

“The Effects of Residential Zoning in U.S. Housing Markets,” by Jaehee Song (2022 WP)

Presented by Ben Pirie

UCLA Econ 209A

Fall 2022

How does zoning affect the housing market?

HOUSING & HOMELESSNESS

What just happened with single-family zoning in California?



A Valencia neighborhood in 2005. (Robert Gauthier / Los Angeles Times)

BY JON HEALEY, MATTHEW BALLINGER

SEPT. 17, 2021 UPDATED 4:09 PM PT

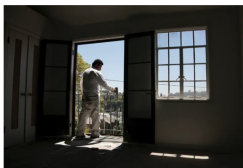
The New York Times

PLAY 1:00

CALIFORNIA TODAY

Should California Get Rid of Single-Family Zoning?

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A home being renovated for resale in the Silver Lake neighborhood of Los Angeles in 2013. (Jason Redmond/Reuters)

By Jill Cowan

June 20, 2019

HOUSING & HOMELESSNESS

Facing housing crisis, L.A. voters back duplexes in single-family neighborhoods



An accessory dwelling unit under construction in the West Adams neighborhood of Los Angeles in February. (Danna Mackett / Los Angeles Times)

BY LIAM DILLON | STAFF WRITER

DEC. 2, 2021 4 AM PT

How does zoning affect the housing market?

The New York Times

PLAY THE CROSSWORD

TheUpshot

The Housing Shortage Isn't Just a Coastal Crisis Anymore

An increasingly national problem has consequences for the quality of American family life, the economy and the future of housing politics.

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By Emily Badger and Eve Washington
July 14, 2022

Los Angeles Times

CALIFORNIA

UC housing crisis forces students into multiple jobs to pay rent, sleeping bags and stress



Matthew Chin, a UC Santa Cruz student, lives in a trailer — the only housing he can afford in one of the nation's priciest rental markets. (Nic Courty / For The Times)

BY TERESA WATANABE | STAFF WRITER
SEPT. 26, 2022 5 AM PT

The New York Times

PLAY THE CROSSWORD

We Need to Keep Building Houses, Even if No One Wants to Buy

Right now, builders have too many homes and not enough people to sell them to. In the long term, the United States has the opposite problem: Not enough houses for all the people who want them.

Give this article | 1.7K



"We're going to look project by project and say which ones we are going to go ahead on and which we are going to take a pause on," said Randal Lewis of the Lewis Group of Companies, which is doing work in China, Calif. Philip Chow for The New York Times



By Conor Daugherty and Ben Cassese
July 23, 2022

The New York Times

The 'New Redlining' Is Deciding Who Lives in Your Neighborhood

If you care about social justice, you have to care about zoning.

April 19, 2021

An illustration showing a city street scene. In the foreground, there's a large, modern house with a blue roof. In the background, a crowd of people is gathered, some holding flags. The scene is set in a city with a large building in the background.

Illustration by The New York Times; photographs by Bettmann / Getty Images and Abstract Aerial Art / Getty Images

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By Richard D. Kahlenberg
Mr. Kahlenberg is a senior fellow at the Century Foundation who focuses on segregation in schools and housing.

How do minimum lot size restrictions affect home prices and residential segregation?

Minimum lot size zoning regulations restrict the construction of smaller houses by requiring residential lots to be of a minimum size.

Price effect:

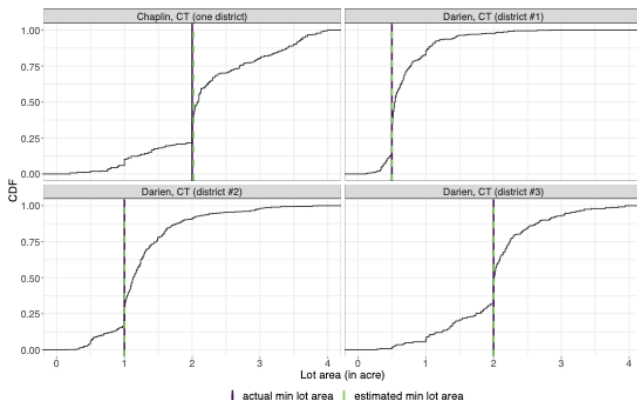
- New vs. existing homes
- Strict residential zoning limits housing supply
- People value low-density

Sorting and segregation effect:

- Limits access to low-income and minority households

Data Construction

Figure 1 — Minimum Lot Area Detection from the Distribution of Constructed Lot Areas



Creates a database of minimum lot size regulations for **29,000 municipalities** across the contiguous US using a **structural break detection algorithm**.

Border Discontinuity Analysis

Figure C4— Example Border Regions



Identification concern: unobserved quality in residential environments may be correlated with zoning regulations

Key assumption: unobserved amenities are as good as random within a small region around the border.

Structural Model and Counterfactuals

Accounts for migration responses and the pre-existing housing stock, which is key for evaluating large-scale zoning reforms.

- **Housing Supply:**
Landowners choose what housing to develop given the existing stock and the compliance costs associated with zoning
- **Housing Demand:**
Households have preferences for zoning stringency, choose their location and building type to maximize utility

What happens if we halve the minimum lot area requirements in all of Connecticut?

Results

Border Discontinuity Analysis:

- Doubled minimum lot size requirement \Rightarrow sales prices +14% and rents +6%
- 2/3 from building characteristics, 1/3 from neighborhood amenities
- Strict zoning disproportionately attracts white, high-income households

Policy Analysis:

- Construction +25%
- Smaller (−7%) and cheaper (−\$26,900) homes
- No price effect for existing homes