

# **INCLUSIONARY HOUSING AND THE GOAL OF SOCIAL INCLUSION: POLICY CHOICES IN CROSS-NATIONAL PERSPECTIVE<sup>1</sup>**

Alan Mallach  
Non-resident Senior Fellow  
The Brookings Institution  
Washington DC  
USA

## **ABSTRACT**

Inclusionary housing is the use of the planning process to create social or affordable housing, by requiring or providing incentives to private developers to create affordable housing as a part of market-driven developments, either by incorporating the affordable housing into the development, building it elsewhere, or contributing money or land for the production of such housing in lieu of construction. While inclusionary housing originated in the United States in the 1970's, it has since spread to many countries in Western Europe and elsewhere. From the beginning, social inclusion and IH have been seen as closely linked, with social inclusion seen as a goal or as a positive outcome of inclusionary housing policies. In practice, however, the relationship between social inclusion and inclusionary housing is a complex one, inevitable in market environments that favor economic sorting and tend in the absence of explicit countervailing policies to perpetuate exclusion. Beginning with a short overview of the arguments for social inclusion in housing, this paper will explore how the goal of social inclusion has been pursued in the inclusionary housing policies of a number of different countries, looking more closely at France and Ireland, and raising a number of issues about the extent to which IH can be an effective vehicle for social inclusion.

## **1 INTRODUCTION**

The issue of social exclusion and its converse, social inclusion, has been central to the social policy debate in Europe, and to a lesser extent in North America, at least since the mid-1990s. Used broadly, social exclusion can refer to almost any dimension of human existence in which some group of people, defined by gender, race, ethnicity, economic status or other social or physical condition, is denied some or all of the benefits and opportunities that are offered in the wider or 'mainstream' society. By extension, social inclusion can be defined equally broadly.

Within such a broad framework, housing plays an important role. Here too,

---

<sup>1</sup> This paper is a working draft. The author invites comments and suggestions, which should be directed to [amallach@comcast.net](mailto:amallach@comcast.net)

inclusion is defined variously, beginning with efforts to address the most extreme form of exclusion, which is homelessness; through deprivation of the right to adequate housing, a right which is provided to varying degrees in many European constitutions and laws; through strategies to counter patterns of spatial isolation or segregation. The focus of this paper is on this last category; that is, how one can foster social inclusion through the spatial or place integration of varied populations, in particular the integration of populations of different economic levels, and specifically, the role that inclusionary housing strategies play in that process.

Inclusionary housing can be defined as the use of the planning process to create social or affordable housing, by requiring or providing incentives to private developers to create social housing as a part of market-driven developments, either by including the social housing into the development, building it elsewhere, or contributing money or land for the production of such housing in lieu of construction. Although far from the only means by which developed countries foster social inclusion through spatial integration, it is playing an increasingly important role. At the same time, that short list of the variations that are included under the inclusionary housing umbrella makes clear that not all initiatives that may fall under that umbrella have an equal, or even a meaningful, effect on achieving social inclusion or spatial integration.

## **2 THE ORIGINS AND RATIONALE OF SPATIAL INTEGRATION AS A SOCIAL INCLUSION STRATEGY**

The concept of social mix as a legitimate concern of public policy, including the mixture of different economic groups within the community, has been established as a legitimate purpose of planning for a long time, with Sarkissian (1976) tracing it back to English policy of the mid-1800s. While many towns and cities from ancient times through the 19<sup>th</sup> century may have had something of an 'organic' social mix, in the sense of extensive physical integration of different economic and social classes through the natural evolution of the pre-industrial city, since the rise of industrialization, the dominant patterns of land development and market forces in developed nations have

acted to foster spatial differentiation rather than integration by social and economic status. As a result, efforts to foster social inclusion have come to be seen as a public policy mandate, which must be imposed on a market system in order to counteract ongoing market forces fostering differentiation in modern societies.

The reasons that social mix initially came to be seen as a positive value in planning and social thought are not necessarily obvious. It is uncertain whether in its early formulations – as well as now - it was considered positive principally as the negation of segregation, whether it was associated with positive values, such as social solidarity or the social compact, or whether, at least initially it was seen in utilitarian terms.

In more recent years, particularly since the 1970's, the movement for spatial inclusion in housing took on a new theoretical rationale, as well as coming to be seen as having a compelling practical justification. The theoretical rationale is found in the depiction of the social policy implications of the concentration of poverty by Wilson (1987) and others, while the practical basis is found in the manifest failure of the grandiose schemes for housing the poor in many developed nations. While the most prominent case may be the French experience, the social problems arising from the conditions in isolated large housing estates – either in inner-city ghettos as in the United States or in marginal peripheral locations as in many European countries - are shared by many developed nations. Based on both the theoretical arguments for avoiding concentrations of poverty, and the concrete experience of public housing, the argument for spatial integration as a central theme of social inclusion has taken on substantially more weight (Cole and Goodchild, 2001).

It is important to note that the policies that led to the creation of many of these public and social housing projects were not designed to lead to their becoming either ethnic ghettos or areas of poverty concentration. Indeed, the designers of many of these programs sought to accommodate a broad economic mix; under the subsidy regime that was applied to most of the French grands ensembles, the ceiling income was set at a level which rendered roughly 65 percent of all French households eligible

for apartments in those projects. Over time, however, the social mix in these projects changed as a result of a phenomenon that has come to be known as *residualization*, a term that has come to be used to define a self-reinforcing dynamic through which the turnover of apartments in a development results in a progressive impoverishment of the resident population coupled with an increasing concentration of marginalized racial or ethnic groups, who may be African-Americans in the United States, North African immigrants in France, or Roma in some central European countries (Burrows, 1999). In the United States, the residualization of public housing was accelerated by public policies regarding rent ceilings, tenant selection and eviction policy, benevolent in intent but fraught with unanticipated consequences and arguably disastrous in outcome (Von Hoffman, 1996).<sup>2</sup>

The negative effects of the ghettoization and residualization of large amounts of social housing in the United States and in Europe, as well as in many inner-city areas of poverty concentration, seem clear. They are in themselves arguably adequate to justify a policy of social inclusion. Our understanding, however, of the pathways by which social inclusion is supposed to be beneficial, as well as the evidence in support of its benefits – to either the poor or non-poor within the mix – continues to be limited and equivocal. A variety of more or less compelling arguments have been made for the concrete benefits of social inclusion, of which the most prominent include (1) increased access to social capital for the poor; (2) the role modeling offered by middle class households and the transmission of their values; (3) undoing the negative effects of residualization, whether in public housing or other predominately poor areas, in terms of both quality of services and housing and market deterioration; or (4) utilitarian arguments, framed either in terms of greater opportunity, job and service access for the poor, or proximity of a low-wage labor force to support the local economy (Sarkissian, Forsyth and Heine, 1990). While these arguments all have some rational basis, as

---

<sup>2</sup> As Von Hoffman and others have noted, it is unreasonable to judge public housing in the United States (and by extension, elsewhere) by its failures. Although the failures are many and widely reported, large numbers of public housing units in the United States continue to provide decent housing to low income households in generally adequate living conditions.

Galster (2007) notes, however, until or unless more research is done, “the common policy thrust toward neighborhood social mixing must be seen as based more on faith than fact.”

Independent of measurable or utilitarian outcomes, the importance of social inclusion as a manifestation of social solidarity, however, should not be underestimated. To the extent that social solidarity is indeed a highly prized cultural value, as it may be in a relatively small and until recently homogeneous country like Finland, or a dimension of the state ideology, as is arguably the case in France, it can be justified as an instrument of public policy even in the absence of credible measurable benefits. Social solidarity may have its limits; its benefits may only be extended to those individuals who are perceived to be part of the same society. Thus, solidarity may foster the inclusion of disadvantaged members of the dominant majority or selected minorities, but not similarly disadvantaged members of racial or ethnic groups perceived to be outside the circle. That, in turn, begs the question of the extent to which problems of exclusion are economic, or ethnic or racial, and the extent to which a focus on economic mix as such is at best a partial response to the forces of social exclusion operating in European and North American societies.

The issue has also been raised whether the stress given in recent years to the concept of social mix, particularly in the context of the revival of many older cities and the replacement of low-income and largely minority communities with mixed-income communities as in the American HOPE VI program, is driven by social equity goals or by neo-liberal considerations (Rose 2004, August 2008). These critiques of social inclusion tend to focus on urban regeneration and gentrification, however, in which the creation of mixed-income communities is associated with the displacement of lower income households. The issue may, and we would argue should, be perceived differently in the context of affirmative strategies to create social housing.

### **3 THE EMERGENCE OF INCLUSIONARY HOUSING AS A VEHICLE FOR SPATIAL INTEGRATION**

All developed countries support the development of social housing to some, although widely varying, extent. While a number of factors have imposed constraints on those activities in recent years, many continue to direct considerable public resources to that mission. At the same time, the majority of these countries have moved largely or entirely away from the once-dominant model under which social housing was provided directly by the public sector; that is, the public housing model. In contrast to some observers, however, we would argue that the movement that has taken place independently in different countries away from the public housing model does not arise fundamentally from diminished resources for social housing generally – although it may be influenced by that concern – but represents an explicit policy choice in terms of how the available resources are to be allocated.

This is particularly apparent in France, which continues to provide strong public sector financial support for the production of social housing, but where the desire to avoid a repetition of the deleterious social outcomes that have arisen as a result of the public housing built from the 1950s through the 1970s has been a pervasive theme of more recent social housing policy. This goal is also a feature of public policy in other nations, although it is generally less central as a theme in the public discourse on the subject than in France. As a result, the process of identifying the most appropriate alternative *non-governmental* vehicles through which to create housing for those excluded by the market, and to do so in the context of the policy goal of social inclusion, has become an important task for the public sector in nearly all developed nations in recent years.

It does not automatically follow from this, however, that a country will adopt an inclusionary housing approach as their vehicle of choice. Even now, many countries pursue social inclusion in housing while using inclusionary housing models (as defined at the beginning of this paper) little or not at all. Nonetheless, since the 1990s inclusionary housing has emerged as an important vehicle for creating social housing in an inclusive

framework in a growing number of countries (see Table 1). This reflects at least two important public policy themes independent of social inclusion as such.

The first theme is the movement of many European nations from a 'directive' to an 'enabling' model of housing policy (Angel 2000). Under such a model, policymakers see the maintenance of a strong housing market as a central goal of housing policy, and

TABLE 1: THE EMERGENCE OF INCLUSIONARY HOUSING OUTSIDE THE UNITED STATES

COUNTRY/STATE	INITIAL IH ACTIVITIES	EXPLICIT LEGAL AUTHORITY FOR IH	COMMENTS
United Kingdom	1980s	Section 106 enacted in 1990	Enabling - land value recapture
France	Early 2000s	Loi ENL enacted in 2006	Enabling – implements mandatory social mix goals of 2000 Loi SRU
Ireland	None known before Part V	Part V enacted in 2000	Enabling - limited land value recapture
Spain	Mid 1990s	Ley de Suelo enacted in 2007*	Mandatory – land value recapture
Australia/New South Wales**	1990s	Amendment to Environmental Planning Act in 2000	Enabling - based on linkage principle
Australia/South Australia**	2000s	2007	Local plans must be consistent with state law
New Zealand	Mid 2000s	2008	Enabling – includes linkage language
Colombia	None known	1997	Enabling – land value recapture

\*Under the provisions of the 1978 Constitution regions could recapture land value from development, and a number of regions used this power to create inclusionary regimes prior to the enactment of national legislation

\*\*Under the Australian constitution, housing and planning matters are reserved to the states and territories.

seek to work through the market to address housing needs, in marked contrast to prior policies which treated the 'market' and 'social' housing sectors as sharply differentiated, mutually exclusive and largely non-interpenetrating sectors. Under an enabling model, the public role in the provision of housing is transformed from a direct to an indirect one, in which government pursues its goals through non-governmental intermediary bodies rather than directly, doing so in ways that are sensitive to the market and private sector considerations. Even in those nations where government still provides financial resources for the production of a distinct social housing stock, the trend is for that stock to be created by non-governmental entities such as housing associations in England, or community development corporations in the United States, rather than through direct

public means. As more market-oriented approaches to creating social housing have emerged in Europe, the diffusion of the American model of inclusionary housing and American fair share housing allocation concepts have clearly played an important role in fostering both the overall policy shift and the movement toward use of inclusionary housing as a social housing vehicle. It must be acknowledged that documenting the transoceanic patrimony of these ideas, however, such as the 20 percent fair share requirement for social housing imposed by the French Loi SRU, is all but impossible.

A second theme is the recognition of the potential significance of land value recapture in the context of the never-ending public sector search for new ways to finance social housing. The growing budgetary constraints that have limited the ability of many governments to finance social housing have also encouraged the exploration of other ways of achieving these goals. Land value recapture, or the principle that the increment in land value that is created as a result of development approvals should be recaptured for public benefit, offers one means to that end, while the imposition of inclusionary housing requirements represents a vehicle through which that value can be recaptured and dedicated to social housing. Land value recapture is fundamental to the use of inclusionary housing in many countries including the UK, Ireland, and in particular Spain, where it is enshrined in the nation's Constitution. At the same time, while some countries saw inclusionary housing as *substituting*, at least in part, for public sector social housing expenditure, others – particularly France – saw it as *complementing* social housing expenditures, by enabling those expenditures to be directed in ways more consistent with national social inclusion goals. Notably, land value recapture as a legal proposition plays no role in French inclusionary policy.

Inclusionary housing moreover, is the only vehicle for creating newly built social housing that can be seen – at least in concept – as *inherently* socially inclusive. This is not necessarily always the case, however, in practice. In circumstances where the pursuit of social inclusion is subordinated to purely quantitative affordable housing goals, or where developer interests exert strong pressure, inclusionary housing can easily become a financing vehicle severed of its inherently inclusive character. This may be the



case where developers are offered buy-out or off-site options, as has taken place in Ireland and in many parts of the United States. We will return to this point in the closing section of this paper.

#### **4 INCLUSIONARY HOUSING AS A VEHICLE FOR SPATIAL INTEGRATION**

Social inclusion is an all but universally held goal in Western Europe, yet IH is widely used only in some countries and in others not at all. Some countries, such as Finland and Austria, maintain largely public-sector driven policies, although relying increasingly on a strong non-profit or cooperative sector. One country, however, of which that has historically been true, the Netherlands, appears in its recent changes to national land use law to be moving toward an embrace of the inclusionary model.

As was shown in Table 1, use of inclusionary housing in Europe is a relatively recent phenomenon. Action to formalize the legal status of inclusionary housing only took place in 1990 in the UK, the mid-1990s in Spain, 2000 in Ireland, and in France only in 2006, although many of these countries offer examples of ad hoc use of inclusionary housing preceding its legalization. This reflects the influence of the constitutional language in Spain even before enactment of the recent Ley de Suelo, or the enactment of the Loi SRU in France in 2000, both of which were seen as offering tacit authority for the practice of inclusionary housing. Since the 1990s, however, a number of distinct national inclusionary housing models have emerged. This paper will look at two in greater detail, those of Ireland and France.

*Ireland.* The Irish inclusionary housing model first emerged in 2000 as Part V of the national Planning and Development Act 2000. As initially enacted, Part V permitted local authorities to require any developer receiving planning approval to dedicate up to 20 percent of the land area subject to the approval to the local authority for affordable or social housing.<sup>3</sup> This requirement was modified in 2002, at least in part as a result of

---

<sup>3</sup> In contrast to the UK, where the terms ‘social’ and ‘affordable’ housing are used interchangeably, in Ireland they are two distinct, mutually exclusive categories of housing. Social housing is used to refer to social rental housing, while affordable housing refers to housing constructed for homeownership and sold to income-qualified households at below-market prices.

developer pressure, to permit at the option of the local authority a number of alternative means by which a developer could comply with Part V requirements, including building the units – either on the development site or elsewhere – or making a cash payment in lieu of land or units to the local authority,. Those changes, of course, can and did to some extent dilute the extent to which Part V agreements actually furthered social inclusion; in practice, however, the most widely used Part V option has been on-site construction of social rental housing or affordable owner-occupied housing by the developer. Where the units are social rental housing, they are conveyed by the developer on completion either to the local authority or to a non-profit social housing association.

From an economic standpoint, the Irish model is based on a limited measure of land value recapture, with the underlying premise being a sharing of the subsidy cost between the developer and the public sector. Assuming, as is usually the case, that the local authority seeks to obtain 20 percent of the units as social or affordable housing, it must obtain funds from the central government to cover the difference between the total subsidy cost and the subsidy provided by the recaptured land value. In some other cases, however, local authorities have chosen to accept a smaller percentage of social housing units – usually about 7 percent – for which the entire subsidy cost is covered by the developer through the recapture of the value of 20 percent of the land.

During the Irish real estate boom, which lasted through 2007, this model was fairly successful. A large number of units were built under Part V – although fewer than in theory should have taken place – and it is likely that most were in settings that fostered at least some measure of social inclusion, although at varying scales. The success of the model, however, was highly dependent on the unusual conditions of the Irish housing market between 2002 and 2007. Rapidly rising house prices and strong housing demand during those years meant that developers accepted both the land value recapture and the social inclusion mandated by Part V, while rising public sector revenues made it possible for the Irish government to appropriate the public funds needed to supplement the subsidy realized through land value recapture.

The picture is radically different today. The Irish housing bubble burst in 2007. Since then, house prices have collapsed, and construction of new housing has all but come to an end. Although some units, planned before the collapse of the market, are still coming on line, few are likely to follow. Without strong homebuilding activity to fuel Part V social and affordable housing, its prospects for the near future are dim.

*France.* In the same year that Ireland enacted Part V, France enacted the Loi SRU (solidarité et renouvellement urbaine). Article 55 of that law established a national “fair share” housing scheme with strong similarities to the Massachusetts 40B law in the United States, which was enacted in 1969.<sup>4</sup> Local governments (communes) meeting both minimum population and location thresholds were required as a matter of law to have 20 percent of their total housing stock as social rental housing, and to adopt plans by which they would fill 15 percent of the shortfall between that goal and their actual share of social rental housing in each triennial period, beginning in 2002. While Art.55 did not in itself require inclusionary housing nor was inclusionary housing explicitly authorized under that or any other French planning law at the time, inclusionary housing widely came to be seen by local authorities as a logical response to the fair share mandate.

As noted earlier, French law only gave communes explicit authority to impose inclusionary requirements on developers in 2006. Prior to that, Paris had enacted a local law requiring developers to set aside 25% of the units in all new developments (outside three ‘impacted’ districts or arrondissements) as social rental housing. Since then, in light of the mandates of the Loi SRU, the imposition of inclusionary requirements on private developers has become a common practice. Since land value recapture does not play a role in French land policy, inclusionary obligations are met through VEFA<sup>5</sup> or turnkey contracts between developers building single family or condominium projects

---

<sup>4</sup> Massachusetts is not unique in having such a fair share law. Connecticut, Rhode Island and Illinois all have state statutes that are similar to that of Massachusetts (or France) in their underlying structure. All of them are modeled, to varying degrees, on the pioneering Massachusetts law.

<sup>5</sup> Vente en l’État Futur d’Achèvement

and specialized non-profit corporations known as HLM (Habitat à Loyer Modéré, or moderate-rent housing) entities. In order to meet his legal obligation to the commune, the developer enters into a VEFA contract with the HLM entity. With the VEFA contract in hand, the HLM entity then applies for and receives government funds<sup>6</sup> to acquire the units in the building specified in the contract. Upon completion, those units become social rental housing, housing a target population that may vary from quite poor to solidly middle-class, depending on the particular governmental program or tier under which the units are acquired.

The most significant element of the emerging French model is the separation of the physical entity; i.e., the building that contains the dwelling units, from the financial and tenure characteristics of the individual dwelling units contained within it and their owners or tenants, a separation that goes well beyond the binary juxtaposition of market-rate condominium and social rental units. A newly-built condominium building may contain not only HLM or social rental housing, but also rental housing priced at or below 90 percent of market rent, owned by private investors who receive significant tax incentives (dispositif Scellier or dispositif Robien) to buy and rent out condominium units; and a significant number of owner-occupied units sold at below-market prices to moderate-income homebuyers through the government PTZ (prix à taux zéro) program<sup>7</sup>.

The French model is still very much a work in progress. It has been impeded by the recent slowdown in housing construction, and arguably compromised in its social inclusion mission by a recent government policy decision to redirect public funds to bail out troubled private projects through acquisition of entire projects by HLM entities. Still, at its best it represents a model of how social inclusion can be fostered through inclusionary housing by pursuing an 'enabling' housing finance regime which uses a

---

<sup>6</sup> The greater part of these funds come from the national government, although in large part through a variety of off-budget financing provisions and tax advantages. A number of communes and regions supplement national housing funds to varying degrees.

<sup>7</sup> This program provides for a 0 percent (and in some cases forgivable) second mortgage for 20 percent of the purchase price as well as a significant reduction in the VAT on the unit, resulting in a de facto purchase price of roughly 2/3 of the market price.

mixture of tax incentives, targeted financing programs and direct subsidies to create a physically invisible texture of housing opportunity and social inclusion. Its effectiveness, of course, is utterly dependent on the willingness of the French government to continue to provide those incentives and subsidies. That has been the case at least to date.

These are only two – albeit two of the most interesting – of the many inclusionary models being pursued in different countries. These models vary widely in their legal basic (in New Zealand and Australia, the legal principles driving inclusionary housing are more closely related to the American concept of ‘linkage’ than to land value recapture as such), and in the extent to which they are seen as complementing or substituting for public funds. While they are all to some extent vehicles for social inclusion, their effects are still largely unknown. The implementation of Part V in Ireland and the adoption of the French inclusionary housing model, as well as most other inclusionary programs elsewhere, are of recent origin, and have yet to yield any significant body of social research investigations or findings. Even in the United States, where the body of experience with inclusionary housing stretches back to the 1970’s, little research has been done about its effects; indeed, even establishing the number of affordable housing units created through inclusionary housing in the United States is essentially a matter of guesswork. Thus, the final section of this paper will be devoted to raising a series of questions about social inclusion and inclusionary housing, some of which may begin to be answered over the coming years.

## **5 SOCIAL INCLUSION AND INCLUSIONARY HOUSING: POLICY AND RESEARCH CONCERNS**

Ultimately, the efficacy of inclusionary housing as a vehicle for social inclusion and spatial integration is tied to its effectiveness as a vehicle for production of affordable or social housing. That, in turn, is a function of housing market conditions as much as it is one of public policy. A particular advantage of inclusionary housing over many other ways of building social housing is that it is most effective during hot market periods, when it is likely to be most difficult and least cost-effective to create purpose-built social housing.

inclusionary housing is also likely to be most effective in those areas where market pressures promoting social exclusion are strongest; i.e., upscale areas or centers of job growth. It is notable that by far the largest concentrations of affordable housing created through inclusionary housing in the United States are in the states of California, Massachusetts and New Jersey, as well as in Montgomery County, Maryland, a largely affluent suburban Washington DC jurisdiction. All of these three states contain large areas in which housing markets are particularly strong, or at least have been so until recently. Conversely, since inclusionary housing is likely to become ineffective in weak market areas, public policy would be ill-advised to pursue inclusionary strategies in such areas, or for that matter to rely exclusively on inclusionary housing as a national policy for creating social housing.

A second issue is whether IH fosters what could be called spatial integration “lite”; i.e., integration of those populations, although arguably not adequately served by the private market, are perceived as least problematic, and least likely to compromise the marketability of the more expensive units. There is some evidence of this in France; not only do informal reports suggest that developers resist proposals to include PLA-I units, dwellings subsidized to reach the lowest income households, but data from the 2002-2004 triennium show that PLA-I production is disproportionately concentrated within the central cities of the principal French regions<sup>8</sup>.

Data from Ireland suggests a similar conclusion. National statistics on affordable and social housing production in 2007 show that while Part V accounted for a total of 32 percent of all affordable and social housing units delivered during the year, it accounted for 57 percent of the ‘affordable’ housing; i.e., units for moderate income home ownership, but 30 percent of non-profit housing association social rental housing and

---

<sup>8</sup> Between 2002 and 2004, in the Haute Garonne region in south-central France, among the 30 communes with obligations under the Loi SRU, the city of Toulouse accounted for 74 percent of the PLA-I units added, but only 41 percent of the PLS units. Nationally, the thirteen cities with populations over 100,000 accounted for 61 percent of the 5,900 PLA-I units built between 2002 and 2004 in communes subject to the Loi SRU.

only 16 percent of local authority social rental housing (Table 2). Data from the United States, although showing wide variation from place to place, is consistent with this picture, suggesting both (as in Ireland) that home ownership is privileged over rental housing, and that units tend to be priced at the upper reaches of whatever income range is targeted by state or local public policy.

TABLE 2: SOCIAL AND AFFORDABLE HOUSING PRODUCTION IN IRELAND 2007

Category	Program	Number of housing units delivered	% of housing units through Part V
Affordable housing	All other	1527	57%
	Part V	2063	
	Total	3590	
Local authority social housing	All other	4196	16%
	Part V	790	
	Total	4986	
Housing association social housing	All other	1292	30%
	Part V	393	
	Total	1685	
All social and affordable housing		10261	32%

Source: Department of the Environment, Heritage and Local Government

While the issue has not been explored in detail, there are a number of different factors that might lead to inclusionary housing being characterized by social inclusion ‘lite’. Despite its widespread acceptance, there is clearly an inherent tension between the goal of social inclusion in housing and the profit-oriented mission of the private developer. Whether the inclusion of affordable units *as such* reduces the developer’s profit is a knotty question, which is largely a function of the extent to which the developer can displace any costs associated with inclusionary housing backward to the landowner. This is less germane here than the developer’s concern that inclusion of lower income households will reduce the attraction of the more expensive units to market-price buyers, and that the greater the disparity – in economic terms, demographic terms or form of tenure – between the occupants of the affordable and the market-price units, the greater the potential loss of value. This may or may not be true; suffice it to say that it is widely perceived to be true.

A second factor working to limit the scope of social inclusion is the social or political climate at the local level, and its effect on framing and implementing IH

programs. It is ironic in some respects that inclusionary housing in the United States is, in essence, the adaptation to social inclusion of a legal mechanism that originated at least in part *for the express purpose* of social exclusion. Thus it is unsurprising that the three states which account for the greater part of all inclusionary housing production in the United States (California, New Jersey and Massachusetts) all have state statutes that require local jurisdictions to further affordable housing through various means, including inclusionary housing. Where such statutes do not exist, inclusionary housing is less widely used.

The extent of social inclusion in inclusionary developments, however, is strongly affected by the provisions of state law, which is being driven by broader policy goals.<sup>9</sup> In New Jersey, state regulations require that local jurisdictions deliver half of all affordable units to households earning 50 percent of the area median income or less, equivalent to the lowest income quartile. In California, where state regulations are more permissive and give localities more flexibility, only 29 percent of units in inclusionary developments targeted this income group, reflecting the strong local preference for housing the higher reaches of the income-eligible population over those with less income and in all likelihood greater need (Non-Profit Housing Association of Northern California, 2007). As noted earlier, similar preferences appears to be operative in French communes outside the central cities.

The economic issue is rendered more complex by the highly-charged relationship between economic exclusion and racial/ethnic exclusion in many developed nations. An early New Jersey study showed that suburban inclusionary developments tended to attract largely suburban and predominately white lower income households (Eisdorfer and Wish 1996). Although based on a limited sample, its findings ring true. Today, many European countries are attempting to address racial or ethnic fault lines in their societies, many of which are crystallized in existing social housing occupancy patterns;

---

<sup>9</sup> Whether such matters are the purview of state or local policy varies from state to state. In most states, localities have considerable discretion in determining the target incomes for affordable housing in IH developments. In New Jersey, however, state regulations rigorously dictate the target incomes, the distribution within income ranges, and the pricing formulae to be followed.



the social issues associated with the grands ensembles in France, in particular, are at least as much ethnic as economic.

The question is a fundamental one: can a focus on social inclusion that does not address racial/ethnic issues be considered a serious policy response to the dynamics of exclusion in developed nations? This is an issue that goes well beyond the specific focus of this paper; as one author notes, in the context of Scottish inclusion policy,” there has been limited success with regard to the achievement of mainstreaming race/ethnicity within the discourses and policy interventions on social exclusion/inclusion.” (De Lima, 2003, 664). While policies at the EU and national levels acknowledge the racial/ethnic dimension of social exclusion, it is unclear to what extent that is reflected in social housing policy in general, and the occupancy of affordable units in inclusionary developments in particular. Much as the existence of state- or federally-mandated affirmative marketing guidelines for affordable housing in the United States has had only limited effects in fostering racial integration in affordable housing, one must wonder to what extent the social inclusion being fostered by IH developments in Europe is racially or ethnically inclusive as well.

These issues arise when inclusionary housing is being pursued in its most literal form; i.e., where affordable and social housing units are actually being delivered within the same development as market-price housing. As mentioned earlier, however, many jurisdictions permit inclusionary requirements to be satisfied by payments to the local authority in lieu of producing housing units, or by delivering affordable housing units on a site other than that triggering the affordable housing requirement. The former is widespread in the United States, where many local jurisdictions have created affordable housing trust funds into which the payments are deposited. Ireland’s 2002 amendments authorized payments in lieu as well as off-site land or buildings as ways in which developers could meet their Part V obligations.

Such alternatives cannot but dilute the social inclusion focus of inclusionary development. In its most extreme form, that focus may disappear entirely, as was the case under New Jersey law, which permitted developers of suburban housing projects

for many years<sup>10</sup> to make payments in lieu of constructing affordable units to the local jurisdiction. The local jurisdiction would then enter into a 'Regional Contribution Agreement' with another municipality, under which it would pay the second municipality to build or improve affordable housing in its boundaries, which units would then count toward the first municipality's 'fair share' obligation under New Jersey law. While neutral on its face, in practice Regional Contribution Agreements largely consisted of agreements under which affluent suburban municipalities sent money to cash-strapped urban centers with disproportionately poor and minority populations. In less egregious cases, the effects may be less drastic, but are still likely to reduce social inclusion relative to what might have been possible by incorporating affordable units directly into mixed-income developments. More research is needed to determine the extent to which cash or off-site alternatives do in fact result in more social housing production – or social housing that reaches lower income populations – so that more informed judgments can be made about how appropriate they are, and under what circumstances, as housing policy.

The fact is, we do not know enough about how effective inclusionary housing has been in fostering social inclusion, and even less about how that social inclusion has benefited the lower income households who have moved into inclusionary developments. We know little about these issues in the United States, where some inclusionary housing programs have been around since the 1970's, and even less in Europe, where inclusionary housing programs are far more recent. Among questions worth posing include:

- To what extent do the lower income residents of inclusionary developments in fact move from less to more socially inclusive environments? Does the manner in which tenants or homebuyers are selected actually further social integration, or disproportionately benefit lower income households already living in socially integrated environments?

---

<sup>10</sup> The New Jersey Legislature amended the state Fair Housing Act to remove the authority of local jurisdictions to make such transfer payments as a part of their 'fair share' program in 2008.

- To what extent do they reflect the ethnic or racial distribution of the community's lower income households? The region's?
- How are their conditions of life and opportunities affected by moving into inclusionary developments? Are there significant variations depending on the income level or demographic characteristics of the households? Are there other variations that result from the disparity between the market-price occupants and the lower income occupants?
- How do different inclusionary housing configurations; i.e., those in which the social dwellings are intermingled with market-price housing vs. those in which they are physically distinct and separate, affect social outcomes?
- To the extent that inclusionary housing policies, as in Ireland or many parts of the United States, permit such measures as off-site development and in lieu payments, how does this affect the level of social inclusion achieved?

With the number of affordable and social units in inclusionary developments created through Section 106 in England, Part V in Ireland, VEFA agreements in France, and other mechanisms elsewhere in Europe now numbering in the tens, if not hundreds, of thousands of dwelling units, the time is more than ripe for such research.

Finally, one must come back to the underlying question, which is the purpose of spatial integration as a means of fostering social inclusion. It is one thing to outlaw segregation as a legal mechanism, but a very different matter to actively further integration, as the African-American experience in the United States has shown. Is spatial integration a 'feel-good' strategy that serves to satisfy our social values as progressive policymakers and scholars, is it a strategy to reduce the visibility, and thus the political pressure, of social problems; or does it actually offer greater opportunities and a better quality of life for a nation's disadvantaged citizens? However intuitively one may believe the last, the evidence is still far from compelling.

In closing I would suggest, however, that while the advantages of integration are uncertain, the disadvantages of residualization and poverty concentration, which are the inevitable by-product of *the absence of* spatial integration in a market-oriented

polity, are compelling. However difficult it may be to prove the affirmative case for social inclusion, the benefits of undoing concentrations of poverty are in themselves a compelling case for an affirmative public policy, in which inclusionary housing is capable of playing a major role.

## REFERENCES

- Angel, Shlomo. 2000 *Housing Policy Matters*. Oxford: Oxford University Press
- August, Martine. 2008 "Social mix and Canadian public housing redevelopment: experiences in Toronto" *Canadian Journal of Urban Research*, Vol. 17, no.1
- Burrows, Roger. 1999. "Residential Mobility and Residualisation in Social Housing in England." *Journal of Social Policy* 28, 27-52
- Cole, Ian and Barry Goodchild. 2001. "Social Mix and the 'Balanced Community' in British Housing Policy – A Tale of Two Epochs." *GeoJournal*, Vol. 51
- De Lima, Philomena J.F., 2003. "Beyond Place: ethnicity/race in the debate on social exclusion/inclusion in Scotland" *Policy Futures in Education*, Vol.1, No. 4
- Galster, George. 2007 "Should Policy Makers Strive for Neighborhood Social Mix? An Analysis of the Western European Evidence Base" *Housing Studies*, Vol. 22, No.4
- Non-Profit Housing Association of Northern California, et als. 2007. *Affordable by Choice: Trends in California Inclusionary Housing Programs*. San Francisco, CA.
- Rose, D. 2004. "Discourses and experiences of social mix in gentrifying neighborhoods: A Montreal case study". *Canadian Journal of Urban Research* Vol.13, No. 2.
- Sarkissian, Wendy. 1976. "The Idea of Social Mix in Town Planning: An Historical Review." *Urban Studies*, Vol. 13
- Sarkissian, Wendy, Anny Forsyth and Warwick Heine. 1990. "Residential 'Social Mix': The Debate Continues." *Australian Planner*, March
- Von Hoffman, Alexander. 1996. "High Ambitions: The Past and Future of American Low-income Housing Policy" *Housing Policy Debate*, Vol. 7, Issue 3
- Wilson, William Julius. 1987. *The Truly Disadvantaged: The Inner City, The Underclass, and Public Policy*. Chicago, IL: University of Chicago Press

Wish, Naomi Bailin and Stephen Eisdorfer, 1996. "Impact of Mount Laurel Initiatives: An Analysis of the Characteristics of Applicants and Occupants" *Seton Hall L. Rev.* Vol. 27

DRAFT