

# ADVANCING RACIAL EQUITY IN INCLUSIONARY HOUSING PROGRAMS

A Guide for Policy and Practice



Presented by

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Case Western Reserve University

February 2021



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JACK, JOSEPH AND MORTON MANDEL  
SCHOOL OF APPLIED SOCIAL SCIENCES

**CASE WESTERN RESERVE  
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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.

Even those with the best intentions struggle, as it is a difficult journey to confront the inherent bias and racism that has been built into the systems in which we live and work. We hope this guide and your continued work will advance an unwavering commitment to intentionally support communities of color with anti-racist approaches.

## What do we mean by Racial Equity?

Racial equity is defined as “both an outcome and a process.”<sup>1</sup> Racial equity places priority on ensuring that people of color are afforded opportunities that they historically have been denied and from which they continue to be excluded.

- As a **process**, it means that Black, Brown and other people of color are actively leading the creation and implementation of policies, programs and practices that have an impact in their lives. It also means that White people are acknowledging and confronting racism and unconscious bias within themselves in addition to the sometimes flawed existing regulations that shape the places we all live, work, learn and gather.<sup>2</sup>
- As an **outcome**, it means that a person’s racial identity does not determine their life opportunities and results, such as access to a safe home and amenity-rich neighborhoods.<sup>3</sup>

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<sup>1</sup> This definition is advanced by the [Center for Social Inclusion](#).

<sup>2</sup> In this guide, we capitalize the term White when referring to the racial identity of people with European or Caucasian origins. We capitalize this term in order to actively draw attention to the dominance of people who are White and the history of Whiteness as a social construct created to continue this dominance. We seek to highlight the ways Whiteness continues to be considered of highest value, despite how White supremacy harms all people, including White people.

<sup>3</sup> “Equity is not the same as equality...Equity requires that people receive a different share of resources, opportunities, social supports and power, given their differential needs and circumstances based on different life experiences.” Amy T. Khare and Mark L. Joseph, “Prioritizing Inclusion and Equity in the Next Generation of Mixed-Income Communities,” in *What Works to Promote Inclusive, Equitable Mixed-Income Communities*, eds., Mark L. Joseph and Amy T. Khare (San Francisco: Federal Reserve Bank of San Francisco, 2020). For more resources, see the [Annie E. Casey Foundation, Racial Equity and Inclusion Action Guide](#), [Government Alliance on Race and Equity \(GARE\)](#), [Othering and Belonging Institute](#), University of California Berkeley, and [Living Cities](#).

### 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.<sup>4</sup>

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 relevant data.

### How do we embed Racial Equity in Inclusionary Housing programs?

There are two important elements intended to engage both the *process* and *outcome* of racial equity:

- Advancing racial equity through anti-racist methodologies that engage in transformative change.
- Advancing racial equity through specific technical elements of inclusionary housing policies, programs and practices.

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<sup>4</sup> The Brookings Institution, "Examining the Black-white wealth gap." February 2020

We address the first element in a companion guide: **Advancing Racial Equity in Housing and Community Development: An Anti-Racism Guide for Transformative Change.**

In this guide, we focus on the second element, technical approaches to inclusionary housing policies, programs and practices. However, these ideas for advancing racial equity with technical program “fixes” are meant to be ideas for discussion, not universal recommendations. Neighborhoods and communities of color have varied needs and preferences. Impactful policy is informed by best practices, but ultimately designed in collaboration with those who will be directly affected. We encourage specific engagement with neighborhoods and communities of color to guide policy decisions.

## Technical Elements of Inclusionary Housing Policies, Programs & Practices

While there is no perfect example of a racially equitable inclusionary housing program, there are programs that have incorporated one or more key elements that help advance racial equity. We offer a series of recommendations for how to prioritize racial equity; for each recommendation, we spotlight an example of a best practice from the field.

*A note about fair housing:* The Fair Housing Act has led to innumerable benefits for households of color during its existence. For example, majority-White cities that are sued under the Fair Housing Act diversify more than similar cities that are not sued. However, the very provisions of the Fair Housing Act that prohibit discrimination by race, color or national origin also make it difficult to use policy to intentionally *benefit* households of color. Explicit preferences for a specific racial or ethnic group are prohibited under fair housing law. But even other policies that do not *explicitly* intend to benefit specific racial or ethnic groups can run afoul of fair housing law if they have the *impact* of giving one group an advantage over another. As such, it is essential that jurisdictions consult an attorney with fair housing experience when crafting housing policies intended to advance racial equity.

### 1. Choose income targets for the affordable units that match those of renter households of color:

Most inclusionary housing policies have tended to serve households earning between 60% and 120% of Area Median Income (AMI). But in many communities, renter households of color are disproportionately represented in lower income groups below 60% of AMI.

**Spotlight:** Los Angeles's Transit-Oriented Communities Incentive Program (a voluntary inclusionary housing program) provides three options for developers: make a relatively large percentage of units affordable at 80% of AMI, a modest percentage of units affordable at 60% of AMI, or a smaller percentage of units affordable at 30% of AMI. As of February 2020, half of the affordable units planned through the program are affordable at 30% of AMI.

### 2. Require or encourage the construction of unit sizes that match the household sizes of renter households of color:

In some communities, new market-rate multifamily development is largely composed of smaller units—studios, one-bedrooms and two-bedrooms. But low-income renter households of color may have disproportionately larger household sizes; for example, people of color are more likely to live in multigenerational households than White people.

**Spotlight:** Cambridge, MA's inclusionary housing program encourages developers to provide affordable three-bedroom units. In developments of 30,000 square feet or larger, the ordinance *requires* the creation of three-bedroom units.

### 3. Adopt building design standards to avoid stigmatizing residents of affordable units:

When people of color, regardless of their economic status, occupy buildings with predominantly White residents, they may experience “othering” or micro-aggressions from their neighbors such as cold-shoulders, blame for noise, or suspicions about property damage. If residents of color also happen to be occupants in affordable units, it can compound racial bias, particularly given racist stereotypes about low-income people of color who receive housing support such as Section 8 Housing Choice Vouchers or who live in public housing.

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 markets, inclusionary housing is an effective tool to provide affordable homes in high-opportunity areas. But in communities with less strong housing markets, it may not be financially feasible for developers to include affordable units in new market-rate development.

In addition to subsidizing affordable housing in existing high-opportunity areas, cities can increase investment in historically disinvested areas to improve conditions in those neighborhoods.

**Spotlight:** In Detroit's inclusionary housing ordinance, the city committed to providing significant city subsidies to new market-rate projects to make sure those projects could feasibly provide affordable units in high-opportunity areas.

#### **5. Base the decision about compliance alternatives on the needs and preferences of households of color:**

Some people assume that requiring affordable units to be built “on-site” with market-rate units is the best way to advance racial equity. If a primary policy goal is to ensure that affordable units are built in high-opportunity neighborhoods from which people of color have been historically excluded, on-site development is by far the most straightforward way to achieve that goal.

However, residents of color might deem it a higher priority to build and/or preserve affordable housing in historic neighborhoods of color that are on the cusp of being gentrified, to help limit potential displacement. Providing developers with alternative ways to comply—such as paying in-lieu fees, building or preserving units off-site, partnering with a nonprofit developer, or dedicating land for affordable housing—can help achieve that goal. In addition, allowing compliance alternatives generally results in affordable units being built by a nonprofit developer, who may be more willing to include family-sized units that may better meet the needs of households of color (as in Petaluma, CA).

**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 “to improve housing stability for current residents, support and improve existing community assets, revitalize, and help prevent involuntary displacement.”

#### **6. Establish high-bar marketing requirements to ensure renters of color have access:**

Inclusionary programs should impose affirmative fair marketing requirements that outline steps developers must take to market to the entire community—and specifically hard-to-reach populations—including requirements to make materials available in multiple languages. Alternatively, cities can take an active role in marketing available units.

**Spotlight:** Chicago’s Affordable Requirements Ordinance rules state that developers shall use good faith and affirmative efforts to attract potential purchasers or tenants from all minority communities. Developers must schedule a marketing intake meeting with city staff and submit a completed marketing plan, which must be approved by city staff. The marketing plan must describe how the developer’s commercial media plan will target diverse racial and ethnic groups. Developers are also encouraged to share information with the local alderman’s office, as well as local housing counseling and other delegate agencies, so that they may promote the availability of the affordable units to the targeted populations.

#### **7. Support preference policies that advance racial equity:**

Some inclusionary housing programs provide a preference for local residents or workers. A few provide more complex preferences, for example, for residents of the neighborhood where the new development is being built, or for residents who have been harmed by past government actions.

One strategy for local officials is to determine how specific city and state zoning and housing policies have produced and/or reinforced racial segregation and inequities. Then, officials can make a case that there is rationale for restitution to the populations of residents who have been harmed.

Certain types of preferences can violate fair housing laws, even when that is not the intent of the policy. As such, it is essential that jurisdictions consult an attorney with fair housing experience before adopting a local preference.

Preference policies have the potential to either help or harm households of color. For example, in a city (or neighborhood) where the majority of current residents are White, a preference for existing residents can make it more difficult for households of color to access affordable homes. On the other hand, in a gentrifying community where the majority of current residents are people of color, a preference policy can help those residents remain in their community. Each community that is considering a preference policy must consider the potential impacts, and design their policy to advance racial equity, not contribute to further inequity.

**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.<sup>5</sup>

**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 analyze data on the race and ethnicity of those served by affordable units:**

Even if your inclusionary housing program includes all the recommended best practices above, that is still not a guarantee that the program will serve households of different racial and ethnic backgrounds at an equitable rate. Collecting data on the race and ethnicity of residents of inclusionary housing units can

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<sup>5</sup> <https://nlihc.org/sites/default/files/HousingSpotlight2-2.pdf>

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 of the appreciation in the home (placing greater emphasis on long-term affordability) provides less wealth-building opportunity for each individual homeowner.

**Spotlight:** Twin Cities Habitat for Humanity<sup>6</sup> has a resale formula that places greater emphasis on wealth-building. Under their shared-equity formula, the share of appreciation that the homeowner receives increases for every year that they own the home.

San Mateo, CA's Below Market Rate (Inclusionary) Program uses an AMI-based formula, where the resale price is based on the change in Area Median Income. This formula places greater emphasis on long-term affordability.

### **13. Require lasting affordability for affordable units:**

When historic communities of color start to see market-rate development activity and investment, long-time residents of color are often displaced due to rising housing costs. Often times, people of color are unable to benefit from new investment and amenities.

Long-term affordability restrictions ensure that affordable units -- and neighborhood benefits and amenities -- remain accessible to low-income households of color for generations. When designed well, inclusionary housing programs can provide affordable homes for low-income households of color in those neighborhoods, therefore providing access to the benefits of new investment. But if the

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<sup>6</sup> Twin Cities Habitat for Humanity's program is not an inclusionary housing program; it is a long-term affordable homeownership program similar to an inclusionary housing program for homeownership units.

affordability restrictions on those units expire after a relatively short amount of time and the units become market rate again, that can lead to displacement of current low-income residents of color from those units (and usually also from the neighborhood). This makes it more difficult for future low-income households of color to move to the neighborhood.

**Spotlight:** Montgomery County, MD's Moderately-Priced Dwelling Unit program produced over 14,000 affordable units between 1974 and 2014. However, the initial units had to remain affordable for only five years. As a result, 9,600 units have returned to market rate. In 2004, the county increased the term of affordability to 30 years for ownership units and 99 years for rentals.

#### **14. Partner with a Community Land Trust for stewardship of affordable units:**

Community control of land is an important tool for advancing racial equity. Land ownership facilitates agency and self-determination by conferring political power, wealth, and protection from displacement.

Community land trusts (CLTs) are nonprofit organizations governed by a board of CLT residents, community residents, and public representatives that acquire land and use it for lasting community assets, including affordable housing. Some inclusionary housing programs turn some or all of the affordable units over to a local CLT so they become community-controlled assets. This is more common with for-sale units than with rental units.

**Spotlight:** Chapel Hill, NC's Inclusionary Zoning Ordinance and Carrboro, NC's Residential Density Bonus for Affordable Housing include provisions for affordable units to be transferred to the local CLT, Community Home Trust; most homes in Community Home Trust's program are created through the two local government policies.

## Acknowledgements

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Please reach out if you have feedback or questions at amy.khare@case.edu and sreyes@groundedsolutions.org.

## Disclaimer

This guide is not intended to offer legal advice. Local, state and federal statutes guide the implementation of fair housing and of inclusionary housing. This guide should not replace the importance of legal consultation about housing law, as the authors are not lawyers and do not intend to offer legal advice.

## Sharing this Guide

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## About Us

Grounded Solutions Network is a national organization that supports strong communities from the ground up. We work nationally, connecting local experts with the networks, knowledge and support they need to promote housing solutions that will stay affordable for generations. Grounded Solutions Network seeks a future where everyone has access to a home they can afford in economically and racially diverse communities of opportunity that foster better health, academic and economic outcomes.

The National Initiative on Mixed-Income Communities is an applied research center at Case Western Reserve University, Jack, Joseph and Morton Mandel School of Applied Social Sciences. Our goal is to reduce urban poverty and promote successful mixed-income communities by conducting high-quality research and making information and evidence easily available to policymakers and practitioners.