

Land use Restrictions Make Housing More Expensive, Reduces Productivity, Increase Inequality, Hurts the Poor and increases Housing Bubbles

Below is some background information on zoning and land use restrictions. They are all from credible sources and they indicate that restrictive zoning, as found in the comprehensive plan:

1. Makes housing more expensive,
2. Reduces productivity growth,
3. Increases inequality,
4. Hurts the poor, and
5. Increases the likelihood of housing bubbles.

For this reason, I believe that a Comprehensive plan should:

1. Choose the least restrictive land use regulations that is consistent with state law and
2. Expand the number of buildable lots to the MAXIMUM that is consistent with state law.

Jason Furman, chairman of the White House Council of Economic Advisers, in a recent speech, presented evidence that zoning increases housing prices, hurts the poor, increases inequality and increases the likelihood of housing bubbles.

“But other cities make things worse with zoning and other land-use restrictions that discourage production, said Jason Furman, chairman of the White House Council of Economic Advisers, in a speech Friday at a housing conference co-hosted by CoreLogic, a data company, and the Urban Institute, a think tank.”
<http://blogs.wsj.com/economics/2015/11/20/why-white-house-economists-worry-about-land-use-regulations/>

Excerpts from the full text of his speech (link below):

Land use regulations reduces housing construction:

“Basic economic theory predicts—and many empirical studies confirm—that housing markets in which supply cannot keep up with demand **will see housing prices rise**. Mayer and Somerville (2000) conclude that **land use regulation and levels of new housing construction are inversely correlated**, with the ability of housing supply to expand to meet greater demand being much lower in the most heavily regulated metro areas. Quigley and Raphael (2005) show that **new construction is not as prevalent in areas characterized by growth restrictions**. Glaeser and Ward (2009) found that **an increase of one acre in a Greater Boston town’s average minimum lot size is associated with about 40 percent fewer new permits.**” (Bold added)

Decreased supply increases housing prices, hurts the poor the most, raises inequality and reduces productivity:

“Restricted supply leads to higher prices and less affordability. We see the association in the relationship between land use regulations and affordability in several dozen U.S. metro areas (Figure 3)..... This house price appreciation experienced especially in those cities towards the right of the figure presents affordability challenges for nearly all, but **they can hit the poorest Americans the hardest.**” (Bold added)

“... excessive or unnecessary land use or zoning regulations have consequences that go beyond the housing market to impede mobility and thus contribute to rising inequality and declining productivity growth.”

Zoning Impacts Labor Markets, Productivity, and Inequality:

“In contrast, States with more constrained supply of housing (including from tighter land use regulations) have experienced a substantial decline in the speed of income convergence. In fact, over the last twenty years, incomes across States with more constrained supply of housing have hardly converged at all. One story for this lack of any convergence is that only high-income workers can afford to relocate to the high-productivity cities that have **tight land use regulations, which reinforces existing inequality.**” (Bold added)

....

“Worsening of house price bubbles: tighter land use regulations may exacerbate house price bubbles. Gyourko, Glaeser, and Saiz (2008) demonstrate that **cities with more restrictive zoning and thus a more inelastic housing supply have historically been more likely to experience house price bubbles** and that these episodes of elevated prices tend to last longer.” (Bold added)

From: https://www.whitehouse.gov/sites/default/files/page/files/20151120_barriers_shared_growth_land_use_regulation_and_economic_rents.pdf

Additional reading:

Rules add \$200,000 to Seattle house price

<http://www.seattletimes.com/business/uw-study-rules-add-200000-to-seattle-house-price/>

That Hissing Sound

Paul Krugman, Nobel Economist

“So when people become willing to spend more on houses, say because of a fall in mortgage rates, some houses get built, **but the prices of existing houses also go up.**” (Bold added)

<http://www.nytimes.com/2005/08/08/opinion/that-hissing-sound.html>

The Impact of Building Restrictions on Housing Affordability (182k)

Edward L. Glaeser and Joseph Gyourko

Federal Reserve Bank of NY Economic Policy Review / June 2003

<http://www.debunkingportland.com/docs/0306glae.pdf>

Regulatory Barriers

BY DAVID ENGEL

Director of the Division of Affordable Housing Research & Technology at HUD.

<http://www.debunkingportland.com/docs/brightideasSpring2004regbarriers.pdf>

The Causes and Consequences of Land Use Regulation: Evidence from Greater Boston

Edward L. Glaeser and Bryce A. Ward

Harvard Institute of Economic Research

<http://www.debunkingportland.com/docs/HIER2124.pdf>

Zoning's Steep Price

Edward L. Glaeser and Joseph Gyourko

“Measures of zoning strictness are highly correlated with high prices. While all of our evidence is suggestive, not definitive, it seems to suggest that land-use regulation is responsible for high housing costs where they exist.” (Bold added)

REGULATION FALL 2002

<http://www.cato.org/pubs/regulation/regv25n3/v25n3-7.pdf>

Residential Land Use Regulation and the US Housing Price Cycle

Haifang Huang and Yao Tangy

Department of Economics, University of Alberta, Department of Economics, Bowdoin College

“Contrary to prior literature, our findings indicate a significant link between supply inelasticity and price declines during the bust, whereas Glaeser, Gyourko, and Saiz (2008) found little evidence of such a relationship from an earlier downturn from 1989 to 1996.”

<http://www.bowdoin.edu/~ytang/Huang-Tang-Aug-2011.pdf>

http://finance.townhall.com/columnists/markcalabria/2012/02/20/local_governments_also_to_bla_me_for_housing_crisis

How Urban Planners Caused the Housing Bubble

<http://www.cato.org/publications/policy-analysis/how-urban-planners-caused-housing-bubble>

Full analysis:

<http://object.cato.org/sites/cato.org/files/pubs/pdf/pa646.pdf>

All of this indicates that land use regulations are generally harmful when they go beyond health and safety. Such regulations should be reduced to the absolute minimum. The current comprehensive plan review offers an opportunity to end many harmful restrictions on people's land.