

RESEARCH SUMMARY

The Effect of Minimum-Lot-Size Reform on Houston Land Values

Policymakers across the country are liberalizing land-use restrictions in efforts to improve housing affordability. In Houston these efforts have involved cutting minimum-lot-size requirements for subdivisions meeting certain conditions. Houston's reforms have received less media attention than those of other cities and states; but in "The Effect of Minimum-Lot-Size Reform on Houston Land Values," Emily Hamilton says Houston's reforms have facilitated greater rates of construction and offer a model for other jurisdictions.

THE AFFORDABLE-HOUSING CHALLENGE

Minimum-lot-size requirements are ubiquitous in America's urban areas. In places where land prices are high, these restrictions prevent home builders from providing houses that are affordable to middle-income households.

In response, policymakers from California to Maine are passing reforms to promote housing construction. Many recent reforms have focused on permitting slightly more density per lot in existing neighborhoods of single-family homes. But for the past 25 years, policymakers in Houston have been taking a different approach:

- In 1998, Houston cut minimum-lot-size requirements within the city center by two-thirds—from 5,000 square feet to 1,400 square feet.
- In 2013, policymakers expanded the area to which minimum-lot-size reform applies in Houston, which is the subject of Hamilton's study.

Houston's experience of minimum-lot-size reform has facilitated infill construction, including in single-family neighborhoods. This result is unprecedented in US history since the widespread adoption of zoning during the 20th century.

ADDRESSING AFFORDABILITY CONCERNS

Some analysts have raised concerns about the consequences of increasing property owners' development rights. Some researchers and affordability advocates have argued that the opportunity to redevelop land will have the unintended effect of increasing the prices of the existing stock of housing, with the potential to worsen housing affordability, at least in the short term.

Hamilton provides evidence to counter this claim. Across many specifications she finds that the 2013 reform has had no detectable effect on land values, and she finds some evidence that it reduced land values. This may be because it has facilitated a large amount of housing construction.

PROMOTING THE HOUSTON ALTERNATIVE

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Houston's housing market is accessible to many more people when compared to the levels of new housing construction and housing affordability elsewhere in the country. Hamilton cites the minimum-lot-size reforms of 1998 and 2013 as a reason for this outcome. She argues that other state and local policymakers should consider adopting minimum-lot-size reductions based on the success of Houston's policy change, which increased the supply of housing and improved housing affordability.