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Obama takes on zoning laws in bid to build more housing, spur growth

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The Obama administration Monday is calling on cities and counties to rethink their zoning laws, saying that antiquated rules on construction, housing and land use are contributing to high rents and income inequality, and dragging down the U.S. economy as a whole.

City zoning battles usually are fought block by block, and the president's involvement will create friction, particularly among environmental groups and the not-in-my-backyard crowd. But the White House jawboning is welcome news to many others, including mayors and builders increasingly foiled by community opposition to development.

The White House published a “toolkit” of economic evidence and policy fixes to help local political leaders fight back against the NIMBYs that tend to hold sway over municipal zoning meetings.

“In more and more regions across the country, local and neighborhood leaders have said yes in our backyard,” the paper states. “We need to break down the rules that stand in the way of building new housing.”

The prescriptions call for more density, speedier permitting and fewer restrictions on accessory dwelling units such as basement and garage apartments. The plan rejects some of the arguments made by environmentalists, labor unions and other liberal constituencies that have stood in the way of development and endorses changes long sought by builders and the business community.

“When unnecessary barriers restrict the supply of housing and costs increase, then workers, particularly lower-income workers who would benefit the most, are less able to move to high-productivity cities,” said Jason Furman, chairman of the Council of Economic Advisers. “All told, this means slower economic growth.”

Zoning policy might seem picayune for a president, but eight years after the foreclosure crisis left the country littered with empty homes, the country is facing a critical housing shortage in its most vibrant job centers. The result is soaring rents, growing income inequality and sputtering economic growth nationwide. By one estimate, barriers to development in major cities have shaved as much as \$1.95 trillion a year off U.S. economic growth.

“It’s important that the president is talking about it,” said Mark Calabria, director of financial regulation studies at the Cato Institute. “Local restrictions on housing supply are a crucial economic issue. I would say it’s one of the top 10.”

There’s not much the White House can do beyond talk. The administration’s 2017 budget request includes \$300 million in grants to help mayors update zoning rules, and the Department of Transportation has begun weighing plans for housing growth and affordability before approving funding for certain transit projects.

Despite a growing consensus among economists that slow-growth policies of the 1970s are hurting job and income growth, many elected officials continue to face local opposition to liberalized development.

Earlier this year, environmentalists and labor unions quickly shut down a plan by California Gov. Jerry Brown that would have made it easier for developers to build apartments and condominiums. The proposal got nowhere, despite the support of mayors, businesses and the White House.

The case illustrates the steep road to change and the need for high-profile jawboning, Calabria said.

“Normally governors don’t like to get involved in local land-use decisions,” Calabria said. “And if you have a president talking about it, that’s unusual.”