

Land use policy and zoning: what we know and how we can do better

Commission to Increase Housing Opportunities in Maine by Studying Zoning and Land Use Restrictions

Matt Mleczko

The Eviction Lab

September 16, 2021



Outline

- History of land use policy and zoning
- How land use and zoning policy has evolved over time
- What does the evidence say?
 - ▶ What are the effects of exclusionary zoning?
 - ▶ What contributes to exclusionary zoning?
- How widespread is exclusionary zoning?
 - ▶ A brief look at exclusionary zoning in Maine
 - ▶ Why is it so entrenched?
- What has been done to combat exclusionary zoning?
- What else can be done?

What does zoning and land use policy entail?

- Zoning is the division of community into zones in which certain activities are permitted or prohibited (Fischel 2015)
- The three universal elements of zoning laws and land use policy
 - ▶ Minimum lot sizes
 - ▶ Use restrictions
 - ▶ Height restrictions
- Other common elements
 - ▶ Parking requirements
 - ▶ Minimum setbacks
 - ▶ Soil quality
 - ▶ Shape of lots
 - ▶ Open space
- Zoning can discriminate by age, but not income, ethnicity, or race
 - ▶ Also can limit number of unrelated people sharing a home

Terms

- Exclusionary zoning: restrictive land use and zoning policies meant to exclude certain uses of land
 - ▶ Often accomplished through low-density regulations (e.g. single-family zoning), large minimum lot sizes, parking requirements, and height restrictions or explicit population growth controls
 - ▶ Also accomplished through excessively bureaucratic procedures and delays
 - ▶ Often ends up excluding low-income households and people of color
- Inclusionary zoning: the provision of below-market rate units alongside market-rate units (usually 20%) through either incentives or mandates
 - ▶ Not necessarily the converse of exclusionary zoning

History of land use policy and zoning

- Earliest zoning laws explicitly segregated by race (Trounstine 2018; Fischel 2015)
 - ▶ Baltimore often cited as the first, but there is evidence that San Francisco's anti-Chinese zoning policies came even earlier (Nightingale 2012)
- New York City passes first comprehensive zoning ordinance in 1916 (Fischel 2015)
 - ▶ Many cities follow suit shortly thereafter
 - ▶ Hoover's Standard State Zoning Enabling Act in 1921 is a major reason why (Nightingale 2012)

How land use and zoning policy has evolved over time

- Despite *Euclid v. Ambler* (1926), exclusionary zoning didn't become common until 1970s (Gyourko et al. 2018; Fischel 2015)
 - ▶ Municipalities had other means of segregating ethnoracial groups up until that point, all of which were increasingly struck down, especially with the Fair Housing Act of 1968
- End of the Great Migration, Civil Rights movement, white flight, and suburbanization align with this growth in exclusionary zoning
 - ▶ Municipalities could no longer segregate explicitly by race or ethnicity, so they turned to more class-based methods (Troustine 2018, Sahn 2020)

What does the evidence say?

Plenty of evidence that exclusionary zoning inflates housing prices (Gyourko et al. 2018; Glaeser and Gyourko 2018; Glaeser, Gyourko, and Saks 2005)

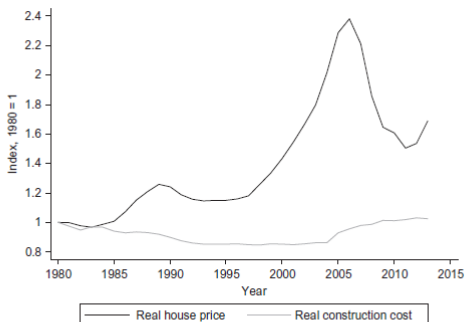


Figure 19.1 Real construction costs and house prices over time. *Note: Construction costs are the cost of an economy-quality home from RSMeans deflated by the consumer price index. House prices are the repeat-sales index published by CoreLogic deflated by the price index for personal consumption expenditures excluding housing services. The deflator was calculated by the authors from data published by the Bureau of Economic Analysis.*

Figure: Gyourko et al. (2018)

What does the evidence say?

Exclusionary zoning hasn't just led to higher housing prices, but has also exacerbated regional income inequality (Ganong and Shoag 2017)

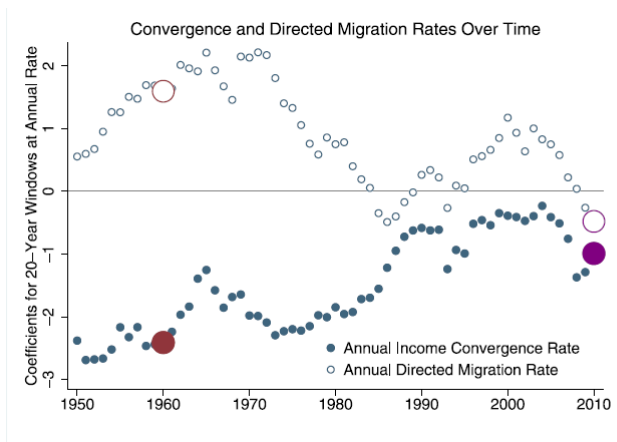


Figure: Ganong and Shoag (2017)

What does the evidence say?

By restricting where people can move because housing is too expensive, exclusionary zoning has led to dramatic declines in economic growth (Hsieh and Moretti 2019)

- If metros like SF and NYC reduced zoning and land use restrictions to the median, US GDP output would be 3.7 percent higher (\$3,685 increase in average wages for all workers)

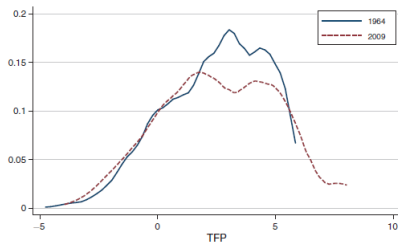


FIGURE 3. SPATIAL DISTRIBUTION OF LOCAL TFP

Notes: Local TFP is defined as $A_i^{1-\alpha} T_i^\alpha$. The graph shows the distribution of de-meaned log local TFP weighted by MSA employment in the relevant year. The sample includes 220 metropolitan areas observed in both 1964 and 2009.

Figure: Hsieh and Moretti (2019)

What does the evidence say?

But beyond economic impacts, exclusionary zoning both helped established segregation and maintains it (Rothwell 2011; Rothwell and Massey 2009; Troustine 2018, 2020; Pendall 2000)

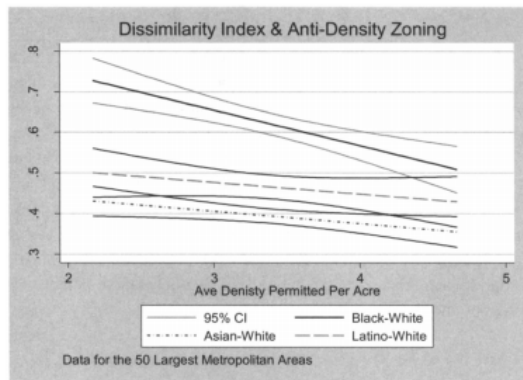


Figure 4. Dissimilarity Index and Anti-density Zoning.

Figure: Rothwell (2011)

What about the effect of upzoning?

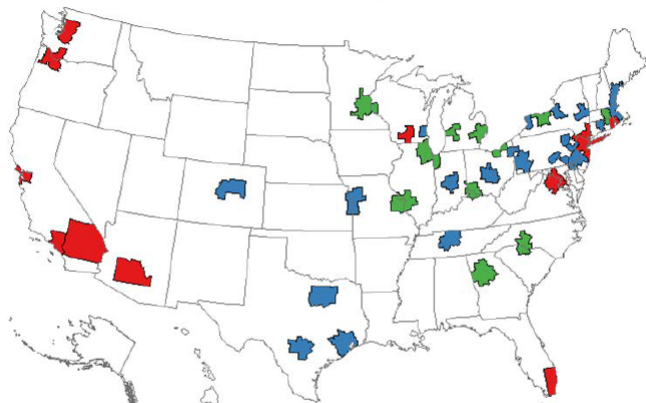
- Some recent research finds that upzonings in Portland resulted in higher densities and more housing supply (Dong 2021)
 - ▶ Related, preliminary work suggests that additional housing construction leads to lower housing costs (Li 2019; Asquith, Mast, and Reed 2019)
- Other research suggests that upzonings can lead to higher short-term housing costs (Freemark 2020) and increase the odds that a neighborhood becomes whiter, at least in the short term (Davis 2021)
- Ultimately, more research is needed since many upzonings have only recently taken place

What contributes to exclusionary zoning?

- Percentage of white residents strongly associated with support for exclusionary zoning (Troustine 2020)
 - ▶ Wealth, homeownership, per-capita expenditures, and property taxes also associated with support for or administration of exclusionary zoning (Troustine 2018; 2020)
- Dramatic increases in diversity - via phenomena like the Great Migration - led to an increase in exclusionary zoning (Sahn 2020)
 - ▶ A 1 percent increase in Black population share due to Great Migration led to 1 percent more land zoned for single family housing in 2019
 - ▶ In cities with greater increase in share of Black population due to Great Migration, permits for multifamily housing decreased from 1975-2005
 - ▶ Housing stock also grew older (less building)

How widespread is exclusionary zoning?

Figure 1: Regional Variation in Land Use Regulation
44 CBSAs with ≥ 10 Obs



Red – Top 11 WRLURI2018 Values

Blue – Middle 22 WRLURI2018 Values

Green – Bottom 11 WRLURI2018 Values

Figure: Gyourko, Hartley, and Krimmel (2019)

Zoning in Maine

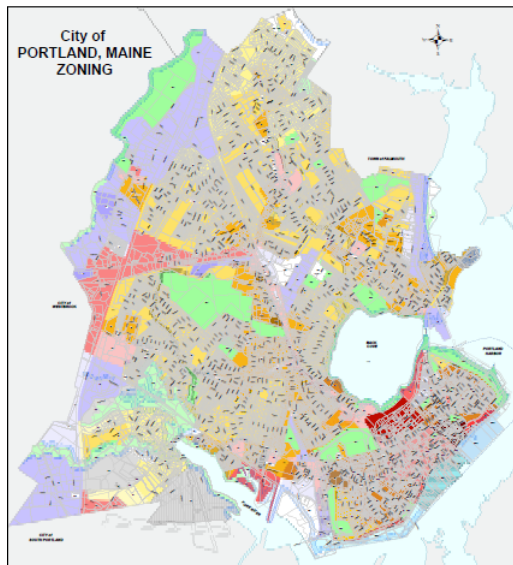
Wharton Residential Land Use Regulatory Index (WRLURI)

Statistic	U.S. 2006	Maine 2006	U.S. 2018	Maine 2018*
Mean	-0.13	0.6	-0.09	-0.56
Min	-2.15	-1.11	-2.64	-2.55
50 percentile	-0.25	0.6	-0.18	-1.23
75 percentile	0.44	1.3	0.53	-0.82
Max	4.8	2.45	4.86	2.35

*2018 sample includes different municipalities and entails a different methodology

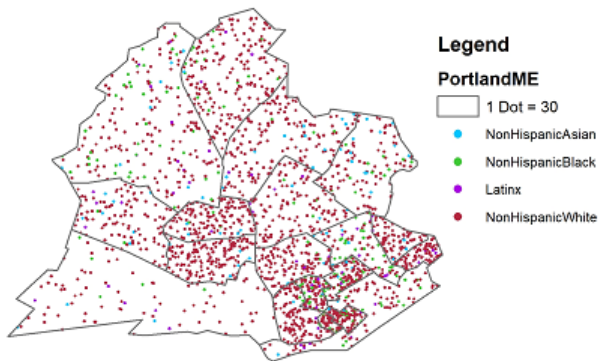
*Portland-South Portland, ME CBSA 2018 index is 0.13 (25/44 measured CBSAs)

A glance at Portland, ME



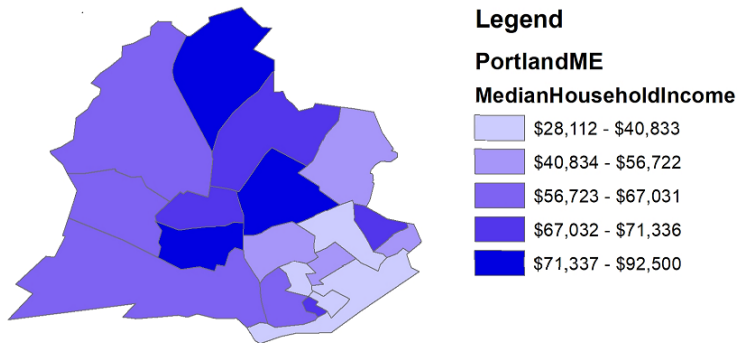
A glance at Portland, ME

Ethnoracial dot map by census tract in Portland, ME



A glance at Portland, ME

Median household income by census tract in Portland, ME



A glance at Portland, ME

Apartments available in Portland, ME at or below \$1,285 as of 09/16/2021

Buy Rent Sell Home Loans Agent finder



Portland, ME



For Rent

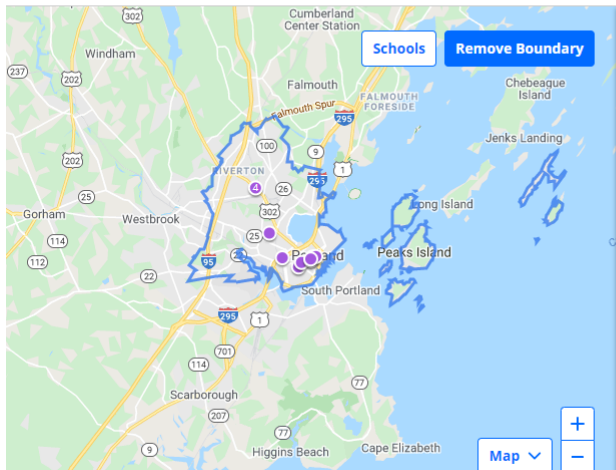
Up to \$1.3k

Beds & Baths

Home type

More

Save search



Portland ME Rental Listings

9 results

Updated today



\$1,100/mo

Studio 1 ba 300 sqft - Apartment for rent
37 Casco St #606, Portland, ME 04101

A glance at Portland, ME

Homes for sale in Portland, ME at or below \$374,900 as of 09/16/2021

Buy Rent Sell Home Loans Agent finder



Portland, ME



For Sale

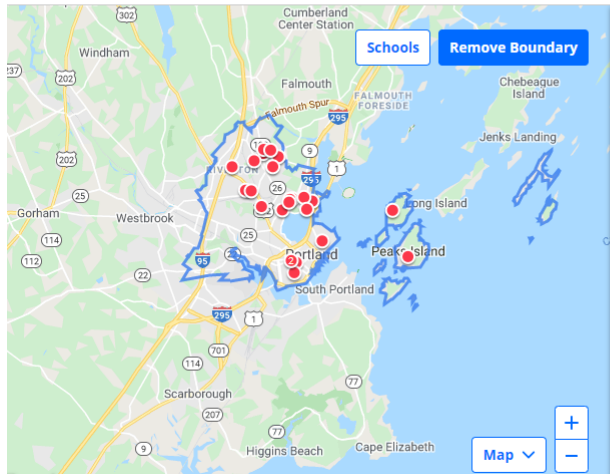
Up to \$374.9k

Beds & Baths

Home type

More

Save search



Portland ME Real Estate & Home

25 Agent listings

10

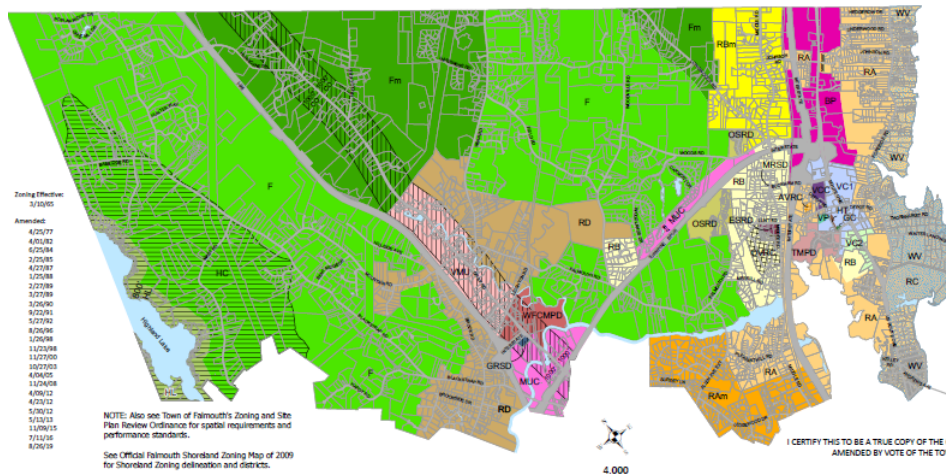


\$250,000

2 bds 1 ba 1,008 sqft - Active
41 Illsley St #6, Portland, ME 04103
RE/MAX SHORELINE

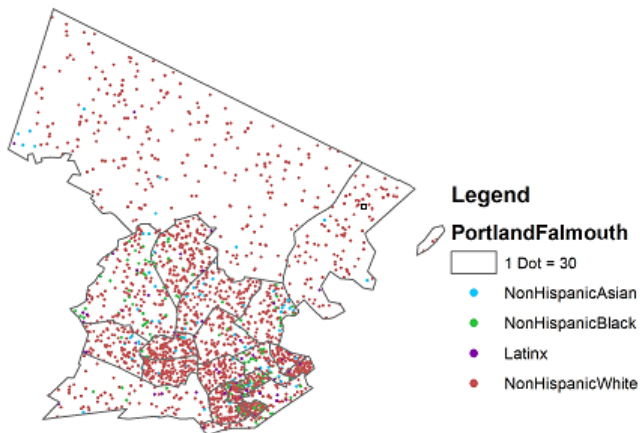


A glance at the Portland, ME region



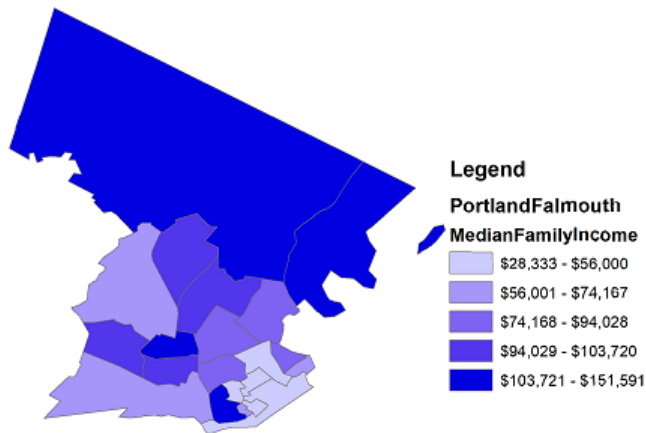
A glance at the Portland, ME region

Ethnoracial dot map by census tract in Portland, ME and Falmouth, ME



A glance at the Portland, ME region

Median household income by census tract in Portland, ME and Falmouth, ME



A glance at the Portland, ME region

Apartments available in Falmouth, ME at or below \$1,285 as of 09/16/2021

Buy Rent Sell Home Loans Agent finder



Falmouth, ME



For Rent

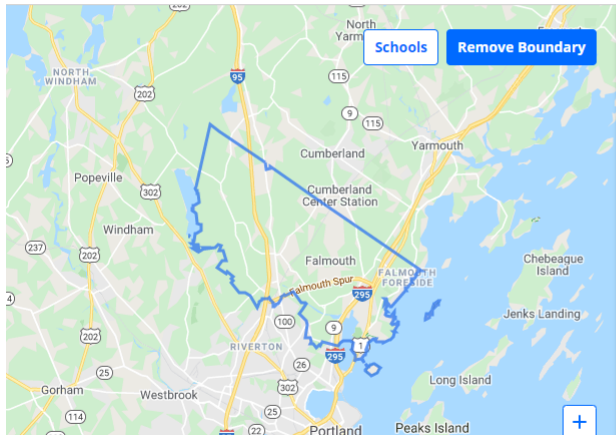
Up to \$1.3k

Bed & Baths

Home type

More

Save search



Schools

Remove Boundary

Falmouth ME Rental Listings

No matching results

Edit or remove these filters for best results.

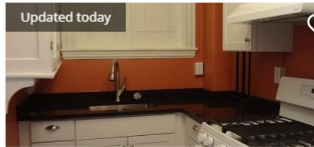
Remove all filters

Price (7) X

Similar results nearby

Results within 2 miles

Updated today



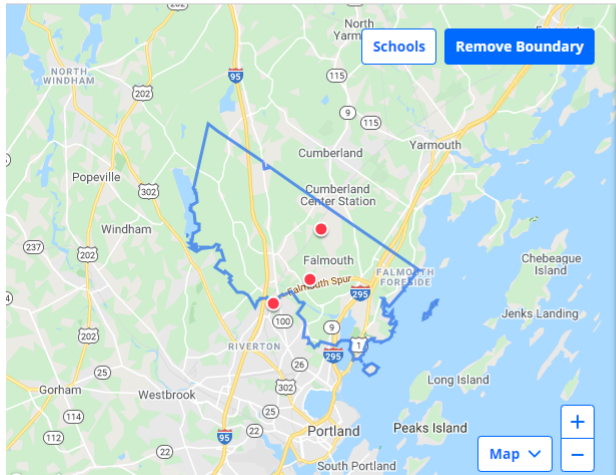
A glance at the Portland, ME region

Homes for sale in Falmouth, ME at or below \$374,900 as of 09/16/2021

Buy Rent Sell Home Loans Agent finder

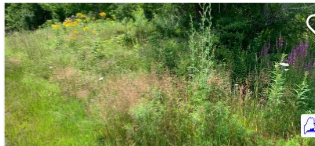


Falmouth, ME



Falmouth ME Real Estate & Home

3 Agent listings



\$275,000

5.02 acres lot - Active

0 Woodville Rd #20, Falmouth, ME 04105

THE REAL ESTATE GROUP

Why is exclusionary zoning so entrenched?

- Because property values represent a significant portion of wealth holdings and determine public goods provision, homeowners have very strong incentives to restrict development and exclude certain developments (Fischel 2005, 2015)
- Local governing bodies and practices are overwhelmingly biased in favor of homeowners (Einstein, Glick, and Palmer 2020)
 - ▶ People who attend city council, planning, and zoning board meetings are disproportionately white, wealthy, and older property owners who are also active voters
 - ▶ Data from MA indicates what many already believe: most public comments at these meetings are anti-development
 - ▶ Usual complaints are about parking, density, neighborhood character and the like

What has been done to combat exclusionary zoning?

- New Jersey: Mt. Laurel I and II
- Massachusetts: Chapter 40B
- ▶ Connecticut, Illinois, and Rhode Island have similar provisions (Reid, Galante, Weinstein-Carnes 2016)
- California: fair-share housing allotments without any enforcement
- ▶ SB9 pending governor's signature
- Connecticut: modest upzoning reforms
- Notable places that have ended single-family zoning (or signaled intent)
 - ▶ Oregon
 - ▶ Minneapolis
 - ▶ Portland
 - ▶ Sacramento
 - ▶ Berkeley

What has been done to combat exclusionary zoning?

Inclusionary zoning and impact fees

- On the one hand, some economists view inclusionary zoning and impact fees as a tax on development, which raises housing prices and reduces supply

- ▶ There is some empirical support for this (Bento et al. 2009; Means and Stringham 2015)
- ▶ Other research produces more mixed results (Schuetz, Meltzer, and Been 2007; Soltas 2020; Mukhija et al. 2015)

- On the other hand, inclusionary zoning can produce more affordable housing and be a mechanism to increase residential integration via mixed-income developments (Schwartz et al. 2012; Jacobus 2015; Sturtevant 2016; Urban Institute 2012; Williams 2016) and impact fees often fund affordable housing trust funds (Mukhija et al. 2010)

What else can be done?

- Federal initiatives
 - ▶ Biden administration proposal to incentivize zoning reform¹
 - ▶ Tying infrastructure payments to zoning reforms (Glaeser 2021)
 - ▶ Tying mortgage interest deductions to zoning reform (Boger 1993)
- State upzoning reforms: Oregon, Connecticut
- Public meeting reforms
- Zoning budgets (Hills and Schleicher 2011)
- Compile more/better data
- Build support for housing by counteracting anti-development tendencies
 - ▶ Desegregate CT

¹FACT SHEET: The American Jobs Plan. The White House.

<https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/>

Conclusion

Thank you for your attention. I will be happy to answer questions, either during the meeting or at mmleczko@princeton.edu



The Eviction Lab is funded by the JPB, Gates, and Ford Foundations as well as c3.AI and the Chan Zuckerberg Initiative.

References I

- Asquith, Brian, Evan Mast, and Davin Reed. 2019. "Supply Shock Versus Demand Shock: The Local Effects of New Housing in Low-Income Areas." *Upjohn Institute Working Papers* .
- Bento, Antonio, Scott Lowe, Gerrit-Jan Knaap, and Arnab Chakraborty. 2009. "Housing Market Effects of Inclusionary Zoning." *Cityscape* 11:7–26.
- Boger, John Charles. 1993. "Toward Ending Residential Segregation: A Fair Share Proposal for the Next Reconstruction." *North Carolina Law Review* 71:47.
- Davis, Jenna. 2021. "How do upzonings impact neighborhood demographic change? Examining the link between land use policy and gentrification in New York City." *Land Use Policy* 103:105347.

References II

- Dong, Hongwei. 2021. "Exploring the Impacts of Zoning and Upzoning on Housing Development: A Quasi-experimental Analysis at the Parcel Level." *Journal of Planning Education and Research* p. 0739456X21990728. Publisher: SAGE Publications Inc.
- Einstein, Katherine Levine, David Glick, and Maxwell Palmer. 2019. *Neighborhood defenders : participatory politics and America's housing crisis*. New York: Cambridge University Press.
- Fischel, William A. 2005. *The Homevoter Hypothesis: How Home Values Influence Local Government Taxation, School Finance, and Land-Use Policies*. Cambridge, Mass.; London: Harvard University Press.
- Fischel, William A. 2015. *Zoning rules! : the economics of land use regulation*. Cambridge, Massachusetts: Lincoln Institute of Land Policy.
- Freemark, Yonah. 2020. "Upzoning Chicago: Impacts of a Zoning Reform on Property Values and Housing Construction." *Urban Affairs Review* 56:758–789. Publisher: SAGE Publications Inc.

References III

- Ganong, Peter and Daniel Shoag. 2017. “Why has regional income convergence in the U.S. declined?” *Journal of Urban Economics* 102:76–90.
- Glaeser, Edward and Joseph Gyourko. 2018. “The Economic Implications of Housing Supply.” *Journal of Economic Perspectives* 32:3–30.
- Glaeser, Edward L., Joseph Gyourko, and Raven Saks. 2005. “Why Is Manhattan So Expensive? Regulation and the Rise in Housing Prices.” *The Journal of Law & Economics* 48:331–369.
- Glaeser, Edward L. 2021. “Opinion | How Biden Can Free America From Its Zoning Straitjacket.” *The New York Times* .
- Gyourko, Joseph, Jonathan Hartley, and Jacob Krimmel. 2019. “The Local Residential Land Use Regulatory Environment Across U.S. Housing Markets: Evidence from a New Wharton Index.” Technical Report w26573, National Bureau of Economic Research, Cambridge, MA.

References IV

- Gyourko, Joseph and Raven Molloy. 2015. "Chapter 19 - Regulation and Housing Supply." In *Handbook of Regional and Urban Economics*, edited by Gilles Duranton, J. Vernon Henderson, and William C. Strange, volume 5 of *Handbook of Regional and Urban Economics*, pp. 1289–1337. Elsevier.
- Hills, Jr and David Schleicher. 2011. "Balancing the 'Zoning Budget'." SSRN Scholarly Paper ID 1816368, Social Science Research Network, Rochester, NY.
- Hsieh, Chang-Tai and Enrico Moretti. 2019. "Housing Constraints and Spatial Misallocation." *American Economic Journal: Macroeconomics* 11:1–39.
- Jacobus, Rick. 2015. *Inclusionary Housing: Creating and Maintaining Inclusive Communities*. Cambridge, Massachusetts: Lincoln Inst of Land Policy. OCLC: 946978396.

References V

- Li, Xiaodi. 2019. “Do New Housing Units in Your Backyard Raise Your Rents?” p. 57.
- Means, Tom and Edward Peter Stringham. 2012. “Unintended or Intended Consequences? The Effect of Below-Market Housing Mandates on Housing Markets in California.” SSRN Scholarly Paper ID 2638698, Social Science Research Network, Rochester, NY.
- Mukhija, Vinit, Ashok Das, Lara Regus, and Sara Slovin Tsay. 2015. “The Tradeoffs of Inclusionary Zoning: What Do We Know and What Do We Need to Know?” *Planning Practice & Research* 30:222–235.
- Mukhija, Vinit, Lara Regus, Sara Slovin, and Ashok Das. 2010. “Can Inclusionary Zoning Be an Effective and Efficient Housing Policy? Evidence from Los Angeles and Orange Counties.” *Journal of Urban Affairs* 32:229–252.

References VI

- Nightingale, Carl Husemoller. 2012. *Segregation : a global history of divided cities*. Historical studies of urban America. Chicago: The University of Chicago Press.
- Pendall, Rolf. 2000. "Local Land Use Regulation and the Chain of Exclusion." *Journal of the American Planning Association* 66:125–142.
- Reid, Carolina, Carol Galante, and Ashley F Weinstein-Carnes. 2016. "Borrowing Innovation, Achieving Affordability: What We Can Learn From Massachusetts Chapter 40B." *Policy Paper* 1:23.
- Rothwell, Jonathan and Douglas S. Massey. 2009. "The Effect of Density Zoning on Racial Segregation on Racial Segregation in U.S. Urban Areas." *Urban affairs review (Thousand Oaks, Calif.)* 44:779–806.
- Rothwell, Jonathan T. 2011. "Racial Enclaves and Density Zoning: The Institutionalized Segregation of Racial Minorities in the United States." *American Law and Economics Review* 13:290–358.

References VII

- Sahn, Alexander. 2020. "Why is Housing Unaffordable? The Great Migration's Effect on Exclusionary Zoning."
- Schuetz, Jenny, Rachel Meltzer, and Vicki Been. 2007. "The Effects of Inclusionary Zoning on Local Housing Markets: Lessons from the San Francisco, Washington DC and Suburban Boston areas."
- Schuetz, Jenny, Rachel Meltzer, and Vicki Been. 2009. "31 Flavors of Inclusionary Zoning: Comparing Policies From San Francisco, Washington, DC, and Suburban Boston." *Journal of the American Planning Association* 75:441–456.
- Schwartz, Alex F. 2015. *Housing policy in the United States*. New York: Routledge, third edition. edition.
- Schwartz, Heather L., Liisa Ecola, Kristin J. Leuschner, and Aaron Kofner. 2012. *Is Inclusionary Zoning Inclusionary? A Guide for Practitioners. Technical Report*. RAND Corporation.

References VIII

- Soltas, Evan. 2020. "The Price of Inclusion: Evidence from Housing Developer Behavior."
- Sturtevant, Lisa A. 2016. "Separating Fact from Fiction to Design Effective Inclusionary Housing Programs." p. 12.
- Trounstein, Jessica. 2016. "Segregation and Inequality in Public Goods." *American Journal of Political Science* 60:709–725.
- Trounstein, Jessica. 2018. *Segregation by Design*. New York: Cambridge University Press.
- Trounstein, Jessica. 2020. "The Geography of Inequality: How Land Use Regulation Produces Segregation." *American Political Science Review* 114:443–455.
- Urban Institute. 2012. "Expanding Housing Opportunities through Inclusionary Zoning: Lessons from Two Counties." *SSRN Electronic Journal* .
- Williams, Stockton. 2016. *Economics of Inclusionary Development*. Washington, D.C: Urban Land Institute. OCLC: 1129203716.