

# the shortfall

## IN THE PRODUCTION OF HOUSING AND ITS EFFECTS

By Aaron Gruen, Debra Jeans, and Andrew Ratchford

### INTRODUCTION

- In the early 1970s a sea change occurred in regulations and public attitudes governing land use and private property rights.

Supported by legal decisions including *Golden v. Planning Board of Ramapo*<sup>i</sup>, a 1972 decision of the New York Court of Appeals (the state's highest court) and *Construction Industry Association of Sonoma County v. City of Petaluma*<sup>ii</sup>, a 1975 Federal District Appellate Court decision, local municipalities have increasingly usurped the power of private property owners to make development and land use decisions. This property rights revolution has reduced the elasticity of housing supply; that is, growth controls such as urban service boundaries and growth moratoria and limitations on the use of vacant land and agricultural land for housing reduce the quantity of developable land and thus the ability of housing supply to increase in response to increases in housing demand. Large lot zoning (intended to reduce density), "fiscal zoning" (intended to minimize the fiscal impact of residential land uses), imposition of high fees and exactions, and reduced capital funding for transportation, water and wastewater infrastructure further restrict the supply of housing, resulting in increased housing costs given growing demand.

As described by Edward Glaser in a 2014 essay entitled "Land Use Restrictions and Other Barriers to Growth"<sup>iii</sup>: "(i)n the 1960s, developers found it easy to do business in much of the country.... In

High housing prices cause resources to be misallocated and distort the spatial allocation of labor.

### POLICY RECOMMENDATIONS TO INCREASE HOUSING SUPPLY

In many metropolitan areas where job and economic growth has occurred, not enough housing units have been produced. Since 2001, 17 of the 50 largest metropolitan areas have produced less than 90 percent of the housing needed to accommodate workforce housing needs. Housing production shortfalls encourage homelessness and reduce mobility and middle-class living standards. Unaffordable housing prices cause resources to be misallocated, including a mismatch between labor and jobs. Escalating housing prices deter attracting and retaining skilled workers and businesses to innovative locations and hinder the formation and preservation of strong economic agglomerations. Policy reforms are suggested to increase the supply of affordable housing and improve economic development opportunities and living standards.

### TAKEAWAYS

1. High housing prices cause resources to be misallocated and distort the spatial allocation of labor. In addition to lower national productivity and labor earnings for households, the long-term effects of housing production shortfalls produce a shift in where jobs are located and shifts in the locations for the demand for building space.
2. Only three of the metropolitan areas with the fastest growth in housing prices are also among the metropolitan areas with the fastest growing jobs. These metropolitan areas are Austin, Houston, and Nashville.
3. Seventeen of the 50 largest metropolitan areas have produced less than 90 percent of the housing needed to simply accommodate workforce housing needs since 2001. A total estimated housing production shortfall of nearly 2.1 million units equates to an average of 122,000 additional units per year in those metropolitan areas that had jobs housing balances of less than 0.90.
4. Atlanta, Charlotte, Jacksonville, Orlando, Phoenix, Raleigh-Durham, and San Antonio are examples of metropolitan areas that have balanced relatively high rates of job growth and economic growth with reasonably adequate housing production relative to need.
5. Successful cities will facilitate the increase of the supply of land and housing units and reduce stringent regulations that preclude housing developers from responding to preferences of housing consumers. The concepts of housing production relative to housing need and job-housing balances can be used by cities and regions to monitor conditions, identify the factors influencing conditions, and take actions to encourage needed increases in housing production to improve the social and economic welfare of their communities.

the past 25 years, construction has come to face enormous challenges from any local opposition. In some areas it feels as if every neighbor has veto rights over every project.... To most residents, a new project is nothing but a bother. They don't care about the welfare received by the new resident, or the benefits earned by the builders or by the employers who have to pay lower wages when

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housing costs are lower. Moreover, unaffordable housing isn't a problem to most homeowners – it represents an increase in the value of their biggest asset.”

Professor Jonathan Levine of the University of Michigan in his book *ZONED OUT Regulation, Markets, and Choices in Transportation and Metropolitan Land Use* describes that zoning-based regulations have been used to stop diverse and compact development in the suburbs.<sup>iv</sup> Local governments use their regulatory powers to lower densities, segregate land uses, and mandate large roadways and excessive parking. This has also slowed the expansion of housing supply in fast-growing regions.

As a result of the sea changes in property rights and regulations in which antigrowth homeowners increasingly displaced the pro-growth factions in local governments, in many metropolitan areas where job and economic growth has occurred, too few of housing units have been produced to the detriment of the social and economic welfare of our citizens.

This article presents the primary effects of the shortfall in housing production and estimates of the size of the housing shortfall for our nation's largest metropolitan areas. It also presents policy recommendations that if adopted would result in an increase in the supply of affordable housing.

### SHORT-RUN EFFECTS OF HOUSING PRODUCTION SHORTFALLS

The immediate and widely recognized effects of production shortfalls include making housing unaffordable to the poor. Unaffordable housing encourages homelessness, overcrowding, and slum creation because the reduction in supply competition decreases the need for investment in housing unit maintenance and remodeling. Housing production shortfalls also lower mobility and middle-class living standards as high costs of housing mean less resources are available to be spent on other goods and services. In addition, housing production shortfalls lead to increasing commuting time and traffic congestion as workers must travel further to find housing and more workers per household are needed to shoulder the burden of high housing costs.

In a study entitled “Homelessness in America, Homelessness in California,” economists Quigley, Raphael, and Smolensky of the University of California at Berkeley found that the incidence of homelessness varies inversely with housing vacancy rates and that moderate increases in vacancy rates and moderate decreases in market rents are sufficient to generate substantial declines in homelessness.<sup>v</sup>

Homeless encampments now exist, for example, in San Jose and San Francisco, which have the two high-

est median household incomes in the United States, but which have extraordinarily high housing costs due to the underproduction of housing relative to need. As the poster child for the affordable housing crisis, the state of California continues to shed residents, losing a net 1,000,000 people from 2007 through 2016 according to the state of California Legislative Analyst's Office and the American Community Survey.<sup>vi</sup> A significant exodus of businesses from California continues with Toyota leaving for Dallas; Jacobs moving its headquarters from Pasadena to Dallas; Nestle USA moving its headquarters from Glendale to Rosslyn, Virginia; while Silicon Valley based Oracle is reportedly planning to open a very large office in Nashville. Google is expanding its finance function to Chicago rather than at its headquarters in Silicon Valley. The high cost of housing is a major factor in corporate relocation or expansion decisions out of California.

### LONG-RUN EFFECTS OF HOUSING PRODUCTION SHORTFALLS

High housing prices cause resources to be misallocated. Hsieh of the University of Chicago and Moretti of the University of California at Berkeley, two leading urban economists, found that the nation's most productive and job rich cities have through stringent restrictions to new housing supply, effectively limited the number of workers who have access to such economic opportunities.<sup>vii</sup> Using a spatial equilibrium model and data from 220 metropolitan areas, Hsieh and Moretti found that these constraints

lowered aggregate United States growth by 36 percent from 1964 to 2009. The high costs of housing in these cities distort the spatial allocation of labor nationwide. Hsieh and Moretti calculate that the cost of the misallocation of resources caused by unaffordable housing represented about 3.7 percent of United States GDP in 2014. This translates into an additional \$3,685 in average annual earnings per worker.

The work of Hsieh and Moretti demonstrates that the welfare of households already owning a house – many of whom benefit from housing appreciation at least in the short run – may actually be decreased in the long run. High housing prices create an immediate hardship to low- and moderate-income households, but in the long term, the country's households eventually become poorer because the misallocation in housing decreases investments in other areas of the economy and lowers the productivity of the entire country. In addition to lower national productivity and labor earnings for households, the long-term effects of housing production shortfalls produce a shift in where jobs are located and shifts in the locations for the demand for building space.

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## INCREASE IN HOUSING COSTS

The problem of housing affordability is illustrated by the increase in housing costs over time.

Based on measures of movements in single-family housing prices maintained by the Federal Housing Finance Agency, the cost of shelter increased by 300 percent from 1975 to 2000 and by 60 percent from 2000 through 2018. The all transactions index increased by 85 percent since 2000. This period covers the Great Recession during which housing prices plummeted. (See Table 1.)

**TABLE 1**  
**PERCENTAGE CHANGE IN SHELTER INDEX AND HOUSING PRICES**

	1975-2000	2000-2018
Consumer Price Index Shelter in U.S. City Average, All Urban Consumers <a href="https://fred.stlouisfed.org/series/CUSR0000SAH1">https://fred.stlouisfed.org/series/CUSR0000SAH1</a>	300%	60%
All-Transactions House Price Index <a href="https://fred.stlouisfed.org/series/USSTHPI">https://fred.stlouisfed.org/series/USSTHPI</a>	280%	85%

Sources: Bureau of Labor Statistics; Federal Housing Finance Agency; Gruen Gruen + Associates.

As a result, the middle class has had to work harder and commute longer<sup>viii</sup> to afford housing while for the poor the prospect of subsidies or inclusionary housing becomes like the odds of winning the lottery with too little housing to help those in need. The only way adequate housing has been made available to the households on the lower ends of most of the income strata has been by what developers and builders dread: by overbuilding to cause excess supply to be produced relative to demand.

Under inclusionary zoning, a fraction of the demand for market rate housing from higher income households is intended to generate a supply of housing units affordable to the middle class. The quantity of “below market” affordable housing created by this regulatory mechanism is so short in meeting the demand that the new units have to be allocated through lotteries. In New York City, the odds faced by potential beneficiary households to win the lottery are usually below 0.001 (1/1000)<sup>ix</sup>. Requiring developers to produce units priced below market acts as a tax on the production of new market produced units, and therefore reduces the creation of supply. Thus, the impact of inclusionary zoning is to make housing more expensive for those who can afford it and scarcer for those who rely on the program to attain housing.<sup>x</sup> Inclusionary zoning is an example of a well meaning policy involving housing that may push up prices to such an extent that the negative side effects are more harmful than the problem the policy is intended to correct.

The following section presents a review of the shortfall in housing production in many metropolitan areas that inclusionary zoning and other policies intended to promote affordable housing have failed to accomplish. We begin by defining two key concepts: housing need based on job growth and jobs-housing balances. We apply these concepts to estimating how well or how poorly metropolitan areas have produced housing relative to need.

## HOUSING NEED AND JOBS-HOUSING BALANCE DEFINITIONS

We define housing need as growth in jobs divided by workers per household. Table 2 uses 2017 workers per household and job growth from 2001 through 2017 for the growth in jobs using Columbus (Ohio) and San Francisco metropolitan areas as an example of the formula to show the number of housing units needed.

**TABLE 2**

### HOUSING NEED = GROWTH IN JOBS / WORKERS PER HOUSEHOLD

**Example using 2017 for workers per household and 2001 through 2017 for growth in jobs**

#### COLUMBUS, OH MSA

229,405 added jobs/1.76 workers per household = 130,508 housing units

#### SAN FRANCISCO-OAKLAND-HAYWARD, CA MSA

603,245 added jobs/1.97 workers per household = 305,766 housing units

We define jobs-housing balance as housing completions (defined as the change in housing units over the specified time period based on estimates from the U.S. Census Bureau which uses building permits, estimates of non-permitted construction, mobile home shipments, and estimates of housing loss to estimate change in the housing stock) divided by the need, using the same two metropolitan areas, Columbus and San Francisco as examples in Table 3:

**TABLE 3**

### JOBS-HOUSING BALANCE DEFINED 2001-2017

**COLUMBUS, OH MSA:** Completions 135,612 Units/ Need 130,508 Units = 1.04

**SAN FRANCISCO-OAKLAND-HAYWARD, CA MSA:** Completions 181,726 Units/ Need 305,766 Units = 0.59

Based on the growth in housing supply/divided by housing needs, the Columbus metropolitan area has a jobs-housing balance of 104 percent while the San Francisco metropolitan area has a jobs-housing balance of 59 percent. Housing production in the Columbus metropolitan area matched the added housing need, while housing production in the San Francisco metropolitan area met less than 60 percent of the added housing need.

Single-family housing prices increased by only 51 percent in the Columbus metropolitan area from 2001 through 2017. Housing prices more than doubled in the San Francisco metropolitan area. (See Table 4.)

The dramatically higher rate of increase in housing prices in San Francisco reflects a significant shortfall in production of housing. Housing prices increased much more slowly in Columbus where adequate housing was produced relative to need. This example shows that housing is not immune or exempt from the laws of supply and demand. Housing, especially single-family housing, has been significantly underproduced in the San Francisco metropolitan area and the average price

**TABLE 4****CHANGE IN SINGLE-FAMILY HOUSING PRICES IN COLUMBUS AND SAN FRANCISCO: 2001-2017**

	Columbus	San Francisco
2001 Fourth Quarter	154.12	181.18
2017 Fourth Quarter	233.18	401.28
Average Price Increase 2001-2017	51.3 %	121.5%

Index is a weighted, repeat sales index (i.e., it measures average price changes in repeat sales or refinancings of the same properties).

Sources: National Housing Finance Agency, House Price Index; Gruen Gruen + Associates.

more than doubled. In Columbus, which has produced housing commensurate with need, home prices have escalated at much more modest rates.

**METROPOLITAN AREAS WITH FASTEST HOUSING PRICE INCREASES, 2001-2017**

The data summarized in Table 5 show metropolitan areas with the fastest housing price increases between 2001 and 2017 also had among the lowest housing affordability levels by 2018.

With the exception of Washington DC and Philadelphia, all of the metropolitan areas had an affordability index below 60 percent – that is, the percentage of homes sold which are affordable to median income households.

Austin and Houston had fast housing price increases, but housing is still affordable to 54 percent and 57 percent of the median income households, respectively. Salt Lake City experienced annual housing price increases of 4.7 percent while nearly 50 percent of median income households can afford housing.

Only three of the metropolitan areas with the fastest growth in housing prices are also among the metropolitan areas with the fastest growing jobs. These metropolitan areas are Austin, Houston, and Nashville (highlighted in red in Table 5). Note they have better affordability than the other metropolitan areas with the fastest growing housing prices. Over the 16-year period, Austin, Houston, and Nashville have housing balances (new housing units added compared to housing units needed) of 98 percent, 110 percent, and 90 percent, respectively.

The Los Angeles and San Francisco-Oakland metropolitan areas, where housing prices have increased by more than five percent annually since 2001, are not among the fastest growing regions (with respect to jobs) and have very low ratios of housing units produced relative to need at 49 percent and 59 percent, respectively.

**HOUSING PRICE INCREASES**

Map 1 shows the historical annual price increases for the 50 largest metropolitan areas. It shows the metropolitan areas of Nashville, Austin, Denver, and Salt Lake City are the only four metropolitan areas not located on the

**TABLE 5****METROPOLITAN AREAS WITH FASTEST HOUSING PRICE INCREASES: 2001-2017**

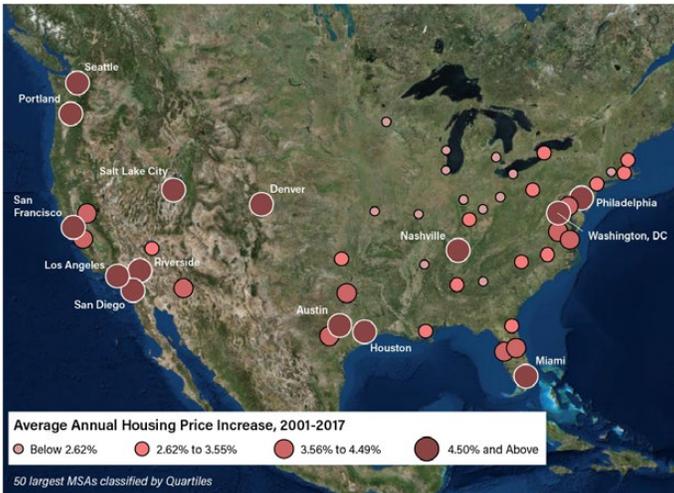
Metropolitan Statistical Area*	Average Annual Increase in Single-Family Home Prices	Homes Affordable to Median Income Households**
Los Angeles-Long Beach-Anaheim, CA	5.7	7.7
Seattle-Tacoma-Bellevue, WA	5.4	36.8
Portland-Vancouver-Hillsboro, OR-WA	5.2	32.7
<b>Austin-Round Rock, TX</b>	<b>5.1</b>	<b>54.3</b>
Miami-Fort Lauderdale-West Palm Beach, FL	5.1	25.7
San Francisco-Oakland-Hayward, CA	5.1	6.0
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	4.8	68.4
Salt Lake City, UT	4.7	49.2
<b>Nashville-Davidson-Murfreesboro-Franklin, TN</b>	<b>4.6</b>	N/A
Washington-Arlington-Alexandria, DC-VA-MD-WV	4.6	66.3
Denver-Aurora-Lakewood, CO	4.5	41.9
<b>Houston-The Woodlands-Sugar Land, TX</b>	<b>4.5</b>	<b>57.5</b>
<b>Riverside-San Bernardino-Ontario, CA</b>	<b>4.5</b>	<b>27.1</b>
San Diego-Carlsbad, CA	4.5	14.0
San Jose-Sunnyvale-Santa Clara, CA	4.5	12.7

\*Metros highlighted in Red are also among 10 fastest growing in jobs since 2001.

\*\* Data as of Q4 2018.

Sources: National Housing Finance Agency, House Price Index; National Association of Home Builders, NAHB/Wells Fargo Opportunity Index; Gruen Gruen + Associates.

MAP 1



coasts which are in the top quartile of historical housing price growth. Nearly all Midwestern metro areas have experienced the lowest rates of housing price increases.

**METROPOLITAN AREAS WITH SLOWEST HOUSING PRICE INCREASES, 2001-2017**

As would be expected, metropolitan areas with the slowest housing price increases between 2001 and 2017 have higher proportions of homes affordable today to median income households.

With the exception of Chicago, all of the metropolitan areas in Table 6 have an affordability index exceeding 70 percent. With the exception of Detroit and Cleveland which experienced average annual price increases of less than one percent, all other metropolitan areas experienced average annual housing price increases of 1.7 percent to 2.3 percent. With the exception of Chicago, housing production relative to housing need exceeded 116 percent for all the metropolitan areas.

All of the metropolitan areas listed except Kansas City and Minneapolis-St. Paul were among the slowest jobs growing areas in the nation during the 16-year period shown. Housing affordability by itself, then, is no panacea. Many of the most affordable housing markets are economically distressed or challenged, particularly those located in the industrial heartland.

Metropolitan areas in the top 10 of fastest job growth which did not rank in the top 10 for fastest housing price increases include Raleigh, Orlando, Las Vegas, San Antonio, Dallas, and Charlotte. (See Table 7.)

Housing prices in these six metropolitan areas grew at average annual rates of approximately three percent, much less than those metropolitan areas in the top 10 of fastest housing price increases which generally experienced average annual price increases of 4.5 percent and higher.

Atlanta, Charlotte, Jacksonville, Orlando, Phoenix, Raleigh-Durham, and San Antonio are examples of metropolitan areas that have balanced relatively high rates of job growth and economic growth with reasonably adequate housing production relative to need. (See Table 8.)

TABLE 6

**METROPOLITAN AREAS WITH SLOWEST HOUSING PRICE INCREASES: 2001-2017**

Metropolitan Statistical Area*	Average Annual Increase in Single-Family Home Prices	Homes Affordable to Median Income Households**
<b>Detroit-Warren-Dearborn, MI</b>	<b>0.2</b>	<b>72.9</b>
<b>Cleveland-Elyria, OH</b>	<b>0.8</b>	<b>81.2</b>
<b>Memphis, TN-MS-AR</b>	<b>1.7</b>	<b>70.4</b>
<b>Chicago-Naperville-Elgin, IL-IN-WI</b>	<b>1.8</b>	<b>65.0</b>
<b>Cincinnati, OH-KY-IN</b>	<b>1.8</b>	<b>81.1</b>
<b>Hartford-West Hartford-East Hartford, CT</b>	<b>1.9</b>	<b>80.9</b>
<b>Milwaukee-Waukesha-West Allis, WI</b>	<b>2.1</b>	<b>71.3</b>
Kansas City, MO-KS	2.3	74.1
<b>St. Louis, MO-IL</b>	<b>2.3</b>	<b>79.7</b>
Minneapolis-St. Paul-Bloomington, MI-WI	2.3	72.6

\* Metropolitan areas in **bold** also had slowest rates of job growth over the 2001-2017 period.

\*\*Data as of fourth quarter 2018.

Sources: National Housing Finance Agency, House Price Index; National Association of Home Builders, NAHB/Wells Fargo Opportunity Index; Gruen Gruen + Associates.

TABLE 7

**METROPOLITAN AREAS WITH FASTEST GROWING HOUSING PRICES AND FASTEST GROWING JOBS**

Rank	Fastest Growing Housing Prices: 2001-2017*	Rank	Fastest Growing Jobs: 2001-2017*
1	Los Angeles	1	<b>Austin</b>
2	Seattle	2	Raleigh
3	Portland	3	Orlando
4	<b>Austin</b>	4	<b>Riverside/San Bernardino</b>
5	Miami	5	Las Vegas
6	San Francisco-Oakland	6	San Antonio
7	Philadelphia	7	Dallas
8	Salt Lake City	8	<b>Houston</b>
9	<b>Nashville</b>	9	Charlotte
9	Washington DC	10	<b>Nashville</b>
10	Denver		
10	<b>Houston</b>		
10	<b>Riverside-San Bernardino</b>		
10	San Diego		
10	San Jose		

\*Metros in **bold** are among the fastest growing in housing prices and jobs.

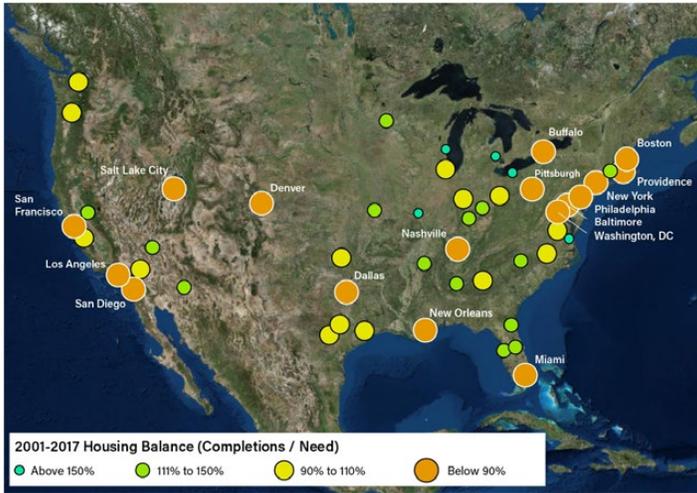
Sources: Bureau of Labor Statistics; National Housing Finance Agency, House Price Index; Gruen Gruen + Associates.

As a result, single-family housing has remained comparatively affordable. These metropolitan areas tend to have less stringent regulatory constraints on the production of housing.

### HOUSING PRODUCTION SHORTFALL

Seventeen of the 50 largest metropolitan areas have produced less than 90 percent of the housing needed to simply accommodate workforce housing needs since 2001. These metropolitan areas are shown on Map 2 in the largest orange bubbles.

MAP 2



A large share of the absolute housing production shortfall for these 17 metropolitan areas is concentrated in the Northeast, along the I-95 corridor from Washington DC to Boston, and on the West Coast – specifically San Francisco and Southern California.

The 17 metropolitan areas that have underproduced workforce housing grew by more than 11 million non-farm jobs between 2001 and 2017. We estimate these regions would have required about 5.9 million new housing units to meet the needs of their growing workforces over the period. However, fewer than 3.9 million new units were produced, resulting in a total housing production shortfall of nearly 2.1 million units. This shortfall equates to an average of 122,000 additional units per year in those metropolitan areas that had jobs housing balances of less than 0.90. (See Table 9.)

### WHAT SUCCESSFUL CITIES AND REGIONS CAN DO TO INCREASE THE SUPPLY OF HOUSING

Successful cities will facilitate the increase of the supply of land and housing units and reduce stringent regulations that preclude housing developers from responding to preferences of housing consumers. The concepts of housing production relative to housing need and job-housing balances used to identify and estimate the housing production shortfall described here can be used by cities and regions to monitor conditions, identify the factors influencing conditions, and take actions to encourage needed increases in housing production to improve the social and economic welfare of their communities.

TABLE 8

### METROPOLITAN AREAS WITH COMPARATIVELY AFFORDABLE HOUSING AND HIGH JOB GROWTH

Metropolitan Statistical Area	Average Annual Job Growth: 2001 – 2017 %	Homes Affordable to Median Income Households %
Raleigh, NC	2.7	55
Orlando-Kissimmee-Sanford, FL	2.6	51
San Antonio-New Braunfels, TX	2.5	53
Dallas-Fort Worth-Arlington, TX	2.2	46
Charlotte-Concord-Gastonia, NC-SC	2.2	66
Phoenix-Mesa-Scottsdale, AZ	2.0	56
Salt Lake City, UT	1.9	49
Atlanta-Sandy Springs-Roswell, GA	1.8	65
Jacksonville, FL	1.7	64
Tampa-St. Petersburg-Clearwater, FL	1.3	63
Richmond, VA	1.3	74
Oklahoma City, OK	1.3	80
Indianapolis-Carmel-Anderson, IN	1.2	86
Columbus, OH	1.2	70

Sources: Bureau of Economic Analysis; National Association of Home Builders, NAHB/Wells Fargo Opportunity Index; Gruen Gruen + Associates.

TABLE 9

### HOUSING PRODUCTION AND SHORTFALL FROM 17 METROPOLITAN AREAS<sup>1</sup>: 2001-2017

	2001-2017
Nonfarm Job Growth <sup>2</sup>	11,007,000 jobs
Workforce Housing Needed <sup>3</sup>	5,919,000 units
Total Housing Completions	3,853,000 units
<b>Housing Balance (Completions/Need)</b>	<b>65%</b>
Housing Production Shortfall	2,066,000 units
Average Annual Production Shortfall	122,000 units
Shortfall as Percentage of Production	54%

<sup>1</sup> Of the 50 Metropolitan Statistical Areas reviewed, 17 were found to have a housing balance below 0.9.

<sup>2</sup> These 11 million jobs represented 50 percent of the total jobs added within the 50 largest Metropolitan Statistical Areas over the 2001-2017 period.

<sup>3</sup> Based on average number of workers per workforce household, for the 17 Metropolitan Statistical Areas with a housing balance below 0.9.

Sources: U.S. Census Bureau; Bureau of Economic Analysis; Gruen Gruen + Associates.

Policy reforms that would result in increasing the supply of housing include the following:

- **Plan for growth** by developing financial plans to fund needed infrastructure including road, storm drainage, sewer, and transport network to serve households and the labor innovative companies need.
- **Remove regulatory impediments to compact, mixed-use development** including residential uses in and near employment centers such as business parks.
- **Zone more land for higher density housing** than has historically been the case in the old economy to make new in-city and suburban housing financially viable at attainable price points. Housing development that is affordable to local employees and built near retail, entertainment, and experience-rich activity clusters will also attract residents and help regions achieve their economic potential. Higher minimum suburban densities from 14 units per acre and in-city densities to several hundred per acre must be allowed in enough desirable locations to keep land prices from escalating the way they did that led to the sub-prime mortgage bust, financial crisis, and Great Recession.
- **Formally recognize housing as a critical component of local and regional economic development policy.** Economic developers typically attend land use hearings for nonresidential uses, but not so often for proposed residential developments. Economic developers and office and industrial developers should support housing developments and encourage local land use regulators to zone more land for relatively higher density housing. Office and industrial building space occupancy rates will increase when appropriately skilled workers do not have to demand higher pay or leave the area in order to find affordable housing that meets the needs of their households.

- **Expedite approval processes, lowering impact fees and taxes when feasible, and evaluating how regulations affect housing affordability,** especially before approving new regulations. Communities should evaluate and monitor how regulations affect housing affordability perniciously in order to alter those policies that discourage housing production and increase costs.

Measures that restrict residential land supply, slow growth in the immediate area where the policies are in place, and push up housing prices can be very attractive to voting households who already own their own homes. In the short run, imbalances between housing need and supply put upward pressure on housing prices, which existing homeowners may like. The effect of housing price increases as a constraint to job growth and quality of life are not always immediately apparent. In the long run, however, unaffordable housing prices lower quality of life, reduce economic development opportunities, and harm the social and economic welfare of households. 

#### ENDNOTES

- <sup>i</sup> 30 N.Y.2d 359 (1972) <https://www.leagle.com/decision/197238930ny2d3591345#>;
- <sup>ii</sup> No. 74-2100 (9th Cir. August 13, 1975) <https://elr.info/sites/default/files/litigation/5.20519.htm>
- <sup>iii</sup> <https://www.cato.org/publications/cato-online-forum/land-use-restrictions-other-barriers-growth>
- <sup>iv</sup> <https://taubmancollege.umich.edu/faculty/faculty-publications/zoned-out-regulation-markets-and-choices-transportation-and>
- <sup>v</sup> <http://www.vanneman.umd.edu/socy789b/QuigleyRS01.pdf>
- <sup>vi</sup> <https://lao.ca.gov/LAOEconTax/Article/Detail/265>
- <sup>vii</sup> <https://faculty.chicagobooth.edu/chang-tai.hsieh/research/growth.pdf>
- <sup>viii</sup> According to Census Bureau estimates, nationwide, the share of workers commuting more than 30 minutes to work increased from 34 percent in 2000 to 38.5 percent by 2017.
- <sup>ix</sup> <https://pix11.com/2016/05/12/heres-how-you-can-apply-for-affordable-housing-in-nyc/>
- <sup>x</sup> See for example, <https://www.strongtowns.org/journal/2018/4/10/inclusionary-zoning-creating-less-affordable-housing>; [https://scholarworks.boisestate.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=1008&context=econ\\_facpubs](https://scholarworks.boisestate.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=1008&context=econ_facpubs); <https://reason.org/wp-content/uploads/files/6f862323a38147b4cdb3282ccb9ccb2.pdf>; and <http://www.sjsu.edu/economics/docs/BMR.Mandates.2010.10.pdf>



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