

HOUSING AFFORDABILITY IN MAINE HAS BECOME A STATEWIDE PROBLEM THAT DEMANDS A STATEWIDE SOLUTION

Emily Hamilton

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

Maine Joint Committee on Labor and Housing

February 14, 2022

Thank you, Chair Daughtry, Chair Sylvester, and members of the committee. I am Emily Hamilton, a senior research fellow at the Mercatus Center at George Mason University, where I am codirector of the Urbanity Project. The Mercatus Center is dedicated to advancing knowledge relevant to current policy debates. Toward this end, its scholars conduct independent, nonpartisan analyses of legislation, rules, and proposals. My remarks today will focus on three points:

1. Local zoning restrictions contribute substantially to the housing affordability problem facing many Maine households.
2. State policymakers have a role to play in setting limits on the extent to which local policymakers can restrict housing construction within their jurisdictions.
3. Allowing landowners to subdivide lots in areas currently limited to agricultural use is one way to create opportunities for new and less expensive housing.

ZONING AND HOUSING AFFORDABILITY

The median price of a home in Maine has increased 44 percent since 2000 in inflation-adjusted terms.¹ Among low-income Maine households that rent, more than 40 percent are rent burdened.² This means they spend more than 30 percent of their total income on rent, often leaving them without enough money for other necessities.

Local zoning rules—minimum-lot-size requirements chief among them—are a primary cause of these high and rising housing costs.³ When localities require that each house within a zone sits on a large piece of land, they limit the amount of housing that can be built and drive up the cost of new construction. Large-lot zones ban residents who can't afford a large tract of land.

1. Zillow, "ZHVI All Homes (SFR, Condo/Co-op) Time Series, Smoothed, Seasonally Adjusted (\$)" (dataset), accessed February 6, 2022, <https://www.zillow.com/research/data/>.

2. "Housing Needs by State, Maine," National Low Income Housing Coalition, accessed February 6, 2022, <https://nlihc.org/housing-needs-by-state/maine>.

3. Joseph Gyourko and Raven Molloy, "Regulation and Housing Supply," in *Handbook of Regional and Urban Economics*, ed. Gilles Duranton, J. Vernon Henderson, and William C. Strange, vol. 5, *Handbook of Regional and Urban Economics*, ed. J. Vernon Henderson et al. (Amsterdam and Oxford: North Holland, 2015), 1291-92.

ROLE OF STATE POLICYMAKERS

Local policymakers face incentives to restrict housing construction in their jurisdictions.⁴ The costs of new housing construction are highly local. They are often felt most heavily by people who live adjacent to proposed new housing and may experience increased traffic, less on-street parking availability, or different views as a result of new development.

The benefits of new housing are widespread. The people who will live in new housing are often the biggest beneficiaries. When new housing is proposed, generally nobody knows who will live in it, and the future residents may not even live in the jurisdiction where it would be built. Therefore, local policy tends to reflect a view of the costs of housing construction as outsize relative to the benefits.

Zoning rules implemented at the local level restrict the amount of housing that can be built regionally and across the state, and housing affordability challenges spill across local borders to create a statewide problem. State policymakers therefore have a role to play in protecting property owners' rights to build housing to address the affordability challenges facing residents across the state.

ALLOWING SUBDIVISION IN AGRICULTURAL ZONES

Large-lot zoning is a key policy contributor to housing affordability challenges. Research on the effects of minimum lot sizes in Massachusetts finds that a one-quarter increase in minimum-lot-size requirements led to 10 percent fewer housing permits between 1980 and 2002.⁵ By setting a high floor on the price of a new house, minimum-lot-size requirements can make it difficult or impossible for homebuilders to provide starter homes, cutting off the low end of the new construction market.

In many localities, agricultural zoning is the most extreme example of large lot zoning. Setting restrictions on sources of income in an agricultural zone on top of minimum-lot-size requirements further limits who can access a locality's housing and makes new construction less feasible. Income requirements for housing also mean that a change in a homeowner's circumstances can make them ineligible to live in their own house. A state law limiting agricultural lot-size requirements and preventing income requirements for land ownership would increase the potential for more, lower-cost housing construction.

CONCLUSION

Local land use restrictions, including minimum-lot-size requirements, are causing housing affordability problems for Maine households. By stepping in to limit large-lot zoning, state legislators can ease the burden of local rules that are causing statewide problems.

4. William A. Fischel, *The Homevoter Hypothesis: How Home Values Influence Local Government Taxation, School Finance, and Land-Use Policies* (Cambridge: Harvard University Press) 2005.

5. Edward L. Glaeser, Jenny Schuetz, and Bryce Ward, *Regulation and the Rise of Housing Prices in Greater Boston: A Study Based on New Data from 187 Communities in Eastern Massachusetts* (Boston: Pioneer Institute for Public Policy Research and Rappaport Institute for Greater Boston, 2006).