
Inclusionary Zoning — Good Intentions, Bad Results

April 2016

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This report evaluates the potential impacts on new developments and housing affordability that would result from adopting a statewide inclusionary zoning (IZ) policy in California. It does so by (1) estimating the potential magnitude of IZ subsidies and the corresponding “taxes” on new market-rate homes in each county, and (2) projecting the impacts these would have on home prices and affordability, rents, and poverty rates throughout the state. Below we provide background on IZ policies and a summary of our key findings. In Appendices 1 and 2, we provide a more detailed description of the methodology as well as the county-by-county results of our analysis. We conclude that IZ would actually worsen California’s home affordability problems and increase poverty.

Background

Low-Income Californians Are Hurt Most By the State’s Dysfunctional Housing Markets

It is well-documented that California’s home prices and rents are among the very highest in the country.¹ As the Legislative Analyst’s Office (LAO) reported last year, an average California home was priced two-and-a-half times the national average while rents were 50 percent above average. While some of California’s higher prices can be attributed to the inherent desirability of living in the state, most of the problem is due to a severe shortage of housing that results from insufficient building of new houses to keep up with the demand, especially along the coast.

The LAO also noted that low-income Californians are disproportionately hurt by the state’s high housing costs: “California households in the bottom quarter of the income distribution ... report spending four times more of their income (67 percent, on average) than households in the top quarter of the income distribution (16 percent, on average).” When housing costs are taken into account, California’s poverty rate jumps from 16 percent to 23.4 percent, making it the highest in the nation.

Programs to Help Low-Income Californians With Housing Costs Have Limited Potential To Solve the Problem

In California, local, state and federal governments operate a variety of programs to help low-income residents with their housing costs, both through subsidizing the construction of low-income housing and through direct and indirect rent subsidies. However, as the LAO indicated in a report this year, “the number of low-income Californians in need of assistance far exceeds the resources of existing federal, state, and local affordable housing programs.”² Moreover, expanding these programs to cover all low-income housing needs would be so expensive as to be entirely impractical.

Inclusionary Zoning — An Effective Way to Providing Low-Income Housing?

As a result, some policymakers have looked to Inclusionary Zoning (IZ) as a way of helping low-income Californians to find affordable housing. IZ can take many forms, but often requires developers, as a condition of being allowed to build new housing, to set aside a share of the houses to be priced at “affordable” rates. As one study noted, IZ is “politically attractive because (it is) viewed as a way to promote housing affordability without raising taxes or using public funds.”³

The same study, however, noted that the actual impacts of IZ are decidedly mixed: “Standard economic theory ... suggests that such programs act like a tax on housing construction. And just like other taxes, the

¹ California’s High Housing Costs, Causes and Consequences”, LAO report, March 17, 2015.

² “Perspectives on Helping Low-Income Californians Afford Housing,” LAO report, February 9, 2016.

³ “Housing Market Impacts of Inclusionary Zoning,” National Center for Smart Growth Research and Education, February, 2008.

burdens of inclusionary zoning are passed on to housing consumers, housing producers, and landowners. As a result, inclusionary zoning policies could exacerbate the affordable housing problem that they are designed to address.”⁴ By raising the cost and reducing the supply of market-rate housing, IZ policies make housing less affordable and attainable for households at all income levels - including those in the lower income ranges that IZ policies are purportedly designed to help.

The LAO’s 2016 study suggests that this may be the case in various San Francisco Bay Area communities it examined. As part of its analysis, the LAO considered whether IZ policies had a significant impact on the amount of displacement of low income households in these communities over time. It found that IZ policies were *not* a determinative factor. Rather, the key factor was the level of new construction. Communities with higher levels of new construction had less price growth and less low-income household displacement than their counterparts with less new construction. This was the case regardless of whether IZ policies were being pursued.⁵

If the key to affordability is a greater supply of new housing, IZ is exactly the wrong policy. By taxing new construction, it raises its cost and discourages its supply, thereby making housing less affordable over time.

A series of lawsuits has raised questions about local governments’ authority to continue implementing IZ in California. As a result, there have been legislative proposals by IZ advocates to allow its continuation. One that is currently pending in the Legislature is AB 2502. It would encourage local governments to adopt IZ requirements. Under AB 2502, a local jurisdiction could require - as a condition of a residential project’s approval - that the developer set aside a certain percentage of units to be sold or rented at below-market prices that are affordable to households that are classified as “low-income”, “very low income”, and “extremely low income,” as defined in current law.⁶ One likely approach to using the three income categories would be to set aside 15 percent of any new development - divided equally among the three categories.

Our evaluation of the potential impacts of such an IZ policy is based on a hypothetical application of such a set-aside requirement to all new housing built in the California in 2015, the most recent year for which actual data is available.

Quantifying The Impacts of Inclusionary Zoning

We quantify the effects of adopting a statewide IZ requirement in California in two steps. First, we show its impact on new home prices in developments subject to the requirement. Specifically, for each county we calculate the size of subsidies that would be needed to satisfy the IZ requirement for buyers in the three low-income categories. We then show the the increased price in market-rate units that would be required to offset these subsidies.

Second, we model in each county how the implied “tax” on the unsubsidized units would work through the market over time. We show the effect that it would have on overall housing prices, housing affordability, rents, and poverty rates. Our results are summarized by major geographic region in Tables 1

⁴ *ibid.*

⁵ See, “Perspectives on Helping Low-Income Californians Afford Housing,” February 2016. Specifically, the LAO found that “... market rate housing construction appears to be associated with less displacement *regardless* of a community’s inclusionary housing policies. As with other Bay Area communities, in communities without inclusionary housing policies, displacement (of low income households) was more than twice as likely in low-income census tracts with limited market-rate housing construction than in low-income census tracts with high construction levels.

⁶ A “low income” household is generally defined as one having up to 80 percent of the median income for all households of the same size within the county. A “very low” income household has up to 50 percent of the median income, while an “extremely low” income household has income equal to or less than 30 percent of the median. These levels are subject to a variety of other constraints.

and 2 below. The appendices to this document display our county-by-county estimates and the detailed explanation of our calculations.

The IZ Subsidies and implicit taxes would be substantial. Table 1 summarizes the results of our calculations for each of four county groupings and for the statewide average. The left hand columns display the number of new homes sold in 2015 as well as their median sales prices. The remaining columns show (1) the amount of subsidy needed for affordable units in each income category, and (2) the implicit tax rate needed on the non-subsidized units to offset the cost of the subsidies.

As the table shows, the subsidies would be substantial, ranging from about \$60,000 for low-income units in the inland and northern counties to over \$300,000 per subsidized unit for extremely low-income households in the Bay Area. Subsidies of this magnitude would impose a tax burden on the 85-percent of units that could be sold at market rates under an IZ regimen ranging from 8.4 percent (about \$30,000) in the inland and northern counties, up to 12 percent (almost \$100,000 per unsubsidized unit) in the Bay Area.

IZ would price more households out of the housing market, raise rents, and increase poverty. Table 2 summarizes our estimates of the long-term economic impacts of a statewide IZ program. While IZ policies would benefit the targeted low-income households fortunate enough to purchase the subsidized homes, the great majority of prospective homebuyers would experience the negative effects of the IZ “tax” - specifically, fewer market rate homes and higher prices. The mechanism by which higher prices in the new home developments will spill over into the broader single family home and rental markets is discussed in Appendix 2. However, the bottom line is that the IZ tax on new housing will put upward pressure on all segments of the real estate markets, especially those in coastal regions of the state that are already experiencing excess demand and depressed supply. Higher home prices and rental rates will have two main effects.

- ▶ First, the increase in housing prices will cause an additional 405,000 (or 3.5 percent) of households statewide to be priced out of the real estate market.
- ▶ Second, the higher rents will push about 125,000 additional households below the poverty threshold in California.

As indicated in Table 2, the effects will be most pronounced in the coastal counties of California, due to the high home prices and rents and generally tight real estate conditions that currently exist in those regions.

**Table 1
IZ Subsidy and Tax Rates**

Region	Sales	Median Price	Amount of Subsidy Per Unit			“Tax” Impact On Average Market Priced Unit	
			Extremely Low	Very Low	Low	Amount	Percent
Bay Area	6,789	\$806,378	\$311,004	\$215,497	\$76,720	\$97,614	11.7%
South Coast	8,685	\$682,750	\$237,265	\$152,881	\$47,780	\$80,766	11.7%
Central Coast	1,840	\$541,000	\$258,700	\$181,581	\$61,631	\$57,569	10.5%
Inland and Northern Counties	17,711	\$342,739	\$187,659	\$151,125	\$59,559	\$30,301	8.4%
Statewide	35,025	\$593,217	\$248,657	\$175,271	\$61,423	\$66,562	10.6%

Table 2
Economic Impacts — Less Affordability, More Poverty

Region	Households Priced Out of Home Buying Market		Households Falling Below Poverty Line	
	Amount	Percent	Amount	Percent
Bay Area	100,212	4.2%	33,090	1.3%
South Coast	194,279	3.8%	65,818	1.2%
Central Coast	28,051	4.0%	7,514	1.1%
Inland and Northern Counties	82,414	2.5%	18,184	0.5%
Statewide	404,956	3.5%	124,606	1.0%

Comparison of Our Findings to Past Empirical Studies

There have been two relatively recent empirical studies examining the effects of IZ policies as they existed in California in past years. The findings of both studies are generally consistent with our results. Specifically, the National Center for Smart Growth Research and Education published a study in 2008 that found that home prices in communities having IZ policies were 2-3 percent higher than those not adopting such policies.⁷ For higher priced homes (which characterizes much of California’s real estate market) the differential was over 5 percent.

Similarly, a study produced by authors associated with the Furman Center for Real Estate and Urban Policy in 2009 found higher prices in communities with IZ policies during rising economic conditions, which was the case in most years.⁸ Interestingly, they also found lower prices in communities with IZ policies during declining markets. The study also found that price effects were the largest for communities where IZ policies had been in effect for longer periods of time. This makes sense, as the cumulative impact of IZ policies on prices and availability of market rate homes would be expected to increase with the passage of time.

The price effects found in these studies were less than the amounts shown in Appendix Tables A-1 through A-4, which show price effects exceeding 10 percent in some counties. However, it is important to recall that the computations in our Appendix tables represent the direct impact of IZ policies on market-rate homes in new developments. In contrast, the results from the empirical studies reflect the policies’ impacts on community-wide prices, which we would expect to be somewhat less in typical communities, depending on market conditions. (The lower “pass-through” rates on existing home markets are reflected in our calculations of affordability and poverty rates shown in Appendix Tables A-5 through A-8.) Also, the IZ regimes studied were varied in terms of set-aside amounts, often included allowances for off-site fulfillment or fee reduction, and often were enforced in a non-uniform way across the jurisdictions studied. All of these factors would produce smaller price effects than our examples, which are based strictly on set asides - with no mitigating factors - consistent with the language of AB 2502.

⁷ “Housing Market Impacts of Inclusionary Zoning.” The National Center for Smart Growth Research and Education. February 2008.

⁸ “Silver Bullet or Trojan Horse? The Effects of Inclusionary Zoning on Local Housing Markets”, Schuetz, Meltzer and Been, Furman Center for Real Estate and Urban Policy New York University, October 2, 2009.

Appendix 1 — Subsidy and Resulting “Tax” Calculations

The following tables display our calculations of the subsidies that would be needed to offset an IZ requirement that 5 percent of new housing units be priced to be affordable by buyers in each of the state’s three official low-income categories, i.e., low, very-low and extremely low.

One way to view IZ policies is as a tax on new housing developments. For example, a recent study by Schuetz, Meltzer, and Been⁹ states that “mandatory IZ programs are essentially a tax on new residential development, and as such, we would expect them to raise the prices and reduce the quantity of housing. The size and incidence of the impacts will depend on a variety of factors, including... the relative elasticities of housing supply and demand.”

In Appendix 2, we discuss how the markets would likely allocate the “tax burden” of IZ between purchasers and developers. In this Appendix we focus on quantifying the size of the subsidies for “affordable” housing under IZ requirements, and the resulting “tax” that would be levied on the un-subsidized units in a typical project. To do this, we use California’s housing market experience in 2015 as a basis for our calculations. Therefore the tables below reflect the hypothetical of applying a mandatory, 15-percent set aside IZ program to all housing production in California in 2015. Our estimates are based on the following:

County groupings. The table displays counties in four groups:

- ▶ Bay area. These are the nine counties that make up the Association of Bay Area Governments. As a group, these counties have the highest median prices for new housing units in the state at \$806,378. The high prices result from limited supply and high demand.
- ▶ South coast, covering San Diego, Orange, and Los Angeles counties. These three counties also have relatively high median prices for new housing units, averaging \$682,750.
- ▶ Central coast, which include the counties starting at Ventura in the south to San Benito in the north. These six counties have an average median price for new housing units of \$541,000.
- ▶ Inland and northern, which start in Imperial County, include Riverside and San Bernardino, the great majority of the central valley and foothill counties, and a few northern counties, including Humboldt. These 22 counties have an average median price for new housing of \$342,739. The table does *not* include 18 very small counties for which either no housing data were available or the data showed fewer than 20 new units built in 2015.

New home sales and median prices. The first column displays the number of new units constructed in each county during 2015. These data are from CoreLogic, “a property information and analytics company that compiles public records, proprietary and contributed data including county assessor and county recorder data”.¹⁰ The units displayed include both detached homes and apartment/condominium units. The next column is the median price of new homes sold in each county in 2015.

Income levels. In a memo dated April 15, 2015, the California Department of Housing and Community Development published “State Income Limits for 2015.” The income limits are used to calculate affordable housing costs for families of four in three income ranges, extremely low, very low and low. These income levels are then used to calculate the prices that would be affordable in each county of each income grouping.

⁹ “Silver Bullet or Trojan Horse? The Effects of Inclusionary Zoning on Local Housing Markets”, Schuetz, Meltzer and Been, Furman Center for Real Estate and Urban Policy New York University, October 2, 2009.

¹⁰ Quotation is from CoreLogic marketing material.

Sales price of subsidized units at each income level. This reflects our estimate of the price that buyers in each of the income levels could afford. Affordability is calculated based on the assumption that a family can afford to spend 30 percent of its income for mortgage payments, property taxes and insurance. The 30-percent limitation is a commonly used standard for loan qualification and other purposes by the government and real estate industry (although lower income households often spend 50 percent of their incomes for rental housing). To calculate the affordable prices for each income group, we assumed a 30-year mortgage at 4.2 percent interest, property taxes of 1.14 percent of sales price¹¹ (California’s current statewide average rate) and insurance of 0.38 percent of the home’s value. We also assumed that the family would be able to come up with an additional amount equal to a 20 percent down payment. If instead, we calculate the affordable prices based on zero down, the affordable prices would have to be reduced by an additional 16 percent. For illustrative purposes, the table shows what the impacts would be if IZ were applied to all of the homes sold in each county in 2015. Thus, we assume that 15 percent of the homes would be sold at prices affordable to low, very low, and extremely low-income households, and the remaining 85 percent would be sold at “market prices.”

Subsidy amount. In the tables displayed in the text of this document, we show the amounts of the subsidies needed for each income level. Here, we display the sales prices of the subsidized units. The subsidy amount is simply the median price in each county less the “affordable” price for each income group in that county.

“Tax” impact on un-subsidized units. In order recover the cost of the 15 percent of units sold below market, the developer would need to raise the prices on the remaining 85 percent of the units sold. The tables display this effective “tax” as an amount per unit and as a percentage of the pre-IZ county-wide median price per unit.

Table A-1
Bay Area Counties

County	Sales	Median Price	Sales Price of Subsidized Units at Each Income Level			“Tax” Impact On Average Market Priced Unit	
			Extremely Low	Very Low	Low	Amount	Percent
Marin	46	\$1,066,550	\$168,369	\$280,694	\$449,542	\$135,356	12.7%
Napa	60	\$764,250	\$125,498	\$209,084	\$334,342	\$95,519	12.5%
Sonoma	96	\$517,250	\$118,792	\$197,827	\$311,350	\$54,340	10.5%
San Mateo	277	\$1,140,100	\$168,369	\$280,694	\$449,542	\$148,335	13.0%
San Francisco	674	\$1,097,000	\$168,369	\$280,694	\$449,542	\$140,729	12.8%
Solano	768	\$444,500	\$118,792	\$197,827	\$311,350	\$41,502	9.3%
Alameda	1,189	\$878,750	\$134,360	\$223,933	\$342,964	\$113,823	13.0%
Contra Costa	1,636	\$566,000	\$134,360	\$223,933	\$342,964	\$58,632	10.4%
Santa Clara	2,043	\$783,000	\$152,801	\$254,589	\$406,671	\$90,291	11.5%

¹¹ The Constitutional property tax rate in California is one percent. Local jurisdictions are allowed to add increments for voter approved bonds and taxes. As a result, the current average, effective rate in California is 1.14 percent.

Table A-2
South Coast Counties

County	Sales	Median Price	Sales Price of Subsidized Units at Each Income Level			"Tax" Impact On Average Market Priced Unit	
			Extremely Low	Very Low	Low	Amount	Percent
San Diego	2,301	\$627,500	\$118,792	\$197,827	\$316,619	\$73,486	11.7%
Los Angeles	2,838	\$577,500	\$122,624	\$204,533	\$327,157	\$63,423	11.0%
Orange	3,546	\$843,250	\$138,431	\$230,639	\$369,070	\$105,389	12.5%

Table A-3
Central Coast Counties

County	Sales	Median Price	Sales Price of Subsidized Units at Each Income Level			"Tax" Impact On Average Market Priced Unit	
			Extremely Low	Very Low	Low	Amount	Percent
Santa Cruz	52	\$717,000	\$144,898	\$241,416	\$386,314	\$81,081	11.3%
San Benito	88	\$529,000	\$116,637	\$194,235	\$308,476	\$56,921	10.8%
Monterey	240	\$524,000	\$116,158	\$173,638	\$277,820	\$59,081	11.3%
Santa Barbara	392	\$400,250	\$116,158	\$192,079	\$307,279	\$34,426	8.6%
San Luis Obispo	482	\$571,750	\$116,158	\$184,655	\$295,543	\$65,817	11.5%
Ventura	586	\$504,000	\$130,288	\$216,987	\$347,275	\$48,085	9.5%

Table A-4
Inland and Northern Counties

County	Sales	Median Price	Sales Price of Subsidized Units at Each Income Level			"Tax" Impact On Average Market Priced Unit	
			Extremely Low	Very Low	Low	Amount	Percent
Sutter	34	\$390,750	\$116,158	\$142,263	\$227,525	\$40,371	10.3%
Humboldt	49	\$279,500	\$116,158	\$138,671	\$221,777	\$21,288	7.6%
Nevada	59	\$425,000	\$116,158	\$183,697	\$293,627	\$40,089	9.4%
Colusa	61	\$238,500	\$116,158	\$140,587	\$224,891	\$13,757	5.8%
Yuba	113	\$290,000	\$116,158	\$142,263	\$227,525	\$22,591	7.8%
Shasta	121	\$287,250	\$116,158	\$141,305	\$226,088	\$22,247	7.7%
Imperial	151	\$271,500	\$116,158	\$138,671	\$221,777	\$19,876	7.3%
Madera	152	\$211,750	\$116,158	\$138,671	\$221,777	\$9,332	4.4%
Merced	193	\$281,000	\$116,158	\$138,671	\$221,777	\$21,553	7.7%
Butte	213	\$318,000	\$116,158	\$140,587	\$224,891	\$27,786	8.7%
Yolo	217	\$467,000	\$116,158	\$184,176	\$294,585	\$47,417	10.2%
Kings	250	\$248,500	\$116,158	\$138,671	\$221,777	\$15,817	6.4%
Stanislaus	256	\$299,500	\$116,158	\$148,490	\$237,584	\$23,310	7.8%
El Dorado	257	\$590,500	\$116,158	\$182,260	\$291,711	\$69,492	11.8%
Tulare	829	\$249,000	\$116,158	\$138,671	\$221,777	\$15,906	6.4%
San Joaquin	1,300	\$427,000	\$116,158	\$158,789	\$254,110	\$44,232	10.4%
Placer	1,386	\$454,000	\$116,158	\$182,260	\$291,711	\$45,404	10.0%
Sacramento	1,619	\$408,500	\$116,158	\$182,260	\$291,711	\$37,375	9.1%
Kern	1,746	\$280,000	\$116,158	\$138,671	\$221,777	\$21,376	7.6%
Fresno	1,871	\$293,000	\$116,158	\$138,671	\$221,777	\$23,670	8.1%
San Bernardino	2,101	\$442,000	\$116,158	\$160,465	\$256,744	\$46,626	10.5%
Riverside	4,733	\$388,000	\$116,158	\$160,465	\$256,744	\$37,096	9.6%

Appendix 2 — Affordability and Poverty Calculations

Appendix tables A-5 through A-8 show our detailed calculations of the effects of IZ policies on housing affordability and poverty over time by county. The regional breakouts are the same as described in Appendix 1. The following paragraphs describe the key assumptions and methodologies used to develop the calculations.

Effect of IZ policies on broader market prices for new and existing homes. Over time, IZ policies will affect markets beyond just new construction. The increase in project costs for new market-rate homes will spill over into existing owner-occupied home prices through two main channels: First, prospective buyers facing higher prices on new newly constructed homes will turn to lower-priced alternatives in the existing home resale market, thereby driving up demand and prices in this segment. Second, builders unable to pass along the higher IZ-related costs because of local market conditions may eliminate, delay, or scale back new projects. The resulting loss of new supply will likewise drive up prices over time.

The magnitude of the increase in market-wide prices will vary from community to community, depending on local conditions. Generally speaking, the price adjustment will be large in communities with high household incomes, population growth, and supply constraints due to environmental restrictions or limited developable land. It will be relatively less in areas with lower household incomes, less population growth, or fewer restrictions on new development.

Empirical studies of the price elasticity of demand and supply for housing suggest that in typical markets, builders would be able to pass forward a significant portion, but not all, of a cost increase to consumers.¹² For purposes of our estimates on affordability, we assume that 60 percent of the IZ tax will be reflected in higher market prices for housing in the inland and northern counties of California. We assume a higher 90-percent pass-through in the coastal regions, however, because of the development restrictions and excess demand that already exists in many of these regions.

Affordability estimates. To determine the impacts of higher market-rate prices on affordability, we adapted a methodology used by the National Association of Realtors for this purpose. Specifically, we calculated the annual costs for mortgage payments, insurance, and property taxes on entry level homes, which are assumed to cost 85 percent of the median home price in each county. Utilizing American Community Survey (ACS) data we compared the annual costs of ownership for these houses to the distribution of household incomes in each county. We then calculated the number of households that could afford the home, assuming that mortgage payments, property taxes and insurance payments can be no more than 30 percent of household income. We made these calculations first assuming current law, then assuming the IZ-driven increase in market prices. The reduction in the number and percentage of qualifying household is shown in the left panel of Appendix tables A-5 through A-8.

The reductions in affordability resulting from higher market-rate home prices would be mitigated to a degree by the positive impact of the IZ subsidies on low-income households. However, the number of buyers receiving these subsidies, while 15 percent of newly constructed homes, is quite small compared to the overall housing market in a community. Over time, the cumulative number of individuals benefiting from the subsidies will grow, but it will take many years for this offset to reach even 10 percent of the number of buyers being squeezed out of the unsubsidized housing market.

¹² See, for example, "What is the Price Elasticity of Housing Demand?" Eric A Hanushek and John M. Quigley. *Review of Economic and Statistics*, August 1980.

Poverty estimates. In the right hand panels of Appendix tables A-5 through A-8, we show the impact of IZ policies on household poverty rates in each county. The estimates reflect the impacts of IZ policies on the estimated level of the Supplemental Poverty Measure (SPM) in each county. This measure, which has been published by the U.S. Census for the past several years, takes into account regional differences in shelter costs. In doing so, it explicitly recognizes the effects of regional variances in rental costs on the limited resources that low-income households have to cover other basic necessities, such as food, clothing, and medical care.

As noted above, IZ-related policies will affect both owner-occupied homes and rental markets, by limiting the supply of market-rate housing in both areas. Rental rates are also affected by the impacts that reduced home affordability has on people attempting to move from rental units into the home ownership ranks. By stemming the flow of individuals from the rental markets into owner-occupied markets, IZ policies will put further upward pressure on demand and lease rates in rental units.

We estimated the impacts of higher home prices on rents by utilizing a “user cost of housing” equation. This equation is used by economists and industry analysts to estimate the relationship between equilibrium home prices and rents, by taking into account a variety of economic, tax, and financial variables. These include the real interest rate, property tax rates, tax rates on income and capital gains, tax depreciation rates, annual maintenance costs, and expected appreciation of the property’s value over time.¹³ Based on these inputs, we then estimated the increase in median rents that would result from IZ-related price increases in the single-family home market.

The next step was to calculate the impact of the higher median rents the SPM in each county.¹⁴ We then compared the increase in poverty threshold to the ACS data on the distribution of household income to determine the number of households that would fall below the thresholds as a result of the IZ-related increase in market rents in each community.

¹³ For a description, see “To Buy or Not to Buy? The Changing Relationship Between Manhattan Rents and Home Prices,” in *Current Issues in Economics and Finance*, Federal Reserve Bank of New York, Volume 18, Number 9, 2012.

¹⁴ For a description of the formulas used to determine the SPM in each region, see “Supplemental Poverty Measure: A Comparison of Geographic Adjustments with Regional Price Parities vs. Median Rents from the American Community Survey,” *SEHSD Working Paper No. 2014-22*, U.S. Census Bureau, March 2014)

Table A-5
Impact of IZ Policies on Affordability and Poverty
Bay Area Counties

County	Households Priced Out of Home Buying Market		Households Falling Below Poverty Line	
	Amount	Percent	Amount	Percent
Marin	4,011	3.9%	1,527	1.5%
Napa	2,257	4.6%	599	1.2%
Sonoma	7,338	4.0%	1,877	1.0%
San Mateo	7,100	2.8%	3,948	1.5%
San Francisco	11,905	3.5%	4,990	1.5%
Solano	3,628	2.6%	690	0.5%
Alameda	20,703	3.8%	8,407	1.6%
Contra Costa	14,461	3.9%	4,436	1.2%
Santa Clara	28,808	4.8%	6,615	1.1%
Total Bay Area	100,212	4.2%	33,090	1.3%

Table A-6
Impact of IZ Policies on Affordability and Poverty
South Coast Counties

County	Households Priced Out of Home Buying Market		Households Falling Below Poverty Line	
	Amount	Percent	Amount	Percent
San Diego	33,935	3.2%	13,188	1.2%
Los Angeles	112,918	3.5%	40,593	1.3%
Orange	47,425	4.8%	12,037	1.2%
Total, South Coast	194,279	3.8%	65,818	1.2%

Table A-7
Impact of IZ Policies on Affordability and Poverty
Central Coast Counties

County	Households Priced Out of Home Buying Market		Households Falling Below Poverty Line	
	Amount	Percent	Amount	Percent
Santa Cruz	3,364	3.6%	1,096	1.2%
San Benito	750	4.5%	156	0.9%
Monterey	5,156	4.1%	1,489	1.1%
Santa Barbara	4,822	3.4%	1,329	0.9%
San Luis Obispo	4,353	4.3%	1,146	1.1%
Ventura	9,607	3.6%	2,298	0.9%
Total, Central Coast	28,051	4.0%	7,514	1.1%

Table A-8
Impact of IZ Policies on Affordability and Poverty
Inland and North Counties

County	Households Priced Out of Home Buying Market		Households Falling Below Poverty Line	
	Amount	Percent	Amount	Percent
Sutter	933	2.9%	179	0.6%
Humboldt	1,044	2.0%	297	0.6%
Nevada	985	2.4%	260	0.6%
Colusa	78	1.1%	21	0.3%
Yuba	486	2.0%	112	0.5%
Shasta	1,454	2.1%	301	0.4%
Imperial	746	1.6%	223	0.5%
Madera	411	1.0%	129	0.3%
Merced	1,426	1.9%	312	0.4%
Butte	1,567	1.8%	489	0.6%
Yolo	1,696	2.4%	470	0.7%
Kings	611	1.5%	127	0.3%
Stanislaus	2,984	1.8%	746	0.4%
El Dorado	1,988	2.9%	315	0.5%
Tulare	1,922	1.5%	449	0.3%
San Joaquin	5,396	2.5%	1,195	0.6%
Placer	3,387	2.6%	528	0.4%
Sacramento	13,143	2.6%	2,448	0.5%
Kern	4,623	1.8%	1,039	0.4%
Fresno	5,811	2.0%	1,413	0.5%
San Bernardino	15,096	2.8%	3,260	0.6%
Riverside	16,630	2.5%	3,868	0.6%
Totals, Inland and Northern Counties	82,414	2.5%	18,184	0.5%