

OPTIONS FOR PENNSYLVANIA TO EASE BARRIERS TO HOUSING CONSTRUCTION

Emily Hamilton¹

Senior Research Fellow, Urbanity Project, Mercatus Center at George Mason University

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Chair Laughlin and members of the committee, thank you for allowing me to offer testimony on policies to alleviate the shortage of housing in Pennsylvania. I am Emily Hamilton, a senior research fellow at the Mercatus Center at George Mason University, where I am codirector of the Urbanity Project. I study housing policy and housing affordability across the country and how reforms have affected housing market outcomes.

Local governments have imposed numerous limits on what kinds of housing can be built where. Today, I will highlight strategies other state legislatures have used to spur the construction of new housing and improve affordability. State laws establishing some limits on the extent to which local governments can constrain new housing supply can ensure that every town is allowing its fair share of construction and creating opportunities for home builders to increase supply in response to growing demand. The following four areas of reform have succeeded in increasing the availability of affordable housing:

1. Permitting accessory dwelling units
2. Eliminating or reducing minimum parking requirements
3. Reducing minimum lot size requirements
4. Allowing neighbors to reduce their own setback requirements

STATES HAVE SUCCESSFULLY ENCOURAGED ADU CONSTRUCTION

Eight states have legalized accessory dwelling units (ADUs), allowing homeowners to add them to their properties. Accessory dwelling units create an opportunity for homeowners to offset a portion of their mortgage payment by renting out part of their space, and they enable intergenerational living, allowing young adults or elderly people to live with family members in spaces that can be built to accommodate any accessibility requirements.² They are also one of the most affordable types of housing; their land cost is zero because they are built on land that is already attached to a single-family home. Survey data

¹ Thank you to Eli Kahn for research assistance.

² AARP, *The ABCs of ADUs: A Guide to Accessory Dwelling Units and How They Expand Housing Options for People of All Ages*, 2019.

show that in Los Angeles, where homeowners are adding ADUs in large numbers, they tend to rent for hundreds of dollars less per month than apartments in the same neighborhood.³ Statewide ADU reforms are already showing results in California: after the state’s legislative push to enable ADU construction, the rate of ADU permitting has increased twentyfold.⁴

LET HOME BUYERS DECIDE HOW MUCH PARKING THEY NEED

States can step in to remove mandatory parking minimums. Local governments often require developers to include a specific number of parking spaces per building. These prescriptive standards are often based on arbitrary conventions, such as one locality copying another locality’s requirements, rather than real assessment of need. Having to set aside space for parking that could instead go toward more living space raises costs for builders and ultimately for home buyers.⁵ Builders and home buyers are in a better position than local governments to know how much parking new housing should have. Removing mandatory parking minimums does not mean developers will stop including parking spaces altogether—it just means they will be able to build as much or as little as they think is needed. The state of Connecticut has capped local parking minimums at one or two spaces per apartment, depending on the apartment size.⁶ Policymakers in Pennsylvania could follow Connecticut’s lead or go further and eliminate mandatory parking requirements completely.

REDUCING MINIMUM LOT SIZES

Minimum lot size requirements are one of the key regulations that prevent entry-level housing construction, because they require each new house to sit on a large piece of land.⁷ Where sewer and water infrastructure are available, state policymakers can put a cap on local minimum lot sizes or allow existing lots to be subdivided into smaller parcels. In Oregon, a successful bill sponsored by Habitat for Humanity facilitates lot splits, allowing developers to build smaller units and sell them to different buyers.⁸ Minimum lot size reform has also succeeded at the municipal level. Since 1999, Houston has allowed house lots as small as 1,400 square feet, which has opened up homeownership opportunities and funded improvements in older neighborhoods.⁹ Across Houston, 80,000 of these small-lot houses have been built, contributing to the city’s impressive record of affordability among Sun Belt cities.

³ Karen Chapple, Dori Ganetsos, and Emmanuel Lopez, *Implementing the Backyard Revolution: Perspectives of California’s ADU Owners* (Berkeley, CA: UC Berkeley Center for Community Innovation, April 2021); and Zillow, Housing Data (database), “ZORI (Smoothed): All Homes Plus Multifamily Time Series (\$),” accessed April 25, 2023, <https://www.zillow.com/research/data/>.

⁴ William Fulton, David Garcia, Ben Metcalf, Carolina Reid, and Truman Braslaw, “New Pathways to Encourage Housing Production: A Review of California’s Recent Housing Legislation” (Turner Center Brief, Turner Center for Housing Innovation, Berkeley, CA, April 2023), <https://turnercenter.berkeley.edu/research-and-policy/california-housing-laws/>.

⁵ Donald Shoup, *The High Cost of Free Parking* (Chicago, IL: American Planning Association, 2011), 24–26.

⁶ Emily Hamilton and Sloane Argyle, “Case Studies on Smart Zoning Reforms, Part Four: Removing Parking Requirements in Buffalo, New York,” *Expert Commentary*, February 22, 2022, <https://www.mercatus.org/economic-insights/expert-commentary/case-studies-smart-zoning-reforms-part-four-removing-parking>; and Desegregate Connecticut, “Ending Costly Parking Mandates,” accessed April 26, 2023, <https://www.desegregatect.org/parking#:~:text=Ending%20Costly%20Parking%20Mandates,rate%20apartments%20not%20near%20transit>.

⁷ M. Nolan Gray and Salim Furth, “Do Minimum-Lot-Size Regulations Limit Housing Supply in Texas?” (Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, May 2019); and Paul Boudreaux, “Lotting Large: The Phenomenon of Minimum Lot Size Laws,” *Maine Law Review* 68, no. 1 (2016): 1–43.

⁸ Tim Gruver, “Oregon Bill Builds on State’s Ongoing Quest to ‘Upzone’ Neighborhoods,” *Washington Examiner*, May 19, 2021.

⁹ Emily Hamilton, “Learning from Houston’s Townhouse Reforms” (Mercatus Policy Brief, Mercatus Center at George Mason University, Arlington, VA, April 2023).

ALLOW NEIGHBORS TO WAIVE SETBACKS

Local governments generally require a certain distance between buildings and their property lines. But the historic development patterns that emerged in many Pennsylvania localities prior to zoning show that neighborhoods can be lovely when buildings go right up to their property lines. Houston also shows that new buildings can have small or no setbacks. In Houston, neighbors can waive setback requirements under a process called maintenance agreements, which allow builders to provide attached or detached homes in response to buyer preferences and market incentives.¹⁰ Pennsylvania policymakers could allow abutters to waive setback requirements in covenants or contracts, either for compensation or for mutual benefit. This would replace a bureaucratic approach with one that empowers people. These setback waivers can also facilitate ADUs and additions.

CONCLUSION

Abundant housing is crucial for Pennsylvania to continue to provide opportunities for its residents and newcomers and to continue to attract business investment. When local restrictions prevent property owners from building housing, they contribute to statewide housing affordability problems. State policymakers should step in to set limits on these local obstructions, using tools with a track record of effectiveness in states and localities around the country.

¹⁰ Hamilton, "Learning from Houston's Townhouse Reforms."