

Models of inclusionary zoning policy implementation in san francisco and boston



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Models of Inclusionary Zoning Policy implementation in San Francisco and Boston: Outlining a Solution to the Bay Area’s Growing Affordable Housing Crisis

Introduction

The United States has a serious and ongoing poverty issue, which has created a crisis as it relates to the individual’s ability to afford housing and maintain a healthy standard of living. The definition of “ cost burdened” as it relates to housing, is that if more than thirty percent of an individual’s monthly income is spent on housing, it necessarily limits their ability to attain other basic needs, including healthcare, clothing, paying utilities, buying clothing, and other related needs (HUD, 2019). The rising cost of housing, when paired with the minimum wage that is insufficient to meet basic needs, has contributed to increasing the prevalence of this burden, and has as a result created an “ affordable housing crisis” in many of the nation’s major cities (Richardson, 2019). As of the latter half of 2018, just over half of the new homes being built were “ affordable” by local income standards, with projections estimating that this would fall well below 50% before the end of 2019 (Richardson, 2019). Correspondingly, the National Low Income Housing Coalition (2018) reported that as of 2018, the United States was short at least 7. 2 million affordable homes for sale or rent, leaving many very low income residents at risk of displacement, and many family living in homes too small to meet their needs, in order to have a home that would fit within their budget. This paper will seek to describe why inclusive zoning housing fits the growth machine model, and contrast that with the world city model, in order to address San Francisco’s housing crisis. The sufficiency of <https://assignbuster.com/models-of-inclusionary-zoning-policy-implementation-in-san-francisco-and-boston/>

San Francisco's current model will be contrasted against that of the Boston model, to demonstrate the differences that make it more well-fit to the current need, and to describe how it should be expanded.

Placing greater emphasis on the community of interest in the current paper, the California population is suffering at a rate only slightly lower than the national average. San Franciscans, who are at the center of the Californian housing crisis, have stated that 2. 7% of all rental homes, and 38. 6 % of home-owner residences are actually outside of the ideal budget for the family, or represent “ cost burdened” families (Phang, 2018). This means that more than a third of families, and approaching half of families, regardless of whether they own or rent their homes, are routinely going without basic needs, like health care and clothing, in order to meet their housing related obligations.

Problem and Solution Framing

This impact that the median home prices, low income families, and cost burdened condition has on San Franciscans can be readily seen by home price appreciation, when compared against the number of families that can actively afford the homes that they are in, and to what degree those families are cost burdened as a result of their homes. First, one can consider the appreciating home cost that is being experienced by San Franciscan residents. According to the Paragon Real Estate Group (2018), San Francisco's home prices are rapidly appreciating, increasing from just \$665, 000 in early 2012, to more than \$1, 500, 000 in late 2017. This means that housing prices for a median house nearly tripled over the five-year period.

This are in direct contrast with the growth of income and related poverty statistics in the city, across the same period of time. San Francisco's Median household income was \$80, 138 in 2012, and increased to just \$101, 714 in 2017, representing just a 21% increase, well below the 300% increase seen in housing costs (Department of Numbers, 2018). More specifically, Paragon Real Estate (2018) report that while half of the United States residents can afford a median priced home, in San Francisco only an estimated 13% of residents can afford a median priced home without entering into a "cost-burdened" state. This demonstrates the urgency with which the housing affordability crisis must be addressed in the San Francisco area, in order to combat the rapidly rising housing costs, and cost burden. The San Francisco Planning Department faces significant pressure to take action to improve the availability of affordable housing, and it is clear there is a need for efficiency and affordability programs, but further research is needed to demonstrate the best way to alleviate the crisis overall.

This is in alignment with the Growth Machine Theory which places urban growth in an economic perspective (Molotch, 1977). This theory holds that the whole urban setting, including the economy and politics are staged for growth. Elites and businesspeople generate growth in the city, but this growth and related increase, including increased cost of living can have a significantly negative impact on the poor, as a result of the competition, and local interest growth. San Francisco, and the rapid boom of the housing market, is the perfect example of personal profit coming above the public good. Molotch stated that "the degree to which the land's profit potential is enhanced, one's own wealth is increased" (Molotch 1977, p. 311). However,

as a result, renters ultimately become unable to afford housing. This in turn creates a situation in which communities must seek public funds and subsidies to support the situation created (Molotch, 1977).

This can be contrasted against a second set of factors, as developed by Beauregard (1995) which is described as the world-city model. This model considers not local elites, but rather the forces of globalization on a city. In other words, by this model, as San Francisco seeks to become a player in the global economy, the “ global forces...penetrate the local scale in an uneven fashion” as a result, transnational corporations, and those with transnational power, which are generally aligned with the local elite become the most prominent players in the economy, and the local population no longer has a means to mediate the worldly forces at work (Beauregard, 1995). This leads to a need for local intervention, by larger corporations or those with power, like the government, to intercede on the part of non-globalized players, like the local citizens. Because San Francisco has welcomed the influence of global forces, and the globalized economic power that provides, there is a marketed increase the influence this has on the local economy, and especially the cost burden placed on the poor, or the increase in low-income and middle income families unable to meet their housing burden.

The current paper will consider the historical approach to housing in the city, and how funding has been managed, and the effect that it has had on San Francisco’s Inclusionary Housing Program, and how that should be extended to meet the current need for affordable housing. The San Francisco

Inclusionary Housing Program, formally known as San Francisco Planning

Code Section 415, targets the creation of low-income housing at multiple <https://assignbuster.com/models-of-inclusionary-zoning-policy-implementation-in-san-francisco-and-boston/>

price points. In other words, it helps to ensure that there are rent rates that meet the need of both low- and median-income households. This has historically been managed through the development of new housing units, or building projects (Inclusionary Affordable Housing Program, n. d.). However, what must be addressed through the current study, is whether or not these programs have proven to be an effective and sustainable solution to the housing crisis, which can be expanded and replicated in the current situation.

Inclusionary housing projects, which were established according to city zoning, were first used as a solution to affordable housing shortages during the 1970s. At this time, “ exclusionary zoning” had become a standard part of rental rates and they were designed to charge colored families more money for moderate housing (Sager, 1969). This was the application of economic principles to maintain the status quo, or continue to effectively create segregated living conditions, even after equal opportunity housing had been put in place (Sager, 1969). Thus, the use of inclusionary zoning principles allowed cities to offer affordable housing, that met certain governmentally mandated housing standards, and provided low income and minorities families access to non-discriminatory and financially affordable housing opportunities (Schneider, 2018). This also helped establish one of the primary principles of interest to a current application of inclusionary zoning, which was that buildings in various areas could have different rent rates or standards, allowing for location of governmentally maintained or sponsored dwellings to existing in diverse neighborhoods, serving varying

socioeconomic needs from the very low income, to middle income families (Schneider, 2018).

The inclusionary housing principles led to what has been called the “greenfield” or the rapid growth of suburbs. However, it also made its way to the creation of inner-city housing, over time (Inclusionary Housing of Canada, 2014). This has specifically been seen in the San Francisco area, as was the topic of a recent Canada study on the history of the application of inclusionary housing, which shows that it has historically been used in the San Francisco area, and could feasibly be used there again.

In a recent survey of inclusionary zoning projects, throughout urban eras in the United states, it was determined that more than 70% of the cities using inclusionary zoning programs created or revamped the program since 2000 (Schneider, 2018). This clearly demonstrates that while this may be an older concept of urban planning, it is finding new life in the recent housing crisis, and is still a plan format that is being actively used as a means of addressing the housing crisis, and the need for increased affordable housing in the San Francisco area.

One example of a very recent development of the use of inclusionary zoning principles is in New York City. In 2018, New Your City passed an inclusionary zoning ordinance, which established that subsidized housing, in multiple income brackets must be developed (Schneider, 2018). Similarly, the state of Wisconsin also announced that it would be developing a new inclusionary zoning program to address the recent housing crisis (Schneider, 2018).

Historically, San Francisco was among the first to effectively implement inclusionary zoning. It was the second major American city to put inclusionary zoning to use in the 1990s (Inclusionary Affordable Housing Program, n. d.). In terms of theory and framework, this early program and example of inclusionary housing established two important precedents. First, the program limited the need for approval to new projects, because of changes. For example, if building would require a piece of ground to be rezoned from commercial to residential, it had to be directly approved through the city's zoning commission. However, there was no longer a need for all projects to seek approval (Inclusionary Affordable Housing Program, n. d.). Secondly, it allowed for the establishment of affordable housing, in such a way that both development and affordability became mandatory under the zoning change. In other words, there were greater allowances for building needs. While the earliest examples of inclusionary zoning set a fixed limit, or quota, on the cost of building new housing, the San Francisco plan managed the cost of development on a case-by-case basis, so that development was less limited (Inclusionary Affordable Housing Program, n. d.). These features have become part of the standard framework for modern Inclusionary Zoning Programs.

Further, in terms of policy and framework, the inclusionary zoning programs use fiscal incentives to encourage private developers to allocate a certain percentage of the housing units that they build to meet the affordable housing mandates, or otherwise requires them to set aside so many units for rent control or affordable housing in a given geographic area. These units are developed to be rented below the standard market rate (BMR), which

allows them to be sold or rented, as planned, to low- and middle-income families who would otherwise be cost burdened (Schneider, 2018). Generally speaking, within the theory or framework for these programs, the BMR price is subsidized by government funding, so that they are actually rented or sold for less than the cost that was invested in them, and then price is aligned through a formula with the area's median income (AMI) (Schneider, 2018). This is why they are sometimes referred to as "rent controlled" housing, because they both establish rent price limits, or controls, and income limits for applicants/residents in inclusionary rental units (SFMOHCD, 2019). These rates, when applied to inclusionary housing units in San Francisco, are established annually, and renewed, or updated to fit with pricing demands in the spring of each year (SFMOHCD, 2019).

When selecting residents for these units, a lottery system is applied, in the San Francisco area, to grant the available housing to members of the at need population. This demonstrates the ongoing need, or insufficiency of development, because there are so many on the list that a waiting list is inappropriate and a lottery system has been deemed more appropriate (San Francisco California HUD, 2016). This also shows how the majority of the responsibility is placed on housing developers but are driven by the policies within the inclusionary zoning program and the incentives offered to developers, in creating more units, to fill the ongoing need.

There are also incentives, within the framework, for the development of parks, walkways, public spaces, plazas, and other developments that help integrate low-income, or inclusionary housing units, into the geographic landscape of the city (San Francisco California HUD, 2016). This can be <https://assignbuster.com/models-of-inclusionary-zoning-policy-implementation-in-san-francisco-and-boston/>

directly seen in the way that certain inclusionary housing developments have been integrated, within 26 neighborhoods. While they are technically distributed throughout the city, there are currently a higher number of units in specific areas including: Bayview/Hunters, Mission, the Civic Center area Downtown, and near SOMA (San Francisco California HUD, 2016).

Comparative Analysis

The analysis of specific data related to the need in the San Francisco area, and the application of inclusionary zoning policies in that area, shows that there is a correlation between the city's long history of meaningful implementation, innovation and application of these programs, and how it has benefited the city overall. Data from the historical period of San Francisco's development of a framework for inclusionary housing, as demonstrated above, shows that "nearly all San Francisco Bay Area jurisdictions reported that their IZ ordinances have resulted in at least some affordable units" (Meltzer & Schuetz, 2010). This increase the diversity of the housing options and ensures that the low- and middle-income individuals depending on rent controlled housing, are not limited to living in a specific area. This prevents the development of slums, and other negative side effects of the affordable housing crisis.

It is important to directly compare the success of this use of inclusionary zoning in San Francisco to its use in other urban cities, to determine whether or not San Francisco's current framework should continue to be used, and expanded, to meet the current affordable housing needs. A 2010 study found that 40% of the Bay Area's jurisdictions still report having fewer than 100

units that fall under the auspices of the inclusionary zoning program, but that most jurisdictions (more than 1/3 of the total reporting geographic areas) report between 100 and 500 units, and two have more than 1, 000 homes (Meltzer & Schuetz, 2010). This means that there is still a level of rent controlled housing available in the San Francisco area as a whole.

This can be directly contrasted against the development through the inclusionary zoning framework developed in Boston. Boston programs have been in place a very comparable number of years but have generated very few actual affordable housing units for the public to rent. (Meltzer & Schuetz, 2010). Only 1/5 of communities have housing units, and no communities have more than 500 units in the Boston setting (Meltzer & Schuetz, 2010). This is a critical difference in the way similar policies have been actively implemented in Boston and San Francisco.

The discrepancy in the effectiveness of each program can be seen in the way that they have tied their development to funding and incentivization, as well as the number of years that the policy was actively supported in each area. In San Francisco, development was highly encouraged or supported, through the city and its zoning policies (Meltzer & Schuetz, 2010). They allowed, within the framework of their policy for developers to choose between fee payment and affordable housing development, and then fiscally supported the cost accordingly ((Meltzer & Schuetz, 2010). In contrast, Boston's framework followed a strict and mandated fee policy (Schuetz, Meltzer, & Been, 2007). Schuetz, Meltzer, & Been (2007) closely studied the differences in administrative cost and effectiveness of the programs in Boston and San Francisco and determined that Boston had a lower administrative cost, but <https://assignbuster.com/models-of-inclusionary-zoning-policy-implementation-in-san-francisco-and-boston/>

that Boston's administrative cost was offset at the market's expense. In other words, the rate of housing production actually decreased as a result of the policies and their rigidity (Calavita & Mallach, 2013). This also ultimately had the effect of raising the prices of housing in the Boston area, as the shortage of affordable homes became exacerbated by the slow down in development.

This can be directly contrasted against the thousands of homes that inclusionary zoning led to the development of in the San Francisco area (as previously cited). Housing prices in the San Francisco area were neither devalued, nor caused to increase unreasonably as a result of the introduction of inclusionary zoning, which led Calavita & Mallach (2013) to the conclusion that inclusionary housing programs could be enacted without having a measurable

“ impact on housing production or prices, suggesting that it is possible to develop inclusionary programs that don't impact market prices.” A similarly aligned study from 2002, found that small to mid-sized Bay area cities, introducing productive zoning programs of this kind, could incur up to 100,000 in annual administration costs (Calavita & Mallach, 2013). However, as a direct result San Francisco was able to meaningfully increase the affordable housing units in their area, in ways that the model used by Boston were not able to.

Another feature of San Francisco's inclusionary zoning policy is that administration of affordable housing was not seen as a single, stand alone solution, but rather a single spoke in the wheel of a multi-component way of addressing the need for affordable housing in the San Francisco area

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(Mukhija, Das, Regus, & Tsay, 2015). Other elements, going beyond just overseeing the housing and include offering tax breaks to developers, and unit owners, to offer affordable units (Mukhija, Das, Regus, & Tsay, 2015). While this approach has met with some criticism, especially as it relates to the societal issue of tax breaks, and the benefits that it offers to a single group (developers), it has also been very effective at encouraging development. It has preventing developers from passing on high supply costs to potential tenants, and home buyers (Robertson, 2017). None the less, it is clear that the San Francisco approach has, when compared to Boston demonstrated the most successful of the frameworks, and the most likely solution to solving the current housing crisis is to extend those principles to push for greater development.

Conclusions

In order for the current need for affordable housing, which effects more than 80% of San Francisco residents to be met, the inclusionary housing projects must be able to maintain, and even expand the growth of affordable housing units. This means creating efficient development of housing to serve low- and middle-income families, at diverse price points. Policymakers need to consider this as it relates to two key factors: funding and geography.

First, there is the issue of funding and fiscal incentives. The comparison of the programs in Boston and in San Francisco demonstrated that there is a high level of need for incentivizing developers in effective ways. The creating of zoning programs that allow for choice between fee payment, and incentivization for construction, helps to not only shrink the costs in the

private sector, but also increase the building activity as it relates to the growth of new units.

Inclusionary zoning was created to make a blended fee policy, and the current analysis of factors shows that this can create growth of affordable housing, without creating a burden on either the city, or the constituency. It shares the burden and creates not just hundreds but thousands of affordable housing options in targeted areas. Thus, it is recommended that San Francisco's inclusionary program be extended, to increase funding for further extension of the current program. The city's inclusionary zoning programs have historically been effective, or more effective than the models used by other cities, at fostering the development and long term solutions for rent controlled housing and alleviation of the "cost burden" that is associated with housing that is not affordable based on the area's median income. Given the historical effectiveness, there is no reason to assume that it cannot be used to address the current housing emergency, if it were given new attention. This solution places the least burden on society, and on the government, while presenting a measurable solution. The shift in cost, however, will be seen, as a result of the change of market-funded sourcing, toward state or city funded sourcing to offset the total cost of housing.

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