



Talking Points



Inclusionary Zoning and Affordable Housing

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Inclusionary Zoning

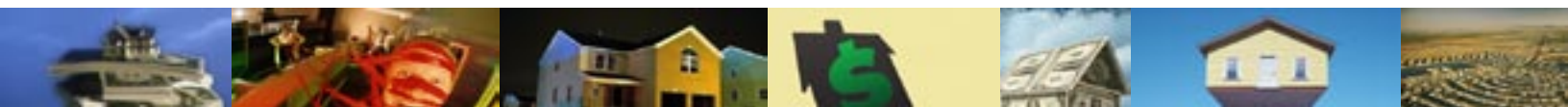
- Many California communities suffer a shortage of affordable housing. A popular response has been “inclusionary zoning” ordinances that mandate developers sell a certain percentage of the homes they build at below-market prices to make them affordable for people with lower incomes.
- Inclusionary zoning is spreading rapidly nationwide. For example, in California, between 1990 and 2003, the number of communities with inclusionary zoning more than tripled—from 29 to 107 communities—meaning about 20 percent of California communities now have inclusionary zoning.

Does Inclusionary Zoning Lead to More Affordable Housing?

- After passing an inclusionary zoning ordinance, the average city produces fewer than 15 affordable units per year.
- In the San Francisco Bay Area, where inclusionary zoning is most prevalent, inclusionary zoning produce only 4 percent of the region’s estimated affordable housing need, and it will take 100 years for inclusionary zoning to meet the current 5-year housing need.

What Effects Does Inclusionary Zoning Have on the Housing Market?

- Inclusionary zoning leads to fewer homes being built in a community—the average city produced 214 homes the year before inclusionary zoning but only 147 the year after. For example, the 45 San Francisco Bay area cities that have inclusionary zoning are losing a total of about 2,300 new homes per year.





- Inclusionary zoning caused the price of new homes in the median Bay Area city to increase by \$22,000 to \$44,000 per home.

What Are the Fiscal Effects of Inclusionary Zoning?

- Selling new homes at below-market rates costs builders in the average city \$45 million.
- By lowering the assessed value of homes and the resale value, inclusionary zoning leads to substantial loss of state and local tax revenue. The total present value of lost state and local government revenue due to Bay Area inclusionary zoning ordinances is upwards of \$553 million.

How to Tackle Affordable Housing Problems

- It is a fundamental law of economics that price controls cause shortages and don't help increase supply.
- A recent Harvard study found that 90 percent of the difference between physical construction costs and the market price of new homes can be attributed to land use regulation.
- Most affordable housing is not new housing, but older homes. The only way to increase the supply of affordable older homes is to reduce restrictions on new home building and increase the overall supply of homes.



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