

## RESEARCH SUMMARY

# Considerations for State “Fair Share” Housing Frameworks

---

To help address the challenge of unaffordable housing costs, several states have passed or are considering “fair share” laws. These laws require local governments to periodically adopt a state-approved plan for accommodating the locality’s portion of what the state determines to be regionally needed housing. In “Considerations for State ‘Fair Share’ Housing Frameworks,” Christopher S. Elmendorf argues that such laws are worth considering if they are subject to economically minded refinements.

### What’s Wrong with State “Fair Share” Housing Laws

When cities and suburbs have free reign to decide whether and how much housing development to allow, they allow too little of it. That’s because the annoyances associated with development—noise, traffic, and changes to the look and feel of the community—are suffered locally, whereas the benefits of development—more homes for would-be residents and more workers for businesses—accrue to people throughout the metro region and beyond.

States have tried to solve this problem by requiring every local government in a region to plan for its “fair share” of new housing. However, these fair-share laws have not been greatly successful because they are founded on

- economically dubious projections of need
- heroic assumptions about state agencies’ capacity to supervise local housing plans
- a blinkered view of the sources of affordable housing

### Benefits of the Laws—and How to Make Them Better

Despite their drawbacks, fair share laws do have political appeal—and they do respond to a genuine collective-action problem among local governments in high-demand metro areas. Fair-share frameworks have a number of attractive features:

- They create periodic agenda-setting events—moments when local governments must overcome their status quo bias and decide how they will accommodate new housing. In California, these events have become focal points for YIMBY (yes in my backyard) organizing.
- The frameworks allow local governments to make and bind themselves to a citywide decision about accommodating new housing. Such decisions are less susceptible to NIMBY (not in my backyard) influence than project-by-project permitting fights.
- The frameworks honor the tradition of local land use, while recognizing that local control must be exercised in a manner that accounts for regional and statewide interests.

These benefits should be weighed against the risk of burdening local and state bureaucracies with complex, pointless, and economically naïve paper-pushing exercises. Reorienting the planning process so that outcomes take center stage will increase the odds of success. This means 1) setting realistic targets, 2) evaluating local housing plans for their expected yield in new units over the planning period, 3) sanctioning cities for poor performance, not just for their failure to adopt nominally sufficient plans, and 4) establishing a simple, low-cost “builder’s remedy” that allows developers to bypass municipal land-use restrictions in cities whose plan or performance falls short of the mark.

Key Takeaway: Fair-share laws would probably be more successful if they took better account of economic knowledge and the states’ limited capacity for supervising municipal land use regulation.