



## MYTH: Upzoning Will Increase the Supply of Affordable Housing

*The previously proposed LDC changes would largely allow more dense development, which is intended to produce housing units at more affordable rates. Few question that a revamp of the LDC would yield needed housing and potentially curb traffic and home price growth to some extent.*

— [Austin Business Journal, June 4th, 2021](#)

*The idea behind a code overhaul—which has gone under multiple names, including CodeNext—is to allow more dense development, which is intended to produce housing units at more affordable rates.*

— [Austin Business Journal, June 14, 2021](#)

*But it ([the Austin City council LDC Policy document](#)) was largely celebrated by Council members who favor streamlined processes and enhanced entitlements as the path to increased density and affordability.*

— [Austin Business Journal, May 3, 2019](#)

### Expert Opinion

Would an increase in housing supply address our affordable housing problem? The housing market in the US is structured to maximize profit and not affordable shelter and recent studies show that “build more” will not solve our problem. This is because in high-growth, affluent-demand driven housing markets like Austin the market will produce primarily high-end housing and will demolish more affordable existing housing.

Richard Florida frames the argument and response as follows:

*Build more.*

*That’s what a growing number of urbanists hail as the solution to the surging home prices and stark inequality of America’s superstar cities and tech hubs. They want to*

*relax regulations that limit the supply of housing in already expensive cities, and start building taller and denser.*

*It's supply and demand at work, they argue. Prices—in this case, housing prices—rise when supply is limited. Add more supply, and housing prices fall, making housing more affordable for more people, spurring more and better economic growth in the process.”*

*A new paper by two leading economic geographers suggests this argument is simply too good to be true. Titled “Housing, Urban Growth and Inequalities” and forthcoming in the journal *Urban Studies*, it's written by Andrés Rodríguez-Pose of the London School of Economics (LSE) and Michael Storper, who divides his time among the LSE, UCLA, and Sciences Po in Paris. According to Storper and Rodríguez-Pose, the notion that an insufficient supply of housing is a main cause of urban economic problems is based on a number of faulty premises. They say the effect of supply has been blown far out of proportion.*

— Richard Florida, ‘Build More Housing’ Is No Match for Inequality - A new analysis finds that liberalizing zoning rules and building more won't solve the urban affordability crisis, and could exacerbate it  
[Bloomberg News, May 9, 2019](#)

In “Housing, urban growth and inequalities: The limits to deregulation and upzoning in reducing economic and spatial inequality,” *Urban Studies*, Vol. 57, Issue 2, pp 223-248, September 17, 2019, Rodríguez-Pose and Storper address that housing markets don't work similar to standard goods and services' markets:

*Our point of departure is that housing markets are not like standard markets, so that aggregate increases in supply do not translate in any straightforward way to decreases in price, because the internal plumbing of housing markets—succession, migration, and occupation patterns—are full of frictions, sunk costs, barriers and externalities that make the effects of aggregate supply increases highly uneven, and in many cases involve unintended or contradictory effects.*

They review the existing literature and conclude that the “build more” approach is not supported by the empirical data:

*[T]he bulk of the claims of the housing as opportunity approach are fundamentally flawed and lead to simplistic and misguided policy recommendations. We posit that there is no clear and uncontroversial evidence that housing regulation is a principal source of differences in home availability or prices across cities.*

and

*Blanket changes in zoning are unlikely to increase domestic migration or to increase affordability for lower-income households in prosperous regions. They would, however, increase gentrification within prosperous regions and would not appreciably decrease income inequality.*

Instead of housing regulation as the driver, they point to the composition of the “demand,” that is, the wage and income of those in the market for housing. High-income wage earners drive demand, and the supply accommodates that demand with higher-priced housing.

The authors explain that the underlying structural causes of the housing crisis in prosperous metro areas are: “high demand from highly-skill, high-income people; increasing income inequality; and a rise in construction and land costs consequent upon the growth and maturation of metropolitan regions and demands for a higher-quality urban environment.” And, they conclude that none of these are abated by blanket housing supply policies.

Based on the data, Rodríguez-Pose and Storper conclude that

*policies such as blanket upzoning, which will principally unleash market forces that serve high income earners, are therefore likely to reinforce the effects of income inequality rather than tempering them*

and

*there is virtually no evidence that substantially lower costs would trickle down to the lower two-thirds of households or provide quality upgrading of their neighbourhoods, but it undoubtedly would enhance displacement in neighbourhoods currently at the boundary of higher-income inner metropolitan areas.*

Upzoning is particularly destructive to lower income and minority communities. Tom Angotti, urban planning professor and editor of the book [Zoned Out elaborated](#) on the gentrification and displacement process in New York City:

*They're doing something very perverse in the upzonings that are essentially contributing to the displacement to African American, Latino, and other minorities. They're justifying it as integrating segregated communities of color, but that's not what's happening. What's happening is that they're eating away at the areas encompassing the communities of color, so that developers can speculate and build housing that is available mostly to whites, because they're people with higher incomes. What they're doing is expanding the white neighborhoods into the communities of color.*

## **Local Evidence**

The City effectively upzoned close-in East Austin communities in the neighborhood planning process through the use of “[Special Use Infill Options](#),” permitting smaller lot sizes and increased units. After these tools, presented to the community as a means of “increasing

affordability,” were adopted, redevelopment rapidly occurred. In 10 years: the Black population decreased by 66%, the Latino population decreased by 33 %, and the White population increased by 442%. The impact on the community is detailed in the UT Institute for Urban Policy Study led by Eric Tang, [\*Those who Stayed\*](#).

## **Conclusion**

The evidence contradicts the notion that increasing density by upzoning will expand the supply of affordable housing.

The truth is that the relationship between housing affordability and zoning is not reducible to aphorisms or popular notions of “supply and demand” used to support campaigns for upzoning and density. The evidence discussed above indicates that while housing regulation is not a principal source of differences in home availability or prices, blanket changes in zoning, especially in prosperous metro areas like Austin, are likely to result in gentrification and displacement.

As Prof. Jake Wegmann, a housing advocate, acknowledged:

*“even in a community of people who care about housing and affordability, or say they do, there is no consensus on whether more density and more multifamily homes would help anything.” (Austin American Statesman, July 18th, 2021.)*