

UPZONING CALIFORNIA: *WHAT ARE THE IMPLICATIONS OF SB 50 FOR BAY AREA NEIGHBORHOODS?*

POLICY BRIEF

April 14, 2019



**URBAN
DISPLACEMENT
PROJECT**

UNIVERSITY OF CALIFORNIA BERKELEY

MAPCRAFT.io

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Acknowledgments: This policy brief was made possible by the generous support of the Silicon Valley Community Foundation. We are grateful to the team at Mapcraft.io for their work modeling SB 50 coverage and capacity.



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EXECUTIVE SUMMARY

Existing housing production strategies are not working for California; it is estimated that the state is [short 3.5 million homes](#), including a shortage of [1.4 million affordable rental homes](#). This underproduction has been particularly pronounced in the San Francisco Bay Area. [According to the Metropolitan Transportation Commission \(MTC\)](#), the Bay Area has added nearly two jobs for every housing unit built since 1990, and has disproportionately underproduced housing affordable to lower- and middle-wage workers. These patterns have contributed to housing unaffordability, [displacement](#), long commutes, disparities in access to high-resource neighborhoods, and the [re-segregation of the region](#), among other social and environmental challenges.

Since early 2018, Senator Scott Wiener has pursued state legislation to address low-density zoning—one of the factors contributing to the underproduction of housing in the Bay Area and other coastal markets in California. Senator Wiener introduced SB 827 in early 2018 (which we evaluated in a [policy brief](#)); the bill proposed to upzone, or increase allowable density, near transit. In this legislative session, Senator Wiener introduced SB 50 to increase allowable density not only near transit, but also in high-opportunity areas described below.

Since the introduction of SB 827 in 2018, there has been an ongoing debate about the pros and cons of upzoning, as well as negotiations among stakeholders to ensure improvements to the bill. In particular, [equity advocates](#) have been pushing for more provisions to address displacement concerns, and stronger mechanisms to increase affordable housing, especially in higher opportunity areas. Now that SB 50 has been introduced, with some proposed changes designed to respond to SB 827 critiques, we sought to answer the question: do the modifications to the bill improve outcomes as intended? It is important to note that this brief focuses on current debates; as such, our analysis is based on the March 11, 2019 version of the bill language, with the addition of a high-opportunity and commute-reducing geography (referred to in the bill language as “job-rich”) that is not yet defined. SB 50 is still evolving; this brief seeks to inform ongoing debates on key provisions while acknowledging that modifications to the bill are likely.

In this policy brief, we analyze the potential impact of SB 50 on financially-feasible housing production capacity in the Bay Area for both market-rate and inclusionary affordable units, focusing on the impacts of modifications made to the bill since SB 827. Specifically, we examine how changes to the inclusionary housing provision, and the addition of the sensitive communities and high-opportunity/commute-reducing geographies, impact the distribution of additional housing capacity across different types of neighborhoods. Notably, the policy lacks a clear definition of “jobs-rich” areas, so we consider the [high-opportunity and commute-reducing geography](#) created by UC-Berkeley’s [Haas Institute for a Fair and Inclusive Society](#), [Turner Center for Housing Innovation](#), and the [Urban Displacement Project](#), as well as [California Housing Partnership](#).

In examining SB 50's impacts on new housing capacity, we find potential benefits:

- SB 50 could quadruple overall market-feasible capacity in the affected geography.
- SB 50 could quintuple capacity for on-site inclusionary affordable units, including in higher resource areas. However, given that the bill language provides the option to pay in-lieu fees instead of build affordable units on-site, further clarification is needed to ensure that off-site inclusionary units get built nearby.
- The incorporation of a [high-opportunity and commute-reducing geography](#) in SB 50, which expands the policy geography beyond SB 827's transit-oriented upzoning, could help target market-feasible capacity to higher resource areas, and could shift the share of added capacity under SB 50 away from low-resource neighborhoods and toward higher resource neighborhoods.

We also find that the bill still has room for improvement:

- While the provision for delayed implementation in "sensitive communities" would primarily apply to communities that are at risk of or undergoing gentrification, this geography could be better targeted since many gentrifying and at-risk neighborhoods are not covered by the current definition of sensitive communities. It is important to clarify the goal of this provision and ensure that neighborhoods with displacement pressures have time to plan for and implement anti-displacement strategies.
- Our analysis considered a definition of a [high-opportunity and commute-reducing geography](#) that effectively targets higher resource areas, shifting the proportions of overall added capacity under SB 50 away from lower resource areas. In order to ensure the bill delivers on its fair housing goals, a definition like this one should be adopted in bill language.
- Under the current bill language, developers may opt for in-lieu fees even where on-site affordable units are financially-feasible, potentially resulting in reduced inclusionary development in higher resource neighborhoods. If fair housing and increasing the number of affordable units in high-resource neighborhoods is a policy goal of the bill, further clarification is needed to ensure that off-site inclusionary units get built nearby.
- Overall, policy details matter, and a key point of improvement for the bill will be to more clearly outline how redevelopment restrictions will be enforced given the lack of a rent registry. Without clarity on implementation of this provision, it will be difficult to actually prevent upzoning-related demolition of rental properties.
- Additionally, while the current bill would theoretically protect renters from direct displacement from demolition, indirect displacement pressures resulting from potential increases in land and housing prices could still pose significant risk to existing and future low-income residents. These risks should be addressed by passing [stronger statewide protections](#), and exploring other strategies to prevent indirect displacement.

On the whole, improvements to the bill since SB 827 are encouraging for champions of smart growth and fair housing, though much of the bill language is left to be clarified and more consideration is needed regarding equitable development goals.

INTRODUCTION - UPZONING AS POLICY STRATEGY

Policymakers around the country are seeking new strategies to address housing shortages. One strategy that is gaining popularity is upzoning, or relaxing zoning code to allow for increased density or greater building height. Policy proposals to upzone neighborhoods to allow denser development, especially near transit, have been emerging nationwide. In Oregon, [SB 10](#) was introduced this year to upzone land near transit throughout the state, and jurisdictions around the country have also introduced or passed similar legislation in recent years, such as in [Los Angeles](#) (emphasizing affordable housing), [Philadelphia](#), and [Chicago](#).

In California, Senator Scott Wiener introduced Senate Bill 827 in early 2018, which aimed to upzone areas near high-frequency transit across the state. [Many cities resisted SB 827's limits on local control](#), while [equity advocates](#) contended that the bill did not sufficiently address displacement or affordability concerns. SB 827 [was amended in February](#) and [April](#) of 2018, but ultimately did not pass out of the Senate Transportation and Housing Committee.

Senator Wiener sought to address some of the critiques of SB 827 when introducing [SB 50](#), while maintaining the main policy goals of SB 827 to: 1) alleviate the state's [3.5 million home shortage](#), 2) [mitigate climate change by developing more densely around transit](#), and 3) [shift exclusionary housing patterns](#) that make many high-opportunity neighborhoods inaccessible to lower income residents.

In this policy brief, we will explore the implications of SB 50 for Bay Area neighborhoods, focusing on the potential outcomes of the modifications made since SB 827. We begin with a recap of what we found in an earlier analysis of SB 827 and a description of our methods, followed by our findings from modeling using SB 50 specifications, and conclude with a deep dive into the impacts of the bill's main modifications that differentiate it from SB 827. Again, this brief examines whether modifications since SB 827 improve outcomes as intended, with the goal of informing ongoing debates, particularly on these key provisions.

The main modifications that differentiate SB 50 from SB 827 are: 1) adjusted redevelopment restrictions that prohibit use of the bill on rental properties, 2) modified inclusionary affordable housing requirements that supercede local requirements where SB 50 requirements are greater; 3) an expanded upzoning geography to include areas that are high in opportunity and may reduce commutes, even if not transit-adjacent, which still remains to be defined; and 4) deferred implementation for "sensitive communities," a geography which remains to be defined at the state level but has a definition for the Bay Area. The sensitive communities geography came out of requests from advocates for increased protections in neighborhoods that may be at heightened risk of gentrification. These modifications are all explored in detail later in the brief, and Appendix A includes a table outlining the differences between SB 827 and SB 50.

ANALYZING POTENTIAL IMPLICATIONS OF UPZONING FOR BAY AREA COMMUNITIES

After SB 827 did not pass out of its first senate committee, the [Urban Displacement Project](#) partnered with [MapCraft.io](#) to conduct a post-mortem [policy brief](#), contributing data to conversations about future iterations of the policy. The brief focused on trying to understand what kinds of neighborhoods would have been affected by SB 827 and where communities might have expected demolitions of existing units.

In our [SB 827 policy brief](#),¹ we found that in the Bay Area SB 827 would have produced a mix of potential benefits and harms, increasing both financially-feasible market-rate and inclusionary capacity, while disproportionately adding capacity (and consequently potential demolitions) in gentrifying areas.

Both here and in our 2018 brief, we use MapCraft.io's unique development feasibility calculator, a tool that conducts proforma financial feasibility assessments on hundreds of thousands of parcels to better understand development potential that could have been enabled by SB 827.² We refer to this development capacity as financially-feasible housing capacity (described in further detail in a [Medium post by MapCraft.io](#) last year). This financially-feasible capacity is similar to a "highest and best use" evaluation, or what a housing developer could optimally do with a site tomorrow to maximize value given local regulations, market conditions, and existing land uses.

It is important to note that capacity does not necessarily translate into housing development. This is in part because landowners are seldom willing to part with their land even if a developer could feasibly redevelop the property. For example, even if an existing auto body shop could be feasibly redeveloped into an apartment building, or a single family home could be profitably replaced with a four-unit building, that does not mean the business owner or homeowner would sell their property to a housing developer. Further, if considerable market-feasible capacity were delivered, market dynamics would change and the market-feasible capacity would adjust. The analysis represents a snapshot of development potential and is best used to compare policy options to a business-as-usual scenario, as we have done here. Additionally, this analysis relies on coarse zoning data gathered for the region's travel models and does not consider the variety of zoning controls that may exist or could be implemented that would 'thwart' the efficacy of SB 50.

In a [brief jointly produced by the Turner Center and UDP](#) (an effort independent from this brief), we point to other factors that constrain development even with added capacity. The ability of added capacity to actually unlock development depends not only on the presence of vacant/underutilized parcels in any given area, but also on parcel size. The presence of small parcels could inhibit additional development from being unlocked, particularly for the construction of larger multifamily buildings. Combining multiple parcels into a single lot to allow for denser new development, where financially-feasible, is complex in practice. This is especially true given re-development restrictions under SB 50, as our brief with the Turner Center notes. Under SB 50, a

¹ It is important to note that the development capacity numbers we present in this brief are based on new 2019 analyses that rely on recent market data, more robust sources than our 2018 brief, and incorporate SB 827 policy clarifications provided in the lead-up to SB 50, making it infeasible to compare the results from our 2018 brief to this brief.

² The geography of analysis is the Association of Bay Area Governments (ABAG)'s "urban footprint."

developer would need to identify contiguous parcels with owners that are willing to sell and that have not been occupied by renters in the last seven years, or where an Ellis Act eviction has not occurred in the last 15 years, in order to consolidate.

Additionally, there are many other constraints on development that may inhibit unlocking, such as setbacks, daylighting, and land use. For example, our analysis assumed that SB 50 relaxed the zoning constraints on single family, duplex, and other small-scale housing types to allow more units in similar structures, even though the number of units in those zones may be regulated through land use controls rather than density maximums. The data upon which our analysis rests does not differentiate between these types of controls. For instance, if cities wish to retain single family zoning in the face of SB 50, they could modify their zoning to use controls that would not be subject to SB 50 as written. Unless the policy is modified to address these factors, our analysis likely overestimates the market-feasible capacity enabled by the policy proposals.

With these caveats in mind, we looked at the differential impact SB 50 could have on neighborhoods in two ways (just as we did for [SB 827](#)):

1. By neighborhood stage of gentrification and displacement, using our [typology maps](#).
2. By [neighborhood resource level](#), as defined by the California Fair Housing Task Force and adopted by the [California Tax Credit Allocation](#) (TCAC) to guide affordable housing investments in ways that improve mobility outcomes for low-income families.

SB 50 AT A GLANCE: WHERE CAN WE EXPECT TO SEE ADDITIONAL HOUSING CAPACITY UNDER SB 50?

To better understand the implications of SB 50, we developed a model that could reflect business-as-usual conditions and SB 50 upzoning. Since our last brief, we have updated our geographies to reflect not only transit-rich, but also high-opportunity/commute-reducing and sensitive communities. We then incorporated SB 50's restrictions regarding rental housing. Finally, we adjusted the development models to reflect the distinct inclusionary requirements of SB 50. First we describe the aggregate results, then we dive into the impacts of the specific modifications to the bill post-SB 827.

SB 50 Scenario

We begin by looking at the overall impact of SB 50 per the specifications in the bill as of March 11, 2019. We find that SB 50 would have far-reaching coverage and increase the acreage and number of parcels where there is market-feasible housing capacity by approximately 14% and 24% respectively. To be clear, the default SB 50 scenario we refer to includes upzoning applied to the high-opportunity/commute-reducing geography, and also includes upzoning of sensitive communities (though we explore impacts of delayed implementation in sensitive communities later in the brief). Thus, numbers on SB 50 capacity include capacity in delayed implementation areas.

Overall, SB 50 could quadruple net capacity, when comparing the incremental market-feasible unit capacity enabled under the SB 50 scenario to what is feasible under current conditions (referred to in tables as BAU, or business-as-usual).³

Under *current conditions*, approximately 40% of housing capacity in the reference geography is in neighborhoods at risk of or already experiencing gentrification and displacement (see Table 1). Under SB 50, the share of capacity in neighborhoods at risk of or experiencing gentrification and displacement drops to 34%; however, each of these types of neighborhoods still see market-feasible unit capacity more than triple under SB 50. Some of the added capacity in these neighborhoods would be delayed in implementation, which will be covered in the section on the sensitive communities geography below.

Table 1: Financially-feasible unit capacity under current conditions and SB 50 by UDP gentrification/displacement typology

UDP Neighborhood Typology	Share of market-feasible unit capacity under current conditions (BAU)	Share of Market-feasible unit capacity under SB 50 Scenario (SB 50)	Multiple of Current Capacity (SB 50 / BAU)
LI* - Not Losing Low Income Households	9%	12%	5.2
LI* - At Risk of Gentrification and/or Displacement	13%	11%	3.2
LI* - Ongoing Gentrification and/or Displacement	18%	15%	3.3
MHI** - Advanced Gentrification	9%	8%	3.5
MHI** - Not Losing Low Income Households	13%	17%	5.4
MHI** - At Risk of Exclusion	22%	22%	3.8
MHI** - Ongoing and Advanced Exclusion	15%	15%	3.9

* LI = Low Income
 ** MHI = Moderate/High Income see http://www.urbandisplacement.org/sites/default/files/images/methodology_summary.pdf

When looking at the distribution of new capacity SB 50 could bring by neighborhood resource level (see Table 2), we find that, when including delayed implementation capacity (which will be explored more below), SB 50 could increase capacity across all neighborhoods, independent of resource levels.

³ These figures refer to capacity in the affected geography: transit-rich neighborhoods, and neighborhoods that are high-opportunity and may reduce commute times (the methodology for identifying these neighborhoods is described in depth later in this brief). This geography also includes “sensitive communities,” but we will explore delayed implementation capacity in that geography further later in this brief.

Table 2: Financially-feasible unit capacity under current conditions and SB 50 scenario by neighborhood resource level

Neighborhood Resource Level	Share of market-feasible unit capacity under current conditions (BAU)	Share of market-feasible unit capacity under SB 50 Scenario (SB 50)	Multiple of Current Capacity (SB 50 / BAU)
High Segregation & Poverty	4%	2%	2.0
Low Resource	16%	14%	3.5
Moderate Resource	26%	28%	4.3
High Resource	28%	29%	4.1
Highest Resource	27%	28%	4.2

WHERE IS THE NEW CAPACITY GOING?

In the previous tables, we compared market-feasible capacity under current conditions to capacity under SB 50. In this section, we specifically analyze the additional capacity (both market-rate and inclusionary affordable) that SB 50 brings. We refer to this capacity added under SB 50 (net of current capacity) as net market-feasible capacity. Looking at neighborhood resource level, the bill appears to add the vast majority of the net new capacity to moderate- and high-resource areas (85%), per the Fair Housing Task Force neighborhood resource level maps.

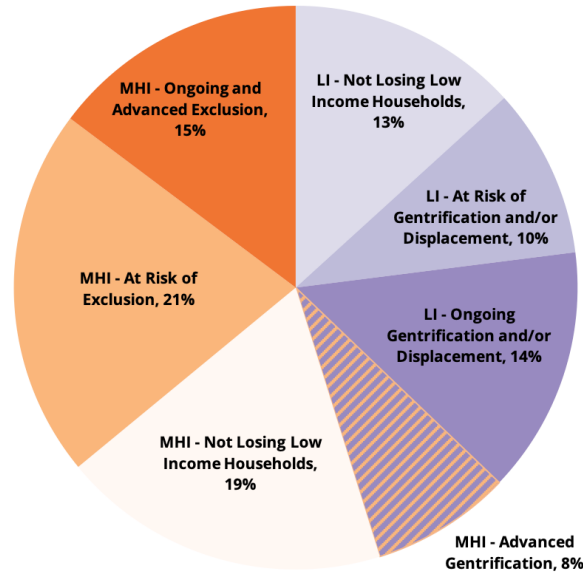
When breaking out by UDP neighborhood typology (see Figure 1), about a third of capacity added by SB 50 would be in neighborhoods at risk of or experiencing gentrification and/or displacement (though below we explore that some portion of this would be delayed in implementation). Another 55% of added capacity would be located in moderate- to high-income neighborhoods, with about 36% of net additional SB 50 capacity added in neighborhoods that are at risk of or already experiencing exclusion.

In terms of capacity for affordable unit production under the inclusionary housing provisions, SB 50 could more than quintuple the market-feasible capacity to build affordable housing when compared to current conditions, depending on how the bill language evolves. Inclusionary capacity could increase the most in high and highest resourced neighborhoods, suggesting that SB 50 may have the potential to deliver on some of its promise to open up previously exclusive neighborhoods to low-income households if the bill requires on-site development, or ensures nearby development of off-site units.⁴ In terms of added inclusionary capacity by neighborhood gentrification and displacement typology, we find that approximately a third of new inclusionary

⁴ Bill language states that local governments collecting in-lieu fees should make 'every effort' to site affordable inclusionary units within 1/2-mile of new market-rate developments made possible by SB 50 upzoning. However, the bill does say that if such a site does not exist within a 1/2-mile, the alternate site needs to comply with California's Affirmatively Furthering Fair Housing (AFFH) law. Theoretically, this could mean that even off-site delivery via in-lieu payments to local governments would lead to units in higher resource areas (even when those areas are not nearby the initial market-rate development). However, due to the lack of definition of this provision, we have pointed to on-site and nearby off-site delivery of inclusionary affordable units throughout this brief.

capacity added by SB 50 could be added in neighborhoods at risk of or already undergoing gentrification, potentially representing a stabilizing force in changing neighborhoods.

Figure 1. Share of SB 50 net additional capacity by UDP gentrification/displacement typology



SB 50 MODIFICATIONS SINCE SB 827

In SB 50, Senator Wiener and co-authors have sought to address some of the potential unintended consequences of SB 827—both that people in gentrifying communities could be vulnerable to displacement in the face of upzoning, as well as the fact that the upzoning did not target as many high-opportunity (and in some cases, historically exclusive) places as it could have. A full table of the differences between these bills can be found in Appendix A.

Here we outline the main provisions in each of the modifications as well as the assumptions we used to model these provisions. Under the description of each policy modification, we present scenarios to tease out the impact of some of the ways SB 50 differs from SB 827: 1) expanded inclusionary requirements, 2) delayed implementation in sensitive communities, and 3) addition of a high-opportunity/commute-reducing geography. We were unable to analyze the impact of the redevelopment restrictions for this brief due to data limitations.

Our guiding question in making these comparisons is: after making changes to the bill in response to concerns raised with SB 827, what would be the net effect? How is housing capacity, both market-rate and affordable, affected, and in what kinds of neighborhoods?

Redevelopment restrictions

SB 50 aims to protect renters from direct displacement due to demolitions and redevelopment that could result from upzoning. While SB 827 restricted redevelopment on sites that had existing rent-controlled units, income-restricted affordable units, naturally occurring affordable

rental units, or Ellis Act evictions during the preceding five years, SB 50 restricts development on any site where housing was occupied by renters in the preceding seven years, or where an Ellis Act eviction occurred in the last fifteen years.

Due to limitations in our parcel data (i.e., lack of tenure data) we currently approximate the redevelopment restrictions for the purposes of our modeling by using census data at the block group level to estimate rental units on parcels.⁵ We are currently unable to model the Ellis Act exemption component of the bill due to data limitations, though it would be expected to have a much smaller footprint than the rental restriction.

These data limitations will also be an issue for policy implementation. At present, most cities lack high-quality registries on rental units, making enforcement challenging.⁶ Ellis Act eviction histories may also need to be compiled. Given the limited data, we have not isolated the impacts of the tighter redevelopment restrictions when doing our comparative modeling of SB 827 to SB 50.

Inclusionary affordable housing requirements

To address concerns that there was insufficient value capture by way of inclusionary requirements in SB 827, SB 50 imposes its own inclusionary requirements, which supersede local requirements wherever SB 50 would require more affordable housing units than those policies. In contrast, SB 827 deferred to local inclusionary ordinances where a local policy was present. Also, SB 50 targets deeper affordability, at 30%, 50%, and 80% of area median income, where SB 827 targeted 50%, 80%, and 115% area median income. SB 50’s minimum requirement of affordable units are outlined in Table 3:

Table 3. Inclusionary requirements of SB 50

Project size	Inclusionary requirement
10 or fewer units	No requirement
11-20 units	In-lieu fee
21– 200 units	15% low-income; or 8% very low-income; or 6% extremely low-income can be built on-site or off-site via in-lieu fees
201–350 units	17% low-income; or 10% very low-income; or 8% extremely low-income can be built on-site or off-site via in-lieu fees
351 or more units	25% low-income; or 15% very low-income; or 11% extremely low-income can be built on-site or off-site via in-lieu fees

⁵ We first determine the expected number of rental units in a block group based on the number of renter households using American Community Survey data on tenure (percent renter) at the block group level, then allocate those rental units to the largest multi-unit buildings, and then allocate the remainder to single family parcels with the smallest structures.

⁶ AB 724, introduced by Assembly Member Buffy Wicks, would establish a [statewide rental property data registry](#), helping address this challenge.

For our analysis, we utilized the Urban Displacement Project's database of Bay Area inclusionary zoning policies to determine the inclusionary requirements that developers would heed under SB 50 (local where applicable, per our database, or SB 50).

Additionally, SB 50 respects existing local transit oriented development (TOD) plans, such as LA's Measure JJJ; however as the San Francisco Planning Department points out in a [memo on SB 50 to the Planning Commission](#), it is not yet clear exactly how SB 50 interacts with certain local ordinances. For example, the memo states that HOME SF offers a similar density bonus, but with a likely higher inclusionary percentage.

However, SB 50 inclusionary zoning policies are not uniformly more robust than those of SB 827. SB 827-specific inclusionary required on-site delivery of affordable units (though many of the local inclusionary policies it deferred to allowed for off-site delivery or in-lieu fees), whereas SB 50 requirements allow for off-site delivery or payment of an in-lieu fee. For the purposes of modeling market-feasible affordable inclusionary capacity, we assume delivery of on-site units when on-site delivery is an option (for 21+ unit buildings). The analysis contemplated the financial performance of potential developments, which incorporate inclusionary affordable units when either a local inclusionary policy exists or when an SB 50 bonus was used, and the market-feasible capacity totals reflect instances when on-site affordable units were part of the most feasible development option.

In practice, the final inclusionary policy specification and policy implementation steps will be important determinants of what may be most feasible and what might actually occur. For example, we interpreted the policy to state that developers could provide units off-site or pay a fee to satisfy the inclusionary requirements, but the present SB 50 bill language has unclear definitions. Off-site delivery and in-lieu fees would need to be further defined, potentially favoring on-site delivery or off-site delivery that is located nearby. In our [brief with the Turner Center](#), we suggest that the level of inclusionary housing required should depend on market conditions.

While our model estimates the market-feasible capacity of on-site delivery, actual delivery of these units may never occur if developers opt to pay an in-lieu fee. Indeed, paying a fee based on the cost of an on-site unit will generally favor fee payment. For example, in the case of a developer that could feasibly build the inclusionary affordable units on-site (they can incur the cost of an affordable unit and still pay investors and landowners), if given the choice, incurring a fee equal to delivering the units on-site and getting to build market-rate units instead of the affordable units is more valuable than incurring the cost of delivering units on-site and not delivering as many market-rate units. Policymakers sometimes justify higher fees to encourage on-site delivery.

Our analysis accounts for the financial implications of delivering affordable units at various levels of affordability, but does not address the choices developers may make informed by operations, marketing, or other interests. In some cases where our model suggests that delivering units at the deepest level of affordability may be the most financially viable option, developers may still choose another option; for example, due to perceived operational difficulty of managing a building with affordable units, developers may choose to forgo a density bonus where a building using the bonus and providing affordable units would be the most valuable.

SB 50 could enable affordable housing capacity in high-resource areas, if bill structure promotes on-site or nearby delivery

Under SB 50, financially-feasible inclusionary housing capacity could quintuple, as compared to current capacity. To understand how the modifications to the inclusionary requirement made since SB 827 could affect the outcomes of the bill, we ran an SB 50 scenario (i.e., including SB 50 redevelopment restrictions and the additional high-opportunity/commute-reducing geography), but using SB 827's version of the inclusionary requirements.

Comparing the SB 50 scenario with this hypothetical SB 50 but with SB 827 inclusionary scenario, we find that SB 50's inclusionary component could enable adding approximately 10% more feasible inclusionary capacity to the Bay Area than the 827 inclusionary scenario. Approximately 46% of the additional inclusionary unit capacity between SB 827 and SB 50 inclusionary could be in high or highest resource areas, if the bill were to require on-site development, or if inclusionary units are sited nearby.

The modifications to the inclusionary requirements also shift the depth of affordability of market-feasible inclusionary units. We find that the net capacity of inclusionary units would hold relatively constant for moderate-income and very low-income inclusionary units, between SB 827 inclusionary requirements and the SB 50 provision, but would shift some capacity away from low-income units and add more capacity for extremely low-income units.

Table 4: Depth of affordability for market-feasible inclusionary units under current conditions, SB 827 inclusionary scenario, and SB 50 scenario

Affordability level	% of current inclusionary capacity (BAU)	% of inclusionary capacity under SB 827	Multiple of inclusionary capacity (SB 827/BAU)	% of inclusionary capacity under SB 50	Multiple of inclusionary capacity (SB 50/BAU)
Extremely Low (<30% AMI)	0%	0%	N/A*	16%	N/A*
Very Low (30% - 50% AMI)	3%	6%	9.1	5%	8.0
Low (< 80% AMI)	66%	66%	5.1	54%	4.5
Median (81% - 100% AMI)	0%	0%	N/A*	0%	N/A*
Moderate (101% - 120% AMI)	31%	28%	4.5	25%	4.4
Total Inclusionary Units			5.0		5.4

*N/A indicates no units in baseline.

While SB 50 has potential to increase inclusionary affordable housing capacity, especially in higher resource areas, as described above, it will only realize this potential if the bill is structured to incentivize on-site delivery of these units or the delivery of nearby off-site units. If relatively attractive in-lieu options are offered, private developers will often opt for those because they offer greater value and enable standard market-rate operations of buildings. If a goal of the policy is to have more affordable housing in higher resource areas, there need to be clear mechanisms to ensure off-site inclusionary built via in lieu fees will be built nearby.

Sensitive communities

SB 50 adds a new geographic lens in order to address some of the gentrification concerns from SB 827 by identifying "sensitive communities" that can choose to delay implementation of the bill for a period of five years to allow time for community planning. Per the bill language, the goals of the community plans are to identify zoning and other policies "that encourage multifamily housing development at a range of income levels to meet unmet needs, protect vulnerable residents from displacement, and address other locally identified priorities." The policy goals behind this provision need additional clarity to ensure the definition of the geography is appropriately targeted.

For the Bay Area, the bill currently proposes to use the sensitive communities geography identified by the Bay Area Metropolitan Transportation Commission (MTC) building off of the CASA, [the Committee to House the Bay Area](#), initiative. [MTC's methodology for identifying sensitive communities](#) is to flag census tracts that are at the intersection of disadvantaged and vulnerable communities as defined by MTC and the Bay Conservation and Development Commission (BCDC). For the purposes of this analysis, we assume that sensitive communities will receive full implementation of SB 50, though delayed.

The sensitive communities geography delays implementation in many, but not all, gentrifying neighborhoods

Approximately 12% of the total additional capacity enabled by SB 50 would be delayed for community planning in the Bay Area under the current sensitive communities definition. This delayed capacity is primarily found in neighborhoods that are at risk of or already undergoing gentrification and displacement processes.

However, it is difficult to assess whether the sensitive communities provision of the bill achieves its policy goals given that those policy goals are not yet clear. SB 50, as currently written, does not specify any characteristics of what constitute sensitive communities other than potential data points that define them, nor does it outline or fund the types of community planning that might be needed to stabilize vulnerable communities.

Defining the sensitive communities geography deserves a dedicated stakeholder engagement and research process. First, policy goals must be clearly established. Using those parameters, researchers can then determine a methodology to identify sensitive communities in ways that align with those goals.

If the goal is to mitigate displacement pressures in neighborhoods at risk of gentrifying or already undergoing gentrification and displacement, the sensitive communities geography indeed primarily delays SB 50 upzoning in such neighborhoods. For example, 89% of capacity under SB 50 with delayed implementation via the sensitive communities geography is located in neighbor-

hoods at risk of or experiencing gentrification and/or displacement. However, many at-risk and gentrifying neighborhoods are left out of delayed implementation; just 45% of the overall capacity that SB 50 could add in neighborhoods at risk of or experiencing gentrification will be delayed via the sensitive communities geography. In other words, more than half of added capacity in at-risk and gentrifying neighborhoods would *not* be delayed by five years for community planning under the current definitions of sensitive communities. Digging further into neighborhood type, while neighborhoods at risk of gentrification are relatively well-covered by sensitive communities, less than half of capacity added in neighborhoods already experiencing gentrification would have implementation delayed (see Table 5).

Table 5. Share of market-feasible SB 50 capacity with delayed implementation, by neighborhood type

UDP Neighborhood Typology	Share of SB 50 net additional capacity w/ delayed implementation, by neighborhood type
LI* - Not Losing Low Income Households	10%
LI* - At Risk of Gentrification and/or Displacement	76%
LI* - Ongoing Gentrification and/or Displacement	48%
MHI** - Advanced Gentrification	1%
MHI** - Not Losing Low Income Households	0%
MHI** - At Risk of Exclusion	2%
MHI** - Ongoing and Advanced Exclusion	0%

* LI = Low Income
 ** MHI = Moderate/High Income see http://www.urbandisplacement.org/sites/default/files/images/methodology_summary.pdf

Overall, even where the sensitive communities geography targets neighborhoods experiencing gentrification and/or displacement pressures, is important to note that while the new sensitive communities designation delays implementation of upzoning, it will only have distinct outcomes if planning occurs and new policies are adopted that are distinct from what SB 50 would enable independent of local plans. More structure may be necessary to define and fund community planning processes. If delayed implementation means delayed as-is implementation, without any modification to how upzoning takes place, then this provision may simply defer outcomes that communities wish to prevent.

High-opportunity and commute-reducing

Finally, responding to the critique that SB 827 disproportionately affected low-income neighborhoods, Senator Wiener added a "job-rich" geography in SB 50 to better target upzoning to achieve the fair housing goals of the bill, increasing access to high-opportunity neighborhoods for low-income households. Another goal of this geography was to enable shorter commutes

and thus reduce vehicle miles traveled (VMT). The bill treats these tracts the same as high-quality bus corridors.

For the purposes of this analysis, for the “job-rich” geography, we use a scenario of high-opportunity/commute-reducing places created by the UC-Berkeley research centers: the [Haas Institute for a Fair and Inclusive Society](#), [Turner Center for Housing Innovation](#), and the [Urban Displacement Project](#), as well as [California Housing Partnership](#). This methodology identifies tracts that are both high-opportunity (based on tract-level economic and educational indicators that influence opportunity and longer-term outcomes) and are either jobs-rich, have long in-commutes, and/or have particularly mismatched ratios of low-wage jobs to low-cost housing when compared to the region. The large majority of the tracts identified for high-opportunity/commute-reducing in this scenario fall outside of transit areas.

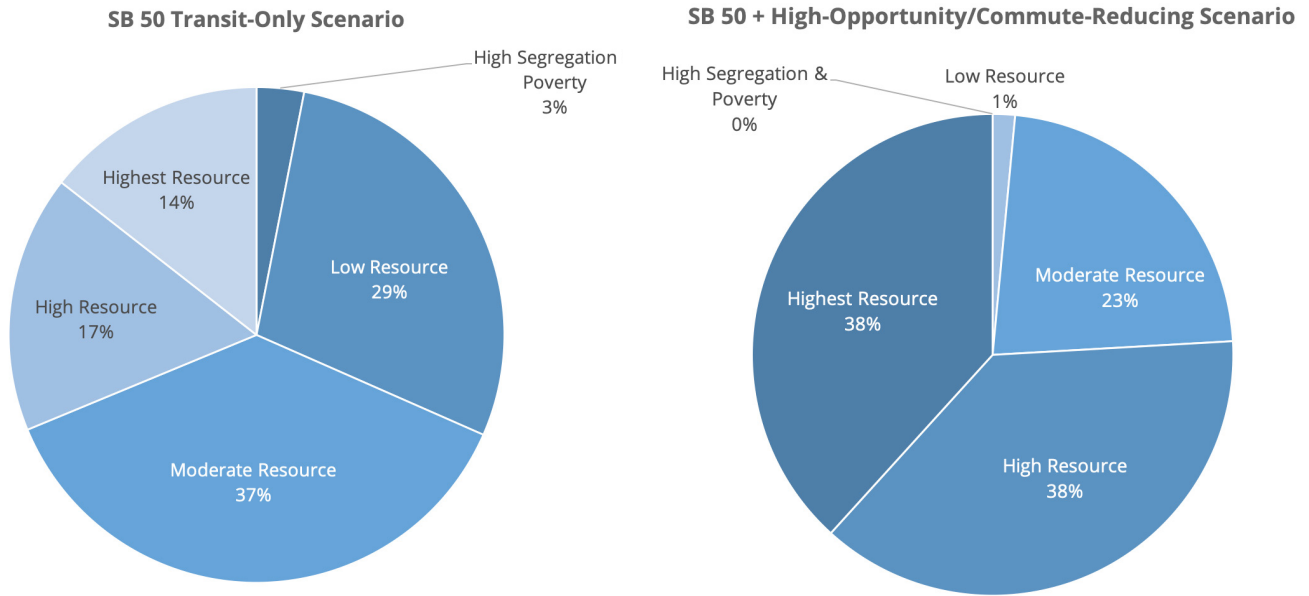
However, it is important to note that the use of this scenario represents a hypothetical; this definition has not been adopted as part of the bill at this point, though there are indications it is being considered for adoption by the bill’s co-sponsors. If a narrower definition is adopted, and a smaller number of places end up identified under this provision, this would alter our estimates of added capacity. The maps and methodology, with various scenarios using opportunity and employment data, are available at mappingopportunityca.org.

In order to better understand the implications of this additional geography, we compared a scenario where SB 50 would be applied without the high-opportunity/commute-reducing geography (but leaving the other modifications fixed, referred to here as “SB 50 transit only”), to SB 50 with the high-opportunity/commute-reducing geography.

The high-opportunity/commute-reducing geography adds significant development capacity in the region’s higher resource neighborhoods

Overall, the addition of the high-opportunity/commute-reducing geography significantly shifts the share of added capacity away from low- and moderate-resource neighborhoods (66% of added capacity in the SB 50 transit-only scenario) to high- and highest resource neighborhoods (76% of added capacity in full SB 50 scenario, see Figure 1).

Figure 2: Distribution of new capacity from SB 50 by neighborhood resources without the high-opportunity/commute-reducing geography (L) and with the high-opportunity/commute-reducing geography (R)



CONCLUSIONS

Overall, SB 50 does have the potential to make significant progress towards increasing housing supply in the Bay Area: we estimate that the bill could quadruple capacity on land subject to SB 50 in the region, and could quintuple capacity for inclusionary affordable units, including in higher resource areas, if the bill requires on-site development, or ensures nearby development of off-site units.

In examining the policy’s performance in targeting additional capacity to specific neighborhoods, we find a mix of improvements since SB 827, and areas where targeting could still be improved.

The addition of the high-opportunity/commute-reducing geography to SB 50 appears to be an opportunity to more effectively target market-feasible capacity to higher resource areas than transit-focused SB 827. If the [high-opportunity and commute-reducing definition](#) is used, as we analyzed here, this could significantly shift the proportion of added capacity under SB 50 from mostly low- and moderate-resource neighborhoods to high- and highest resource neighborhoods, though it does not change the outcomes within transit areas.

Additionally, the inclusionary zoning component of SB 50, which was modified from SB 827, has the potential to add significant affordable housing, more than quintupling the market-feasible inclusionary capacity when compared to current conditions. However, for this market-feasible capacity to be delivered, the inclusionary provision of the bill should be restructured to either require on-site development or more clearly ensure nearby development. Based on our inter-

pretation of the current bill language, which is unclear, developers may opt for in-lieu fees even where on-site affordable units are financially-feasible, potentially resulting in reduced on-site inclusionary development in higher resource neighborhoods. If SB 50 is to address its fair housing goals, this underscores the need to ensure nearby development where affordable inclusionary units are being built off-site via in-lieu fees.

We find that SB 50's requirements could result in added capacity for extremely low-income units compared to SB 827, though they also reduce the low-income unit capacity enabled by SB 827. This shift suggests that the inclusionary requirements could be adjusted to target certain depths of affordability, while perhaps maintaining overall market-feasible development capacity enabled by the policy. A sensitivity analysis to understand the influence of various inclusionary requirements could be beneficial to ensure that the bill is tailored to maximize value capture and meet fair housing goals while not stifling development.

The addition of the sensitive communities geography where upzoning implementation would be delayed could give communities vulnerable to gentrification and displacement an opportunity to plan for more equitable development. Examining where the sensitive communities geography would apply, it would indeed primarily delay implementation of SB 50 in gentrifying communities. Looking more closely, however, more than half of added capacity in at-risk and gentrifying neighborhoods would not be delayed by five years for community planning under the current definitions of sensitive communities. This suggests that more could be done to protect gentrifying neighborhoods when defining the sensitive communities geography for the Bay Area, and echoes [equity advocates' assertion](#) that MTC's sensitive communities geography does not fully capture gentrifying areas.

This finding is especially noteworthy in light of [recent research on upzoning in Chicago](#), which found that places with strong market demand saw housing prices increase in the wake of upzoning, becoming less affordable in the short term. This also underscores the need more broadly to couple upzoning with tenant protections; even if tenants have protection from demolition, protections from rent increases and indirect displacement pressures will still be critical. Whether or not SB 50 passes, policymakers should move to pass the [Keep Families Home bill package](#) to strengthen tenant protections across the state.

SB 50's expanded redevelopment restrictions represent another ostensible improvement from SB 827 where the actual efficacy will depend on implementation. To fully implement the policy as written, data sources may need to be developed to track rentals over time and to establish a rental history for every parcel where developers seek to use SB 50's upzoning. For that reason, the policy may be limited in its practical application. For example, cities may refrain from issuing permits for projects reliant on SB 50 when clear rental histories are unavailable.

Overall, policy details matter and more clearly articulating how redevelopment restrictions and inclusionary requirements will be enforced, as well as better tailoring the sensitive communities geographies toward coverage of gentrifying communities with existing market demand could be key points of improvement in the bill. That said, the improvements since SB 827 are encouraging for champions of smart growth and fair housing, as SB 50 stands to quadruple net unit capacity near transit and in places that are high-opportunity and potentially commute-reducing. Should

the bill be refined to either favor on-site delivery of inclusionary affordable units, or to ensure off-site units get built nearby, it has the potential to quintuple inclusionary capacity, especially in the region’s highest resourced neighborhoods.

APPENDIX A. SB 827 AND SB 50 COMPARISON TABLE

Characteristic	SB 827	SB 50
Distinguishes between transit and proximity to stations/stops	¼-mile and ½-mile from major stops ¼-mile from high-frequency bus	Same as SB 827
Impacts high-opportunity/ commute-reducing areas	N/A	Incorporates high-opportunity/ commute-reducing and treats these areas the same as areas ¼-mile from high-frequency bus
Density restrictions near major stops	Relaxed maximum density restrictions in all areas; eliminates residential parking requirements; sets minimum height and FAR standards dependent on proximity to stations	Same as SB 827
Density restrictions near high- frequency bus	Relaxed maximum density restrictions; Reduces maximum parking requirements greater than 0.5 stalls per unit	Same for high-frequency bus and extends the same density control changes to high-opportunity/ commute-reducing areas
Redevelopment restrictions	Restricted development on sites that had rent controlled units, income- restricted affordable units, naturally occurring affordable rental units, or Ellis Act eviction during the last 5 years.	Restricts development on any site where housing was occupied by renters in the preceding 7 years OR an Ellis Act eviction occurred in the last 15 years.
Application of inclusionary	Respected local inclusionary whenever a policy was present	Refers to local inclusionary and requires the greater of local or SB50 inclusionary requirements
Inclusionary requirements - set asides	Established set-asides for buildings >10 units bracketed in three groups; Also set standard for large mixed- use buildings; Applies requirement to policy-related “awarded” units	Establishes set-asides for buildings >20 units in three brackets; Applies requirement to all units in building
Inclusionary requirements - depth of affordability	Targets 50%, 80%, 115% AMI	Targets 30%, 50%, 80% AMI
Inclusionary requirements - alternatives	N/A	Buildings with 11-20 units must pay an in-lieu fee or dedicate land; Larger buildings can satisfy the requirements by delivering units on-site or by paying a fee or dedicating land
Sensitive communities	N/A	Adds a sensitive communities designation for areas where implementation will be delayed so that local planning efforts can be undertaken before the policy goes into effect in 2025

