

## Subsidized "Inclusionary" Housing

### *When Government Makes New Home Buyers Pay for Someone Else's Home*

The home building industry position on inclusionary zoning and its by-product of subsidized housing has been misrepresented by the media and social housing advocates.

We oppose inclusionary zoning policies because they are an ineffective approach to a very real problem and they don't achieve the desired results.

The truth is:

- We want to be part of something that helps more people, without punishing new home buyers
- We have constantly advocated for a comprehensive housing policy that helps ALL residents
- We want to build new homes that more people can afford to buy
- Any policy or government action that hurts housing prices and/or supply is counter-productive to this goal

#### **A MATTER OF DEFINITION**

Let's call it what it is: low-income, subsidized housing.

Misusing the term "affordable housing" misleads many. It is a broad term that conveys affordability in general to most people. Government, on the other hand, has also hi-jacked the phrase for its subsidized housing programs. There is a big difference between the two. It is misleading and confusing to use the term affordable housing when talking about inclusionary zoning (IZ) housing. Let's be clear, IZ housing is only subsidized, welfare housing.

#### **JUST THE FACTS**

- Inclusionary zoning policies add anywhere from \$6,000 to \$14,000 to the price of a new home
- Inclusionary zoning generates little "affordable" housing production.
- Inclusionary zoning doesn't achieve the supply goals. Experts predict it will take 100 years for inclusionary zoning to produce enough housing to meet the Bay Area's five-year need.
- Inclusionary zoning taxes market-rate homebuyers
- Inclusionary zoning cheats families out of the full benefit of homeownership by restricting their appreciation values



**Inclusionary zoning is an illegitimate public policy that impedes the creation of real solutions. Elected officials seldom, if ever, promulgate changes or push for a comprehensive housing solution that brings about real affordability.**

**THERE ARE BETTER WAYS TO HELP LOW-INCOME FAMILIES WITH HOUSING**

Select [Comprehensive Effort](#) bookmark on left

Select [Broad-based Funding](#) bookmark on left

**DISCOVER THE TRUTH BEHIND THE MYTHS OF LAND, COST AND SUPPLY**

Who really pays for inclusionary housing? Select the [Cost Myth](#) bookmark to the left

The cost is real. Select [cost examples](#) bookmark

It doesn't achieve the supply goals either. Select [The Supply Myth](#) bookmark for more information.

**Learn what the public says about "Inclusionary" Housing**

See [Survey Says...](#) bookmark





## **A Comprehensive Effort is Needed to Achieve Real Affordable Housing**

**Elected leaders and department staff must have a comprehensive housing strategy that includes:**

- Real housing production goals for household incomes at all levels
- Specific plans for implementation such as appropriate zoning, adhering to defined timelines and realizing housing goals in general plans
- Revising the duplicate environmental review process

**Then, to measure progress and hold them accountable they should:**

- Produce an annual report on housing achievements
- Be subject to financial penalties if they fail to meet their goals



## Additional Funding Sources That Can Really Help With Affordable Housing

- Housing Bond
- Real Estate Transfer Fee
- T.O.T. Funds
- Utility Tax
- Business License Fee

Broadly based funding from these sources would help MORE families in MORE immediate and attainable ways including through:

- Rent credits
- Silent second loans
- Public subsidies
- First-time home loan assistance
- Grants for down payments
- Leverage dollars from state and federal sources



## The Cost Myth

Who pays for the city's plan?  
Without question, new home buyers do.

### Inclusionary Costs at Seabreeze Farms

38 subsidized rental units in a 184-unit project

Land donation	\$1,052,000
Cash subsidy from builder	\$315,000
School Fees	\$243,000
Development Impact Fees	\$346,000
Plan Check Fees	\$18,000
Water & Sewer Fees	\$95,000
Total	<b>\$2,069,000</b>

Spread over 146 for-sale units, this added **\$17,387** to each home.  
**\$61,000** over the life of their loan.



## Cost Examples

### Apartment Cost Example *offered by Keyser Marston*

\$1,103,000 Total Cost

\$15,000 Cost spread to each market-rate renter (higher rents) **\$138,000** Cost of the subsidized apartments

*assuming an 8.2% unrealistic rate of return*

### Condo Cost Example *offered by Keyser Marston*

\$2,605,000 Total Cost

\$26,000 Cost to each market-rate buyer

**\$261,000** Cost of the subsidized condos



## The Supply Myth

The city is pursuing an inclusionary housing program to fulfill its goal of increasing the supply of “affordable housing.” When you do the math, this goal is unmet to any meaningful degree.

**On the surface:** 6,000 new units delivered annually = 600 inclusionary units

**However,** this is exaggerated as many projects would be exempt from the regulations, including projects of ten units or less while many other units within the City are already conforming with some type of housing set asides.

**Likely maximum number:** 300-400.

As the City has 500,000 housing units, the zoning would produce an annualized addition to the housing stock of approx. 1/1000.



www.FallonResearch.com

**INCLUSIONARY ZONING SURVEY**  
*San Diego County, California*

*Do you agree or disagree that it is the responsibility of local government to provide more affordable housing opportunities in the community?*

**TOTAL AGREE                    63.3%**  
**TOTAL DISAGREE            33%**

*Do you agree or disagree that expanding the supply of all types of housing is a necessary step to solving affordability problems?*

**TOTAL AGREE                    61.9%**  
**TOTAL DISAGREE            29.5%**

**I would like to read you some various ideas and housing policies that have been suggested. After each one please tell me whether you think it is a good idea or bad idea.**

*Would you say it is a good idea or bad idea to...Buy and restore vacant houses in blighted areas and sell them to families at reduced rates to revitalize neighborhoods and expand the supply of housing?*

**TOTAL GOOD IDEA            85.7%**  
**TOTAL BAD IDEA              10.4%**

*Would you be more or less likely to vote for it if you knew that...Home builders will have to raise the housing prices for everyone else, in order to make up the money they lose selling some of their new houses at below market prices for affordable housing requirements?*

**TOTAL MORE LIKELY        18.9%**  
**TOTAL LESS LIKELY        58.9%**

*Would you be more or less likely to vote for it if you knew that...Civic groups oppose the notion of requiring that affordable housing has to be placed in their neighborhoods?*

**TOTAL MORE LIKELY 25.2%**  
**TOTAL LESS LIKELY 34.1%**

*Would you be more or less likely to vote for it if you knew that...Critics say that it creates an unfair tax on middle class families who buy most of the new houses and end up paying the costs for affordable housing that are passed on to them when they buy their homes?*

**TOTAL MORE LIKELY 20.1%**  
**TOTAL LESS LIKELY 48.8%**

*Do you think that new home builders and private home building companies should be required to build affordable housing, even if they have to increase the prices of the other homes they sell in order to do so?*

**Yes 29.6%**  
**No 63.9%**

*Based on what you have heard or read, how effective would you say it has been at providing additional affordable housing? Would you say it has been...very effective...somewhat effective...not very effective...or...not at all effective?*

**Very 8%**  
**Somewhat 27.1 %**  
**Not very 31.8%**  
**Not at all 29%**

*Would you be more or less likely to support the policy if you knew that some local communities in San Diego County have collected millions of dollars from builders but never purchased or built any homes for people and families who cannot afford them?*

**TOTAL MORE LIKELY 19.5%**  
**TOTAL LESS LIKELY 62.4%**

*Do you think that new home builders and private home building companies should be required to pay a fee for each new house they build that goes into a housing trust fund, even if it increases the cost of homes for everyone else?*

**Yes 31.8%**  
**No 60.2 %**

*Which of the following do you think would be the best way to use the funding in the Housing Trust Fund? Is it...*

Buying and refurbishing existing homes in old neighborhoods and selling them to people at reduced rates	<b>31.4%</b>
Providing low interest loans to people to buy homes of their choosing	<b>28.1%</b>
Giving down payment grants to people to buy new houses ...or...	<b>10.5%</b>
Building new homes and selling them to people at reduced rates	<b>7.7%</b>
Giving rental assistance to people, so they can save money to buy their own homes	<b>5.6%</b>