

STATE POLICYMAKERS' ROLE IN PROTECTING THE RIGHT TO BUILD HOUSING IN COLORADO

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Thank you, Chair Jaquez Lewis, Vice Chair Exum, and members of the committee. I am Emily Hamilton, a senior research fellow at the Mercatus Center at George Mason University, where I am codirector of the Urbanity Project. I study housing policy and housing affordability across the country and how reforms to housing policy like those proposed in Senate Bill 213 have affected housing market outcomes elsewhere.

1. I will first cover the increasing affordability problems that are affecting Colorado residents.
2. I will then explain how reforms like legalizing missing middle housing, accessory dwelling units, and transit-oriented development have reduced housing scarcity in other parts of the country.

DETERIORATING HOUSING AFFORDABILITY IN COLORADO

Across Colorado, house prices have increased by nearly 80 percent since 2000 (after adjusting for inflation).¹ In Grand Junction, where I'm from, the median house now costs more than five times as much as the median household income, putting homeownership out of reach for many.² The housing affordability problem is the result of population growth confronting local zoning rules that limit housing construction and raise the price of the housing that gets built.³

For many decades, Colorado state policy has largely delegated the authority to regulate land use to localities. But the state has a duty to step in when local zoning rules are contributing to a statewide affordability problems for its residents.

¹ Zillow, Housing Data (database), "ZHVI All Homes (SFR, Condo/Co-op) Time Series, Smoothed, Seasonally Adjusted (\$)," accessed March 29, 2023, <https://www.zillow.com/research/data/>.

² Zillow, Housing Data (database); and U.S. Census Bureau, QuickFacts (database), "Grand Junction city, Colorado, Median Household Income (in 2021 dollars), 2017-2021," accessed March 29, 2023, <https://www.census.gov/quickfacts/fact/table/grandjunctioncitycolorado/INC110221>.

³ Emily Hamilton, "Land Use Regulation and Housing Affordability," in *Regulation and Economic Opportunity: Blueprints for Reform*, ed. Adam Hoffer and Todd Nesbit (Logan, UT: The Center for Growth and Opportunity at Utah State University, 2020).

A BLUEPRINT FOR LEGALIZING HOUSING CONSTRUCTION

Senate Bill 213 draws on important lessons learned from states and localities across the country in their growing effort to improve housing abundance. In particular, the bill would implement three proven strategies for building more, less expensive housing:

1. *Starter homes.* By legalizing missing middle housing construction, the bill would make it possible for homebuilders to provide smaller homes that economize on expensive land by allowing multiple households to share a single lot through a duplex or multiplex with more units. Additionally, the bill would allow large lots to be split into smaller lots, creating opportunities for more homeownership with starter homes that are increasingly absent from Colorado's housing market.

In Oregon, Habitat for Humanity sponsored a successful bill that facilitates lot splits across much of the state in order to provide more workforce housing. At the local level in Houston, Texas, policymakers have passed two major reforms reducing minimum lot size requirements. Following these reforms, Houston builders have supplied nearly 80,000 small-lot houses.⁴ Houston's openness to small-lot construction is one reason it has a median house price below the national median even though its population and economy have been growing faster than the country as a whole for decades.⁵

2. *Accessory dwelling units.* Eight states have adopted rules allowing homeowners to build these secondary rental units on their properties. The bill draws on the lessons these states have to offer, identifying policies that make building accessory dwelling units an attractive option.⁶

Accessory dwelling units have the benefit of being one of the most affordable types of housing that can be built for renters. Because these units are built on land that already has a single-family home, their land cost is zero. Survey data shows that in Los Angeles, where homeowners are adding these units in large numbers, they tend to rent for hundreds of dollars less per month than apartments in the same neighborhood.⁷

3. *Transit-oriented development.* Based on the nexus between transit infrastructure and housing, this bill would legalize dense housing in places served by rail transit.

We can see one example of successful transit-oriented development in the Washington, DC, region. In recent decades, the district and surrounding localities have allowed more multifamily housing to be built near rail stations than have their peer regions. Partially as a result, the DC region has the lowest median house price among the country's high-income coastal metropolitan areas. After adjusting for inflation, rents in DC have fallen since 2015.⁸

⁴ Harris County Appraisal District, Property Data (database), "Years 2005–2019," accessed March 29, 2023, <https://hcad.org/pdata/pdata-property-downloads.html>.

⁵ Zillow, Housing Data (database), "ZHVI All Homes (SFR, Condo/Co-op) Time Series, Smoothed, Seasonally Adjusted (\$)."

⁶ Emily Hamilton and Abigail Houseal, "A Taxonomy of State Accessory Dwelling Unit Laws" (Mercatus Policy Brief, Mercatus Center at George Mason University, Arlington, VA, March 2023).

⁷ Karen Chapple, Dori Ganetsos, and Emmanuel Lopez, *Implementing the Backyard Revolution: Perspectives of California's ADU Owners* (Berkeley, CA: UC Berkeley Center for Community Innovation, April 2021); and Zillow, Housing Data (database), "ZORI (Smoothed): All Homes Plus Multifamily Time Series (\$)."

⁸ Zillow, Housing Data (database), "ZORI All Homes Plus Multifamily Time Series, Smoothed, Seasonally Adjusted (\$)."

In addition to affordability, allowing many people to live and work in walkable neighborhoods near transit serves other important objectives. Where I live in Arlington, VA, right outside DC, population is growing but traffic on major thoroughfares is declining in large part because new residential growth is being accommodated through transit-oriented development.⁹

For Colorado, allowing more, less expensive housing to be built is a crucial component of continuing to provide housing opportunities for its residents and newcomers and to attract business investment. When local restrictions prevent property owners from building housing and contribute to statewide housing affordability problems, state policymakers should step in to carefully assess the problem and set limits on these local obstructions.

⁹ Arlington County Virginia, “22202 Transportation and Planning Data,” accessed March 29, 2023, <https://www.arlingtonva.us/Government/Projects/22202-Data>.