



The NIMBYs Come for North Carolina

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For the better part of the past decade, residents have been fleeing high-cost, highly regulated cities like New York and San Francisco for more affordable urban areas like Charlotte and Raleigh, thus helping to fuel North Carolina’s impressive economic growth. But if “not in my backyard” (NIMBY) activists have their way, stricter building regulations — and thus unaffordable housing — may be following those new residents to our state.

The current situation in my hometown of Raleigh is a microcosm of this statewide threat. After two years of supporting local real estate development, Raleigh’s next city council may reverse course, thanks in part to the “Save Our Neighborhoods” and like-minded groups who worked to oust Mayor Mary-Ann Baldwin and others for their votes on local zoning deregulation and various construction projects.

But scores of evidence from around the country show that any such reversal would be a grievous mistake — for Raleigh and North Carolina more broadly.

Having lived in Raleigh for the last 12 years, I’ve watched the Triangle cope with the usual growing pains and thus understand some of the frustrations motivating many opponents of development here. But having spent years researching housing economics — and having fled another U.S. boomtown that *didn’t* build enough housing — I also understand that efforts to “save” Raleigh’s neighborhoods might condemn the city to the same high-cost, sclerotic fate I abandoned.

Raleigh housing costs have undoubtedly spiked in recent years: according to the U.S. Federal Housing Administration, single family home prices have more than *doubled* since 2014, while rents for a one-or-two bedroom apartment have increased by more than 50 percent over the same period. Home prices and rents in Charlotte have done much the same.

Driving these changes is a simple mismatch between housing supply and demand. Between 2010 and 2020, for example, the Raleigh area gained 260,292 new residents (the second-fastest large

metro growth rate in the country), almost 70 percent of which was in-migration. Yet the city actually granted fewer housing construction permits during that decade than in the one before it. Per capita data are even worse: for every 1,000 Raleigh residents, around eight new housing units were permitted in the 2010s, compared to about 17 between 2000 and 2008. Even the last two housing “boom” years in the city saw fewer units built than during past cycle peaks.

Numerous studies show that the key factors restricting housing supply (and thus boosting prices) are local zoning and land use regulations like the ones Raleigh’s Mayor Baldwin and colleagues relaxed, via the “missing middle” initiative, to allow duplexes and townhomes to be built where only single-family homes were permitted.

One influential report found, for example, that zoning restrictions boosted apartment rents by 50% in Manhattan, San Francisco, and San Jose, while another examined 24 different metropolitan areas and calculated a massive “zoning tax” — up to \$500,000 per quarter-acre — in cities with restrictive land-use regimes. The taxes were much lower in less-regulated cities like Dallas or Orlando — consistent with previous research connecting higher home prices to zoning regulation and housing supply.

Studies also show that the most effective check on skyrocketing home prices is more construction, regardless of whether the housing being built is technically “affordable.” For example, a 2021 review of recent academic work found new construction of market-rate units in numerous localities moderated the prices of *all varieties* of nearby housing, including lower-income units. Often, residents from a city’s lower-income areas moved into better, now-cheaper buildings or neighborhoods that wealthier people vacated when moving into new “luxury” construction. Development also often brought stagnant areas new amenities, such as restaurants or salons, and reduces evictions.

In case after case, in the United States and abroad, the lessons are the same: new housing supply, regardless of form, lowers prices, and land use regulation discourages new housing supply. Unfortunately, these lessons are seemingly lost on my fellow Raleighites who demand “affordable housing” yet punish local officials for approving nearby development and liberalizing zoning conditions (e.g., building-height limits, parking minimums, “community input,” etc.) that invariably slow or even scuttle new local construction projects.

High real-estate costs are a disease that can weaken or even kill a promising city. They discourage new residents and new companies, hindering regional mobility and local dynamism. They make it more difficult for incumbent companies to attract talent or increase local investment. They increase segregation and economic inequality by denying potential homebuyers, especially young ones, access to good neighborhoods and a traditional source of wealth accumulation. They push working families into lower-cost suburbs or exurbs, worsening traffic and the environment while straining local resources and eroding a city’s tax base. They boost homelessness and decrease educational opportunities. And, unsurprisingly, they reduce economic growth.

For these reasons, many states and localities have relaxed zoning and related regulations, such as restrictions on backyard “accessory dwelling units,” to increase housing supply and reduce prices. But these actions are most often a desperate, last-ditch attempt to stave off self-imposed housing

crises, economic sclerosis, and a mass exodus of residents like me — actions taken only after numerous non-market attempts, such as purchase subsidies, “affordable housing” quotas, and rent control, have failed.

Raleigh, Charlotte, and other North Carolina hotspots have benefited from those cities’ mistakes, welcoming tens of thousands of new businesses and residents fleeing expensive or declining cities. And, to the previous city council’s credit, Raleigh has been proactive in trying to boost housing supply *before* its housing crisis hits.

Will the next city council — and others around the state facing similar challenges — do the same? Or will they work to preserve the “character” of a few lucky North Carolina neighborhoods, and in the process doom our thriving cities’ residents to a costly, lifeless future?

Raleigh may provide us a hint to that answer in the coming months. Let’s all hope it’s the right one.

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