

# Legal Planet

Insight & Analysis: Environmental Law and Policy

Climate Change | General | Land Use | Literature

JONATHAN ZASLOFF February 5, 2019

Late Communications  
Planning Commission

FEB 06 2019

RECEIVED  
at Meeting

## Yellow Light for YIMBYs: Upzoning Can Increase Housing Prices

New Research Indicates That Inclusionary Zoning Should Accompany Liberalization

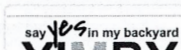
Well, that's not what YIMBYs wanted. Yonah Freemark of MIT in the Urban Affairs Review:

“ *What are the local-level impacts of zoning change? I study recent Chicago upzonings that increased allowed densities and reduced parking requirements in a manner exogenous of development plans and neighborhood characteristics. To evaluate outcomes, I use difference-in-differences tests on property transaction prices and housing-unit construction permits. I detect significant, robust increases in values for transactions on parcels that received a boost in allowed building size. I also identify value increases for residential condominiums, indicating that upzoning increased prices of existing housing units. I find no impacts of the reforms, however, on the number of newly permitted dwellings over five years. As such, I demonstrate that the short-term, local-level impacts of upzoning are higher property prices but no additional new housing construction.*

The crude version of the regulatory critique of housing prices stresses the restrictive nature of land use regulations: deregulate through lifting zoning restrictions, the theory goes, and this will increase supply, which will bring down (or at least stabilize) prices. Yet that didn't happen, and if anything it just increased prices. Freemark's results have been getting a lot of press, most prominently in CityLab, where they were covered by Richard Florida.

How could this have happened?

Just a closer look tells us why. Chicago only upzoned properties in a relatively small part of the city, which is great for social science research (because it creates a good natural semi-experiment), but that only figures to make the problem worse, because land supply will still be tightly constricted, and the few properties upzoned will thus still sell at a premium. Moreover, Freemark's data only occurs over five years, far too few to actually see a significant change. Freemark acknowledged this pretty simultaneously with the appearance of his study.



But Not All At Once



Now, one obvious fix would be to upzone the entire metropolitan area. That sounds great to economics professors, but far less so to politicians and neighborhood

residents. It's one thing to say, "let's upzone around transit" — it's quite another to say, "let's upzone every neighborhood in the city." And of course it presents the classic planning chicken-and-egg problem: transit doesn't pencil out because the density is too low, but increasing density — always difficult — is even harder because there is no transit infrastructure.

In the short to medium run, it seems to me that the obvious fix is for inclusionary requirements in transit-oriented development. As long as a general upzoning is not politically feasible — and so far, it isn't — we should use a generated hot housing market around upzoned transit-accessible areas, to finance affordable housing, but it for very low, low, or the much-neglected moderate income units.

That's why I say that Freemark's study is a yellow light, not a red one, and that it undermines only the *crude* version of regulatory reform. Keep upzoning around transit, use the hot market to build affordable units, and then see how data shakes out over longer time periods. It's less sexy but crucial: if you had looked at a lot of air quality five years after the Clean Air Act, you wouldn't have seen much change, either, and the statute had to be constantly amended and tinkered with after getting scientific data. Car-dependent development has dominated America for nearly a century, facilitated by zoning regulations and Supreme Court decisions like *Euclid v. Ambler Realty*: retrofitting our cities will take a while.

◆ **Euclid v Ambler Realty, inclusionary zoning, Richard Florida, upzoning, YIMBY, Yonah Freemark, zoning**

---