

## IMPROVING HOUSING AFFORDABILITY BY REDUCING BARRIERS TO HOUSING CONSTRUCTION

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Housing Affordability: Governmental Barriers and Market-Based Solutions

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Thank you, Chair Davidson, Ranking Member Cleaver, and members of the subcommittee. I am Emily Hamilton, a senior research fellow at the Mercatus Center at George Mason University, where I am codirector of the Urbanity Project.

Local governments have imposed numerous limits on what kinds of housing can be built and where. Zoning rules—including bans on multifamily housing, restrictions on manufactured housing, and requirements for minimum lot size—limit how much housing the market can provide and drive up the price of housing that does get built.<sup>1</sup> These rules are contributing to deteriorating affordability, particularly for households that rent. While the share of households that rent has held quite steady since the 1960s, the share of income the median renter spends on housing has increased by more than 25 percent since then.<sup>2</sup> Private-sector homebuilders can play the primary role in addressing the growing affordability problem, but only with exclusionary zoning out of the way.

I'll provide three examples of places that have rolled back land-use regulations, making it feasible to build more housing at lower prices:

1. Minimum-lot-size reduction in Houston
2. Multifamily construction in the Washington, DC, region
3. Legalization of accessory dwelling units in California

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<sup>1</sup> Robert Collinson et al., “Low-Income Housing Policy” (NBER Working Paper 21071, National Bureau of Economic Research, April 2015); Emily Hamilton, “Zoning Out American Families,” *Discourse*, February 23, 2023, <https://www.discoursemagazine.com/p/zoning-out-american-families>.

<sup>2</sup> Here is just one example of how local requirements drive up housing costs: Localities commonly require each new housing unit to be paired with two or more parking spaces. In places where land is expensive, this parking is often provided in garages, either above- or underground, where each parking spot costs tens of thousands to build. In Las Vegas, providing required parking can make up half the cost of building an apartment building, a cost that is passed on to renters, whether they would choose to have one car instead of two, or no car, to save money on parking. See Henry Grabar, *Paved Paradise: How Parking Explains the World*, (New York: Penguin, 2023), 222.

## REDUCING MINIMUM-LOT-SIZE REQUIREMENTS IN HOUSTON

In 1998, Houston policymakers reduced minimum-lot-size requirements from 5,000 to 1,400 square feet within the city's Inner Loop. Houston's reform set off a boom in small-lot single-family construction. Based on success within the Inner Loop, in 2013 policymakers expanded the reform to cover the entire city. Nearly 80,000 houses have been built on lots smaller than 5,000 square feet since these reforms were implemented.<sup>3</sup>

Among 10 comparable Sunbelt Metropolitan Statistical Areas, Houston has the lowest ratio of median house price to median income. In fact, the median house price in Houston is now lower than the national median, despite decades of higher population growth and economic growth in Houston than in the country as a whole.

## ALLOWING TRANSIT-ORIENTED DEVELOPMENT IN THE WASHINGTON, DC, REGION

The DC region has plenty of opportunities to reduce barriers to new-housing construction; however, relative to most other high-income coastal regions, this region excels at permitting multifamily construction, particularly along its transit corridors.<sup>4</sup> Beginning in the 1960s, officials in Arlington County, VA, began planning for multifamily construction in areas originally developed with low-rise commercial buildings. That set off a 60-year boom in apartment construction, which has allowed the county's population to grow by 37 percent.

In part because of Arlington's experience, Montgomery County, MD, and Fairfax County, VA, have also embraced transit-oriented development in more limited areas. DC has followed suit, allowing new neighborhoods to be built in formerly industrial areas including NoMA and the Navy Yard.

Among the country's "Superstar Cities"<sup>5</sup>—Boston, Los Angeles, New York, San Francisco, Seattle, and Washington—Washington has the lowest median house price. This is in part because it permits multifamily housing at double or more the permit rates in Boston, Los Angeles, New York, and San Francisco.

## LEGALIZING ACCESSORY DWELLING UNITS IN CALIFORNIA

Given the growing housing-supply and affordability problems Americans are facing, state policymakers are beginning to set limits on localities' authority to curb housing construction. California, where these challenges are the most dire, has led the way. The state has been particularly successful in legalizing accessory dwelling units (ADUs), which are typically small apartments located in single-family houses.

Legislators in California first began efforts to legalize accessory-dwelling-unit construction in 1982, and in 2016 they got serious about addressing the remaining regulatory barriers that had been hindering homeowners from building ADUs.<sup>6</sup> In some parts of the state, most notably Los Angeles, ADU

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<sup>3</sup> Emily Hamilton, "Learning from Houston's Townhouse Reforms," (Mercatus Policy Brief, Mercatus Center at George Mason University, Arlington, VA, April 2023).

<sup>4</sup> Emily Hamilton, "How DC Densified," *Works in Progress*, May 2023.

<sup>5</sup> Aaron Renn, "Scaling Up: How Superstar Cities Can Grow to New Heights," Manhattan Institute, January 23, 2020.

<sup>6</sup> 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).

construction drastically accelerated beginning in 2017. Today, one in four residential units in the city of Los Angeles is an ADU.

## **CONCLUSION**

Local zoning regulations are a key contributor to US housing-affordability challenges. These regulations limit housing construction, particularly relatively low-cost housing construction. Examples from across the country show that where policymakers have successfully rolled back these regulations, housing construction has increased. Places that are more open to housing construction see improved affordability compared to their peers with higher barriers to new housing. The private market can improve access to housing and reduce house prices when and where it is allowed to.