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POLICY SPOTLIGHT

Housing Reform in the States: A Menu of Options for 2026

To address the high cost of housing, lawmakers can learn from states across the country

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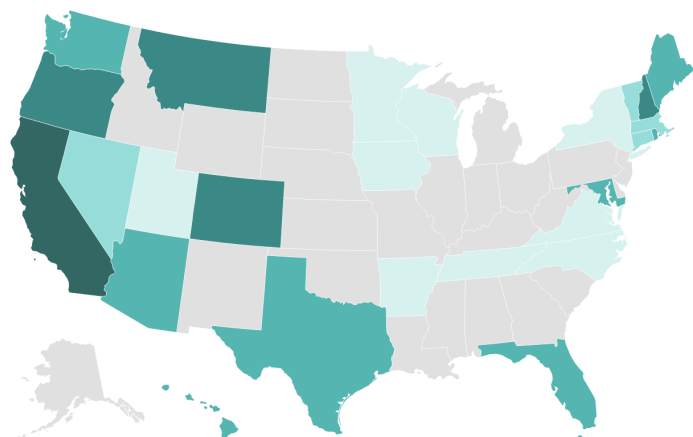
Although state legislatures took unprecedented strides toward releasing the housing supply from its regulatory straitjacket in 2025, most pro-housing policies have not yet been adopted in most states. Finishing the work of restoring the right to build housing for everyone will require widespread adoption of best practices.¹

In 2021 and 2022, rents and home prices rose sharply amid post-pandemic economic conditions and widespread inflation. In most cities, those costs have remained obstinately high, seemingly settling at a new normal.

High housing costs are primarily sustained by restrictive local zoning laws that prevent builders from meeting housing demand. Through

FIGURE 1. Summary: Highlight policies across the states

Number of highlighted policies adopted



ADU: 18 states
RICZ: 13 states
Single Stair: 14 states
Parking: 10 states
Downzoning: 7 states

¹ See Salim Furth et al., “Housing Reform in the States: A Menu of Options for 2026” (Mercatus Policy Brief, Mercatus Center at George Mason University, September 2025) for the full report and sources. Scan the QR code below for Housing Policies Highlights.



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bipartisan efforts, state legislators have already begun to curb excessive local regulatory power. Notable accomplishments include Texas reversing regulatory overreach by relaxing minimum lot size restrictions and Wisconsin improving its legal climate by insulating cities from anti-housing lawsuits (figure 1).

Our proposals fall into four broad categories:

1. Reverse regulatory overreach

- Permit ADUs
- Limit Parking Mandates
- Cap Minimum Lot Size Requirements
- Allow Residential Uses in Commercial Zones
- Allow Transit-Oriented Development

2. Streamline procedures

- Require “Specific and Objective” Approval Criteria
- Allow Third-Party Reviews of Building Plans
- Reform Protest Petitions

3. Improve legal frameworks

- Block Zoning That Illegalizes Existing Conditions
- Adopt Protections Against Downzoning
- Limit Objectors’ Standing to Sue
- Simplify HOA Laws
- Secure Zoning Rights at Application Time
- Limit Fees Exacted by Local Governments

4. Update construction standards

- Allow HUD Code Manufactured Housing
- Eliminate Aesthetic Mandates and Materials Bans
- Allow Single-Stair Multifamily Design
- Allow Lower-Cost Elevators