**The Price and Welfare Effects of Zoning Reform**

*Research conducted by Jaehee Song (University of Colorado)*

Zoning regulations have been accused of restricting housing supply and thus contributing to housing affordability crises. Many local governments currently apply stringent zoning laws, reserving most of their land to single-family homes and imposing strict density caps and dimensional requirements. Recently, policymakers have actively discussed relaxing these regulations to allow denser and cheaper housing development. This research project studies the stringency of current zoning regulations and estimates how reforming those regulations would affect housing prices, neighborhood environments, and the welfare of households.

**Measuring the Stringency of Local Zoning Regulations**

My research first constructs a new nationwide data set that measures the stringency of minimum lot size regulations by neighborhoods. Minimum lot size regulation is the most common type of density restriction in local zoning. To build this data set, I apply a structural break detection algorithm to nationwide property tax records to infer the neighborhood-level minimum lot sizes.

I use this new zoning data set to document the current stringency of local zoning regulations across the nation. For example, 40% of residential land is subject to extremely strict zoning laws (≥ 1 acre minimum lot sizes). In addition, a substantial share of new construction – 16% nationally, and up to 23% in coastal states – is built exactly at the maximum allowed density, indicating that these zoning laws distort the housing markets and lead developers to build larger, lower-density, and therefore potentially more expensive homes.

**Relaxing Zoning Would Induce More Supply of Cheaper Housing**

I find that upzoning reforms allowing denser housing development would substantially increase the supply of small and cheap homes. For example, if Connecticut reduces the minimum lot sizes by half statewide, new homes will be 7% smaller and $27,000 cheaper on average.

I also find that such a statewide reform would not affect existing property values much. But if zoning relaxation is too local, residents would seek to move to another neighborhood with stricter zoning, putting downward pressure on home values.

**Current Stringent Zoning Laws Primarily Benefit White Households**

One potential benefit of imposing stringent zoning laws is to create low-density livable neighborhoods, which otherwise would not have existed. I document that white households have substantially stronger preferences for such neighborhoods with strict zoning than other households. Hence, strict zoning laws disproportionately benefit white households at the expense of housing affordability.

**Implications**

* Local governments have an incentive to enact strict zoning laws to protect existing homeowners. Relaxing zoning either at the state or at the federal level would do more than localized reforms to increase the supply of smaller and cheaper homes and to protect existing home values.
* Zoning laws are extremely stringent all across the country. These zoning laws disproportionately benefit white households.
* Zoning data are collected and maintained by individual zoning jurisdictions. This granular nature of zoning data makes it difficult to understand the current state of local zoning. Data-driven research on zoning using more comprehensive data, such as the new minimum lot size data constructed in this project, will help guide policymakers.