



Policies to Help Communities Recover: Housing Restrictions

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A HOUSING CRISIS MEETS A PUBLIC HEALTH CRISIS

Over the past decade, housing supply restrictions across US cities have contributed to anemic housing construction and high prices in some of the most in-demand locations.¹ In the best of times, these rules have burdened renters and homeowners with unaffordable housing costs.² They have also reduced income mobility and economic growth.³ Today, restrictions on the amount and type of housing that localities permit are also contributing to the coronavirus's public health crisis.

In the short term, state and local policymakers should pursue policies that immediately support housing flexibility for those most at risk from the coronavirus and for healthcare workers. In the longer term, these policies will contribute to a more flexible housing supply and more dynamic cities, particularly benefiting low- and moderate-income households. Two companion policy briefs specifically address possible changes in commuting patterns and economic uncertainty.⁴ This brief offers reforms to promote housing availability and affordability and to reduce the contribution of housing shortages to the spread of disease.

ACCESSORY DWELLING UNITS (ADUS)

Across the United States, nursing homes and other long-term care facilities for elderly individuals have suffered from high rates of infection and death. The *New York Times* recently reported that one-third of the nation's COVID-19 deaths have been in nursing homes,⁵ with *Forbes* reporting figures up to 43 percent.⁶ Elderly people and their caregivers should be permitted to seek housing

In response to the COVID-19 pandemic, the Mercatus Center has commissioned this series of working papers and policy briefs to promote effective ideas among key decision makers. These publications have been internally reviewed but not peer reviewed.

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alternatives that meet their needs outside of these institutional settings. Two options are accessory dwelling units (ADUs) and manufactured housing, both of which are banned in many localities.

ADUs are small, secondary dwellings located on the same lot as a single-family home. They can take the form of a backyard cottage, a basement apartment, a garage conversion, or an addition to a house. They typically have their own living, bathroom, and kitchen spaces. ADUs are especially affordable because they take advantage of land or structures that the homeowner already owns.

ADUs can serve all sorts of people, but they are particularly attractive to senior citizens. The American Association of Retired Persons (AARP) supports ADUs because they promote multigenerational living, allow retirees to downsize while aging in place, and are often built to suit specific accessibility needs.⁷ Permitting ADUs also gives seniors an option to provide housing for an in-home health aide.

Because few homeowners are experienced builders, the process of obtaining permission to build an ADU—and the process of building it—must be as simple as possible for ADUs to be built in large numbers. At the state and local levels, California provides models for making ADUs feasible for homeowners to build. For example, the city of Santa Cruz has preapproved ADU designs and standards posted on its website so that the units can be approved and built in a short time period.⁸ At the state level, California policymakers have passed several laws over the past few years to remove local obstacles to ADU construction. For instance, California has removed owner-occupancy requirements, limited impact fees, and eased parking, setback, and lot-size requirements.⁹ Permitting prefabricated homes, such as tiny home trailers, to be used as ADUs also makes ADUs easier for homeowners to provide.

SHORT-TERM HOUSING

Elderly individuals are not the only group whose housing options have been limited by local land use regulations during this pandemic. Many healthcare workers have traveled to assist with regional outbreaks or want shelter away from family members while their work exposes them to the novel coronavirus. However, restrictions on short-term rentals and limits on unrelated people living together stand in their way.

In response to sudden increases in the need for healthcare workers in specific locations, many states have loosened their licensing restrictions to allow for out-of-state providers to quickly become licensed.¹⁰ This medical flexibility should be matched with housing market flexibility. Short-term rentals are furnished housing that is leased by the month, week, or day, often through home-sharing platforms such as Airbnb and HomeAway. In general, restrictions on travel for public health considerations may make sense, but state and local policymakers should suspend, amend, or eliminate any restrictions on short-term rentals in their area that are standing in the way of housing for healthcare workers in response to the COVID-19 crisis.

Furthermore, localities should eliminate any restrictions against unrelated people living together. At all times, these rules stand in the way of flexible, affordable living arrangements. During this pandemic in particular, they stand in the way of healthcare workers moving into housing with roommates either to protect their family members or to stay in or near a temporary work location.

Arizona provides a model policy for protecting property owners' rights to provide short-term rentals. In 2016, state policymakers passed the Home-Sharing Act, which allows short-term rentals across the state and gives municipalities the authority to tax these transactions.¹¹ The Arizona law leaves municipalities with the ability to regulate noise and other nuisances that short-term rentals may cause, but not to ban them entirely.

HOMELESS SHELTERS

Local government policies that restrict the supply of housing and drive up housing costs contribute to homelessness.¹² Nowhere is this clearer than in California, where more than 150,000 residents were homeless in 2019, up about 17 percent since the previous year.¹³ Homelessness is always a public health tragedy, but the pandemic has made this truer than ever. In order to facilitate the quick construction of housing that will provide shelter and sanitation services for homeless people, localities should give nonprofits the freedom to provide low-cost shelter to residents who would otherwise be sleeping in worse conditions.

For example, Santa Barbara has designated parking lots where homeless residents may sleep in their cars or tents in a monitored location free from prosecution. Policymakers should take this a step further to allow nonprofit organizations to provide temporary shelter and sanitation for homeless residents that may not meet the building code standards for permanent housing but that are nonetheless better than these residents' current alternatives.¹⁴

LOW-COST HOUSING

The town of Chelsea, Massachusetts, has become a symbol of the crowded conditions in which some of the worst coronavirus outbreaks have taken place.¹⁵ More than 6 percent of renters in the United States live at more than one person per room, and in California it's 13 percent.¹⁶ In order to create options for low- and moderate-income people to afford sufficient space while COVID-19 remains a threat and going forward, state and local policymakers should legalize the types of housing that will allow their low-income residents to move out of crowded living arrangements. A more flexible, lower-cost housing supply might have facilitated less COVID-19 transmission within households and could make cities more resilient to disease going forward.¹⁷

New housing supply that is affordable to low- and moderate-income residents requires permitting not just more housing, but lower-cost types of housing. Historically, boarding houses and resi-

dential hotels filled this need and provided a large portion of urban housing in the United States. Social scientists have estimated that in the late 19th century, boarding house rooms made up 40 percent of the commercial housing listings in San Francisco and that as many as half of all urban Americans lived in boarding houses as either landlords or renters at some point in their lives.¹⁸

Permitting low-cost, low-amenity housing choices like these could allow single adults and childless couples to live on their own rather than sharing housing with extended families or large groups of roommates. Today, however, restrictions on unrelated people living together, minimum-unit-size requirements, and rules requiring each housing unit to have its own kitchen and bathroom prevent these living arrangements and instead lead to situations such as multiple families living in small apartments.

To see how more housing can support public health, it's important to distinguish between high population densities and overcrowding.¹⁹ Permitting the construction of more housing units in a given area may at the same time increase population density by allowing more people to live in a neighborhood and also reduce crowding by providing opportunities for residents to move out of living arrangements in which bedrooms and bathrooms are crowded owing to too many people living in one unit.

Today, some US cities, such as Seattle and Washington, DC, are permitting a small number of new housing developments with small apartments that share some characteristics of residential hotels or single-room-occupancy buildings of the past. But in locations where housing supply is severely constrained and these experiments are only permitted in high-end, new-construction buildings, they are not currently available at price points accessible to low-income households.

CONCLUSION

Local zoning regulations restrict housing choices, drive up costs, and limit the opportunities for people to live in the location of their choice. COVID-19 has revealed that these restrictions also make the United States less resilient to a pandemic than it otherwise would be. Localities should pursue land use reforms that allow housing suppliers to serve their populations better. Short-term reforms should be focused on improving housing options for those most at risk from the virus: elderly individuals, healthcare workers, and low-income residents, including those who are homeless.

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NOTES

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