Economics of Inclusionary Housing Policies & Impact Fees

A Literature Review

This list summarizes peer-reviewed studies and other academic articles from the economics and planning literature relevant to inclusionary housing policies. In general, these studies address the market effects of both impact fees and inclusionary housing policies, including their effects on housing production, housing prices, and land values.

Most Relevant Studies


Using sales from new and existing homes in the Chicago area, the authors find positive effects of impact fees on housing prices with impacts that are larger than the size of the fee itself.


In a study of California between 1988 and 2005, Bento, Lowe, Knaap, and Chakraborty (2009) find that inclusionary housing policies had a positive effect on the price of single-family houses, increasing prices by about 2 to 3 percent. This analysis controls for city-level characteristics that do not vary over time (e.g., a city’s location or proximity to amenities) and characteristics that are uniform across cities but varying by year (e.g., a recession). This analysis does not control for unobserved characteristics that vary both by time and location.

The authors also find that cities with inclusionary housing policies did not experience a significant reduction in the rate of single-family housing starts; however, they did experience a marginally significant increase in multi-family housing starts.


These studies find $1.00 of impact fees will increase the price of small, medium, and large sized homes by $0.39, $0.82, and $1.27, respectively. Impact fees result in housing price increases when homeowners capitalize the tax burden and infrastructure enhancements into the price of the home.

The authors also find impact fees earmarked for public services otherwise funded through property tax revenues increase construction of small homes within inner suburban areas and have a negligible impact on construction rates in central city and rural areas.

The authors examine 107 inclusionary zoning policies in California and did not find any evidence that the policies slowed development.


In the above pair of studies of Dunedin, Florida in 1974, the authors find that impact fees raise the price of new homes by about three times the size of the fee.


Using data from Contra Costa, California, the authors find an additional $1 of impact fees increases the price of new homes by $1.88.


Impact fees result in housing price increases when homeowners capitalize the tax burden and infrastructure enhancements into the price of the home. The authors also note that impact fees contribute to housing price increases in communities where no reasonable housing substitutes exist.


Using data from Texas, the authors find weak statistical evidence that impact fees decrease the value of undeveloped land. They estimate a $1,000 residential impact fee would increase the price of residential lots by 1.3 percent, but reduce the price of undeveloped land by 0.042 percent.


With data from Dade County, Florida the authors find that $1.00 of fees increases the price of both new and existing housing by about $1.60. They also find that $1.00 of fees reduces the price of land by about $1.00.


Using evidence from California, the authors find that, in jurisdictions with inclusionary housing policies, housing prices increase on average by 2.2 percent. These authors also find inclusionary housing programs raise prices by about 5 percent for above-median priced houses, but for below-median price households, they lower prices by about 0.8 percent.


The authors estimate the differential effects of impact fees on housing prices based on housing quality. Using data from King County, Washington, they find the effect varies greatly for homes of different quality. While on average, they find $1.00 of impact fees raises new home prices by $1.66, for higher-quality homes the effect is $3.58, and they find no effect for lower-quality homes.


The authors investigate impact fees in a broader context of housing regulations. Their findings suggest that municipalities with more extensive regulations can have up to 45 percent fewer starts, but impact fees themselves have relatively little effect on new construction. Rather, they note, it is regulations that lengthen the development process or otherwise constrain new development have more significant effects on housing production.


The authors compare 17 different municipalities with inclusionary housing policies adopted over a period of 35 years. The authors find no statistically significant evidence of inclusionary zoning's adverse effect on housing supply in cities with inclusionary mandates. The authors conclude that critics of inclusionary housing policy “overestimate its adverse effects on housing supply.”


The authors find positive effects of impact fees on the price of land, but note the effect differs dramatically across selected housing markets.


Together, the two above studies offer the most robust findings that associate inclusionary housing policies with negative effects on housing production. On average, they find that, in cities with inclusionary housing policies, permits declined 10 to 30 percent in the seven years after the policies were adopted.


The author analyzes building permit data to examine the effect of inclusionary housing policies on the pace of development. He finds no negative effect on overall production.


In a study of inclusionary housing, Schuetz et al. (2009) examine the impact of these policies on prices and production of market-rate housing production in Boston and San Francisco. The authors find a minor effect of inclusionary housing on housing production in Boston and no evidence in the Bay Area.

In Boston, Schuetz et al. (2009) find that a 1 percent increase in the age of a program leads to a 1.4 percent increase in the prices of single family homes. In their simplest model, they find no effect of inclusionary housing policies on prices in San Francisco, although this result is nuanced in the presence of a more sophisticated model. They also find that inclusionary housing policies led to increased prices during periods of housing appreciation, but decreases in prices in cooler markets.


Using evidence from Toronto, Canada, the authors find housing price increases attributable to impact fees were related to city growth rates. In their results, faster city growth rates are associated with a lower price effect of impact fees. They also conclude that lot prices increase by $1.20 for each $1.00 of impact fee.


The authors use data from DuPage County, Illinois in the early 1990s. They conclude that impact fees reduce rates of residential development by more than 25 percent.
Additional Peer Reviewed Studies


Been, Vicki. 2005. "Impact Fees and Housing Affordability" Cityscapes, 8, 139.


