

ALLOWING ACCESSORY DWELLING UNITS WOULD CONTRIBUTE TO HOUSING AFFORDABILITY IN UTAH

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Chair Ferry, Vice Chair Brooks, and members of the committee, thank you for inviting me here today to comment on the important issues of accessory dwelling units and land use regulations more generally.¹ My name is Emily Hamilton, and I am a senior research fellow at the Mercatus Center at George Mason University, where I study housing affordability and land use regulations in the Mercatus Center's Urbanity Project. Today, I have three key points to make on the issue of preempting local prohibitions of accessory dwelling units:

1. Restrictions on the right to build housing in Utah are responsible for high housing costs.
2. Allowing homeowners across the state to build accessory dwelling units would be an important step toward permitting a relatively affordable type of housing to be built.
3. State policymakers have an important role to play in setting limits on how much localities can restrict the right to build housing. Accessory dwelling units are banned in many single-family neighborhoods in Utah, and allowing them to be built is one way that state policymakers can improve housing affordability.

LAND USE REGULATIONS LIMIT PROPERTY OWNERS' RIGHT TO BUILD HOUSING, AND THEY DRIVE UP HOUSING COSTS

Land use regulations limit property owners' right to build housing.² When increasing demand for housing meets a market where zoning rules constrain housing supply—as in high-cost regions in Utah—the result is that a limited supply of homes becomes more expensive, and lower-income families are forced to look elsewhere. This outcome harms the state's most vulnerable residents and undermines the state's continuing role as a center of economic opportunity.³

1. This testimony has been adapted from Emily Hamilton, "Allowing Accessory Dwelling Units Would Contribute to Housing Affordability in Virginia" (Testimony before the Virginia House of Delegates, Counties, Cities, and Towns Committee, Land Use Subcommittee, Mercatus Center at George Mason University, Arlington, VA, January 23, 2020).

2. Kevin Erdmann, Salim Furth, and Emily Hamilton, "The Link between Local Zoning Policy and Housing Affordability in America's Cities" (Mercatus Policy Brief, Mercatus Center at George Mason University, Arlington, VA, March 2019).

3. Macroeconomists find that land use regulations harm both income mobility and economic growth. Peter Ganong and Daniel W. Shoag, "Why Has Regional Income Convergence in the U.S. Declined?," *Journal of Urban Economics* 102 (2017): 76–90;

In large part owing to these rules, many residents across the state are suffering from high housing costs. The vast majority of Utah renters who earn less than half of their area’s median income are housing cost burdened, meaning that they spend more than 30 percent of their income on rent.⁴ Since 2014, rents in the Ogden, Provo, and Salt Lake City regions have risen faster than the US average.⁵

HOUSING AFFORDABILITY AND ACCESSORY DWELLING UNITS

HB 82 would give homeowners across the state the opportunity to build an interior apartment in their house. Accessory dwelling units offer homeowners several potential benefits. They create the potential for homeowners to offset a portion of their mortgage payment by renting out part of their space. One study of accessory dwelling unit construction in Los Angeles finds that homeowners who choose to build them increase their property values by 46 percent on average.⁶

Accessory dwelling units also create opportunities for greater housing flexibility to meet the needs of the country’s changing demographics. Accessory dwelling units make intergenerational living feasible, allowing young adults or elderly people to live with family members in spaces that can be built to meet any accessibility needs.⁷

These units have the benefit of being one of the most affordable types of housing that can be built. Because they’re built on land that’s already attached to a single-family home, their land cost is zero. They’re often more affordable than alternative types of housing for renters. In Washington, DC, basement apartments are the most common type of accessory dwelling unit. They tend to rent for hundreds of dollars less per month than standard one-bedroom apartments in the same neighborhood.⁸

THE STATE’S ROLE IN ALLOWING ACCESSORY DWELLING UNITS TO BE BUILT

Zoning and other land use regulations are generally implemented at the local level, but the state has an important role to play in setting limits on how much localities may stand in the way of new housing being built.⁹ Because localities are “creatures of their state,” states have the legal authority to set limits on local regulation. The effects of local rules that prevent homes from being built in one locality spill over to the next. Local land use regulations that limit population growth, economic growth, and income mobility within one city or county limit growth and opportunity for the state as a whole.

CONCLUSION

Housing affordability is a central challenge in the lives of many Utah residents, and the principal source of this challenge is local land use regulations that limit property owners’ rights. Allowing Utah homeowners to build accessory dwelling units is one way to increase housing choice and allow for a more flexible housing supply. Stepping in to set limits on local land use regulations and to increase homeowner rights is an appropriate role for state policymakers because local land use regulations that stand in the way of housing affordability and economic opportunity affect the entire state.

Chang-Tai Hsieh and Enrico Moretti, “Housing Constraints and Spatial Misallocation,” *American Economic Journal: Macroeconomics* 11, no. 2 (2019): 1-39; Edward L. Glaeser and Joseph Gyourko, “The Economic Implications of Housing Supply,” *Journal of Economic Perspectives* 32, no. 1 (2018): 3-30.

4. “Utah,” Housing Needs by State, National Low Income Housing Coalition, accessed January 22, 2021, <https://nlihc.org/housing-needs-by-state/utah>.

5. “Housing Data,” Zillow, accessed January 22, 2021, <https://www.zillow.com/research/data/>.

6. Sarah Thomaz, “Investigating ADUs: Determinants of Location and Their Effects on Property Values” (working paper, 2020), https://drive.google.com/file/d/1Tq_kYU-Ts4a0900LYfNeH1racLeRnwTB/view.

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

8. Jennifer Barger, “How to Rent Your Basement in DC,” *Washingtonian*, August 13, 2015.

9. Emily Hamilton, “The Case for Preemption in Land-Use Regulation,” Mercatus Center at George Mason University, July 20, 2017.