

# Inclusionary Zoning

in Atlanta, Amy Schutt 4.16.26

# \*HERO



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# Background

# What the Data Reveal About Affordability, Need, and Policy Design

Atlanta has experienced intense housing market pressures over the past two decades. Rising rents, rapid neighborhood change, and displacement have become defining features of the city's growth. While these pressures are not unique to Atlanta, several local factors have amplified their effects, particularly for renters with low and moderate incomes.

## Gentrification

One of the most prominent drivers has been large scale public investment, most notably the Atlanta BeltLine. While the BeltLine has delivered significant environmental, recreational, and economic benefits, it has also accelerated land speculation and housing price increases in surrounding neighborhoods. Research has shown that home values and rents near the BeltLine have risen substantially faster than elsewhere in the city, contributing to displacement risks for long time residents.

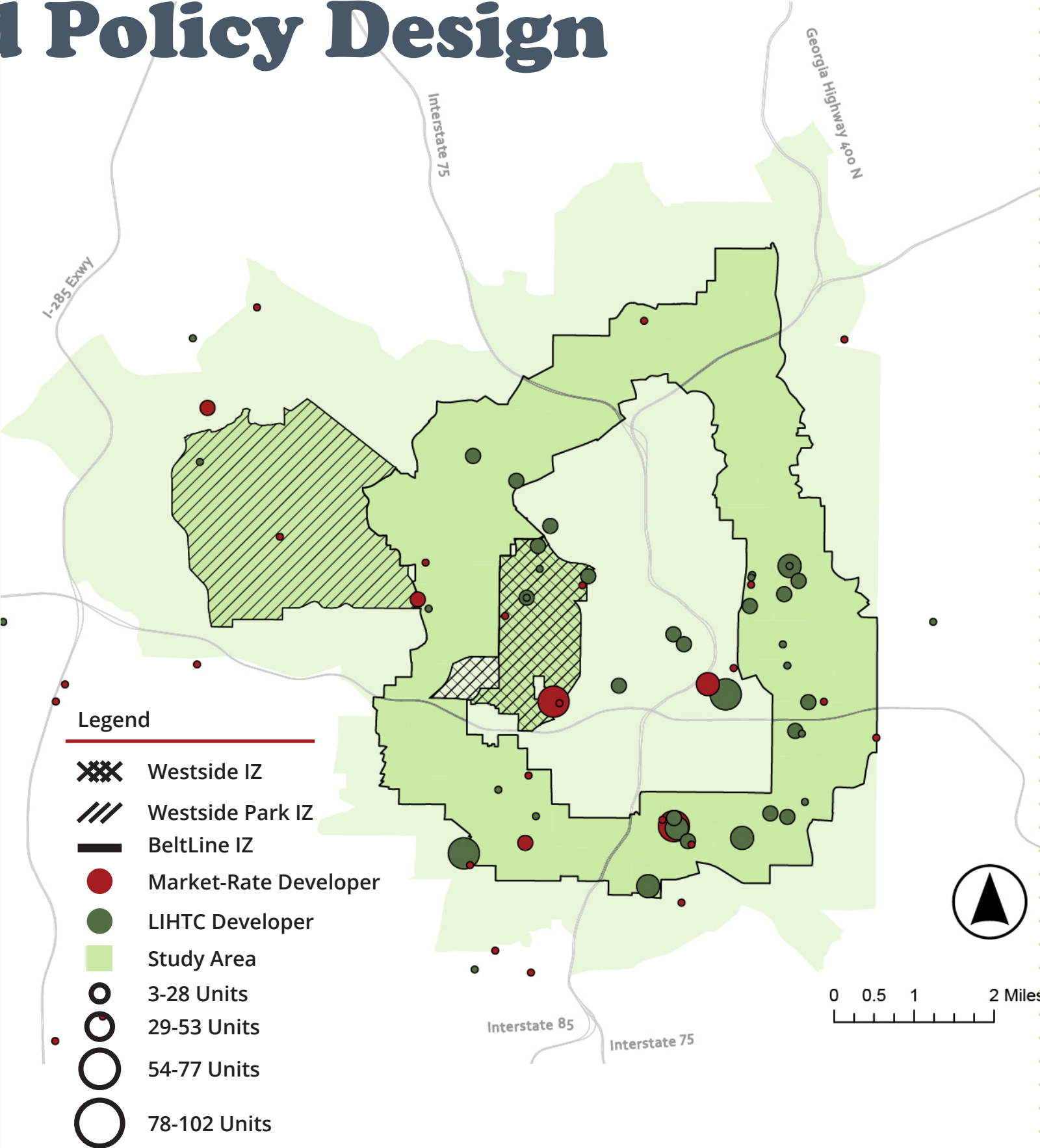
The fallout from the 2008 foreclosure crisis further reshaped Atlanta's housing landscape. Predatory lending practices disproportionately affected Black neighborhoods, leading to high foreclosure rates and a large shift from homeownership to renting.

As rental demand increased, private equity firms and institutional investors capitalized on depressed property values, acquiring large portfolios of rental housing and raising rents. For many households, housing instability became cyclical—first losing homes, then facing rising rents or eviction.

## Proposed Solution

Today, more than half of Atlanta's renters are cost burdened, meaning they spend more than 30 percent of their income on housing. In response, the City of Atlanta has turned to inclusionary zoning (IZ) as one of its primary tools to address housing affordability within growing and gentrifying neighborhoods.

This report examines whether Atlanta's inclusionary zoning program is effectively meeting housing needs—and for whom.



# What Is Inclusionary Zoning?

Inclusionary zoning is a land use policy designed to increase the supply of affordable housing by requiring or encouraging developers to include below market rate units in new residential developments.

Unlike traditional subsidy programs, which rely on public funding to finance affordable housing, inclusionary zoning attempts to leverage private development activity to achieve affordability goals.

## How Cities use Inclusionary Zoning

- Capture some of the value generated by strong real estate markets
- Promote mixed income communities
- Produce affordable housing in high opportunity areas
- Offset displacement pressures tied to public investment and market growth

In areas where development activity is already strong, inclusionary zoning can help ensure that affordability is not entirely lost as neighborhoods change.



*Folio House, Mixed Use LIHTC*

## Voluntary vs. Mandatory Inclusionary Zoning

Inclusionary zoning policies generally fall into two categories

- Mandatory programs, which require developers to provide affordable units as a condition of approval
- Voluntary programs, which allow developers to opt in, usually in exchange for incentives

Mandatory programs tend to produce more affordable units and achieve deeper affordability. However, Georgia state law prohibits local governments from directly regulating rents. As a result, inclusionary zoning in Atlanta must be voluntary.

This legal constraint makes policy design especially important. When developers are given options—such as choosing higher income targets or paying in lieu fees—the affordability outcomes often reflect what is most financially feasible rather than what is most needed.

# Key Policy Elements

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## AMI Structures

Affordable units are typically defined using Area Median Income (AMI). Programs may require units at a single income level or allow developers to choose among multiple targets. Mixed income “choose one” structures often result in units concentrated at higher AMIs, where rents are easier for developers to absorb.

## Density Bonuses and Incentives

Many IZ programs offer additional density, reduced parking requirements, or expedited permitting to offset the cost of affordable units. The value of these incentives depends on underlying zoning and market conditions.

## Public Land and Housing Trust Funds

Inclusionary zoning is often most effective when paired with public land or housing trust funds, which can support deeper affordability than market rate projects alone.

## Compliance and Program Structure

Program administration matters. Weak monitoring, complex application processes, and limited capacity can reduce the real world effectiveness of affordability requirements.

## In Lieu Fees

Developers may be allowed to pay a fee instead of building affordable units on site. If fees are set too low or are not regularly updated, they may fail to generate enough funding to replace lost affordable units.

We've only met 12% of the deficit for housing below 80% AMI.

# Inclusionary Zoning in Atlanta

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Atlanta implemented inclusionary zoning (IZ) in response to mounting concerns that market-driven development, particularly in areas benefiting from major public investment, was accelerating displacement and excluding lower-income residents. Unlike cities that adopted IZ decades earlier, Atlanta entered the policy space relatively late, formalizing its first inclusionary zoning ordinances in 2017.

These policies represent the city's most direct attempt to link new residential development with affordable housing production in the absence of state-level rent regulation authority.

## Overall Policy Structure

Atlanta's inclusionary zoning program applies to residential developments with ten or more new dwelling units within designated overlay districts. Because Georgia law prohibits local governments from regulating rents, Atlanta's program is voluntary rather than mandatory.

Developers are not required to participate, but projects that do so must select one of several affordability compliance options.

Under the core IZ framework, developers may choose to:

- Set aside 10 percent of units affordable to households earning up to 60 percent of Area Median Income (AMI), or
- Set aside 15 percent of units affordable to households earning up to 80 percent of AMI, or
- Pay a one-time in-lieu fee in place of constructing affordable units on-site.

In exchange, participating developments may receive incentives such as additional density, reduced parking requirements, or administrative streamlining. In-lieu fees are deposited into a housing trust fund intended to support the development or preservation of affordable housing elsewhere in the city.

This structure reflects a compromise between affordability goals and development feasibility. By offering multiple compliance pathways and relatively high AMI targets, the City sought to encourage participation while minimizing the risk of deterring new construction.

However, these design choices also shape who ultimately benefits from the housing produced.

# The Three Zones

## BeltLine Overlay District (2017)

Designed as a value capture tool linked to the BeltLine, this zone targets areas experiencing rapid appreciation due to public investment. The goal is to preserve some income diversity in high opportunity neighborhoods.

## Westside Overlay District (2017)

Covering historically disinvested neighborhoods such as Vine City and English Avenue, this district was adopted as a preventive strategy, aiming to embed affordability ahead of anticipated development pressures.

## Westside Park Affordable Workforce Housing District (2021)

Adopted in anticipation of development around the new Westside Park, this zone expanded the program by introducing a 30 percent AMI option and applying requirements to both rental and for sale housing.



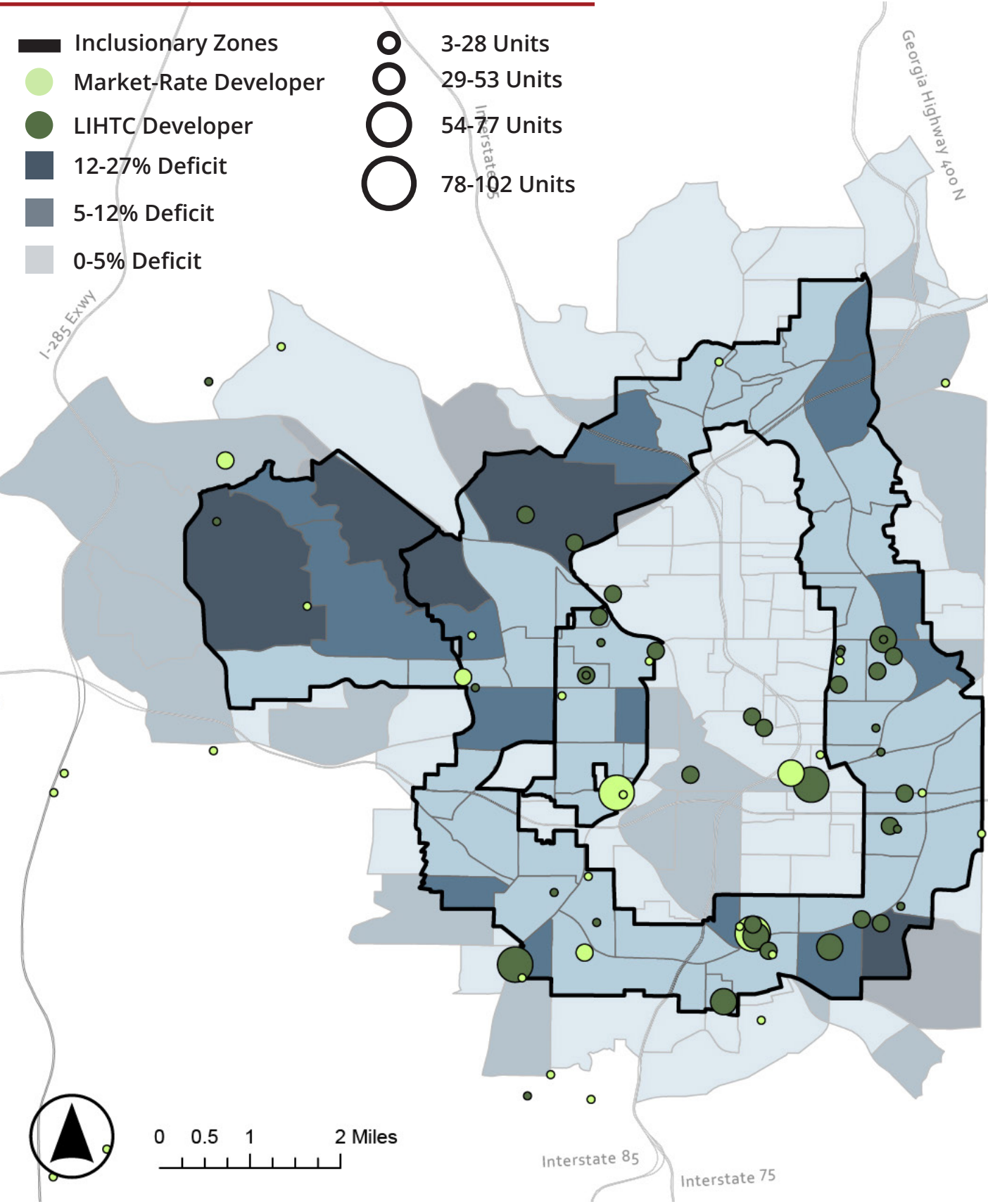
Westside Park

This study evaluates how effective Atlanta's inclusionary zoning program is at producing affordable housing from market rate developers, distinct from units produced through subsidy based programs such as the Low Income Housing Tax Credit (LIHTC).

Rather than focusing on unit counts alone, the analysis asks:

- Do the income levels and unit types produced through IZ match the needs of Atlanta renters?
- Where do affordability gaps remain, even after accounting for existing supply?

Legend



# Findings

## The Scale and Nature of Housing Need in Atlanta

Atlanta faces a substantial shortage of rental housing that is affordable to its residents, particularly at the lowest income levels. Across the study area, renter households outnumber affordable rental units even when vacant units are included. This means the challenge is not simply a lack of housing overall, but a lack of housing that people can actually afford.

The greatest unmet need is among renters earning 30 percent of Area Median Income (AMI) or less. These households make up more than a quarter of all renters, yet the supply of units affordable at this level falls far short of demand. Additional shortages are also present for renters earning between 31 and 50 percent of AMI, though to a lesser degree. In contrast, housing affordable to renters earning 50 to 80 percent of AMI is relatively abundant, with supply significantly exceeding demand.

Housing need also varies strongly by household type. Studios and family sized units (three bedrooms or more) show the largest gaps across income levels. One and two bedroom units are far more common, particularly at moderate income levels, reflecting what the market produces most easily. As a result, households at both ends of the spectrum, single adults and larger families, face the greatest difficulty finding housing that meets both their income and space needs.

Overall, these patterns show that Atlanta's affordability challenge is concentrated at the lowest income levels and is shaped as much by unit type as by rent level.

Affordability Gap by Bedroom

Income Level	Less than 30% AMI	30-50% AMI	50-80% AMI	80-100% AMI
What is their annual income? *	\$0 - 29,040	\$29,040 - \$48,400	\$48,400 - \$77,440	\$77,440 - \$96,800
How much rent can they afford? *	\$727/Month or less	\$1,210/Month or Less	\$1,936/Month or less	\$2,420/Month or less
<b>THE DEMAND</b>	<b>20,869</b>	<b>10,954</b>	<b>12,100</b>	<b>36,603</b>
What is the demand for affordable rental housing?	<b>Households</b> 27.8% Studio 34.1% 1-Bed 23.6% 2-Bed 14.5% + Beds	<b>Households</b> 27.0% Studio 33.6% 1-Bed 24.7% 2-Bed 14.7% 3+ Beds	<b>Households</b> 27.6% Studio 34.5% 1-Bed 25.1% 2-Bed 12.8% 3+Beds	<b>Households</b> 29.4% Studio 37.2% 1-Bed 26.6% 2-Bed 6.8% 3+ Beds
<b>THE SUPPLY</b>	<b>15,029</b>	<b>13,064</b>	<b>33,801</b>	<b>31,153</b>
What is our current supply of affordable rental housing?	<b>Unit Supply</b> 11.7% Studio 49.5% 1-Bed 24.5% 2-Bed 14.2% 3+ Beds	<b>Unit Supply</b> 12.8% Studio 35.3% 1-Bed 33.4% 2-Bed 18.5% 3+ Beds	<b>Unit Supply</b> 11.5% Studio 40.6% 1-Bed 32.9% 2-Bed 15.0% 3+ Beds	<b>Unit Supply</b> 12.8% Studio 42.7% 1-Bed 32.4% 2-Bed 12.1% 3+ Beds
<b>Gap in Units</b>	<b>-5,840 Units</b>	<b>+ 2,110 Units</b>	<b>+ 21,701 Units</b>	<b>- 5,450 Units</b>

## Housing Need Compared to Workforce Housing Production

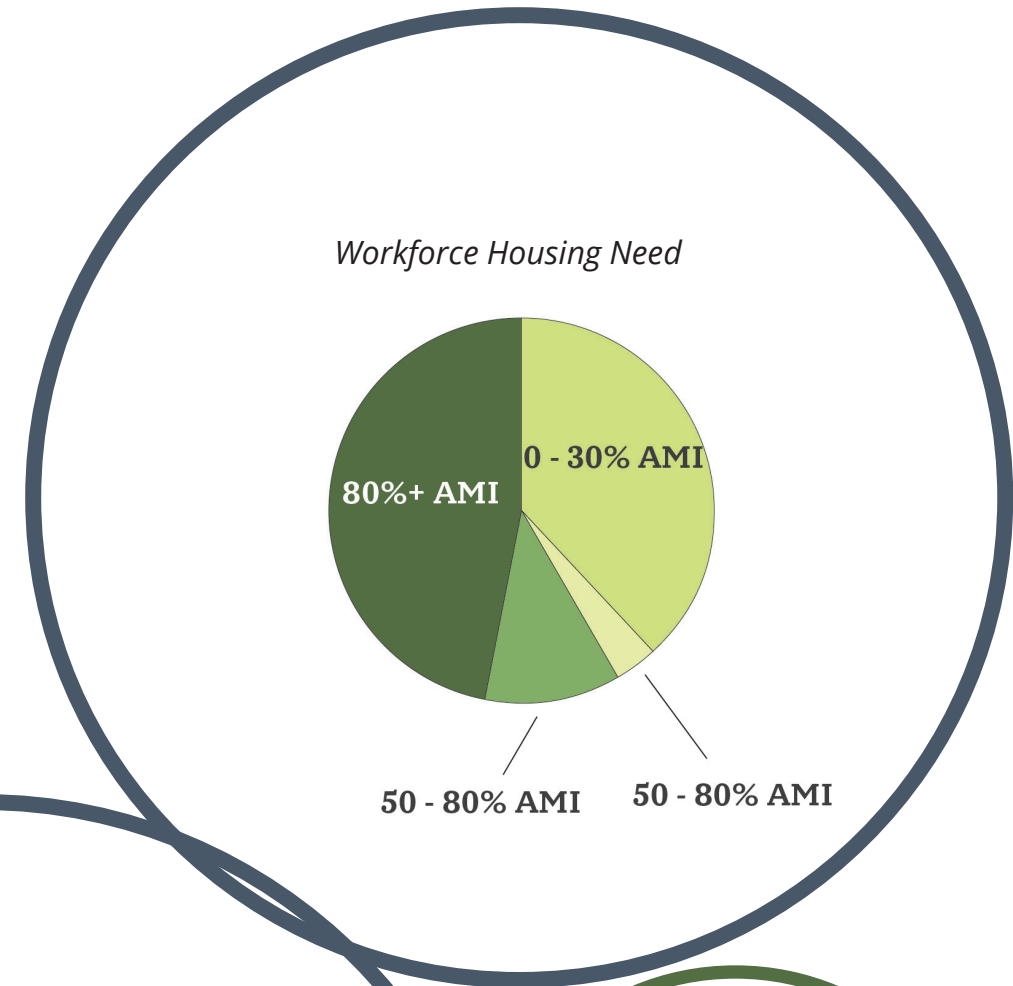
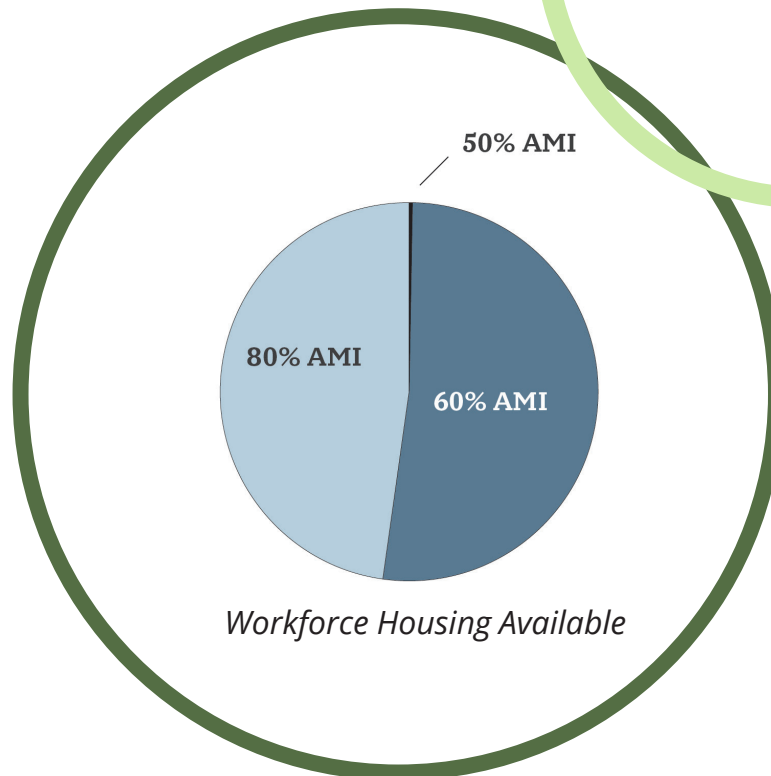
When current housing needs are compared to the production of workforce and restricted rent units, a clear mismatch emerges. Units produced through workforce housing programs—largely concentrated in the 50 to 80 percent

AMI range—more than cover the measured need at those income levels. In other words, in the income band where production has been most active, shortages are relatively small and, in some cases, fully addressed.

At the same time, this same production does little to address the largest affordability gaps. There is no meaningful supply of workforce serving households earning 30 percent of AMI or less, despite this group accounting for the majority of unmet need.

When all housing affordable below 80 percent of AMI is considered together, existing workforce oriented production covers only a small fraction of total need, leaving the vast majority of low income households without adequate options.

This pattern highlights a core finding of the analysis: housing is being produced where deficits are smallest and not where they are largest. The issue is not that affordable housing is not being built at all, but that it is not being targeted to the households with the greatest need. As long as affordability requirements remain concentrated at higher income levels, the most severe shortages will persist.



**We are over producing in 50-80% AMI by 188%**

# Policy Recommendations

## Move Toward Comprehensive and Mandatory Inclusionary Zoning

Ideally, inclusionary zoning is most effective when it is mandatory and applied consistently across an entire jurisdiction, rather than limited to select overlays or voluntary participation. A broad, uniform policy ensures that all new development contributes to affordable housing goals, prevents concentration of requirements in only a few neighborhoods, and reduces opportunities for developers to avoid participation.

Mandatory inclusionary zoning also provides more predictable outcomes. By setting clear expectations citywide, it allows affordability requirements to be treated as a standard cost of doing business, rather than an optional feature that competes with financial convenience. While state law currently limits this approach in Georgia, it should remain the long term policy goal.



*Sweet Auburn LIHTC Development*

## Strengthen Results Within a Voluntary Framework

Given current legal constraints, Atlanta must continue to operate within a voluntary inclusionary zoning system. Within that framework, several improvements can better align outcomes with documented need.

First, affordability requirements should move beyond “choose one” income options. Allowing developers to select only higher AMI targets results in units that serve households already comparatively well served by the market. Requiring or strongly incentivizing mixed or tiered income targeting, including deeper affordability, would help redirect production toward lower income renters.

Second, geographic coverage should be expanded and simplified. Fragmented overlays create uneven results and limit overall impact. Expanding affordability requirements to a broader geography, especially in areas experiencing growth or new public investment, would increase unit production and improve equity

## Improve In Lieu Fees and Public Investment Tools

In lieu fees should function as a true alternative to on site affordable housing, not a weaker substitute. To do so, fees must be regularly updated, reflect current construction and land costs, and be high enough to support the production of replacement units at comparable affordability levels.

Revenue from in lieu fees should be strategically combined with public land, housing trust funds, and other subsidy sources to achieve deeper affordability than inclusionary zoning can deliver on its own—particularly for extremely low income households.

## Strengthen Program Administration and Transparency

Finally, effective inclusionary zoning depends on strong administration. Clear reporting, centralized information on affordable units, consistent monitoring, and transparent tracking of affordability outcomes are essential for ensuring that policies deliver real benefits over time.

Improved data collection and public reporting will also allow the City to adjust program design as conditions change, ensuring that inclusionary zoning remains responsive to Atlanta’s evolving housing needs.



*Centennial Yards, Developer Opted Out of Affordable Housing*



# **Inclusionary Zoning**

in Atlanta