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Opinion | OP-ED CONTRIBUTORS

How Local Housing Regulations Smother the U.S. Economy

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If you live in a coastal city like New York, Boston or San Francisco, you know that the cost of housing has skyrocketed. This housing crisis did not happen by chance: Increasingly restrictive land-use regulations in the last half-century contributed to it.

But what appears to be several local housing crises is actually a much more alarming national crisis: Land-use restrictions are a significant drag on economic growth in the United States.

The creeping web of these regulations has smothered wage and gross domestic product growth in American cities by a stunning 50 percent over the past 50 years. Without these regulations, our research shows, the United States economy today would be 9 percent bigger — which would mean, for the average American worker, an additional $6,775 in annual income.

For most of the 20th century, workers moved to areas where new industries and opportunities were emerging. This was the locomotive behind American prosperity. Agricultural workers moved from the countryside to booming cities like Pittsburgh and Detroit. In the Great Migration, some six million African-Americans left the South for manufacturing jobs in cities like Chicago and Buffalo.

What allowed this relocation to places with good-paying jobs that lifted the standard of living for families? Affordable housing.

Today, this locomotive of prosperity has broken down. Finance and high-tech companies in cities like New York, Boston, Seattle and San Francisco find it difficult to hire because of the high cost of housing. When an unemployed worker in Detroit today finds a well-paying job in San Francisco, she often cannot afford the cost of housing there.

New housing construction in America's most dynamic cities faces growing regulatory costs, delays and enormous opposition from neighboring homeowners. Since the 1970s, a property-rights revolution — what critics call Nimbyism, from "not in my back yard" — has significantly reduced the development of new housing stock, especially in cities where the economy is strongest.

Look at Silicon Valley. It has some of the most productive labor in the nation, and some of the highest-paying jobs, but remarkably low density because of land-use regulations. Surface parking lots, one-story buildings and underutilized plots of land are still remarkably common because of increasingly draconian zoning restrictions. Building anything taller than three stories, even on empty lots next to a train station, draws protests from homeowners.

And once a project is approved, it faces an endless series of appeals and lawsuits that can add years of delay. Appeals are remarkably easy and affordable to file and can be done anonymously. This basically gives every neighbor a veto over every new project, regardless of how desirable the project might be. It's as if BlackBerry had veto power over whether Apple should be allowed to sell a new iPhone.

In the case of the Treasure Island housing project in San Francisco — a model of sustainable development that took over 15 years of planning review and community engagement to secure approval — one lawsuit halted progress for three years.

To make things worse, well-intentioned regulations are often used by neighborhood groups to further delay projects. The California Environmental Quality Act, for example, was written to protect green areas from pollution and degradation from large industrial projects, like new refineries or power plants. Its main effect today is making urban housing more expensive. It has added millions of dollars of extra costs to a sorely needed high-rise on an empty parking lot on Market Street in downtown San Francisco.

The Bay Area's hills, beaches and parks are part of the area's attractions, but there is enough underused land within its urban core that the number of housing units could be greatly increased without any harm to those natural amenities. To be clear, we are not advocating unconstrained suburban sprawl like Houston's, with all its negative environmental consequences. We are talking about building on existing parking lots or on lots with single-story buildings near transit, not in Golden Gate Park.

Similar constraints exist in other economically vibrant cities. The Wharton Residential Land Use Regulatory Index indicates that America's strongest economies are also those where it is most difficult to build new housing.

More housing in a region like Silicon Valley or Boston would raise the income and standard of living of American workers across the nation. The cost for the country of too-stringent housing regulations in high-wage, high-productivity cities in forgone gross domestic product is $1.4 *trillion*. That is the equivalent of losing New York State's gross domestic product.

Because of the prohibitive cost of housing caused by these regulations, innovative companies in Silicon Valley and Boston do not grow as much as they could, and new businesses do not get created. This means slower economic growth, fewer jobs and lower wages across the nation.

To fix this, the federal government or state governments should keep municipalities from abusing land-use regulations to keep out newcomers. The California Legislature, for example, is debating a bill that would significantly curtail municipalities' ability to delay urban housing projects that meet certain planning and environmental standards.

Housing constraints also highlight the critical importance of investing in regional networks of public transportation that link high-paying job markets to areas with lower-cost housing. For example, the high-speed train under construction in California will connect cities in the Central Valley — Sacramento, Modesto, Fresno, Bakersfield — to high-wage jobs in the Bay Area. This will allow the number of workers benefiting from the strong San Francisco economy to increase overnight without changing the Bay Area's existing housing supply.

The benefits of these investments are apparent in other countries. The metropolitan areas of London and Tokyo are illustrative: The cities' housing costs are significantly above the British and Japanese averages, but thanks to public transportation networks, workers have access to their remarkable economic dynamism. In fact, the economies of Britain and Japan are significantly larger because of the transportation network.

There is a lot of debate in Washington about the costs of regulations for economic growth. Exclusionary land-use regulations in our most dynamic labor markets impose demonstrable high costs on our nation's economic well-being.

Reforming these regulations through smart growth policies is a policy that should appeal to both Democrats and Republicans. The primary beneficiaries would be America's middle-class workers.

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