Inclusionary Housing:
A Strategy in Response to the
Under Supply of Affordable Housing

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Some Reasons We Care About Housing

- Housing Affordability
- Attraction/Retention of Employers/Employees
- Economic & Social Stress
- Transportation/Traffic
Understanding the Strategy of Inclusionary Housing

- The housing affordability problem
- Inclusionary housing as one strategy to address the problem
- Making inclusionary housing work
The Problem

Supply & Demand?
Production Lag in the 1990s

State of California

Source: California Department of Finance and U.S. Census Bureau.

[Graph showing the trend of single-family and multi-family units (permits) from 1982 to 2003.]

Source: California Department of Finance and U.S. Census Bureau.
State of California

County of Riverside

City of Riverside

Note: Price in constant dollars (2000)

Source: RAND Statistics. Original sources: Construction Industry Board; California Association of Realtors
A Few Claims about the Housing Problem

- Local growth control regulation and other forms of land/building regulation prohibits/limits development (developers and advocates)
- NIMBY attitudes hinder development (city staff, advocates)
- Local development entitlement process delays production, increases cost (developers)
- Prop 13 wreaked havoc on state-local finance (city officials, city staff, advocates)
### What can we do?

<table>
<thead>
<tr>
<th>“Free the Market”</th>
<th>Potential Effect</th>
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<tbody>
<tr>
<td>• Increase housing supply</td>
<td>• Lower/stabilize housing prices</td>
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<td>• Remove regulation</td>
<td>• Increase some and lower other housing values; rearrange spatial patterns without concern for uses such as transportation and school sites; deny individual voice at the ballot box</td>
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<td>• NIMBY attitudes</td>
<td>• Market unable to quell this “voice.”</td>
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<td>• End entitlement fees</td>
<td>• Lower housing prices; Loss of city/county revenue: decrease city/county services/infrastructure</td>
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Housing Markets are segmented into submarkets of quality (cost)

Example: County of Riverside  
MFI 1999 = $48,409

<table>
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<tr>
<th>Housing Sub-Markets</th>
<th>Income</th>
<th>Mortgage Loan¹</th>
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<tr>
<td><strong>High</strong></td>
<td></td>
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<tr>
<td>4.4%</td>
<td>$150,000 or &gt;</td>
<td>$725,000 or &gt;</td>
</tr>
<tr>
<td>34.3%</td>
<td>$60,000 - $149,999</td>
<td>$290,000-$720,000</td>
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<tr>
<td>20.7%</td>
<td>$40,000 - $59,999</td>
<td>$195,000-$290,000</td>
</tr>
<tr>
<td>18.3%</td>
<td>$25,000 - $39,999</td>
<td>Rent ($695 - $1,115); ~$195,000</td>
</tr>
<tr>
<td>22.3%</td>
<td>&lt; $25,000</td>
<td>Need subsidy; rent ($695)</td>
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¹Assumes 10% down, 30-year fixed loan at 5.6%

Most Recent Figures

In the first quarter of 2005, the median sales price in the Riverside-San Bernardino-Ontario Metro Area was $325,000

- The 19th least affordable housing market (out of 158) in the nation
- Only 17.5% of the homes in the area are affordable to families earning the median income

What can we do realistically?

Work with Market…

Collaboratively, the public and private sectors to address market’s shortcomings
Inclusionary Housing

*If well-designed, an IH program:*

1) results in affordable units actually being built
2) is a cooperative effort between the public-private sector
3) reduces uncertainty in the development process
4) offers long-term affordability
Important Elements in the Design of an Inclusionary Housing Program

1. Mandatory, not voluntary

2. Program should be well-defined with limits on discretionary decision making by city/county officials - reduces uncertainty for the developer

3. Preference building IH units (on-site) not paying in-lieu fees (land dedication and off-site construction are also a possibility)

4. Establish long-term affordability on IH units: windfall profits should not occur

Source: Some of these recommendations are informed by research appearing in Inclusionary Zoning: The California Experience published by the NHC in 2004.
Important Elements in the Design of an Inclusionary Housing Program

5. Work with not-for-profit organizations to oversee long-term affordability requirements

6. When appropriate, encourage developers to team with not-for-profit developers to build affordable units

7. Provide offsets to developers: subsidies/fee waivers and density bonus

8. Keep thorough records of IH production and progress

9. Carefully design program with participation from developers (for-profit and not-for-profit) and other stakeholders in your community
Acknowledgements

My sincere thanks to the researchers providing information for this presentation and to the state and local housing staff, elected officials, developers, bankers, real estate professionals, housing advocates, and legislative consultants who provided interviews to me from 2003-2005 about California’s housing situation.