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# Complementary Approaches to Land-Use Reforms



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# What we'll talk about today

- What's wrong about today's zoning policies?
- Theories of zoning change
- What we know about zoning reforms' effects
- Potential complementary policies

# What's wrong with today's zoning?

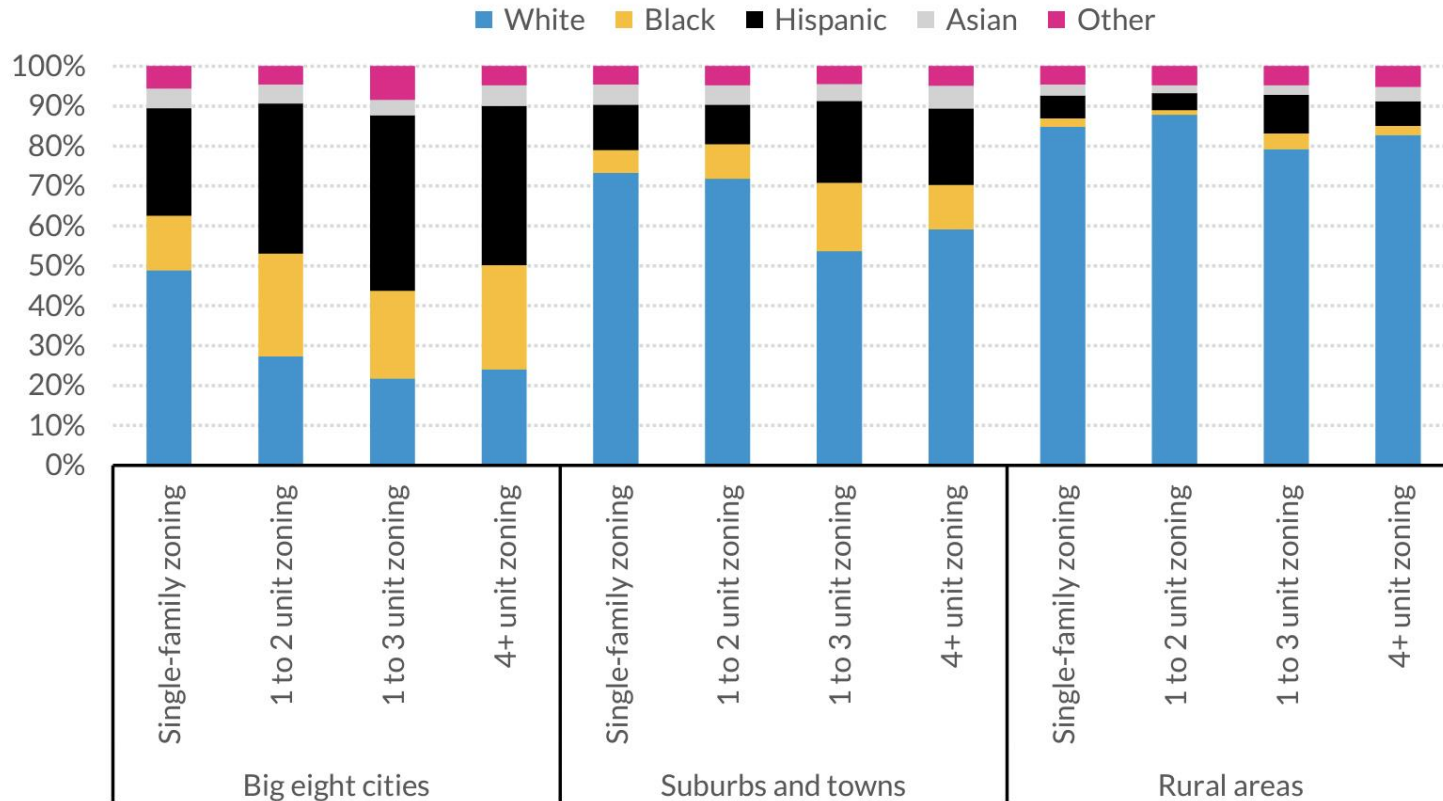
# What's wrong with current zoning policy?

- Restrictive zoning is widespread, making it difficult to build much more than single-family homes in many places
- Current zoning is associated with:
  - Less construction
  - Higher housing costs
  - Higher economic and racial segregation
  - Higher automobile dependence

# Current zoning concentrates people by group

## Residents' Race and Ethnicity, by Zone and Jurisdiction Type

Share of overall population by subarea

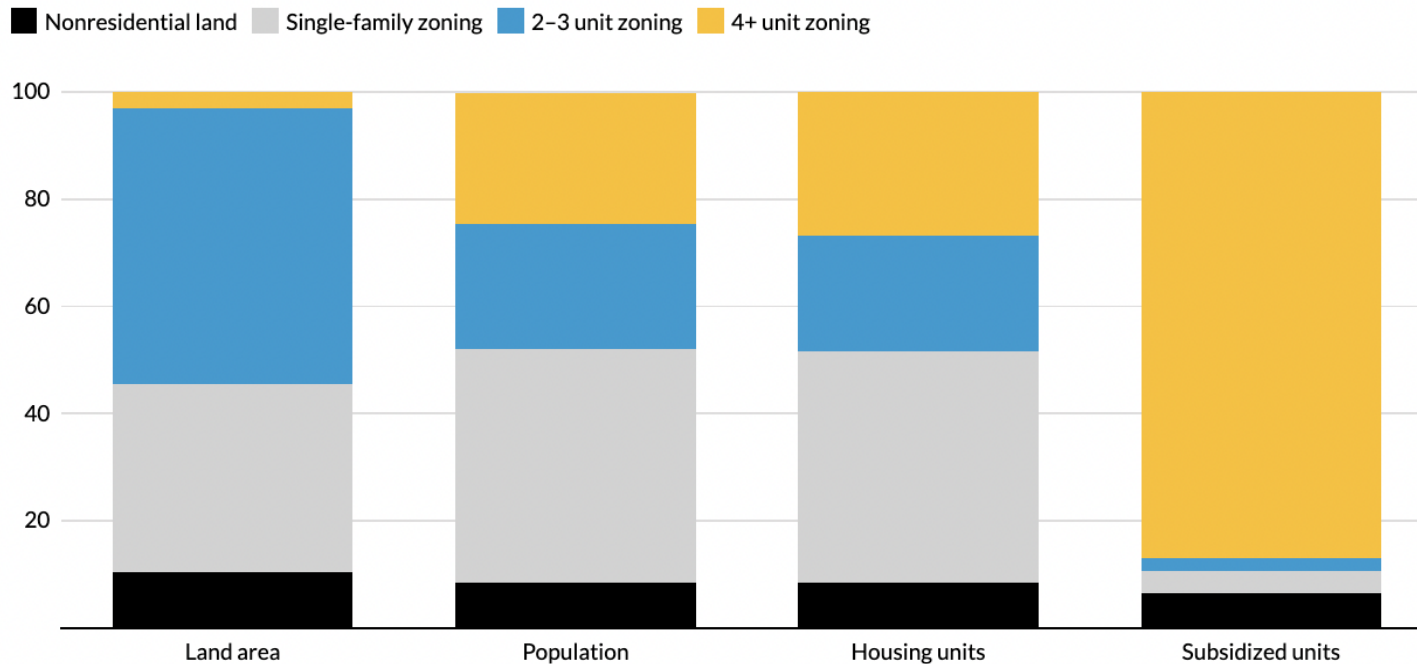


Our recent study of Connecticut showed that districts zoned for single-family uses across the state had a far less diverse population. These areas also had higher incomes and segregated away non-white people and people with lower incomes.

# Current zoning limits affordable housing

## Puget Sound Subsidized Units Are Disproportionately Concentrated in Multifamily Zoning Districts

Share by zoning type




Our research on the Puget Sound (Seattle region) showed that ~90% of subsidized housing in the region is concentrated in the just 3% of land where multi-family housing is allowed. Voucher recipients also concentrate in these areas.

# Theorizing zoning change



# Theorizing zoning change

Zoning as it currently exists restricts housing construction and therefore limits housing affordability

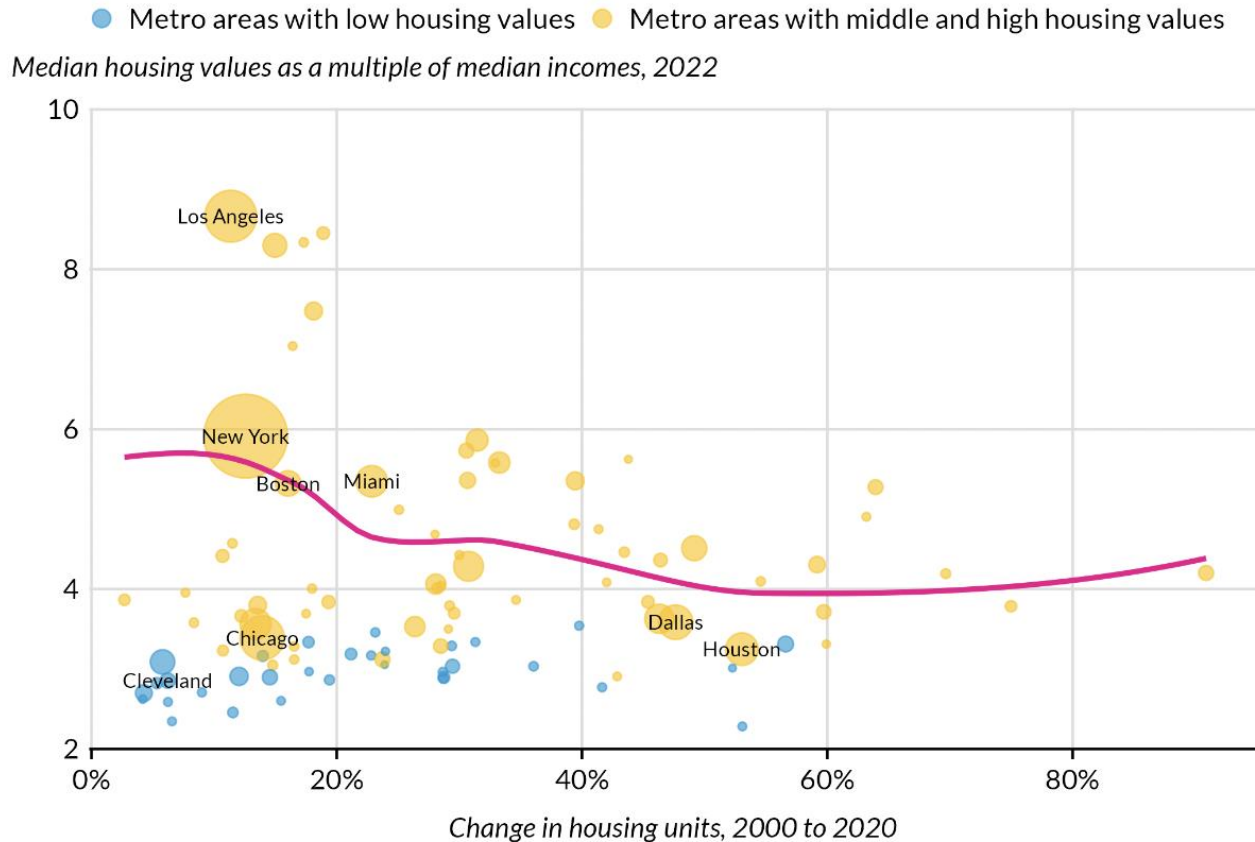


Reform could alter zoning to allow more construction

The result would be more building and thus less competition for housing units, meaning more affordability

# Adding homes can keep costs down

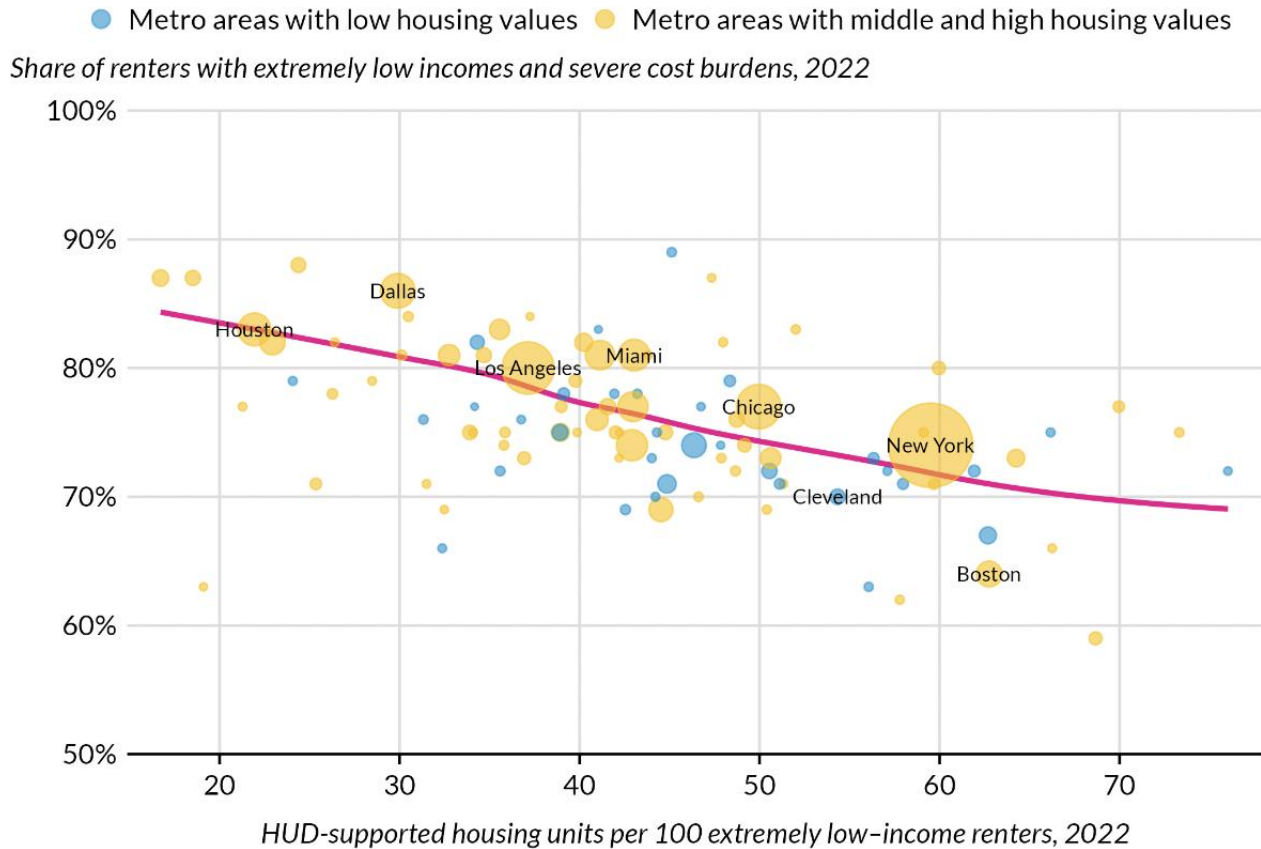
**In-Demand Metropolitan Areas with Limited Housing Production Struggle to Provide Homes Affordable to Middle-Income Households**



Metropolitan areas that added more housing units between 2000 and 2022 had lower housing costs by 2022, meaning that the typical household was much more likely to be able to afford buying a house.

# But public subsidies are essential

**Public Subsidies Play an Essential Role in Ensuring Housing Affordability for Families with Extremely Low Incomes**



For the lowest-income renters, however, regions with low housing construction but more public housing subsidies had less housing cost burden than those regions with high housing construction and fewer housing subsidies.

# What we know about zoning reforms' effects

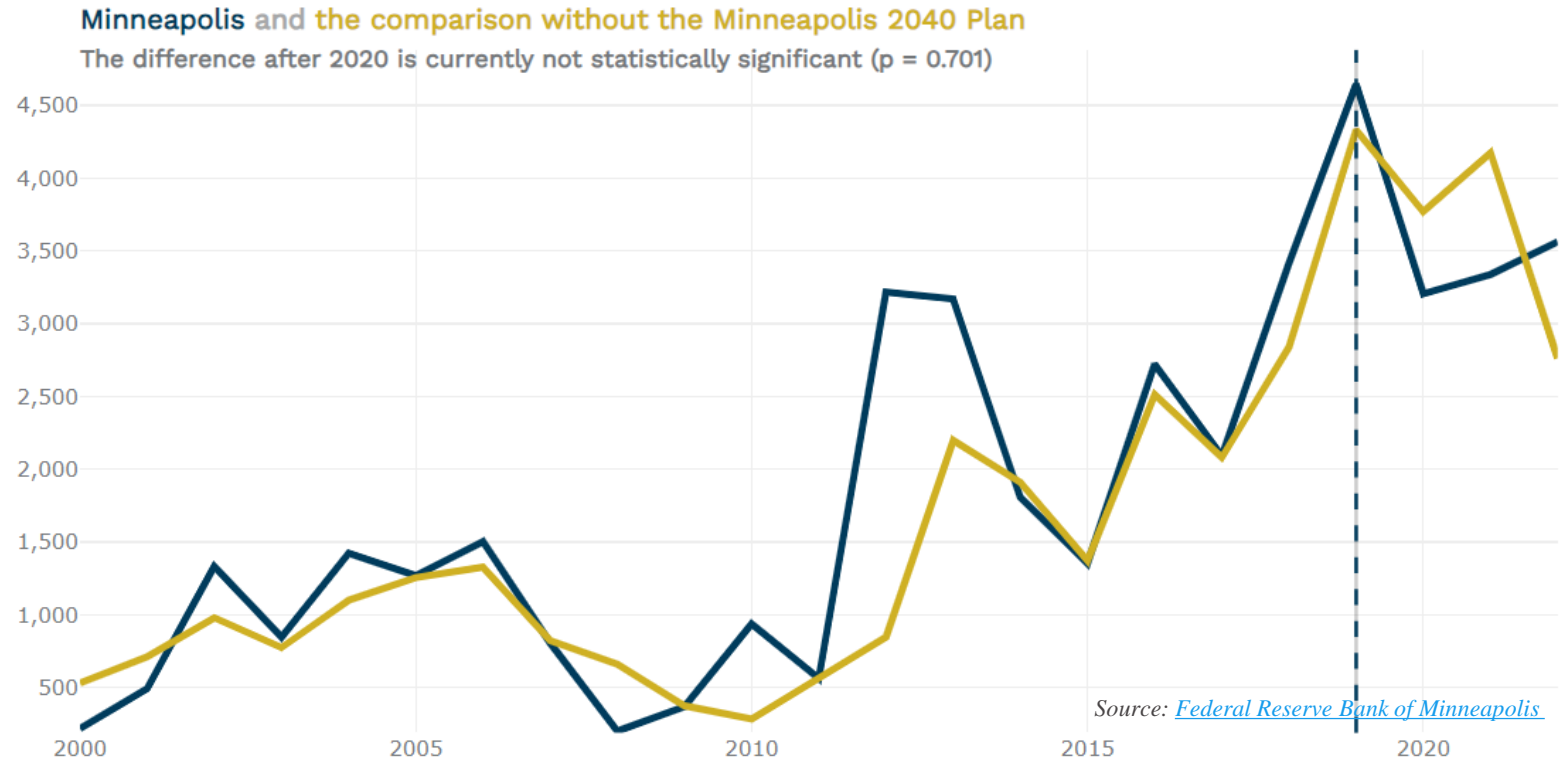
# Zoning reforms are needed to increase housing production and decrease prices in the long run

- The economic principles of supply and demand indicate that an increase in housing availability should reduce scarcity and increase competition among sellers, reducing prices
- Research on housing filtering – the process by which properties age and depreciate into affordability – shows that new construction, even if rented or sold at prices above the market average, eventually opens less-expensive housing units for lower-income residents (Liu et al., 2020; Mast, 2021)

# But, many places have seen low uptake of development after upzonings

- Example: Minneapolis

- Early research on Minneapolis' 2019 allowance for triplexes in previously single-family-only districts shows no conclusive difference in total units and multi-family units permitted after the policy was implemented (Selvamani 2023).



# And, upzonings may create unintended negative consequences



Builders might convert existing lower-cost units into higher-cost ones which might then also cause amenity effects to increase surrounding housing values (Kuhlmann 2021, Zhou et al. 2008)



Upzonings might increase all land values by changing what can be developed on a parcel while influencing what amenities investors anticipate in the surrounding neighborhood (Greenaway-McGrevy et al. 2021, Kuhlmann 2021)



Upzoning might induce new demand (ie, demand for housing might go up at a similar or even higher rate than the increase in supply)

# Potential reasons for low take-up include:

- Reforms may standardize common requests for variations that local zoning commissions already systematically approve (Lo et al. 2020)
- Reforms may lack the necessary additional complementary zoning code changes needed to make multifamily development feasible (e.g., increases in allowed building heights) (Parolek 2020)
  - Developers may be unable to make a profit when tearing down a single-family home to replace it with a small multifamily building
- Lawsuits from residents fighting against the reforms could be adding too much risk for builders
- High mortgage rates and market uncertainty could be hindering development overall



# Some studies have looked at loosening restrictions over time and found positive effects on supply

- Increased allowed density in Portland was associated with a greater probability of long-term development – though the number of new units developed was small (Dong 2021)
- Reforms that loosen restrictions are associated with a statistically significant 0.8% increase in housing supply within three to nine years of reform passage; this increase occurs predominantly for units at the higher end of the rent price distribution, but impacts are positive across the affordability spectrum (Stacy et al. 2023)

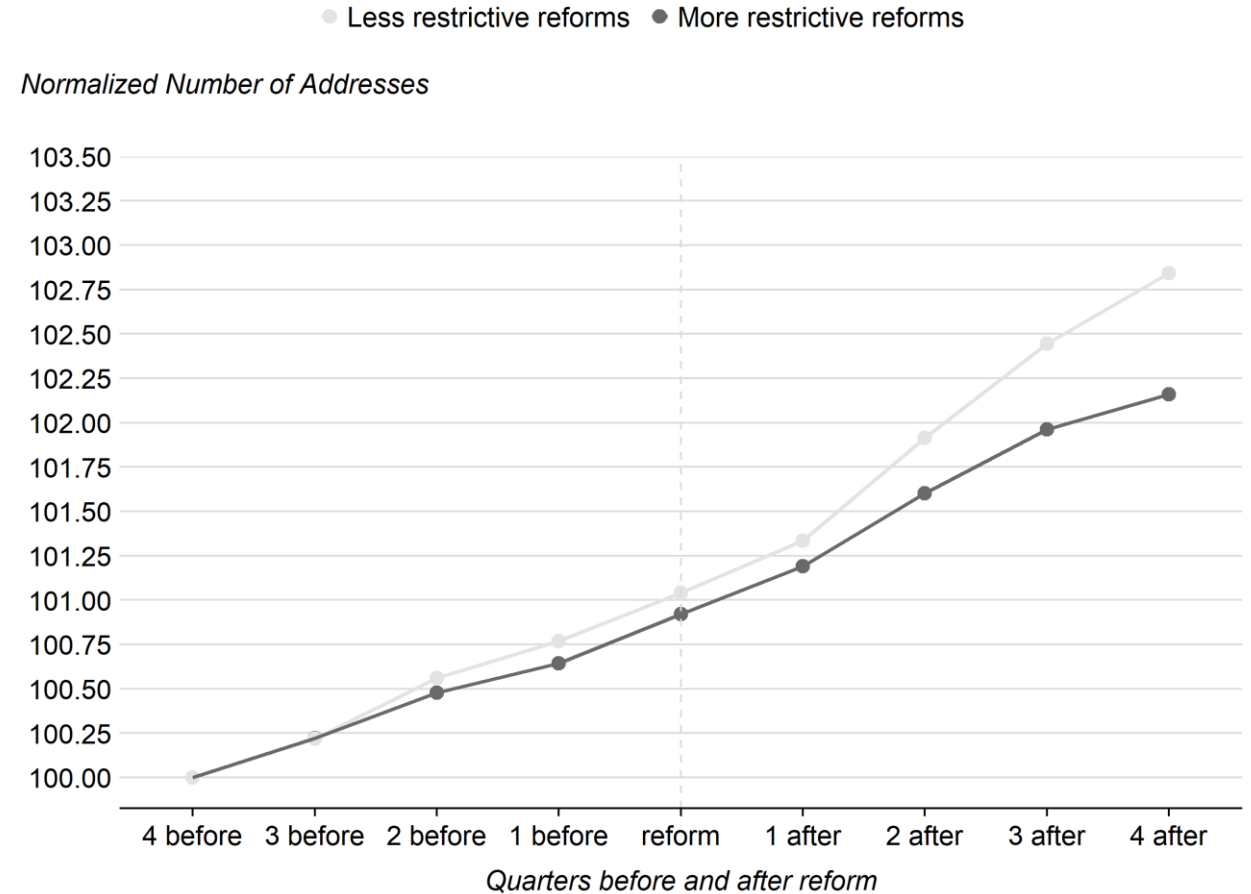
# Other studies have found a null or even harmful effect

- A Chicago reform allowing for higher densities and reduced parking requirements raised prices without affecting supply over the short term (Freemark 2020)
  - Kuhlmann (2021) and Zhou et al. (2008) report similar findings in other cities
- After allowed densities were increased, underdeveloped land in Auckland, New Zealand saw significant increases in parcel costs (Greenaway-McGrevy et al. 2021)

# So what does this mean?

- Reforms loosening restrictions can increase housing supply, but this increase is likely inadequate to increase the availability of housing affordable to low- and middle-income households in the short-term (and may even cause some short-term price increases)

Average number of addresses before and after reforms, normalized



Source: [Stacy et al. 2022](#)

# Potential Complementary Policies

# Complementary reforms have seen some success

Removing parking minimums

Fast tracking permitting for affordable housing

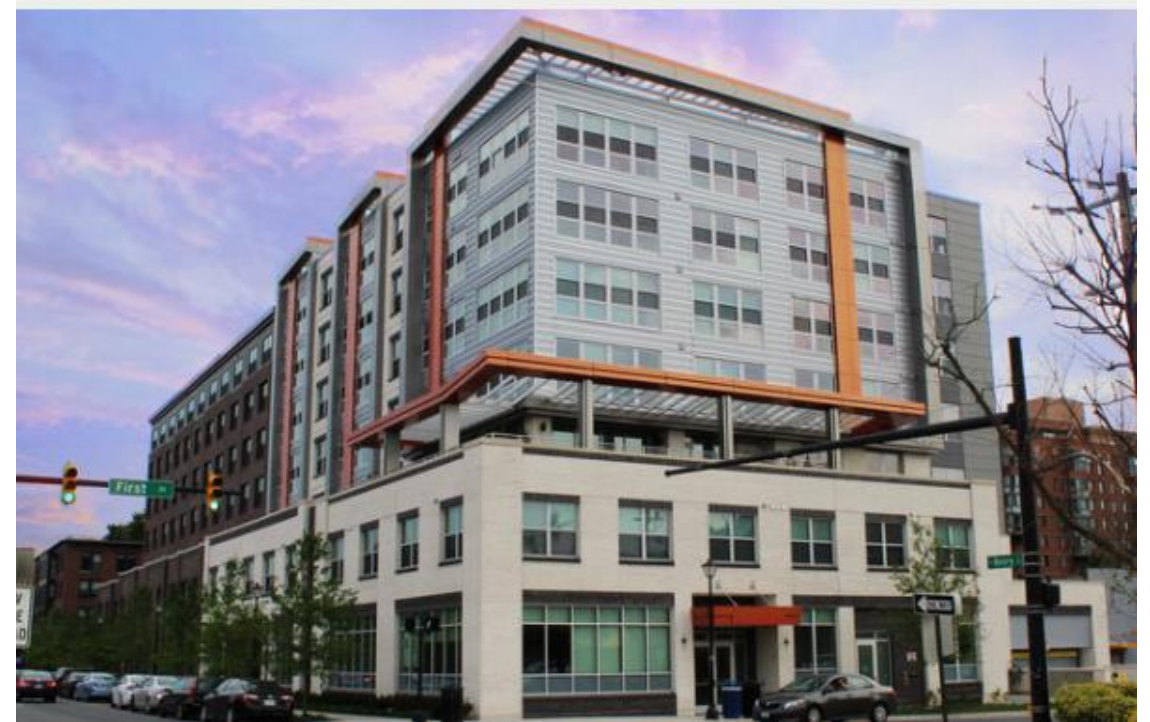
Simplifying the development process and reducing fees

“I’m going to say that 40 years ago, when I first started being a building contractor, I could walk into the county building with a plan that was basically three pages. I would walk out with a permit, and it would cost me about \$200, in an hour, one hour. Now, it would take you, probably, at least four to six months to get a permit, which would cost you \$30,000.” —Contractor

# Direct investment in affordable housing can help

- Using housing trust funds and Low-Income Housing Tax Credits to directly build affordable housing through nonprofit affordable housing developers should be paired with all of these options to ensure that housing is preserved and developed for lower income households.
- Community land trusts for affordable homeownership through a shared equity model. This also has the benefit of transferring power and ownership of land to community.
- Montgomery County's social housing program (revolving loan fund) is a promising example.

The Bloom in Alexandria



# Federal affordable housing funds remain important

- The federal public housing program has been shown to greatly reduce housing cost burdens for families with children (Gold 2020)
- Despite historic underinvestment, public housing is not associated with increased health burdens (Fenelon 2022)
- Vouchers have been shown to dramatically reduce homelessness and crowding, while reducing housing instability (Schapiro et al. 2022; Wood et al. 2008)

# Inclusionary zoning (IZ)

- IZ requires or offers incentives to developers to set aside a share of units in new developments to be rented or sold at below-market rates.
- Some IZ laws also allow developers to pay a fee in lieu of developing affordable units or to build the units in a separate location from the main development.



# Key findings on the effects of IZ programs include:

- 1. Modest increases in the number of below-median homes:** Shuetz, Meltzer, and Been (2009) found that IZ produced modest amounts of affordable housing. Knaap et al. (2008) observed that in northern California, IZ lowered prices for below-median homes by 0.8%.
- 2. Modest or null impact on supply:** Shuetz, Meltzer, and Been (2009) found that while IZ had only slight negative effects on housing prices and production. Hamilton (2021) found evidence suggesting that IZ might increase market-rate house prices but does not significantly reduce new housing supply.
- 3. Modest harm to market rate housing:** Knaap et al. (2008) found that IZ programs raised prices for above-median homes by 5%. Hamilton (2021) found evidence that IZ might increase market-rate house prices.

# Accessory Dwelling Units (ADUs)

- An ADU is an additional housing unit located on the same property as a single-family home.
- It can either be attached to the main house or stand independently.
- ADUs may be created by converting existing spaces or constructed as a new building.



# Key findings on the effects of ADU allowances include:

- 1. ADUs are generally affordable to the median household:** UC Berkeley's Center for Community Innovation (2021) found that the median rental price of an ADU in California is affordable to the median household of two people in the San Francisco Bay Area and the Central Coast regions, and that in the counties where they received greater than 20 total survey responses from landlords of new ADUs, a large portion of units were available to those making less than 80% of the area median income (AMI).
- 2. However, many ADUs are not used as rentals:** The same study found that only about half (51%) of California's new ADUs serve as income-generating rental units.
- 3. ADUs do not appear to increase property values.** Gnagey and Yencha (2022) find no significant impact of ADU legalization on property values in areas affected by the policy change compared to unaffected areas, suggesting that legalizing residential ADU rentals may be an effective way to increase the supply of affordable rental housing and provide supplemental income to homeowners without negatively impacting property values.

# Rent Stabilization

- “Rent control/rent stabilization” are loose terms used to cover a spectrum of rent regulations
  - Can vary from hard caps on maximum rents to limits on the amount that rent can increase over time
  - First implemented widely in the United States during World War II as a hard ceiling on rents (generally referred to as rent control)
  - Evolved into a less stringent and more nuanced regulatory scheme (generally referred to as rent stabilization)
    - Modern rent stabilization generally involves a cap on annual rent increases along with a set of accompanying regulations such as vacancy decontrol, condominium conversion regulation, hardship clauses, and exemptions based on building type and age

# Key findings on the effects of rent stabilization include:

- Rent stabilization is almost always found to decrease rents for tenants in controlled units, and it may improve economic mobility for tenants and generate small benefits for some children that grow up in rent stabilized units
- However, these benefits to controlled tenants may be offset by negative effects in the uncontrolled sector
  - Rent stabilization has been shown to reduce the overall supply of rental units (often through condo conversions), which in some cases has increased rents in uncontrolled units.
  - Components of rent stabilization policies may also encourage landlords to displace current tenants or select tenants who are more mobile and have higher incomes

# Our recent rent stabilization study shows that

- Across cities, rent stabilization is associated with an increase in the number of units affordable to people with extremely low incomes, offset by a reduction in the number of units affordable to people making greater than 120% of AMI:

	Arcsin of units affordable at:						
	Total	0-30% AMI	30-50% AMI	50-80% AMI	80-100% AMI	100-120% AMI	>120% AMI
<b>Rent Control</b>	<b>-0.099*</b>	<b>0.421**</b>	-0.144	-0.031	-0.026	-0.076	<b>-0.380*</b>
	(0.039)	(0.158)	(0.156)	(0.127)	(0.158)	(0.191)	(0.176)
<b>Implementation Period</b>	-0.048	0.090	0.030	0.155	0.224*	0.134	-0.146
	(0.028)	(0.093)	(0.093)	(0.093)	(0.096)	(0.123)	(0.122)
N	53,500	53,500	53,500	53,500	53,500	53,500	53,500
adj. R-sq	0.980	0.847	0.872	0.921	0.878	0.830	0.819

# Engagement around development also needs reform

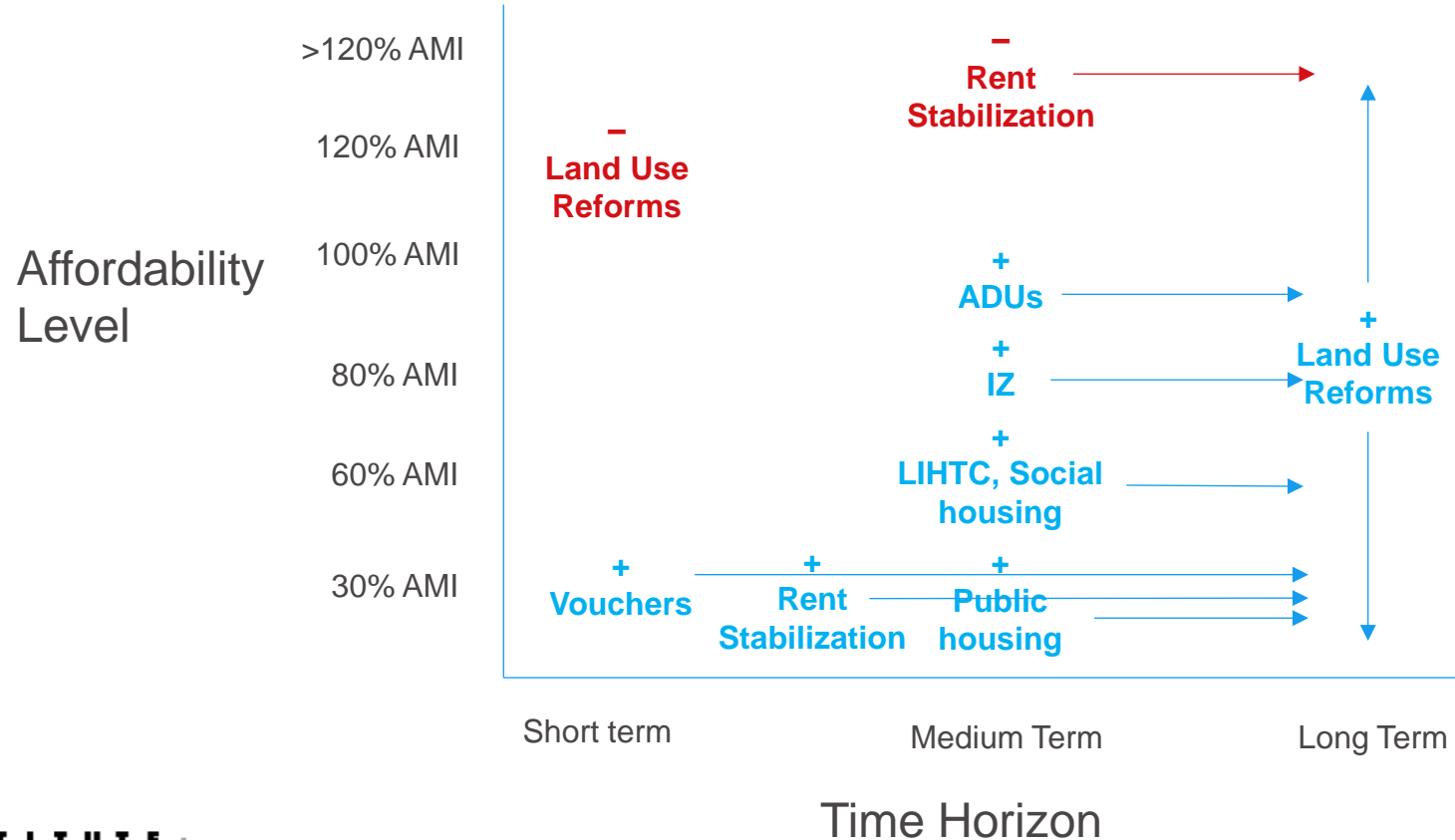
- Research has shown that people who are older, male, longtime residents, voters in local elections, and homeowners participate more in planning and zoning board meetings concerning housing development than other demographic groups. And, these groups are more likely to oppose new housing construction (Einstein, Palmer, and Glick 2018).
- This means that people who are renters generally have less say over development, ultimately reinforcing existing inequities in political power and representation

# Methods of increasing equal representation include:

- Prioritize engaging people with low incomes, people of color, and other historically excluded people.
- Provide many options for discussion and input.
- Pay people for their time and provide other supports at meetings.
- Follow up with community members.
- Track and monitor goals around outreach and inclusion.
- Limit the points at which neighbors can block development.



Each of these policies or initiatives can help to increase the short- or long-term supply of affordable housing, and usually within one or two segments of affordability



# Therefore, leaders should design a suite of policies to ensure an adequate supply of units across the affordability spectrum and over time

Direct investments in subsidized housing

Simplifying the development process

Adjusting parking minimums and other fees

Inclusionary zoning

Rent Stabilization

Allowing for accessory dwelling units

Reforms that loosen land use restrictions

Making local decisionmaking around development more inclusive

Thank you!

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