

Biden Seeks to Ease Housing Shortage With Looser Zoning Rules

The proposed program of at least \$5 billion would offer grants to cities and towns that relax restrictions on new construction

By Andrew Ackerman and Nicole Friedman, The Wall Street Journal, April 7, 2021

WASHINGTON—A Biden administration push to increase the supply of affordable housing aims to coax states and localities into easing restrictions on new construction, a bid to help address a [historic shortage of new housing](#).

A roughly \$213 billion affordable-housing initiative in [the \\$2.3 trillion infrastructure plan](#) unveiled last week includes a competitive grant program to target so-called exclusionary zoning laws that the administration says have inflated housing and construction costs and [locked families out of areas](#) with more opportunities. The grant program will be at least \$5 billion, according to an administration official.

Local zoning and land-use regulations—such as minimum lot sizes, parking requirements and prohibitions on multifamily housing—have proliferated since the 1970s. Housing shortages have also extended beyond expensive coastal areas like Boston and San Francisco to places like Grand Rapids, Mich., and Austin, Texas.

Single-family housing starts per 100 households, 3-month moving average



Source: Federal Reserve Bank of Kansas City

More recently, [shortages have been exacerbated](#) by record-low mortgage rates and [the Covid-19 pandemic](#), which stoked city-dwellers' desire to escape cramped living quarters for more spacious suburban homes.

“There are so many decisions made at the local level that can impede the development of affordable housing that federal policy makers should push communities to reorganize their approach to development from the ground up,” wrote Jim Parrott and Mark Zandi in a [report last week](#) for the Urban Institute, a Washington-based research group. Mr. Parrott is a former Obama administration housing adviser, and Mr. Zandi is the chief economist of Moody's Analytics.

Some economists and urbanists say easing zoning and land-use restrictions would address a key barrier to expanding the supply of dwellings available for rent or sale, which is the tightest in 30 years. Local regulations on environmental protection and road, school and sewer capacity often have strong support among residents, who generally want to keep property values high.

Joseph Gyourko, a real-estate and finance professor at the University of Pennsylvania's Wharton School, said the Biden administration's proposed grant program would help compensate for the costs and burdens of new construction, such as increased congestion, that can stymie affordable housing projects.

“How much would a reasonable local politician need to compensate residents and survive politically by approving higher-density housing?” Mr. Gyourko said. He recommended the administration start with \$5 billion and scale up the program if it is successful.

Some jurisdictions have already begun to ease land-use rules. Minneapolis passed a rezoning law in 2019 intended to open up neighborhoods to more construction. Seattle changed zoning rules in 27 neighborhoods in 2019. California has opened up cities to more accessory dwelling units—small residences adjacent to single-family homes—to increase housing supply.

Michael Wallace, legislative director for housing and community and economic development for the National League of Cities, said the group supports the Biden administration's plan, in part because it offers incentives rather than mandates. “You can use these dollars in a way that rewards modernizing land-use policies but doesn't force cities to take up policies that may not be the right fit for them,” he said.

The Biden administration said in a fact sheet that the program would award “flexible and attractive funding to jurisdictions that take concrete steps to eliminate such needless barriers to producing affordable housing.” The White House won't penalize cities if they don't want to participate, the administration official said.

But some affordable-housing advocates were skeptical the plan would be successful in wealthier areas, where local officials don't want more of it. Unless the grant money is

tied to federal dollars for roads and highways, the program is likely only to have limited success in those areas, they said.

“There’s no carrot if you don’t eat carrots,” said David Dworkin, president and chief executive office of the National Housing Conference, a Washington-based nonprofit. “We need to go further if it’s going to have a material impact.”

Some conservative critics of local zoning restrictions were also skeptical, warning that commuting and living patterns are changing so dramatically because of the pandemic that the federal government’s response was likely to be clunky and ineffective.

“The modest carrots being offered won’t be effective in adding the new supply necessary to keep home-price inflation more in line with wage growth,” said Ed Pinto, director of the American Enterprise Institute’s Housing Center. “And even more dollars aren’t the answer as the federal government over decades has funneled trillions into housing, and the result has been to make homes less affordable. So let’s not repeat past mistakes.”

Unlike in the building boom of the mid-2000s, a deficit of homes for sale is playing a big role in the current rise in prices. [A record-low number of previously owned homes for sale](#) helped push up the median existing-home price 15.8% in February from a year earlier to \$313,000, according to the National Association of Realtors.

New-home construction hasn’t kept up with demand in recent years, as builders took years to recover from the financial crisis and faced shortages of land and skilled labor. Those shortages and rising material costs continue to hinder builders.

“Our business is very local,” said Jeff Mezger, chief executive of [KB Home](#), one of the nation’s biggest home builders. “If they can come up with ways to incentivize cities to move approvals along faster, that’s how you would get more supply in the market.”

Regulatory compliance accounts for about 24% of the price of a newly built single-family home, according to the National Association of Home Builders. “It’s great that the administration is looking at one [type of] regulation at the local level,” said NAHB Chief Executive Jerry Howard. “It’s a start, but there are more regulations at the local, state and national level that need to be examined with housing affordability in mind.” Those include permits required to comply with federal environmental-protection laws, he said.

Efforts to ease local zoning rules have stymied federal officials for years. The Obama administration produced a white paper in September 2016 designed to help local governments pare back zoning regulations, to little effect. The Trump administration considered how to use federal programs to target local zoning restrictions but later reversed course. In his re-election campaign, [Mr. Trump sought to stoke anxiety about housing](#) integration among suburban voters.