

Beyond the comfort zone

How can planning reform boost housing supply and affordability?

Gideon Salutin

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FOREWORD

This paper is a timely, important and thoughtful contribution on a critical issue. British housing is now the most unaffordable it has been since the time of Dickens. The prices of homes, as a multiple of what it would cost to construct those physical buildings today, are higher than in any other major developed country. Britain has invested far too little in building homes for many decades. And many of the homes built are far from where they are most needed.

That crisis flows into many other areas. It increases inequality, reduces opportunities and wages, and damages families, health and the environment. It has been the rallying cry of progressive campaigners for many decades. And yet it has got progressively worse.

This paper investigates some of the difficulties faced by would-be reformers. It makes some exciting suggestions about how to address those difficulties. Some of the most ambitious suggestions might prove hard to implement in the tiresome realities of politics. The conclusions about gentrification or zoning might meet some disagreement. But it is important to set our sights high and to bring together the broadest possible alliance for change. Whatever the path chosen to build more homes, we know that it is an opportunity to create fairer, healthier and stronger communities.

We are beginning to see a new consensus emerge on the vital importance of plentiful, affordable, sustainable housing. Good homes for everyone are possible. Fixing the housing crisis will also help to deliver a better, greener and more just world. We will have to focus, and to fight hard. But we can get there. We should draw inspiration from Gideon's ambition for radical change.

John Myers

Director, YIMBY Alliance

EXECUTIVE SUMMARY

Planning reform has drawn the attention of policymakers across the political spectrum as a tool to increase supply and restrain price growth. Politicians are promising to galvanise a new wave of housebuilding at minimal cost to the state by cutting red tape which currently obstructs construction. In their speeches, they echo campaigns from across the Anglosphere which have attempted planning reform. Yet, very often, these policies have failed in their attempts to increase construction or decrease prices.

While planning reform is a useful tool and is *necessary* to increase housing supply, it is not *sufficient*: it is far from a sure bet. Generally, the size of the impact of planning reform on supply has been limited by its constrained scope and modest ambition. Policies are often watered down, decreasing the areas they affect and minimising the density they can demand. Further, even when planning reform increases the capacity for housing on a given lot, construction does not automatically follow. Other regulations often continue to hold back developers, including limits to a building's size, area, density, and design.

Even where supply does increase, there is no guarantee the increase will be large or that the new units will be affordable. In fact, planning reform has in some cases been blamed for worsening the affordability crisis through gentrification, as changes to the land's capacity increases its land value without increasing supply. Here we refer to 'gentrification' as the disproportionate increase in local home prices or rents relative to the region as a whole. In cases like New York, new units worsened affordability by building at or above market rates or being designed as "luxury homes." In these cases, policymakers promised that the deflationary effects caused by the new supply would outweigh the inflationary effects of higher prices. Yet in practice, limited supply and high prices combined to decrease affordability.

However, there is a solution. The following paper outlines the existing evidence from around the Anglosphere on whether changing local planning regulations can affect supply and affordability. By examining these failures, British reforms can succeed. Minneapolis, for instance, has combined ambitious planning reform which has increased capacity dramatically across the city with affordability requirements. Affordability requirements following a 60-30-20 rule which provides tax incentives for property if they agree to a price such that households making 60% of the local area's median income do not need to pay more than 30% of their wages on rent or mortgage payments in 20% of units.

To increase supply and affordability through planning reform, policymakers should:

- Ensure any planning reforms are ambitious enough to greatly increase supply at the scale required by:
 - Maximising the land which is available to housing development
 - Maximising the unit density which can be built on this land
- Undertake a root-and-branch approach to planning reform in the National Planning Policy Framework and local plans by:

- Recognising the need for granular reforms such as parking requirements, height minimums, and other constraints not targeted by certain reforms
- Making certain regulations related to planning reform, capacity, and affordability mandatory for Local Planning Authorities
- Introduce blanket planning reforms rather than a piecemeal approach by:
 - Applying reforms made to the National Planning Policy Framework (NPPF) across the UK or, where relevant, devolved nations
 - Ensuring design codes and targets are introduced at a Local Authority level and avoiding more specific targetting
- Include demand-side interventions which mandate affordability to avoid the gentrification that can result from planning reform by:
 - Establishing a definition of affordable housing based on household income and median local wages
 - Increasing the size and eligibility of housing benefits or by increasing the proportion of new housing units which must be made affordable

When planning is reformed, policymakers are gambling that the resultant increase in housing supply will outweigh the resultant increase in property values. To win this bet, they need to intervene to ensure planning reform increases supply and that the new supply is affordable.

RECOMMENDATIONS

Ensure that planning reforms increase supply	
<p>Ensure any reforms to planning are ambitious enough to greatly increase supply at the scale required</p>	<p>Use the National Planning Policy Framework (NPPF) and National Development Manage Policy to fast track approvals for housing projects which meet specific guidelines, and establish a committee to establish what characteristics should be required.</p>
	<p>Maximise the number of units permissible on a plot of land by favouring multi-family housing wherever possible.</p>
<p>Undertake a root-and-branch approach to planning reform in the National Planning Policy Framework and local plans which recognise the need for granular reforms and strict regulations</p>	<p>Mandate local authorities to have an up-to-date local plan which aligns with the NPPF according to the Planning Inspectorate.</p>
	<p>Review regulations to decrease limits to unit density; decrease amenities demanded by regulators where they are unnecessary such as parking spaces, front gardens, and boundaries; and increase maximum floor-to-area ratios.</p>
	<p>Require local authorities to work with the private sector to pre-design building codes and models that meet separate housing needs including multi-family homes.</p>
Ensure that increased supply remains affordable	
<p>Introduce blanket planning reforms rather than a targeted approach</p>	<p>Reforms have previously stumbled when they only apply to individual streets or plots. To avoid gentrification, ensure planning reforms are not overly concentrated in one place, and instead reform planning on a large geography, ideally at the local authority level.</p>
	<p>This should not dissuade policymakers from treating separate cases with different regulations, for instance having separate rules for towns and cities, but policymakers should avoid creating adjacent neighbourhoods with dissimilar planning rules.</p>
<p>Set affordability requirements which mandate affordability to avoid the gentrification that results from planning reform</p>	<p>Establish a viable definition of housing affordability to ensure 20% of units are affordable – costing 30% of a person’s income if they make 60% of the local area’s median wage; following the 60-30-20 rule.</p>
	<p>Establish the proportion of new housing units necessary to be set at an affordable rate such that a majority can access them, or increase the provision of social housing and affordable co-operatives.</p>

Source: SMF

INTRODUCTION

Planning reform is of growing interest to policymakers across the Anglosphere as a way to increase the rate of housebuilding at minimal cost to the public purse.

Advocates claim that planning regulations and procedures pose bureaucratic obstacles that prevent the free market from building an adequate supply of homes. Their approach seeks to lower these barriers by simplifying the approvals process for construction and/or increasing the amount of housing that can be built on a given lot. The former reassures developers that the properties which they invest in will eventually be built. The latter increases the capacity for housing available on the given property lot to increase the profitability of construction and incentivise more development at a faster pace. Liberalising capacity could therefore be used to increase the supply of homes and bring down prices to a level which would be affordable to more households.

However, there is a counterargument, which warns construction will not automatically fill the gaps opened by the planning system. Critics of this strategy warn that developers may avoid the cost of new constructions or conversions, limiting the impact on supply. Meanwhile, increasing capacity can lead to higher prices and gentrification. When a piece of land has its capacity increased it becomes legal to build more on that plot, causing its value to increase. Even if these problems are dealt with, there is no guarantee that the new units will be more affordable than the stock they replace.

Proponents of planning reform are making a gamble, believing that the downward pressure on prices resulting from new supply will outweigh the upward pressure that comes from increasing the land value. This is not an assured outcome. Developers could fail to build or make use of the new capacity. Alternatively, they could use planning relaxations to build luxury units rather than affordable housing. At its worst, zoning can be used as it was in 1920s America, displacing marginalised populations from their neighbourhoods to make room for a socio-ethnic upper class. Those who oppose upzoning as a tool to decrease prices warn that the inflationary effects of this upgrade will outweigh the deflationary effects of new supply and further concentrate land among a dominant elite.

The below report tests these competing claims against the experience of municipalities and regions which have attempted planning reform. This paper is one of a series in which researchers undertook a literature review to evaluate housing policy across the English-speaking world, including Australia, New Zealand, Canada, and Ireland. This paper also includes the United States due to its experience in planning reform. The literature review was combined with quantitative analysis of relevant statistics and administrative data in each country. Desk research was complimented by semi-structured interviews with policymakers, researchers, and public advocates to understand how policies were designed and implemented, how they affected housing supply and affordability, and whether they had a positive effect on lived experiences. For more detail on our methodology, see our introductory paper, “Dwelling on it”.¹

Some definition of terms may be helpful. When we discuss *planning reform*, we mean attempts to increase the capacity for housing within an area to increase the supply of residential housing. We are not referring to changes in the planning system that are not focused on housing numbers, such as measures to increase sustainability, promote access to green space, or improve biodiversity.

Planning reform advocates have two arguments.

- First, that increasing the capacity for housing units will increase supply, and
- Second, that this supply will have a negative effect on prices.

We break each of these claims down in turn. The report studies United States areas which have attempted planning reform including Portland, Oregon; Minneapolis, Minnesota; Chicago, Illinois; New York City, New York; Seattle, Washington; as well as California. Other cities include Auckland, New Zealand; Brisbane, Australia; Toronto, Ontario, and Vancouver, British Columbia.

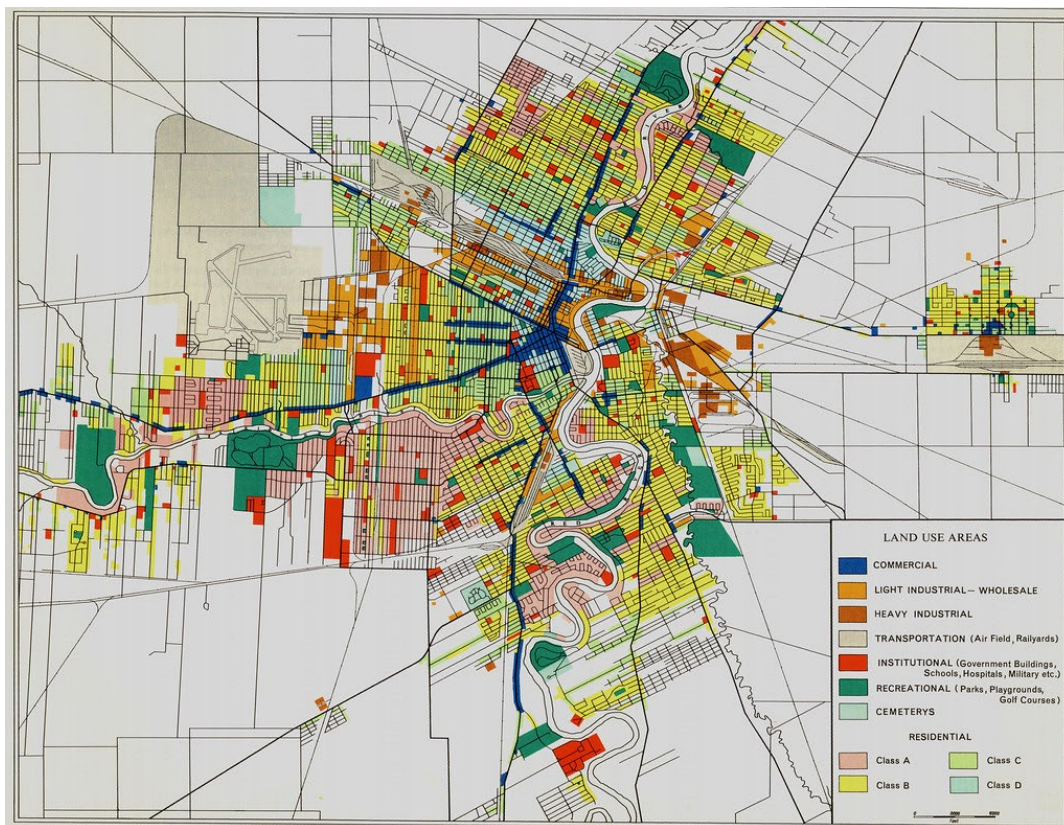
CHAPTER ONE – ZONING VS. DISCRETIONARY PLANNING

Although the UK practises discretionary planning, which privileges local planning authorities with decision-making, other countries combine local committees with zoning regulations. In some cases, local authorities may override zoning regulations, while in others the regulations may take priority. Policymakers abroad often alter zoning regulations to increase the capacity for housing with similar policies and arguments to planning reformers in the UK. Understanding the technicalities of zoning is therefore essential if we are to apply the lessons learned abroad.

What is zoning?

Zoning is practised by most of the Western world to influence local construction and plan local economies, including in Canada, the United States, Australia, and New Zealand, and Ireland.ⁱ The system provides semi-automatic permission to develop land so long as these developments meet all the stipulations demanded by the local government for the given area. Zoning regulations are usually decided at the local level by planners who categorise each lot based on its characteristics. Characteristics can include the lot's location, the size of its street, the available infrastructure, etc.

Figure 1: Zoning map of Winnipeg, Canada



Source: Manitoba Historical Maps

ⁱ Some regions use a mixed system which force developers to align with local zoning ordinances and meet the approvals of local committees.

Developments on the lot must adhere to the regulations the government sets based on these characteristics. As neighbours will generally share characteristics, lots in the same area are usually placed in the same set. For instance, a street may be classified as “residential” or “industrial” and new developments must be designed and planned accordingly. Planners then draw each set onto a map creating zones. The number of zones in an area differ. Some cities only contain a few zones, while others contain hundreds. For an example of a zoning map, see Figure 1.

Regulations control three aspects of a property: *land use*, *size*, and *density*, as outlined below.

- **Land use**
 - A property’s *land use* is predetermined, for example categorising it as commercial, residential, or industrial. It is also possible to build on “mixed-use” land which allows for multiple uses, such as commercial and residential.
- **Size**
 - The *size* of the property is also predetermined within a certain range. While all countries in the Anglosphere restrain a development’s size within the bounds of its property, zoning tends to go further.
 - Zones may limit the height of a building, such as by setting a maximum height or number of floors, and the area the building can occupy, such as by setting a maximum proportion of the lot a property can occupy or mandating it to be a minimum distance from the lot’s edge.
 - Planners often combine the two by setting “floor-area ratios” which can set a maximum permissible ratio between a building’s floor space and the lot size.
- **Density**
 - The *density* of a building can be decided by zoning regulating the number of units which can be built on a single lot.
 - Regulations can apply at the level of units (setting a minimum size for each unit) or properties (setting a maximum number of units per property).

In general, strict zoning regulations limit construction below the level the unregulated market would produce,² as those areas that zone for lower density also tend to show lower rates of construction.³ There are two mechanisms by which zoning holds back housing construction. The first is that zoning fails to provide for adequate residential space. A building’s use (residential, commercial, industrial, etc) is limited by planners who may prevent housing from being built on an exclusively commercial zone. Secondly, zoning can prevent housing being built in the level of density we would otherwise see. As such, this paper will focus on the role of size and density regulations.

For instance, in North American municipalities it is common to zone areas exclusively for single family homes on large plots of land. The lack of smaller and cheaper homes is today referred to as the “missing middle”, it means multifamily or clustered housing which are larger than one-bedroom flats but smaller than detached homes. These

would be affordable to the middle class, but are unavailable after zoning regulations prevents middle housing from being built in an effort to restrain density.

Zoning was originally established to cap the early 20th Century's densification, as urbanisation, migration, and population growth increased pressure in urban areas. But those same limits on densification are now claimed to be holding back development.ⁱⁱ For one, zoning regulations may prevent new developments entirely. But zoning also meant that dense buildings with small apartments or duplexes were limited. Families moving into low density neighbourhoods would therefore require funds to afford a large and expensive lot. This obstructed poorer families – disproportionately ethnic minorities – from accessing housing. Researchers and government reports therefore argue that to increase supply of housing and decrease prices, zoning regulations will need to be relaxed.

The UK's discretionary system and the argument for reform

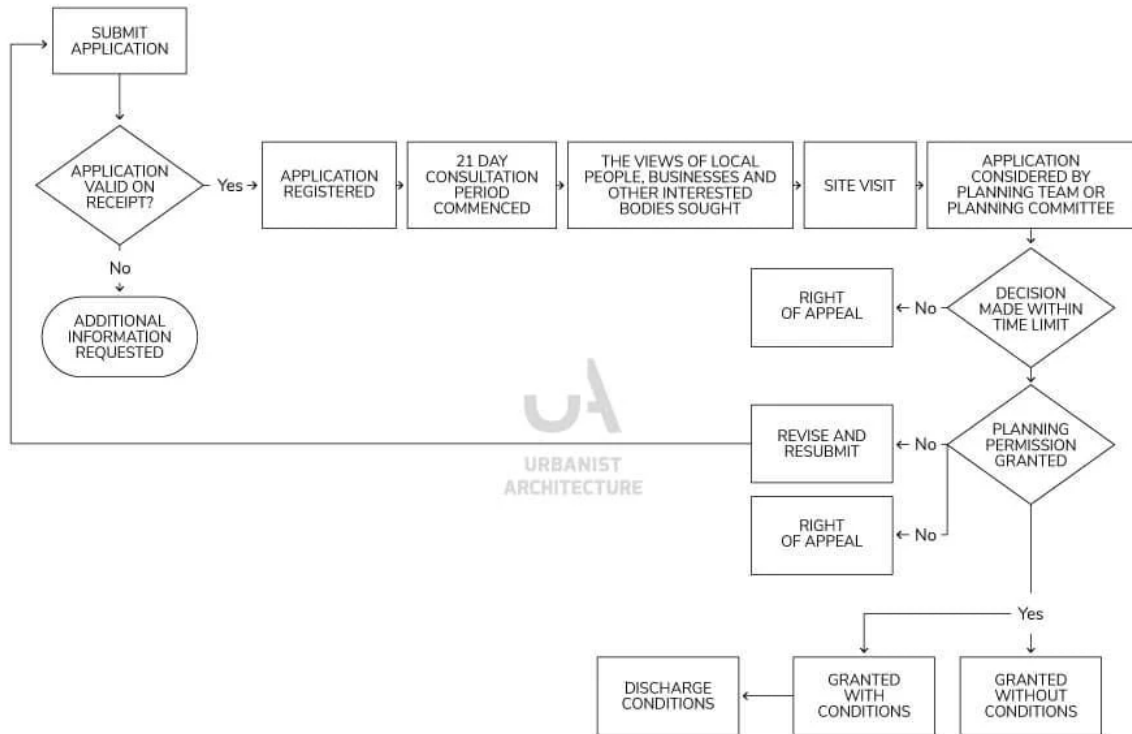
There are approximately 30 million homes in the UK: 26.4 million in England and Wales, 2.5 million in Scotland, and 800,000 in Northern Ireland. A House of Commons research briefing cited an estimated backlog of 4.75 million households across the UK, while a Centre for Cities report argued the number is around 4.3 million.⁴ This implies the UK needs to expand its housing stock by between 14% and 16%. However, as existing homeowners are likely to buy secondary properties, including buy-to-let homes, short term lets, and investment homes which can be left vacant, more than this may be required. The authors of the briefing warn that to reach the relative supply of Austria and Finland, where housing is more affordable, an increase between 25% and 30% would be needed.⁵

But any major increase to the UK's housing stock is complicated by the country's discretionary planning system which allows local councils and national park authorities to act as Local Planning Authorities (LPAs) which appoint a committee of decisionmakers who receive and analyse development applications. These committees can confirm, reject, or request amendments to developments as they see fit, but they are generally expected to make decisions based on the local authority's long term plans. Long term plans can include local design codes, minimum space standards, and local missions which request developments meet certain criteria. One advantage of this system is the greater flexibility available to developers thanks to the case-by-case adjudication. Further, it links those in charge of residential planning to other local planning, helping communities meet the new demands for transport, health, education, and other infrastructure caused by the new supply of homes.

ⁱⁱ Under a 1926 legal challenge, zoning was upheld by the U.S. supreme court which favoured its ability to prevent densification and protect large single family homes, saying "The development of detached house sections is greatly retarded by the coming of apartment houses...Very often the apartment house is a mere parasite, constructed in order to take advantage of the open spaces and attractive surroundings created by the residential character of the district. Moreover, the coming of one apartment house is followed by others... until, finally, the residential character of the neighbourhood and its desirability as a place of detached residences are utterly destroyed."

However, the discretionary system has been blamed for delaying or denying housing developments for two main reasons. The first is the unpredictable and often opaque factors which inform decisionmaking. Decisions can take years, requiring applications, local consultations and site visits before the application is even considered. The application can be dismissed at any stage, at which point, applicants must revise and resubmit, starting the process over. The process is stated in detail in Figure 2.

Figure 2: Planning Application Process as illustrated by Urbanist Architecture



Source: Urbanist Architecture

Secondly, discretionary planning tends to be vulnerable to residents who advocate against large-scale developments. NIMBY (“Not in my backyard”) activists are able to mobilise small but vocal contingents who protest against new housing units. Local politicians are especially vulnerable to these attacks because they are reliant on the support of fewer votes in smaller constituencies. By opposing development, politicians at this level can prevent votes against them and capture the support of a large constituency who might be apathetic on other issues. This trend was identified by a political advisor at the national level in New Zealand:

“The difficulty comes from the capacity of NIMBYs in particular when there’s a particular development issue to capture their local councillors. It’s easy for my [elected official at the national level] to be able to ignore those 200 people in that little niche suburb who are upset. It’s much harder for a local councillor to ignore them because they might have a constituency of three or four thousand. And so 300 people getting upset and writing letters and running petitions does influence them.”

And it is not just negative pressure. Local politics is often dominated by low voter turnout and apathy, making the appeal of catering to passionate groups extremely high for local politicians struggling to break through on other issues. One interview subject had previously worked as a local politician, and explained the appeal of NIMBYism when new developments are presented to a community which may be apathetic on other issues:

“Can I make a confession? I was a local councillor when I was 26...and I was never against density. But I realised the trick quite early on...I’d go down to the community and I would letterbox them and say ‘Meet your local councillor on a Friday afternoon and talk about this terrible development.’ We’d get thirty people showing up and I’d say ‘I think this is terrible and I’m going to be with you and I’m going to fight this’ and everyone would applaud. And then the next election my vote would go up...I feel a bit ashamed but I also think that a lot of politicians do that and politically its almost irresistible. It’s one of the few ways you really connect with the local community.”

The limitations of planning reform

To work out if planning reform is effective, we need to answer two simple questions. The first is whether easing construction processes will increase the rate of construction. The second is, if reform does cause more construction, whether it decreases or restrains housing prices.

Some reformers in the UK argue for planning reforms to introduce zoning.⁶ Zoning, so the argument goes, would lower barriers made by local planning bureaucrats while bypassing local NIMBYs who might block the property. But it should be noted that zoning alone is unlikely to greatly stimulate the rate of construction. While zoning provides a simpler applications process for new developments than discretionary systems, projects are not automatically approved, and developers will often lament delays with complaints that would sound familiar to British developers. Community advocates are also usually given the opportunity to complain or disrupt local developments leading to arduous consultation processes. The United States, Germany, and France had lower rates of housing construction in 2019 than the UK, as measured in share of dwellings completed that year, despite using more zoning over discretionary planning.⁷ The EU has for the last 10 years built homes slower than the UK when measured by this metric despite overwhelmingly avoiding discretionary systems.

Secondly, by placing all the blame on NIMBY activists and local planners, reformers ignore delays in development caused by developers themselves. ‘Land banking’ is a practice used by developers to acquire a site but delay building even after securing development permission from the local authority. This constrains supply, pushing up prices, allowing developers to then profit when they eventually build on a site or sell it to another buyer. There is a profit-maximising logic to the method, as these banks provide security for developers who are often uncertain where planning permission will allow construction.

Yet these land banks are severely constraining British housebuilding. A 2021 Competition and Markets Authority (CMA) report found 11 of Britain's largest housebuilders together control 1.17 million plots of residential land, including 522,000 which already have some form of planning permission.⁸ In 2024, the CMA reported that private developers were slowing down construction of affordable housing. The report showed that "private developers produce houses at a rate which they can be sold without needing to reduce their prices, rather than diversifying the types and numbers of homes they build to meet the needs of different communities (for example providing more affordable housing)".⁹ These reports echo a 2008 report by the Office of Fair Trading, a precursor to the CMA, which concluded that "Rather than thinking of homebuilders as construction firms that have integrated upwards into land development, it may be more realistic to think of land developers who have integrated downwards into home construction."¹⁰

Same problems, same solutions

Politicians and policymakers have searched for planning reforms that would "unlock" supply while maintaining the discretionary system, but these policies primarily targeting NIMBYs and local planners rather than developers. The Government's 2023 Levelling Up and Regeneration Act included new powers for the Secretary of State to direct LPAs in their design of local plans and to intervene where these plans fail to mention certain areas. In return, LPAs gained the ability to demand vital infrastructure, increase council tax on empty homes, and to auction vacant rental properties, alongside new funding for staffing.¹¹

In the 2023 Autumn Budget, Chancellor Jeremy Hunt announced further reforms including:¹²

- £110 million invested in nutrient-offsetting schemes to help LPAs mitigate the environmental effects of new housing
- £32 million for LPAs to overcome local planning backlogs
- Simplify the process for homeowners to convert their houses into flats
- New funds available for LPAs to accelerate planning approval processes which must be returned if processes do not speed up

Finally, in spring 2024, Housing Secretary Michael Gove announced new regulations. The first included changes to brownfield regulations which required planners in 20 LPAs to presume 'in favour of development' barring certain requirements. In addition, size requirements were abolished for office-to-residence conversions, but neither appear likely to increase British housing stock, as outlined in the next chapter.

Labour's policy pledges also emphasise planning reform, including:

- New funding for LPAs to speed up the approvals process
- New requirements for local authorities to have an up-to-date plan on how they will approve sufficient homes to meet projected population growth over the next five years

- New central government authority to intervene in local plans and, at times, step in through Homes England to build stalled developments to increase the capacity of existing property
- New towns in areas with unmet housing need
- Fasttrack approvals for brownfield developmentsⁱⁱⁱ

Some of these echo the House of Commons Levelling Up, Housing and Communities Committee report on reforming national planning policy, including a focus on brownfield development and a focus on LPA staffing.¹³

Although the UK generally lacks zoning, many policies considered by planning reformers as a tool to increase capacity and sidestep or override local procedures mirror the techniques of zoning reformers across the Anglosphere. In both, zoning and discretionary systems, reformers are arguing for similar supply-side reforms to tear down regulations in order to unleash the power of the private market. Proponents claim that there is a relationship between planned capacity, dwelling supply, and price, and that planning reform can decrease the latter by increasing the former. Yet these do little to address backlogs caused by developers. We identified eleven separate tools used or discussed across the Anglosphere, including:

ⁱⁱⁱ Brownfield sites are previously developed land which is or was occupied by a permanent structure and is now underused or entirely abandoned, such as old gas stations, vacant parking lots, and other buildings. Those who support the policy argue that as the land is already developed, environmental and aesthetic risks from new developments are minimal.

Table 1: Tools to address capacity issues in the planning system

Policy description	UK examples
Liberalising land-use regulations to expand local capacity for new developments and increase the land available for housing development	Five year housing land supply statements in local authorities
Lowering limits to unit density on a given lot by allowing units with smaller sizes	NPPF densification proposals
Cutting down on amenities which are often demanded by regulators such as parking spaces or gardens	London proposal on replacing minimum parking standards ¹⁴
Increasing the space permitted on a given lot by increasing the number of floors a development can hold or expanding the floorspace it is permitted	Liberalising permitted development rights ¹⁵
Expanding the space available to developments within a given lot, so that buildings reach closer to the pavement	Liberalising permitted development rights within total house curtilage ¹⁶
Using more housing designs that maximise available space by attaching to other lots, like duplexes and triplexes	Bristol terraced housing initiative ¹⁷
Pre-designing codes and models at the regional level which could be fast-tracked or automatically approved at the local level	DLUHC local design codes pilot project ¹⁸
Increasing funding for the planning review process to increase the speed of approvals and, potentially, decrease the cost of applications	Levelling Up and Regeneration Act 2023 which increased funding for LPAs ¹⁹
Fast-tracking approvals for projects that meet selective specifications, such as location or social value	Permitted development rights on brownfield sites
Intervening at the local level in targeted instances to allow specific developments	Development consent orders under nationally significant infrastructure project guidelines
Intervening at the local level in perpetuity from the central government when local policymakers are preventing developments in a given area	Labour intervening in policy at local level when LPAs fail to develop credible housing delivery plans

Local development orders (LDOs) provide a clear path for local authorities to build developments planners consider worthwhile. LDOs permit a certain type of development in a defined location to accelerate permitting and enable faster growth. For instance, the North East Lincolnshire Council issued an LDO to develop a brownfield site for industrial development. However, most LDOs have thus far been used sparingly and for minor developments.²⁰ Their introduction mirrors upzoning tactics which liberalise land use regulations at the local level.

Nationally significant infrastructure projects (NSIPs) and permitted development orders do the same at a national level. These promote key infrastructural developments such as renewable energy projects, power plants, and airport extensions. Currently, housing is excluded from the range of projects covered by NSIP guidelines. However, some have argued that NSIPs could be used to help fill housing delivery gaps, and the Chancellor's use of permitted development orders to allow flat conversions represents a step in this direction. Academics at the universities of West England and Sheffield have pointed out the NSIP regime currently excludes housing despite its potential impact in speeding up housing delivery.²¹ Opponents of the policy, however, warn of the democratic deficit inherent to a process which overrides local concerns.²²

Even in keeping with UK's unusual deference for discretionary planning, it can still learn from experiences abroad. The following section details these experiences to understand where planning reform has failed, and how it can succeed.

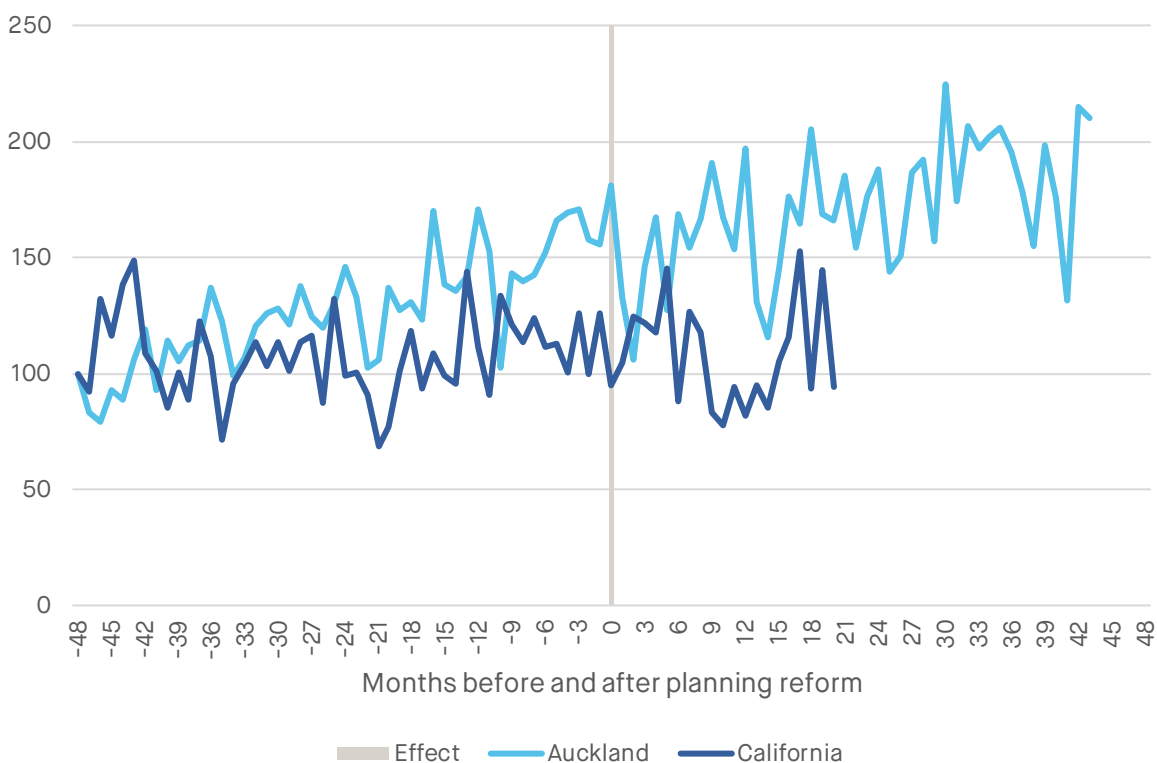
CHAPTER TWO – PLANNING REFORM DOES NOT NECESSARILY INCREASE SUPPLY

Examining Auckland, California, Minneapolis, and Toronto

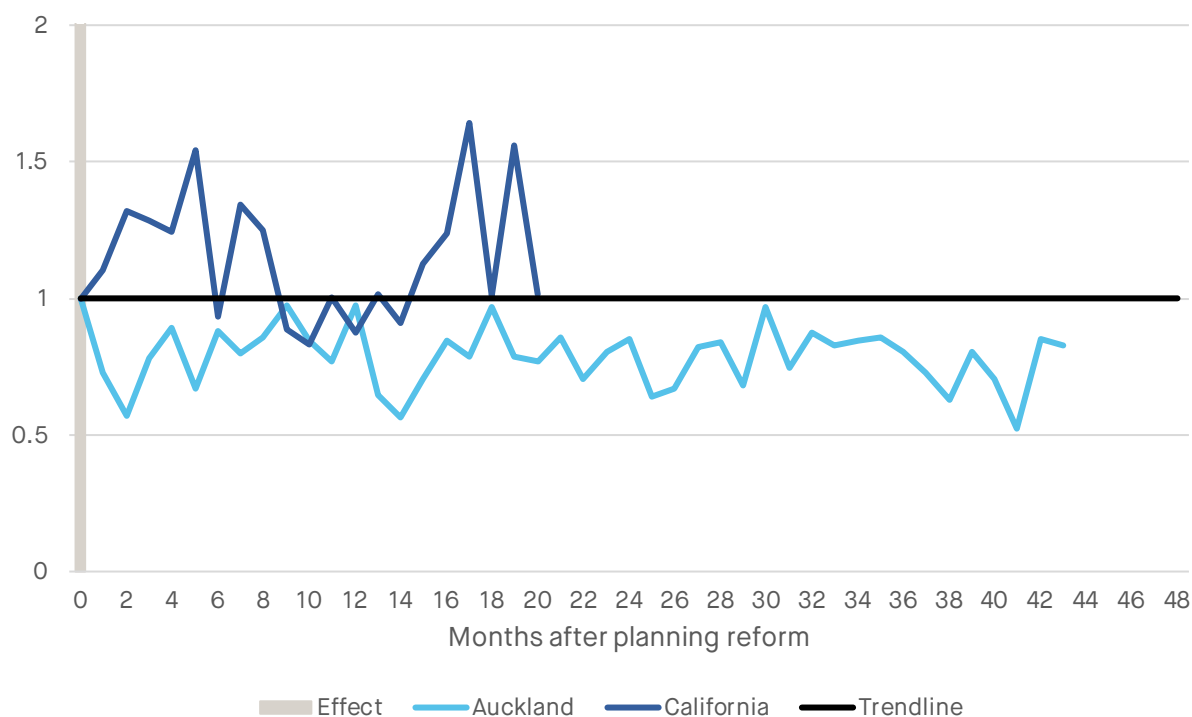
The argument that planning reform increases supply is based on classical economic theory that assumes supply will rise to meet demand unless it is otherwise obstructed. Reformers argue that government regulations including zoning and discretionary decisions are obstructing this supply and that, with their influence mitigated, developers will increase construction. Auckland, Minneapolis, and California have been credited in academic articles and the media with undertaking planning reform to increase the capacity of their lots. However, on closer examination, it remains uncertain whether Auckland has increased housing supply, while Minneapolis and California have failed to see much increase in residential construction permits.

Figure 3 examines residential units permitted in Auckland and California before and after planning reform was introduced. It includes the four years before and after planning reforms were introduced, although California’s more recent reform means data is only available for two years after reforms. Figure 4 looks specifically at the years following reform. It takes the trend from the four years preceding reform and compares whether the pace changed when new policies were introduced. It divides the number of new construction permits by the projected number of new construction permits if pre-reform trends had continued.

Figure 3: Effect of planning reforms on new unit permits issued (indexed, four years before reform = 100)



Source: Stats NZ and Federal Reserve Bank of St. Louis²³

Figure 4: Post-reform permits as a multiple of the pre-reform trend

Source: Stats NZ and Federal Reserve Bank of St. Louis

Auckland City Council's Unitary Plan upzoned three-quarters of the city's land in 2016, expanding the units available in certain areas from single housing zones to those which would allow greater density. A 2023 study analysed the number of construction permits issued for upzoned and non-upzoned neighbourhoods.²⁴ They found upzoned neighbourhoods issued an additional 23 permits on average by 2021, implying 21,808 additional permits since 2016. This implies upzoning increased the city's housing stock by 4.11% over five years.

But these numbers should be taken cautiously. Critics have warned that the Auckland study's findings fail to recognise two major confounders. The first is temporal. Housebuilding permits appear to have been rising at a faster rate than the authors allowed for when calculating trends prior to the Auckland Unitary Plan. According to Cameron Murray and Tim Helm, by assuming the trend is linear rather than a curve, and by underestimating the rate of housebuilding prior to the AUP, the authors overestimate the effects of the AUP on supply growth.²⁵ Figure 4 shows that, when measured across the city, planning reform did not lead to an increase in housing permits. Further, in Wellington, New Zealand's next largest city, housing permits grew at a similar rate to Auckland's despite no upzoning strategy being introduced.

The second problem identified with the paper has to do with completion rates. While permits for new housing units increased, housing completions did not. Permits are offered when developments are approved, but they do not automatically translate to new units as they can still be delayed or abandoned. As a percentage of total permits issued, Auckland's net additional dwellings fell from 77% before 2018 to 69% since 2020. Here, construction failed to open up to the same degree as permitting.

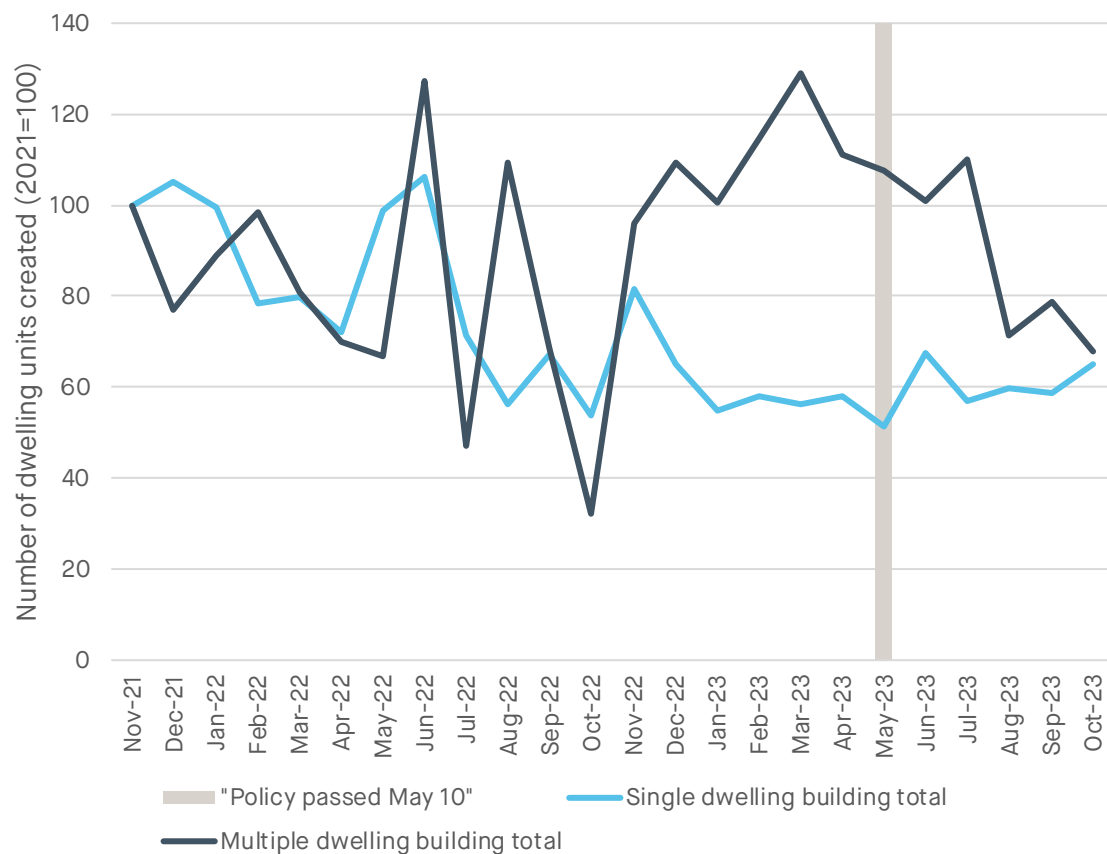
This does not necessarily mean Auckland's planning reforms were meaningless. It is possible permits would have fallen between 2016 and 2020 and that reforms managed to keep them stable. It is also worth noting that rents in Auckland have fallen relative to the rest of New Zealand, potentially caused by new market projections. Although planning reform did not massively increase supply in Auckland, it may nonetheless have potential if enacted more carefully.

Auckland's difficulty turning supply-side planning reforms into actual housing units is a common one, as many other cities have attempted upzoning without getting increasing supply as a result.

California experienced similar disappointment after their upzoning experiment. In January 2022, California passed a new law allowing homeowners to build up to four homes on an existing plot of land across the state by effectively "splitting" the lot.²⁶ Prior to implementation, the Turner Centre at UC Berkeley had estimated the law could provide 700,000 new homes based on existing market dynamics.²⁷ However, after a year, the same institution found uptake "limited or non-existent." California's largest city, Los Angeles, permitted 20,000 new homes in 2021, but only had 211 applications submitted to split lots or build new units using reforms. Across California, Figure 3 shows planning reform has failed to budge permit issuance nearly two years into the policy.

Similarly, when Minneapolis introduced planning reforms which allowed for duplexes and triplexes in 2018, they replaced all the zoning ordinances which had previously demanded single family homes.²⁸ However, between 2018 and 2022, the city of 425,000 averaged just 69 of these homes annually, in total representing less than 1% of the total units permitted in 2022. Further, just half of duplexes and triplexes were built on lots previously zoned for single family development.²⁹ Although this was an increase compared to the previous five years, it represents a small fraction of Minneapolis' housing needs, and less than half a percent of the total units permitted in 2022.

Toronto, Canada, has experienced similar difficulty in converting planning reform policies into actual practice. In May 2023, the city passed amendments to the city plan allowing multiplexes of up to four units to replace existing single family properties.³⁰ Yet in the six months following the policy, multiplex construction has fallen, and is below levels seen last year (Figure 5). Interestingly, multiplex development has fallen relative to single-dwelling buildings, implying the policy is failing to discourage single family housing. This is not to say the policy actively discouraged multiplex development, but it has failed to meaningfully increase the supply of missing middle housing.

Figure 5: Toronto dwelling units created (indexed to November 2021)

Source: StatsCan³⁷

Why does planning reform fail to increase construction? The devil in the details

Despite high level planning reform, regulations at a more granular level tend to maintain existing practices which have carried over from the previous regime. The advances made by housing developers and their advocates in liberalising planning regulations are outweighed by entrenched regulations in other areas, limiting the potential for new supply and nullifying its effect on prices. This is often the result of a compromise with groups that seek to prevent high density housing.

Minneapolis represents the most egregious of these problems. While the city was newly able to build denser units including duplexes and triplexes, policymakers maintained restrictions on lot size, parking requirements, and how far the building must be from the pavement. Although some increases to size were allowed,^{iv} duplexes and triplexes must in general fit within the same “envelope” as the pre-existing single-family homes. Although the goal of these policies is denser housing, market suppliers may have doubted the demand for units which were so much smaller.

^{iv} Floor area ratios, meaning the amount of floor space across all floors relative to the entire lot, increased from 0.5 in single family homes to 0.7 in three family homes, which could partially accommodate the increase in story limits from 2.5 stories to 3.^{iv}

In California, the original policies proposed by housing advocates went further than the final bill. SB50 would have introduced quadruplex zoning as a minimum on lots across the state and override local government zones, as well as midrise apartments near transit stops and job centres. However, following dedicated pressure from suburban constituents, the bill failed. This resulted in a later compromise which demanded that homeowners who wished to split their lot remain in the property for three years, and cannot do so on two adjacent lots. This disinclined most homeowners from doing so as they would not be able to move during the construction on their property, and barred professional developers from using the policy. Finally, many municipalities opted to maintain sizing regulations, requiring new quadruplexes fit in the within the same height and area as single family homes. In four cities, multiplexes were actually required to be *smaller* than detached houses.

Similar issues emerged in Auckland, which allowed up to six units per lot in certain areas but required lots be relatively large at minimum 1200m². Mixed housing, which had a minimum lot size of 300m², therefore proved much more common as lots were generally smaller, but developments here were limited to 12m heights with a maximum of three units per lot.

Secondly, planning reform often failed to be as ambitious as was required. Take Toronto, which made multiplex building legal on sites that previously only allowed single family homes. Yet this does not mean the market will automatically fill these gaps. As one columnist remarked, “Making something legal doesn’t make it easy.”³² Few homeowners wish to convert their homes into four-unit properties, given the time and strain it would require. Even where doing so would make homeowners a profit, the existing incentives to keeping their home as an investment appear to satisfy many into keeping their home as it is. Perversely, the high prices which mean denser homes are needed leave little incentive for homeowners to construct them.

The few that do are unable to increase supply at the scale required. Regulations limiting development to four units, for example, help maintain the character of existing neighbourhoods, and effectively limit the density which can be permitted.

Regulations which limit the supply that can result from planning reform are generally devised to placate existing homeowners who felt threatened by major densification projects in their area. An LA Times reporter described California’s divide as taking place outside of traditional politics. “This fight had nothing to do with partisan politics. It was all about geography and the protection of single-family living from the encroachment of higher-density complexes.”³³ In Minneapolis, forces opposing reforms released signs which read “Don’t Bulldoze Our Neighbourhood” that proliferated wealthier areas.³⁴

A policy advisor in Auckland explained local resistance to densification especially when it included developments managed by Kāinga Ora, the country's public housing provider:

"In certain areas, they've only zoned for three storey high buildings, and [pro-housing advocates] want to be able to build higher so we'd have more apartment buildings...but then there's the other side where people...are against any kind of intensification...They are wealthy, generally white, older people who have made a lot of money off it. They don't want to see intensification especially Kāinga Ora houses...and Kāinga Ora have decided to pause development in certain areas"

Like many issues in policy, the planning reform devil is in the details, and activists who oppose new developments continue to influence planning reform even after major issues are agreed upon.

This constrains housing supply, as well as the potential for planning reform. As such, any planning reforms attempted in the UK which lower the limits on unit density must be holistic and ambitious, recognising the role of minute regulations on height and area.

Box 1: Portland, where holistic planning reform increased supply, but more needs to be done

Between 2003 and 2017 Portland, Oregon reformed planning rules on 2,197 lots, or 2% of its land. This included allowing greater density in smaller buildings, and rezoning single family residential lots into multifamily residential lots.

Of lots that saw planning reform, 111 (5.1%) experienced development. One study compared this to 2,197 comparable lots which were not upzoned, of which 58 saw development (2.6%).³⁵ Further, developments in upzoned areas saw greater density. The upzoned parcels created 240 new units (7.1 units per acre) compared to controlled parcels which created just 80 (4.3 units per acre). This was particularly effective regarding vacant land, as 38.7% of vacant lots which allowed for multifamily units saw development, generating 16.1 units per acre. These were valuable as zones which allowed for multifamily units were likely to be along major roads and light rail transit stations with higher density, and house a population with lower incomes and more ethnic minorities. The author therefore claims Portland doubled the likelihood of development by allowing greater density in these areas, and building particularly dense buildings in areas with higher need.

Portland was able to accomplish this by altering granular regulations. Zoning increased single family residential density, decreased the property's minimum lot size by 30% and increased maximum density by the same amount. Additionally, a lot's minimum size for medium density homes was lowered, expanding the number of lots which were eligible. Finally, 14.1% of reformed lots were changed from single family zones to multifamily zones, allowing massive increases in density.

Yet 5.1% is a relatively low development rate if it is meant to greatly increase supply or affordability, and fails to account for mitigating factors like displacement which may decrease the difference against the control group. The author explains the rate by pointing out that most upzoned lots had already been developed. On vacant lots the impacts are more pronounced: 38.7% of upzoned land on vacant lots saw development compared to 29.7% of non-upzoned land on nonvacant lots, meaning policies that increase access to brownfield sites may have the greatest impacts within planning reform.

Overall, Portland shows why planners will need to be ambitious in their reforms, including the extent of land planning reforms cover and the available units developers can build, in order to generate construction at a scale required to increase the UK's supply at a rate that would also increase affordability.

Recommendations

Ensure any reforms to planning are ambitious enough to greatly increase supply at the scale required

Optimistically, reform advocates claim Auckland's reform policies increased housing construction by 5.1 percentage points, though as described these numbers are questionable. If accurate, the benefits should not be dismissed, as a similar increase to the UK's housing stock would build between 750,000 and 1.5 million additional homes. But these are not guaranteed, as developers may lack sufficient incentives to build at the scale required to affect the affordability crisis.

As such, the size of the buildings and land provided to developers must match the scale of ambition. Planning reform has, at most, only increased construction rates of five percentage points where it has been implemented, and even this is only accomplished when policymakers reform large swathes of land. Reform will also be more successful where the average prices are higher than the building cost, as is the case in high-demand areas like central London.

Seattle, for instance, previously set aside 75% of its land for single-family homes. In 2019 the city upzoned 6% of that land. If reforms increase construction by five percentage points on these lots, Seattle might therefore increase development by 0.4% over the long term.^v While every increase in stock is welcome, the large amount of political energy spent on such a small victory feels misplaced. Further, the number of new units will be minimal as existing regulations are only slightly changed. For instance, many neighbourhoods will see their maximum building height increase by less than five metres, limiting the number of new units the plan can affect.

^v $6 \div 75 \times 0.05 = 0.4\%$

Developers need to be able to build up or build out. It may sound obvious, but to maximise the amount of new construction policymakers must maximise the amount of land to be made available along with the number of units that can be built. Planning reformers should use the NPPF and the National Design Guide to increase the area local councils must provide for housing and increase the density allowable on particular lots to including multifamily housing.

Box 2: Brownfield development and unambitious planning reform

An example of unambitious planning reform came in the Spring of 2024 when the government announced new policy on brownfield construction meant to increase supply by liberalising regulations.

Housing Secretary Michael Gove announced policies requesting local planning authorities to be flexible in their application of housing standards when dealing with brownfield sites but this had no legal obligation.³⁶ The only obligation applied to the largest 20 cities and towns, who are now being forced to follow a “brownfield presumption” if they fall 5% behind on their housing targets, meaning applications would likely be approved barring certain qualifications. However, these qualifications proved extremely restrictive, and allowed planners to reject applications based on land designations (brownfield sites on greenbelt land, heritage land, land at risk of flooding, and another seven categories were exempt) as well as if construction would disrupt the “character” or “density” of a given area – two of the most common objections raised by NIMBY advocates. Secondly, of the 20 cities and towns which came under this rule, only four were behind their targets as of 2022, including Bristol, Southampton, Bradford, and parts of London, again restricting the policy.³⁷ Finally, brownfield sites were wholly insufficient to boost housing to the degree required. Even if every brownfield site were built on, it would only be enough to increase housing stock by 0.78% in these towns and cities.³⁸ More might be available if higher density multiplexes were encouraged by policymakers, however the warnings on density in the government’s policy implied this to be unlikely.

Even with more holistic planning, brownfield reform can only be part of the solution. Even if every brownfield site were developed, the number of new housing would equate to 1.2 million, increasing total stock by 4.2%.³⁹ This is less than a third of what a House of Commons research briefing estimated was required, and even this is unlikely to be hit given the realities of brownfield sites and construction delays.⁴⁰ Further, there is a regional component. While England’s brownfield sites may have the capacity for 1.2 million homes, not all of them are where they need to be. Over 300,000 are in the North, which tends to suffer from oversupply, while others are in rural areas which suffer similar problems.

None of this means that brownfield sites should not be developed into residential buildings where there is demand and where it is feasible. For instance, there are nearly 400,000 brownfield sites in the London area where

demand is extremely high. However, policymakers who rely too exclusively on using brownfield land are likely to find their policy solutions incapable of boosting supply at the scale required. They are limited by the land which is available as well as the density which would be allowed.

To do so, policymakers should fast-track approvals for housing projects that meet specific guidelines, such as those being built on brownfield sites or where viable on high streets. Secondly, approvals should ensure that new projects maximise the amount of units viable on a plot of land. If tall towers are already in the area, local planners should prioritise multiplex flats. Projects should be designed to accommodate a range of incomes and include units with the bedrooms and amenities to meet the diverse needs including young couples and families.

Undertake a root-and-branch approach to planning reform in the National Planning Policy Framework and local plans which recognise the need for granular reforms

Planning reforms are not guaranteed to increase supply. As seen in Minneapolis, Auckland, and California, holdover policies from previous planning frameworks continue to disincentivise new building models and restrain densification. Further, groups opposed to new dense developments continue to exert substantial opposition at a local level against new housing, particularly if that housing is available to those on relatively low incomes.

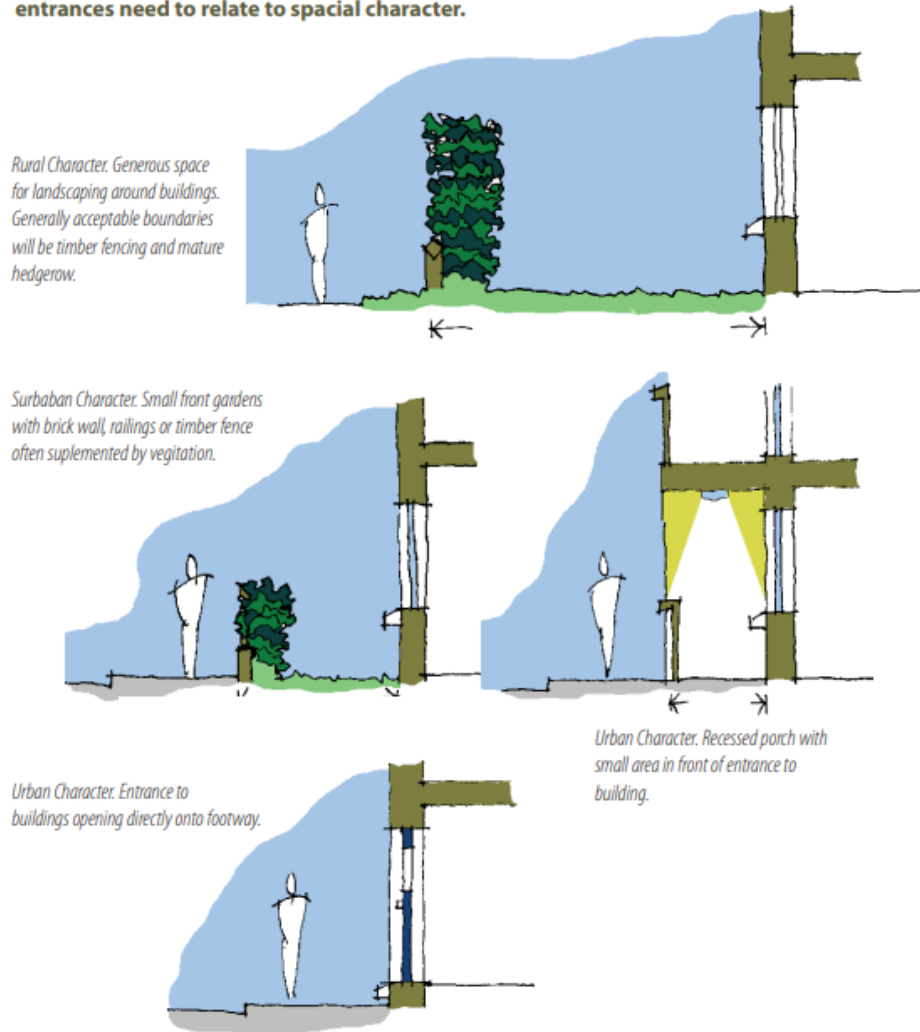
When conducting planning reform in the UK, planners are not as restrained by granular housing policy requirements as in the comparative countries. However, development applications may conflict with the National Planning Policy Framework (NPPF) or local planning policies. While these are not “mandatory” in the North American sense, applications which go against local plans will generally be rejected.

The NPPF governs local plans through the Planning Inspectorate, which recommends whether local authorities’ plans meet the obligations set out in the NPPF or whether they are unsound. While the NPPF requests councils optimise land use for denser housing, it contains a number of policies which contradict that objective. These include banning maximum parking standards except in particular instances, supporting designs which maintain the neighbourhood’s existing density, and preventing new developments from increasing noise pollution.

However, currently the NPPF policies are trumped if they conflict with local policies. At the local level, many councils request new developments include generous space for landscaping, front gardens, or footways surrounding a building (Figure 5). Alternatively they may require that new developments mimic the design of surrounding areas, as zoning regulations do elsewhere, forcing developers to reproduce the designs and densities of the existing local housing stock.

Figure 6: An example of local planning policy in the Kent design guide in detail

Boundary treatments and their relationships to building entrances need to relate to spacial character.



Source: Kent County Council⁴¹

These are examples of a wider tendency in UK planning to introduce de facto regulations at the national and local level which, while more flexible than zoning due to our discretionary system, nonetheless imperil densification policies at a granular level by giving Local Planning Authorities de jure justification to reject them.

Policymakers seeking to reform planning to build homes faster and denser will need to reform the NPPF. Granular policy reforms should lower limits to unit density, cut down on amenities often demanded by regulators such as parking spaces, front yards or boundaries, or increase maximum floor-to-area ratios. Additionally, the NPPF should be revised to demand local authorities work with the private sector to develop pre-designed building codes and models that meet separate housing needs. This would include pre-approved designs for high density flats and medium density flats which could be fast-tracked for approval if site specifications are met.

Finally, to ensure changes to the NPPF have an impact on the ground, policymakers should implement the recommendation of the Communities and Local Government Committee by mandating local authorities have an adopted and up-to-date local planning frameworks.⁴²

Additionally, NPPF guidance should be made obligatory with councils, potentially through National Development Management Policies, with any conflicts between national policy and local policy decided in favour of the national government according to the Planning Inspectorate. Alternatively, housing targets should be made mandatory as part of the Levelling Up and Regeneration Act 2023, adding that failure to deliver viable plans to meet these targets, or failure to deliver them, would be grounds for intervention from the Secretary of State for Levelling Up, Housing and Communities.⁴³ This would give “teeth” to national planners and help encourage faster developments without resorting to zoning which can be time consuming, costly, and may leave areas with the same problems.

CHAPTER THREE – PLANNING REFORM DOES NOT NECESSARILY DECREASE PRICE

Examining Chicago, Brisbane, New York City, and Seattle

Even where planning reforms increase supply, as in Portland, they may not decrease prices, and in some cases increase them. Reformers argue that the new supply generated by capacity increases will put downward pressure on prices by increasing the competition and alternatives available to purchasers. This is not certain. Planning reform has often accompanied price increases, even where supply grows as is outlined in Figure 6. Seattle saw large price increases following reform, while New York and Chicago saw little change from their pre-reform trend (Figure 7).

One might reasonably ask, as long as planning reforms increase supply, what is the worst that could happen? This fails to recognise the risk. Because reforms generally increase property capacity, they also increase the use value of the land. This can push up home prices, increasing the risk of gentrification in the area. Where reforms are targeted, such as in Chicago and New York, the risk of gentrification is greater, as speculation is likely to be intensified.

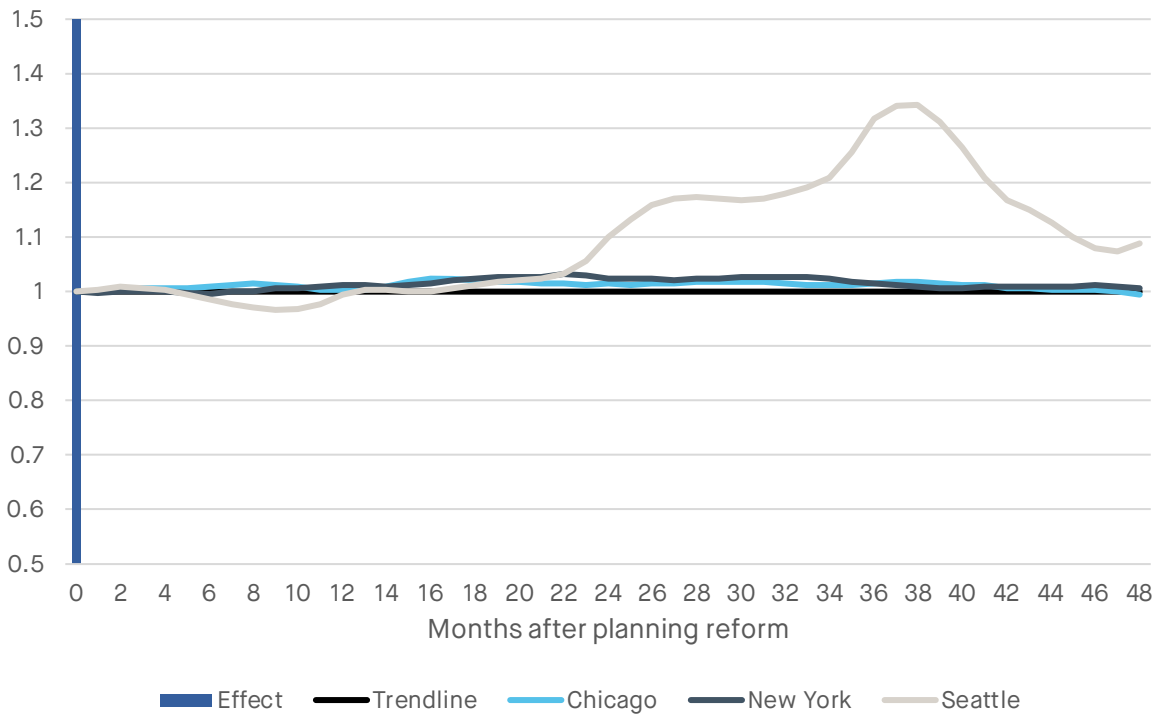
As such, planners should undertake blanket reforms which avoid targeting and introduce demand-side interventions to restrain price increases whenever government undertakes planning reform. This chapter looks at Chicago, New York, Seattle, and Brisbane as examples of gentrification following planning reform to understand what went wrong and how to prevent similar issues here.

Figure 7: Effect of planning reforms on housing prices (indexed, four years before reform = 100)



Source: St Louis Federal Reserve

Figure 8 Post-reform prices as a multiple of the pre-reform trend



Source: St Louis Federal Reserve

In 2013 and 2015, Chicago upzoned 6% of its land to allow for higher unit density around its rail system stations. Changes included increased floor-area ratios and reduced parking requirements. This began with a 2013 plan which upzoned areas 600-1,200ft from local subway stations, and expanded the radius in 2015 to include areas within 2,640ft. As plans were based on Chicago’s relatively expansive transit system, upzoned areas included a wide variety of demographics across the city’s socio-economic spectrum, presenting a useful case study.

A study in 2020 finds these changes had little impact on overall supply.⁴⁴ This may be impacted by the fact that average Chicago prices are not far above construction costs, meaning developers have little incentive to build. The author did find that reform increased construction in upzoned areas with high demand, including high income districts and the downtown core. From a supply perspective, Chicago demonstrated that planning reform could increase housing in areas with high demand.

However, the new supply did not lead to greater affordability. The same study found prices increased in upzoned areas more than elsewhere due to increased levels of speculation among land developers.⁴⁵ Directly following the 2013 reforms, land transaction prices in upzoned areas increased relative to non-upzoned areas, as developers could expand their ability to build. While land transactions are a wider category than residential transactions, the two are related. Speculation was particularly intense because it was concentrated on confined areas targeted for upzoning, increasing the relative inflation in these lots. The gains were not offset by new supply as reformers had hoped, and led housing prices to increase on upzoned lots. Across the city, reforms failed to decrease housing prices (Figure 7).

Because land values increase when capacity increases, planning reform can inflate prices if there is not enough new supply to offset that pressure. A community housing advocate in Auckland, which saw continued price increases, explained why planning reform is not always sufficient.

*“It’s the basic economics of it. The landowners have captured the value uplift and this was confirmed in a report government commissioned...When the Auckland Unitary Plan came in in 2015, we and many others had advocated strongly for inclusionary housing requirements. The modelling was done, it was demonstrated to be feasible, but the commission that heard the case said it was outside the scope...and so it was left out. And so what we saw...is that average section prices lifted by \$100,000. So existing landowners – both single family owners or those in the development community – saw a significant value uplift. **It just cost more to purchase that land.** Yes, you could put more units on it...but in absolute terms and based on people’s incomes we’ve seen a continued rise of average and median house prices compared to incomes in Auckland...It’s **because the volume of supply relative to the existing volume isn’t sufficient to dilute the value.**”*

As shown in the previous section, planning reform does not increase supply where it is not done effectively. The downward pressure on prices from the new supply risks being outweighed by the inflationary impacts of new capacity and speculation. While advocates in Auckland lobbied for inclusionary housing requirements to restrain inflation, they were overruled by claims that such policies were outside the remit of planning reform.

Brisbane experienced a similar phenomenon over 20 years. In the most long-term study of the effects of density planning, researchers evaluated over 25,000 sites which had relaxed their planning rules to increase density.⁴⁶ Like Chicago, densification was targeted around transit nodes. Their results found that, while the rate of housing growth was slightly higher in rezoned areas than elsewhere, the results were meagre, with 78% of rezoned sites remaining undeveloped 20 years on. Further, even where properties were linked to development, this was not followed by price decreases. In fact, areas with higher price growth tended to see higher construction rates. The authors explain this as a reversal to the traditional story: where land was made more expensive, supply followed. Rather than demand being reliant on supply, supply appeared reliant on demand.⁴⁷

Recognising these failures, Seattle implemented a policy requesting developers include affordable units in developments which benefited from planning reforms. Seattle’s Mandatory Housing Affordability program relaxed zoning regulations while encouraging affordable housing construction in 33 neighbourhoods in 2017 and 2019. This was done by allowing for denser development through additional stories and increased floor-to-area ratios. In exchange, developers making use of these bonuses had to either make a one-time payment to the city’s affordable housing fund or provide rent and income-restricted units in their plans to promote affordability. The extent to which developers could densify was dependent on the amount of affordable units/payments they provided.

However, new construction became concentrated outside of areas where reforms had been instituted and where there was no affordable housing mandate, at times across the street.⁴⁸ This resulted in fewer overall permits being issued in areas impacted by the program, fewer units being constructed, and significantly fewer new family units being built. Following reforms, prices across the city increased, though it is unclear whether planning reform was causally responsible (Figure 7). Developers had responded rationally in Seattle's marketplace to maximize profit based on the incentives offered to them. Offered the chance to increase construction while improving affordability, developers declined in favour of increasing profits.

This is not unique, and policymakers should count on developers to maximise profits where possible, and skirt affordability requirements to do so. Under Mayor Michael Bloomberg's administration, New York City upzoned 37% of city land between 2002 and 2009.⁴⁹ The particular policy of upzoning differed by borough. Some applied to a few blocks, while others covered tens of blocks. Some changed land use from non-residential to residential while others allowed for greater residential density. A 2010 Furman Center paper found that the net effect of planning reform under mayor Bloomberg was to increase capacity by 1.7%, though data remains unavailable on whether this increased supply.⁵⁰ What is clear is that planning reforms failed to boost supply to meet demand, with the inventory of available Manhattan apartments falling during his term, and two-thirds of units classified as "affordable" being too expensive for the majority of local residents.⁵¹

In a 2021 article on the subject, Jenna Davis found upzoning tended to gentrify neighbourhoods and increase the proportion of white non-Hispanic residents.⁵² In *Zoned Out!* the authors describe how racialised neighbourhoods like Chinatown, Williamsburg, and Harlem saw their original residents, mostly renters, displaced by planning reforms which raised property values and rents, increased the proportion of luxury homes, and caused a rush of real estate speculation.⁵³

Bloomberg's successor as mayor, Bill de Blasio, approved a Mandatory Inclusionary Housing plan in 2016 to respond to these issues which mimicked the strategy in Seattle. The program mandated 20–30% of new housing in rezoned areas be affordable.⁵⁴ This was a step forward from Bloomberg's policy which included no affordability regulations. However, de Blasio's administration defined affordability as being up to 115% of the area's median income, leading to continued gentrification among many developments. Further, these "affordable" units only had to make up 30% of a new building's total, allowing a majority could be listed above market rates.⁵⁵ The resulting policy has failed to constrain home prices. Since 2020, home prices have been growing at an even faster rate than they did under Mayor Bloomberg's tenure.⁵⁶

The experiences of Chicago, Brisbane, Seattle, and New York show the risks associated with planning reform. By increasing capacity in a select area, those areas are unlikely to increase supply, and if they do, are more likely to experience gentrification. Blanket approaches, however, decrease this risk by making developers unable to displace construction. The more targeted the planning reform is, the more protections will be required.

Minneapolis – where big reform failed, small reform succeeded

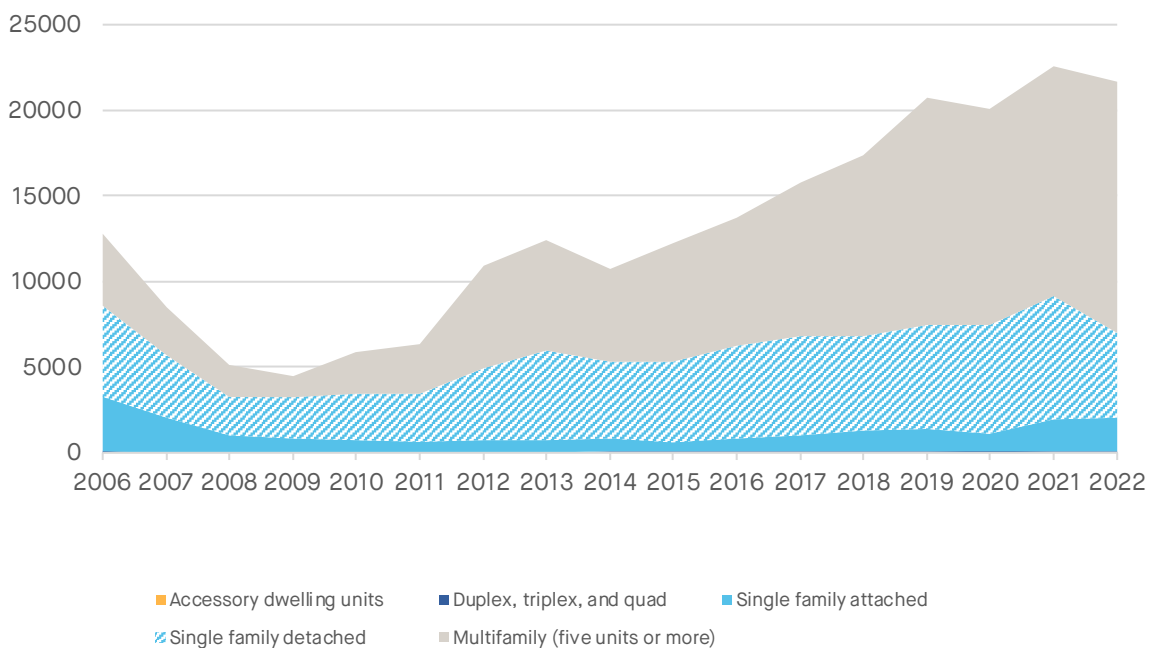
Despite disappointments, there are success stories of planning reform which help to develop policies that increase capacity, increase supply, and decrease prices.

Minneapolis shows a separate story. While the city failed to increase supply through upzoning and duplex/triplex construction as previously discussed, policymakers did increase supply through alternative reforms.

At the same time as Minneapolis' failed upzoning project, policymakers stripped down parking requirements for housing projects which previously required one spot per unit. Developers were effectively able to build more units on less land, and were incentivised to do so with the greater profits they could accrue. Parking minimums were particularly burdensome for multifamily units and large apartment projects, which previously required many acres of land for parking space or costly basement car parks. These minimums had decreased in 2009, again in 2015, and in 2018 were eliminated entirely, leading to new land and new units boosting supply.

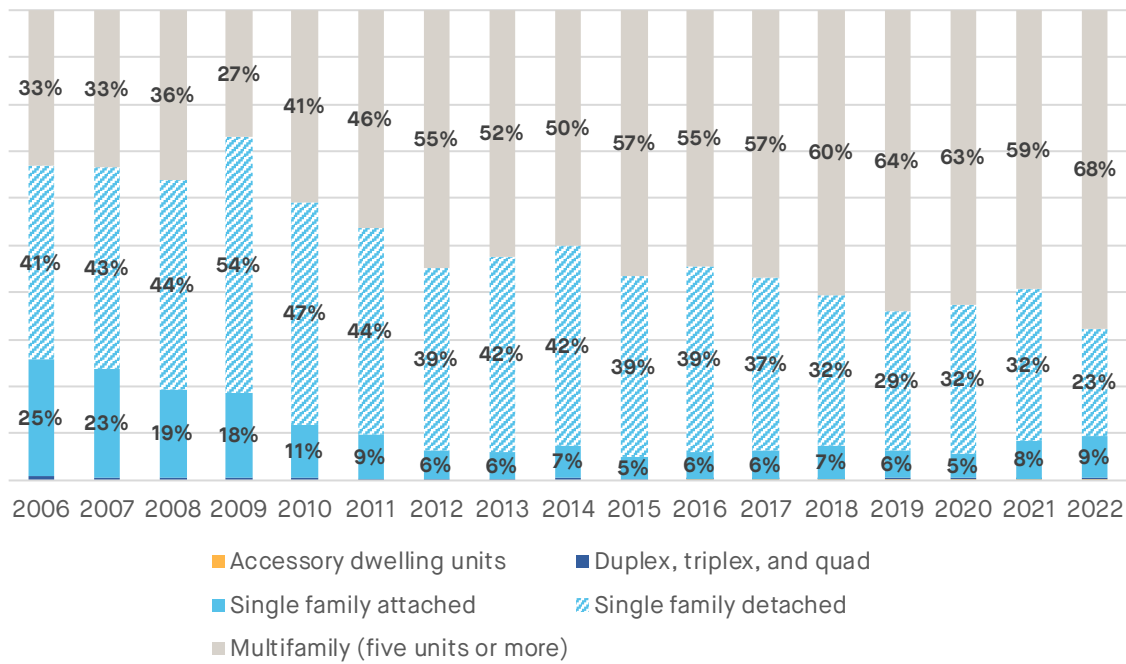
This has led to a large boost in multifamily homes. Since 2009, multifamily units have grown dramatically. In 2022, 14,000 units were built, more than double the amount built ten years previous (Figure 8). Minneapolis' construction had previously been dominated by single family homes, which made up 65% of construction before 2008. By 2022, this had been cut in half, down to 32%, while dense multifamily housing made up 68% (Figure 9). Further, by introducing blanket reforms rather than trying to target particular areas, the city avoided gentrifying neighbourhoods by concentrating speculation around small sites. Policymakers made these reforms effective across all residential properties in the city. As a consequence, Minneapolis enjoyed better outcomes than Chicago.

Figure 9: Minneapolis residential permits by unit type



Source: Federal Reserve Bank of Minneapolis

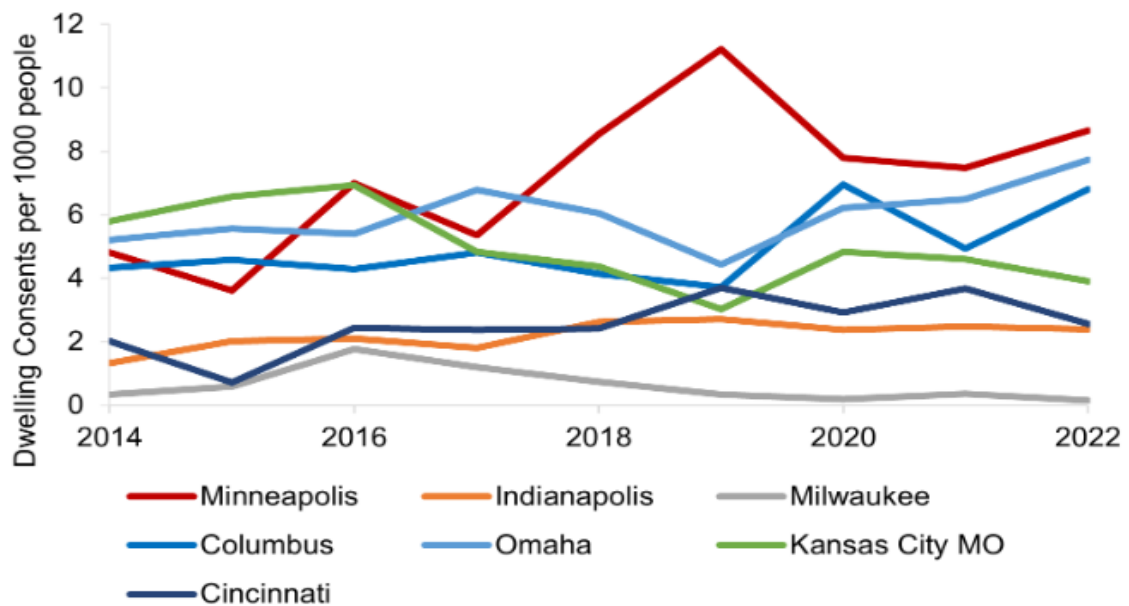
Figure 10: Type of residency as a % of total permits



Source: Federal Reserve Bank of Minneapolis

The result has seen a significant increase in Minneapolis supply relative to other cities. While dwelling consents in Minneapolis were middling relative to cities of comparable size in 2014, it rapidly outpaced them following the bill’s announcement in 2017 (Figure 11).

Figure 11: Dwelling units permitted in comparable US cities



Source: Mathew Maltman, *One Final Effort*⁵⁷

However, this only tells part of the story. Minneapolis has successfully increased supply, but as we observed in New York, new supply does not necessarily mean lower prices. Therefore in 2018 Minneapolis also introduced affordability requirements which ensured the new supply would be affordable and inclusive. USD \$320 million was allocated for rental assistance and subsidies that have increased demand for apartment buildings and unleashed a “boom” in supply.⁵⁸ Additional municipal policies provide landlords with tax reductions so long as they keep 20% or more of their units affordable (defined as a dollar figure considered affordable for those making less than 60% of the area’s median income and rented to those in the same bracket, worth approximately USD \$1,350 per month for a two bedroom).⁵⁹

The ambitious inclusion of affordable rental requirements alongside strict definitions of affordability have helped restrain costs when the rest of the country is seeing prices rise. Since 2018, rents have stabilised, growing at just 1% in the Minneapolis area from 2017-23 despite the average US rent rising 30% in that period and the city adding residents faster than the US average.⁶⁰ At the same time, homelessness declined.⁶¹ It should be noted that although rental prices remained steady, house prices – which were not subject to affordability requirements – continued to increase.

Recommendations

Introduce blanket reforms rather than a targeted approach

There are two broad approaches to planning reform. One is to take a targeted approach, which alters regulations exclusively on certain parcels of land based on their location or characteristics. For instance, policymakers can increase the units permitted on wide streets or within a certain radius of transit hubs. Alternatively, policymakers can upzone vast swathes of territory, making “blanket reforms” that cover a larger amount of the area, such as the whole city or the whole state.

While targeted planning reform may sound like a good idea in theory, experiences in the United States and Australia show that targeting upzoning at a level more local than municipalities tends to produce only limited increases in supply. Since Minneapolis’ success, other cities have followed suit. In 2019, the state of Oregon became the first state in the US to eliminate single-family zoning in most cities. Single family zoning was replaced by zoning for duplexes, triplexes, and quadruplexes in cities with over 25,000 residents, while cities with over 10,000 residents would replace them with duplex zoning. While Oregon has not seen the same fall in price inflation observable in Minneapolis, it has also avoided the increase in gentrification seen in Chicago.⁶² The states of Washington and Maine, as well as the cities of Toronto and Vancouver, have since embarked on various blanket planning reforms.

British planning reforms should introduce policies that impact wide geographies rather than on specific lots or streets, as the NSIP process or investment zone policy currently does. Weakening amenity requirements like parking, increasing floor-area ratios, expanding the space available to developments, and local level interventions should be done at a geographic area that is sufficiently large. The smaller the land units for which planning is reformed, the greater the risks that supply increases will not be large enough to offset the increase in prices.

Local authorities are best placed to determine where planning reforms should take place. In some authorities, a central neighbourhood in an urban city may have high enough demand to incentivise developers to make use of planning reforms and increase supply at scale. In sparser areas, a wider geographic scope will be needed, potentially including the entire authority. In addition, local authorities are best placed to plan for additional amenities which may be required for new homes, including sewers, energy infrastructure, and transport. As housing increases, so too must local services.

Include demand-side interventions which mandate affordability to prevent planning reform leading to gentrification

The experience of planning reform in New York City demonstrates why giving a carte blanche to developers will not improve affordability, and the experience of Seattle shows why making requests is unlikely to improve affordability when developers can make higher profits by building luxury homes. In Auckland, requests to include demand-side interventions like inclusionary housing requirements were rebuffed as being outside the scope of planning reform.

Minneapolis, however, shows why introducing affordability requirements can interact with planning reform to restrain prices without impeding supply. While construction has increased housing in the city, rents have stabilised, affordable housing units have increased, and homelessness has fallen. This could not have been accomplished without strict affordability requirements and increased housing assistance.

Policymakers should establish a definition of housing affordability which would ensure that a majority of residents can afford a majority of homes. We suggest mimicking Minneapolis' approach which sets a 60-30-20 rule. This provides tax incentives for property owners to make sure households making 60% of the local area's median income do not need to pay more than 30% of their wages on rent or mortgage payments in 20% of units. Policymakers should use the Annual Survey of Hours and Earnings to establish a pound figure in each local authority and establish rules for new developments.

Additionally, Minneapolis policymakers increased housing support in the form of rental assistance and subsidies that supported housing demand and ensured those in need could benefit from the increasing supply. The equivalent in the UK would be to increase eligibility of the housing benefit beyond Universal Credit's current restrictions, or increase the number of units (the 20% listed above) which must be affordable. The latter would require adjusting the 20% depending on how expensive the housing market is in each local authority relative to local incomes. Where the market is particularly stressed, the figure would need increase.

Alternatively, the central government could provide funds to increase the supply of social housing in local authorities facing an affordability crisis. These units would be affordable for local residents and could help decrease demand while increasing revenues for local councils. When viewed over a long time span, such investments would likely be more affordable for the state than distributing housing benefits, as social housing units would become revenue-positive after construction costs are paid through tenants' affordable payments. Government-funded co-operatives may also prove useful to provide affordable housing while ensuring residents are in control of their homes. Such options are discussed in our recent publication, *Affordable living*.⁶³

Planning reform alone will not necessarily increase supply, or decrease prices. In the latter case, local circumstances and granular planning details might combine to increase prices. Affordability requirements can act as an insurance mechanism that prevents local residents from being priced out by reforms. Any affordability requirements will also increase the rate at which new supply brings down prices, and can more rapidly ease the current housing affordability crisis.

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