



CALIFORNIA ASSOCIATION OF REALTORS®

Arguments and Counterarguments for Inclusionary Zoning

| Argument For IZ | Counter-argument |
|---|--|
| Provides affordable housing at little or not financial cost to local governments | While there are no or little <i>direct</i> costs to the local government <u>at the time</u> of applying an IZ ordinance, there are <u>cumulative</u> and <u>indirect ongoing</u> costs due to IZ. The local government suffers losses from lower property tax revenue at the price controlled dwellings and incurs administrative costs related to the implementation and monitoring of the program. At the same time, the local government has to service the IZ dwellings at the same cost as any other dwellings. In other words, IZ units cost the same to service but generate less revenue to cover those services. |
| Creates income-integrated communities | Integrated communities are not guaranteed. IZ benefits only <i>very few</i> households within the community and effectively integrates them <u>within a development</u> . Given that IZ raises housing prices in the whole market, the final result is a polarized community with a dwindling middle class and a concentration of very poor and very wealthy households. |
| Reduces sprawl; a concentration of people provides the critical mass necessary to create a town center and reduce proliferation of sprawled bedroom subdivisions. | It has not yet been proven that IZ reduces sprawl. Based on statistics, IZ units typically form a very small percentage of the housing stock. This seems to indicate that IZ is not contributing significantly to stop or control sprawl. Finally, town centers have long existed before inclusionary zoning. IZ is not a pre-requisite for their existence. |
| Increases the production of affordable housing | The production of housing, and for that matter affordable housing, depends on a series of complex variables such as interest rate, housing market prices, population growth rate, fees, taxes, land availability, etc. To link the increase in the production of affordable housing –or any type of housing-- to a single factor is an oversimplification. IZ is effectively perceived by developers as a tax; therefore, the mix of housing |

| | |
|--|--|
| | <p>produced is altered. Given that the production of affordable housing becomes more expensive due to IZ, developers favor the development of luxury units where they can recuperate the costs. This means that there is a potential loss of workforce housing that the numbers of IZ units produced are masking. While some “affordable” units are produced, many more are lost in order to recuperate costs. Is for this reason that HCD considers IZ has a housing constraint.</p> |
| <p>The costs of affordable housing requirements are treated like a cost of development and result in reducing the value of the land on a regional basis and these costs cannot be increased in a particular jurisdiction based on specific impact fees or development costs.</p> | <p>While it is true that the costs of affordable housing requirements are treated like a cost of development, that does not necessarily mean that the landowner will receive less money for its land. This is particularly true in localities that are built-out. The landowner has the option of selling to a developer for a commercial use, instead of residential, or as an alternative it will hold-on to the land until it can command a higher market price. When the price of land cannot be negotiated to the satisfaction of the developer, then the increased costs in developing housing will surely mean an increased in the price for-sale housing. Also, developers price their housing depending on housing costs and market value of housing in the area. They do incorporate specific fees in their pricing. Developers do change their pricing of housing depending on the area and market conditions, including fees and taxes. They sell the same type and quality of housing at different prices in different markets to reflect fees and housing market conditions.</p> |
| <p>IZ benefits homebuyers and creates affordable housing in the community.</p> | <p>IZ only benefits homebuyers in the short term by providing below market rate housing. However, IZ locks-in homebuyers of IZ-units and does not allow them to profit from renovations, equity gain and maintenance to the dwelling. Resale restrictions do not motivate owners to maintain the property, discourage upward mobility and <u>effectively and permanently remove the IZ dwellings from the housing market</u>, which means that the units “gained in construction” are immediately lost as soon as they are rented or sold to qualifying households.</p> |