches intend to proactively address the enduring racism within contemporary policies, programs and practices that routinely advantage White people while further producing negative outcomes for people of color. Furthermore, racial equity approaches must also be focused to address the enduring racism within the private corporate sectors of the banking, investment, and real estate industries.

Effective racial equity approaches also explicitly recognize the cultural assets, resilience and strengths within communities of color. This means centering communities of color in the process of advancing change.

What do we know about Racial Equity in Inclusionary Housing?

Unfortunately, there is little data available to show the outcomes of inclusionary housing programs for people of different racial and ethnic backgrounds. We are currently seeking resources to address that challenging lack of data.

We address the first element in a companion guide:

Technical Elements of Inclusionary Housing Policies, Programs & Practices

While there is no perfect example of a racially equitable inclusionary housing program, there are

To reduce such stigma, affordable units generated through inclusionary housing policies should be required to meet design/unit comparability standards such as:

1. In buildings with both market-rate and affordable units, the affordable units should be located proportionally throughout the floors of the building compared to any market-rate units.
2. Externally and from all shared spaces, affordable units should not be distinguishable from any market-rate units in the building and should be architecturally equivalent. Interior layouts, designs, materials and finishes should be functionally equivalent but do not have to be identical.
3. Unit types (size and number of bedrooms) for affordable units should be proportional to market-rate units.
4. Affordable units must share the same entrances, common areas and amenities as market-rate units, if there are market-rate units in the building.

Spotlight: Charlotte, NC's incentive-based inclusionary housing design standards require that affordable units be dispersed within the development and blend in architecturally with market-rate units.

4. Consider the use of city subsidies to advance racial equity goals

New market-rate development tends to occur in high-opportunity areas from which people of color have been systematically excluded and are often unable to afford. In communities with stronger housing

Spotlight: Washington, DC's Inclusionary Zoning Program intentionally prohibits alternative compliance. The District determined that, while they have many different sources of *funding* for affordable housing, such as their Housing Production Trust Fund, they had few tools to ensure that affordable units are built in the high-opportunity neighborhoods where most market-rate development is occurring.

Spotlight: Minneapolis's Inclusionary Housing Policy permits several compliance alternatives, including payment of in-lieu fees. Fees are placed in the city's Affordable Housing Trust Fund. The Trust Fund guidelines state that the city encourages and financially supports the production and preservation of affordable housing in all areas of the city, including

Spotlight: Austin, TX's Preference Policy pilot was created in response to a pattern of displacement of Black and Brown households from gentrifying neighborhoods like the Eastern Crescent. The policy provides a preference for households that currently reside or previously resided in gentrifying areas, for households displaced from properties that triggered the city's Tenant Notification & Relocation Assistance Ordinance or the federal Uniform Relocation Act, and for households whose immediate family reside in the city. The pilot program applies to ownership and rental units owned by the Austin Housing Finance Corporation but has the potential to expand to other types of affordable housing, such as units created through Austin's suite of inclusionary housing programs, in the future.

8. Require a lottery for applicant selection (rather than first-come, first-served):

If applicants for inclusionary housing units are selected on a first-come, first-served basis, that process may benefit applicants who are connected to conventional communication channels, have more flexible schedules, and/or access to transportation options to show up at a specific time and place to submit an application. In practice, this can advantage White applicants over applicants of color. A better choice is to require applications to remain open for a set period of time (e.g. 30 days) and then select from the applicants using a lottery system.

Spotlight: Concord, CA contracts with Hello Housing to manage the for-sale units generated through their inclusionary housing program. Hello Housing uses a lottery process to select homebuyers for those units.

9. Set limits on resident selection screening criteria

Developers of market-rate housing often have their own screening criteria for units in their buildings. These criteria can include the use of credit history or criminal background checks that can adversely affect applicants of color. Inclusionary housing programs can limit the types of criteria that property owners can use to reject applicants.

Spotlight: Newark, NJ has a "ban the box" ordinance, which significantly restricts the use of criminal history in screening applicants for housing, including units built through the city's inclusionary zoning ordinance.

10. Require rental property owners to accept Section 8 Housing Choice Vouchers

The Section 8 Housing Choice Voucher program only works if private landlords are willing to accept the subsidies and rent to voucher holders. But many voucher holders struggle to find a landlord who will accept their voucher. People of color are overrepresented among voucher holders.⁵

Spotlight: Iowa City's Human Rights Ordinance prohibits discrimination in housing based on a list of factors including "public assistance source of income." This prohibition applies to projects subject to Iowa City's inclusionary Affordable Housing Requirement for its Riverside Crossings and Eastside mixed-use districts (Iowa City Code of Ordinances 14-2G-8).

11. Collect and anal (ric)-1.9 (8n4x(t)-4.8 (9 eu/MCID 39 >>BDC 0.929 0.49 0D 33 >>BDC(t)-4.89 (na)0.tBj ET

help the city determine whether the program is serving the desired populations at an equitable rate, or whether further steps are needed to ensure equitable access. One way to do this is to ask residents through an optional check box on the initial application and/or during annual income certification.

Spotlight: Cambridge, MA's annual report on inclusionary housing includes data on race and ethnicities of heads of households in inclusionary housing units. This information was voluntarily provided by a majority of residents in inclusionary housing units.

12. Base the decision about which resale formula to use on feedback from people of color and equity oriented organizations:

Homeownership has traditionally been a main method of wealth-building for American households. Yet Black, Brown and other homeowners of color have not realized the same gains as White households, due to both systemic exclusion from homeownership and lower gains in property values. Inclusionary housing programs can put homeownership opportunities in reach for low-income households of color.

Inclusionary housing programs allow homeowners the opportunity to build some equity while also maintaining community affordability by requiring the home to be resold at a price affordable to another low-income buyer. Each program chooses a resale formula that balances those two considerations. The balance point for each program is different and should be decided on locally based feedback from people of color and racial equity organizations.

A program that uses a resale formula that provides more equity to the seller upon resale (placing greater emphasis on wealth-building) runs the risk that significant additional subsidy could be needed to help keep the home affordable to the next buyer, or that without additional subsidy the home may lose affordability. On the other hand, a program that uses a resale formula that keeps more equity to the buyer (reducing the amount of subsidy needed) runs the risk that the home may be less affordable to the next buyer. 3.1 (re)-3 (e)- 2

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