



FOR IMMEDIATE RELEASE

NEW STUDY OF INCLUSIONARY ZONING FINDS SUBSTANTIAL VARIATION IN DESIGN AND IMPACTS OF LOCAL PROGRAMS

Objective, rigorous analysis of the San Francisco region finds no evidence that Inclusionary Zoning impacts either prices or production, while study of the suburban Boston area finds some evidence that Inclusionary Zoning programs resulted in small decreases in production and slight increases in prices. The study also suggests that flexible program design – in particular density bonuses – is key to maximizing affordable housing production.

New York, NY (March 25, 2008) – A new study released today by NYU’s Furman Center for Real Estate and Urban Policy and the Center for Housing Policy in Washington D.C. provides local decision-makers with valuable evidence on the impacts of Inclusionary Zoning (IZ) – a popular but often-controversial affordable housing policy. IZ policies require or create incentives for developers to set aside a portion of newly produced housing units as affordable housing in exchange for certain benefits or cost offsets. Until now, little empirical analysis has been available to guide policymakers’ decisions about how these programs are designed and implemented. This new study, commissioned and funded by the Center and conducted by researchers at the Furman Center, fills the gap by taking a closer look at the impact that IZ policies have on housing prices and production in the San Francisco and suburban Boston regions. The paper also includes descriptive information on IZ policies in the Washington D.C. metropolitan area.

“Our analysis refutes the ‘sky-is-falling’ cries from IZ opponents; we find no evidence that IZ programs have reduced housing production in the San Francisco area, and find evidence of only slight effects on production in the Boston area,” says Vicki Been, Director of the Furman Center. “However, we found that IZ policies have produced only a modest number of affordable housing units, suggesting that IZ by itself is not a panacea for a community’s affordable housing challenges.”

Previous attempts to study IZ, including a series of reports by the Reason Foundation, have suffered from methodological limitations and have seriously exaggerated the policies’ potential negative impacts. The new study being released today is a more rigorous examination of IZ policies than has ever been done before, employing multivariate regression analysis to control for other influences on the housing market.

The study found substantial variation in the design and impacts of IZ program across jurisdictions and across regions. In the San Francisco area, the study found no evidence that IZ programs have increased the price or reduced the production of single-family homes, despite the fact that 93 percent of the programs are mandatory. In the suburban Boston area, by contrast, the study found evidence that IZ programs resulted in small decreases in production and slight increases in prices of single-family homes. In

interpreting the findings, the authors explain that the design of IZ programs may matter considerably. In particular, IZ programs that provide density bonuses or other effective cost offsets to developers may be less likely to drive up the price or decrease the supply of market-rate homes. In the San Francisco area, programs that provided density bonuses also produced more affordable housing units.

“This kind of study is critical for informing local policy-making,” commented Jeffrey Lubell, executive director of the Center for Housing Policy. “These policies are not one-size-fits-all; they need to be tailored closely to local circumstances. Communities should work collaboratively with all stakeholders to ensure that IZ programs provide effective cost offsets to developers and that complementary housing policies are adopted to address other aspects of the local affordable housing challenge. In particular, there is a need in many expensive housing markets to reduce regulatory barriers to new development to ensure the market can respond to increases in demand.”

In addition to the impacts noted above, the study finds that larger, more affluent jurisdictions are more likely to adopt IZ programs. It also identifies a bandwagon effect, in which jurisdictions are more likely to adopt IZ programs when their neighbors have already adopted one. Among jurisdictions with IZ programs, there is tremendous diversity in the number of units of affordable housing being produced. Whereas the jurisdictions in the San Francisco region had produced almost 10,000 affordable units as of 2004, with nearly all jurisdictions producing some units, almost half of the suburban Boston jurisdictions with IZ had produced no affordable units as of 2004, and no reliable count exists for total regional production. The Washington D.C. area, home to one of the oldest IZ program in the country, had produced more than 15,200 units as of 2003. Among San Francisco area jurisdictions, programs with density bonuses and exemptions for smaller projects produced more affordable units, suggesting that IZ policies are most effective when they are part of a regulatory climate that is friendly to new development.

A policy brief, summarizing the study’s findings, as well as the full report, can be found at: <http://furmancenter.nyu.edu/> and www.nhc.org/housing/IZ.

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About the Furman Center for Real Estate and Urban Policy

The Furman Center for Real Estate and Urban Policy is a joint initiative of the New York University School of Law and the Robert F. Wagner Graduate School of Public Service at NYU. Since its founding in 1995, the Furman Center has become the leading academic research center in New York City devoted to the public policy aspects of land use, real estate, and housing development. The Furman Center is dedicated to providing objective academic and empirical research on the legal and public policy issues involving land use, real estate, housing and urban affairs in the United States, with a particular focus on New York City.

About the Center for Housing Policy

The Center for Housing Policy is the research affiliate of the National Housing Conference (NHC), the nation’s premier public policy and housing advocacy organization. The Center works to broaden understanding of the housing challenges facing American households and to examine the impact of policies and programs developed to address these needs. Combining research and practical, real-world expertise, the Center helps to develop effective policy solutions at the national, state and local levels that increase the availability of affordable homes. For more information, please go to www.nhc.org.