

Housing affordability? Localism is the problem, not the solution

By Joe Cortright

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Do we need a federal commission on housing affordability?

Bruce Katz, author of “The New Localism” is calling for a national commission to come up with recommendations for dealing with the nation’s housing crisis.

THE NEW LOCALISM

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A National Commission on Solving the US Housing Crisis: An Urgent Proposal

by Bruce Katz, Michael Saadine and Ben Preis

A truly serious, national discussion of housing affordability, and what we could do to expand housing supply, is a good idea. To his credit, Katz does a thorough and workmanlike job of cataloging the symptoms of our housing market malaise: a shortage of housing, rising prices and rents, increased un-affordability, rising homelessness. All these points are inarguable.

But there's a certain irony hearing this call from the unabashed advocates of localism. Our historical excess of localism in land use planning is perhaps the principle underlying cause of our national housing crisis. Left to their own devices due to deference to "local control"—municipalities and neighborhoods have wielded zoning, building codes, parking requirements and similar regulations to

make it impossible or illegal to build housing to meet demand in wide swaths of the nation.

We've long been skeptical of the over-selling of localism. Local organizing and solutions are great for some problems, and we've been champions of the importance of local distinctiveness as a virtue and asset of cities. But localism, like any attribute, is never an unmitigated good. And it's abundantly clear that in the United States, it's the stultifying embrace of localism that's a major contributor to, if not the primary cause of our housing affordability problem.

While the authors mention zoning in passing, they mostly downplay or overlook the role of local governments and localism in promoting the exclusion and supply restrictions that generate housing shortages around the nation. As we've written at City Observatory, we've created a world where cities and neighborhoods use zoning powers to restrict how much housing can be built, to exclude those of limited means as a way of hoarding civic assets and opportunity.

When it comes to affordable housing, it should be abundantly clear, without convening a national commission, that a solution will require reigning in and proscribing local control of land use. The crucial policy advances in housing affordability are premised on taking exclusionary powers away from local governments. State governments in Oregon, Washington and California, for example, have recently enacted legislation reducing the power of cities to use zoning to exclude housing. Oregon and Washington have legalized fourplexes in nearly all residential

zones. California has mandated “regional housing needs assessments” that assign minimum building targets to even the most exclusive suburbs. The critical intervention in each of these cases is restricting the ambit of localism. And even when locals have innovated, it has been the political cover and impetus provided by state reforms that has helped propel these efforts, as [Michael Andersen](#) has explained in the case of Portland’s Residential Infill Strategy, which was politically stymied until the passage of state legislation. It is much easier for local governments to innovate when the state government provides a legal prod and political cover.

Why localism is inimical to housing affordability

The reason we can’t rely on localism is that zoning creates a literal “beggar-thy-neighbor” situation for local governments. No one local government wants to allow denser development, for fear that other jurisdictions (or neighborhoods) won’t be as permissive, and that all of the burden of accommodating additional growth will fall on the few that allow it. It’s exactly this dynamic that requires intervention from a higher level of government, where the perspective and the politics are broader.

We identified this issue when we reviewed “The New Localism” when it was published five years ago. We wrote:

It’s also worth noting that a key aspect of localism that has been effectively exempt from federal control—local control of zoning and land use—has worsened the economic segregation of our nation’s metropolitan areas. In sprawling metros, separate suburban cities have used the power of land use regulation to

exclude apartments, directly contributing to the problem of concentrated poverty that intensifies and perpetuates the worst aspects of income inequality. Cities have been implicated in the nation's housing affordability and segregation problems, but that's hardly mentioned in Katz & Nowak. The word "segregation" appears only once in the book (page 40). The word "zoning" occurs on 8 pages. Housing affordability is mentioned just once (page 28).

The root of the problem here is too much localism. The most localized governments have the strongest incentives to exclude neighborhood groups within cities lobby against density. Suburbs within metropolitan areas do the same. Only larger units of government have the incentives and ability to challenge this kind of parochialism.

If anything, it's been the state and federal government unwillingness to do anything to rein in unfettered localism that is the principal cause of the housing crisis. Local control isn't sacrosanct in every policy area. For example, the federal government is more than willing to strictly limit local discretion: Federal Communication Commission regulations preempt local laws that regulate the siting and appearance of cell-phone and satellite television antenna. The FCC struck down a Philadelphia ordinance requiring satellite TV companies to remove un-used dish antenna, to avoid driving up the cost of watching TV. But when it comes to housing, the federal government has done nothing to proscribe local practices that drive up housing costs. Arguably housing affordability is more important than the cost of TV programming.

How a national commission might help

A big challenge in housing policy is the continued prevalence of false explanations for a lack of affordability. There's still a widespread belief that building more market rate housing somehow makes housing more expensive (it doesn't). And others would like to blame private property generally, or developer greed in particular, for rising rents and home prices. Very much in this vein, Katz et al offer an extended and largely gratuitous swipe at institutional investors as the source of the current affordability crisis

But the housing crisis is not just worse than in the late 1980s; it has structurally changed in important ways due to new technologies, new investors and new corporate landlords. The mismatch between supply and demand has created a new way for private capital to extract higher rents and higher profits with minimal risk or action. A wave of parasitic capital is sweeping the country as investors, large and small, buy single family homes at scale, boosting rents, displacing residents and altering the fabric of entire neighborhoods. A new class of slumlords now occupies the urban landscape.

This scapegoating has been thoroughly debunked by The Atlantic's Jerusalem Demsas. A national commission ought to be a vehicle for debunking these misleading myths, but the danger is that NIMBY and localist interests would perpetuate them instead.

That's not to say that there aren't some good ideas here, that a national commission may develop. To their credit, Katz and his co-authors flag our excessive reliance on homeownership as a wealth

building scheme, and argue that we need to find ways to build wealth for the 40 percent or so of the population who rent, rather than own their homes.

We can't help but think of this Internet meme when we hear of the advocates of new localism fretting about housing affordability.