

Inclusionary Zoning Fact Sheet

Why does San Jose need inclusionary zoning?

In the last Regional Housing Needs Allocation (RHNA) cycle, San Jose's aggressive affordable housing programs established the City as a clear leader region-wide. The overall need was met, but the City missed the mark on moderate and very low income homes. The new RHNA significantly increased San Jose's affordable housing targets to 35,717 by 2014, resulting in 7,446 more homes than the previous cycle, especially for those with very low and low incomes. Without new programs that go beyond San Jose's persistent efforts on affordable housing, these targets will go unmet and families and individuals will continue to struggle to find decent housing.

Who lives in affordable housing?

In the San Jose metro area, the fair market rent for a two-bedroom apartment is \$1,284. In order to afford this home, a household must earn \$51,360 annually (\$24.69/ hour). If a worker earns the minimum wage of \$6.75, they would need to work 146 hours/ week in order to afford this home or have 3.7 full-time employees sharing it. (National Low Income Housing Coalition).

In Santa Clara County, 39% of local jobs pay less than \$30,000 per year and four out of the ten fastest growing jobs pay less than \$21,000 per year. Housing is considered affordable when it represents no more than 30% of a household's income. The Area Median Income in San Jose is \$97,100.

What is inclusionary zoning?

Inclusionary Zoning (IZ) Policies encourage market-rate housing developments to include a percentage of homes affordable to lower- and moderate-income households.

Job	Hourly Wage	Annual Wage	% AMI
Moderate Income: (80%-120% AMI)			
Physical Therapist	\$34.90	\$72,624	96%
Civil Engineer	\$34.70	\$72,221	96%
Low Income: (50-80% AMI)			
School Teacher	\$26.40	\$54,804	73%
Carpenter	\$23.60	\$49,085	65%
Very Low Income: (30-50% AMI)			
Child Care Worker	\$15.50	\$32,293	43%
Nursing Aide	\$13.80	\$28,792	38%
Extremely Low Income: (< 30%)			
School Bus Driver	\$9.80	\$20,792	28%
Wait Staff	\$8.80	\$18,295	24%

Is inclusionary zoning constitutional and legal?

Yes. Inclusionary zoning policies have been tested repeatedly in the courts and are immune from meritorious challenge if properly drafted. One basic due process requirement that courts dealing with ordinances in Napa and San Diego have articulated is that the ordinance include a process that developers can utilize to obtain a waiver of inclusionary requirements when appropriate. It is also important that the IZ ordinance apply to every development in the jurisdiction, rather than on an ad hoc basis to specific developments. 170 jurisdictions in California have IZ policies, 63 of which were adopted in the last four years.

Do IZ policies drive away housing development and decrease production?

In markets ranging from Irvine to Sacramento, research shows that in many cases, developers actually sought and received more permits after the adoption of IZ than before. In other cases, there is no change in the number of permits issued. In fact, the number of residential building permits is at a 20-year high in California, even though IZ is on the rise throughout the state. According to the Census Bureau, Irvine, which has an IZ policy, was reported as being the 10th fastest growing city in the country in 2006. (www.calruralhousing.org)

Does IZ increase home prices?

This statement implies that developers wouldn't be charging the highest price the market could bear otherwise. The landowner or developer usually absorbs the cost in reduced profits. However, this can be balanced by a policy that provides incentives and flexibility to developers in exchange for housing that meets a community's needs.

Is IZ the reason why housing is so expensive in California?

California's housing problem is the result of several factors including:

- A failure to produce enough affordable housing for our population and job growth
- Slow growth in incomes for low- and moderate- income people
- A scarcity of residentially zoned land and regulatory barriers to building more homes

Is IZ the panacea to San Jose's affordable housing challenges?

No. Inclusionary zoning is just one more way the City of San Jose can bolster its efforts to achieve its affordable housing goals. It is an important part of a multi-pronged strategy that involves a robust housing department, commitment from policy-makers, local, state and federal funding programs and other vital programs and strategies.

Will affordable housing bring down my property values?

No. Numerous studies have been conducted on the effects of affordable housing on property values and the general consensus is that property values are determined by a complex set of variables with affordable housing playing only a small role. In many instances, property values were raised as a result of affordable housing. Typically, IZ homes are sprinkled throughout a development, unnoticeable and indistinguishable from market rate homes. (Non-Profit Housing Association of California)

Why should for-profit developers be required to solve the affordable housing issue?

They should not. But like all segments of the community, they have a role to play. Given that they produce the housing stock, and that offsets are available to alleviate economic harm (such as fee waivers or density bonuses), the affordable housing requirement is not an undue burden.

Case Studies ~ Pleasanton and San Diego

In 2000, the City of Pleasanton adopted an IZ ordinance that incorporated the following features:

- In developments of 15 units or more, 15-20% of the units must be affordable to very low, low and moderate income households
- Homes must remain affordable for the life of the development
- Incentives to developers include fee waivers and deferrals, design modifications, local subsidies and fast track processing
- Flexibility is incorporated by allowing developers to build the affordable homes off-site, dedicate land or pay in-lieu fees

In 2003, San Diego adopted an IZ ordinance which included the following features:

- All new residential development (including condo conversions) of 2 homes or more must set aside 10% of the homes for those at or below 65% of AMI for rental units
- Certain projects are allowed exceptions, such as those with completed building permit applications prior to July 2003 or those with a variance or waiver
- Developers have the option to build off-site, dedicate land or pay in-lieu fees

The number of affordable homes created through IZ policies since 1999 is 29,281. This has housed at least 80,000 Californians. Again, inclusionary zoning is but one tool in the toolbox to address affordable housing needs.

Response to the Reason Foundation study on Inclusionary Zoning

The Reason Foundation released a study that claims to analyze the “economic and real world consequences of Inclusionary Zoning.” However, their assumptions and data contain flaws that question their main finding, that housing production declines after the passage of IZ, among others. For example,

- The study only focused on cities with IZ policies instead of taking the comparative approach and also looking at cities without IZ policies
- The authors assume that there are no options available to the developer, such as in-lieu fees, incentives and subsidies, design modifications and the ability to partner with a non-profit developer
- They ignore the possibility that an economic recession, such as the one during the early nineties, might have an impact on housing production
- The authors point out that the average number of IZ units built since 1973 is only 228 per year, but most of the cities studied didn’t pass IZ ordinances until the 1990s, and seven were passed between 2000-2003
- With incomplete data on 17 (34%) out of the 50 cities selected for the study, the average of the other 33 is used to fill in the blanks, which is troubling given that the overall case is small.

For more information on the information above please visit:

http://www.nonprofithousing.org/actioncenter/campaigns/download/IH_countering_critics.pdf

<http://www.nonprofithousing.org/about/affordablehousing/resources/default.aspx>