

Cash, Anna

From: Nico Calavita <ncalavit@sdsu.edu>
Sent: Wednesday, July 12, 2023 3:48 PM
To: Housing Advisory Commission
Subject: Re: Housing Advisory Commission Agenda - July 2023

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Hello,

Would it be possible to send this to the commissioners? It relates to Item 11 on the Agenda

Thanks you <https://www.sfchronicle.com/opinion/openforum/article/Raise-inclusionary-housing-requirement-gradually-6836883.php>

On Wed, Jul 12, 2023 at 2:33 PM Housing Advisory Commission <HAC@berkeleyca.gov> wrote:

Dear Commissioners and Interested Parties:

The agenda for the July 17, 2023, Housing Advisory Commission meeting is available on the commission webpage:

<https://berkeleyca.gov/your-government/boards-commissions/housing-advisory-commission>

Copies were placed in the mail today for commissioners who requested them.

Kindly,

Mariela

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OPINION // OPEN FORUM

Raise inclusionary housing requirement gradually

Nico Calavita

Updated: Feb. 17, 2016 4:30 p.m.



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Papadopoulos Brothers Florist at 1001 Quintara in San Francisco, Calif., on Wednesday, February 3, 2016. This site is one of several in San Francisco that property owners might be given the right to build up 2 more stories in exchange for making the buildings 30 percent affordable housing.

Scott Strazzante/The Chronicle

The burgeoning housing crisis in San Francisco has prompted all sorts of proposed remedies including, most recently, the raising of the percentage of affordable units required of market-rate developers from 12 to 25 percent.

The development industry, understandably, is opposed. Oz Erickson, a San Francisco developer and chairman of SPUR, [has predicted](#) that such an increase in required affordable units would bring construction of all market-rate housing to a halt. He argued that requiring additional affordable units would raise the cost of projects to the point of making them unprofitable.

Housing in S.F.

Supes Peskin, Kim in battle over housing measures on ballot

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But this dour scenario overlooks an important consideration. There is general agreement among economists that when development costs increase, developers will attempt to cut costs by bargaining with land sellers for reduced land prices. Even economists opposed to mandating affordable housing in market-rate housing development — a practice known as inclusionary housing or inclusionary zoning — agree that inclusionary housing should lead to lower land prices.

In a [study](#) of the effects of an increase in the Commercial Housing Linkage Fee in San Diego, economic consultants found that a reasonable increase would in all likelihood be absorbed through lower land prices in about three years.

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If developers bought land a few years ago when prices were lower, it is very likely that they could still make a development “pencil out,” but at a somewhat lower profit. But, if developers bought land, say, two months ago, with the expectation that the inclusionary housing requirement would remain the same, they might indeed be unable to make a profit when confronted with unexpected higher costs.

So, what to do? Phasing in the percentage increase over a period of years would allow the land market to adjust to the new requirements while making it possible for developers who bought land recently to develop with lower requirements. The [inclusionary Housing Program in San Diego](#), adopted in 2002, was phased in over a period of three years, precisely for this reason.

It should be stressed that land prices would not go down with an increase in affordable housing requirements. Instead, in the current hot market the likely result would be a slowing of the relentless pace at which land prices are increasing — a major factor in skyrocketing housing prices.

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Hopefully, nobody will lament that land owners will be affected slightly. It is important to make a distinction between developers and land owners. Housing developers take considerable risks and produce what is probably the most important good in society. In contrast, landowners play a more passive role. They realize their windfall profits by waiting for the economy to grow around them, and it's only fair for society to recapture some of the increases in land values that result from public infrastructure investments, private entrepreneurship, and the general growth of the economy. Classical economist John Stuart Mill was the first to make this distinction, proposing that “unearned increments” in land value should be recaptured by society.

We are in the midst of a worsening housing crisis, due not only to rent increases, but also to the loss of existing affordable housing. This daunting reality threatens to shred the social fabric of San Francisco. A gradual increase in the inclusionary housing requirements is a reasonable option for increasing the stock of affordable housing — affordable in perpetuity — and for building a more equitable San Francisco.

Nico Calavita is a professor emeritus in the Graduate Program in City Planning at San Diego State University. He is the co-author of “inclusionary Housing in International Perspective: Affordable Housing, Social Inclusion, and Land Value Recapture” (Lincoln Institute of Land Policy, 2010).

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