

The Human Cost of Zoning Regulation

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In Holland, Michigan, Susan Gray wants to house homeless teen boys in a church she bought. She bought the property first, and only later discovered there weren't adequate support services for the vulnerable homeless teen population in her area: the closest alternative homeless shelter is around 30 miles away.

But Gray's plan to use the church to house homeless kids is receiving pushback from the local Planning Commission, because the zoning ordinance doesn't permit group homes in this location.

Gray's experience is far from unusual. Just last week, in Harvard, Illinois, the city zoning commission roundly rejected a plan to build housing for elderly residents. And in St. Cloud, Minnesota, a church has undergone a lengthy legal battle because the city takes issue with its strategy of using tiny homes on church property to house the homeless.

Land use regulations might seem benign, but they affect lives in countless ways. Zoning regulations, the most common form of land use regulations, invest broad discretionary power in municipalities. But those same municipalities are subject to intense interest group pressure. It shouldn't be surprising, then, that municipalities often use zoning and land use regulations as a weapon to block housing for low and middle income residents.

This problem continues to grow. My studies show that the quantity of annually generated land use regulations more than doubled in the United States between 1980 and 2010 alone, as measured by related appellate court cases. The quantity of zoning regulation nearly doubled during the same three-decade period. The national population only grew 37 percent during this timeframe, so regulatory growth far outpaces population growth.

Of course, this only matters if zoning and land use regulations have a negative impact on key outcomes. The general academic consensus is that they do: whether it is racial and economic segregation or geographic mobility and economic growth, restrictive zoning and land use regulation create a problem or significantly exacerbate it. For example, a recent National Bureau of Economic Research study suggests that if just San Jose, San Francisco, and New York City adopted the median level of land use regulation, U.S. GDP would increase by 8.9%. Another study suggests that over 50 percent of the difference in levels of segregation between strictly-zoned Boston and lenient Houston can be attributed to zoning regulations.

Restrictive zoning is also associated with a reduction in multi-family housing permits, similar to the kind sought by Susan Gray in her homeless boys' shelter. Fewer multi-family housing permits means a reduction in housing supply.

Basic economic theory suggests that constraining housing supply increases home prices. And indeed, my research indicates that zoning and land use regulation do that. The relationship between zoning and land use regulations and home prices is highly statistically significant, or in other words unlikely to occur based on random chance alone.

The academic literature on zoning and land use regulation support this view. Harvard economist Edward Glaeser estimated the cost of the regulatory burden associated with zoning regulation in markets like Manhattan, Los Angeles, and San Francisco is between 30-50% of the cost of the price of housing there. Another study indicates that each additional regulatory measure in California is associated with a 4.5% increase in the cost of owner-occupied housing. But sometimes, the data and associated jargon obscure the true human cost of the problem: zoning regulation and discretionary permitting processes result in fewer safe houses for homeless teens, less housing for seniors and the elderly, and barriers to economic opportunity for low-skill workers.

There is hope for addressing the problem, at least if legislators and activists are willing to push for radical reform rather than middling changes. This can be done in a variety of ways, probably most effectively at the state level. For example, states can curtail their State Zoning Enabling Acts, which grant cities nearly unlimited jurisdiction over land use regulation. States can make local government responsible for compensating property owners for regulatory takings associated with zoning land for low-value economic uses, such as single-family homes. These problems are not easy to solve, which is partly why politicians tend to look for easier solutions in addressing housing problems, like increasing housing subsidies. And in fact, twice as many federal housing subsidies per capita are concentrated in the most restrictively zoned states as compared with the least restrictively zoned states. But the human cost of zoning can't simply be wished away with a Band-Aid solution.

Surely homeless teens, seniors, and low-skill workers deserve our attention in addressing the problem. For them, half-measures haven't cut it and never will.

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