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# Downzoning won't make housing cheaper

By Joe Cortright | 19.6.2017

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*The fallacy of composition leads people to get the connection between density and affordability backwards*

Our good friend at Strong Towns, Chuck Marohn is utterly right about a great many things. But he's committed a classic Kotkinesque (<http://cityobservatory.org/why-cant-cheaply-built-houses-be-an-affordability-solution-in-expensive-cities/>) blunder when it comes to evaluating the connection between density and home prices. His theory is that higher density makes housing more expensive. But he has it exactly backwards: Limiting the number of homes and apartments that can be built in places where there is high demand will inevitably drive up housing costs and make affordability problems worse.



I'm not

sure that I agree with you a hundred percent on your policework there,  
Lou

He observes (<https://www.strongtowns.org/journal/2017/6/15/revisiting-spiking-a-rising-tide>) that in Portland and Austin (as in other cities) land which is zoned for apartments commands much higher prices than land zoned for single family housing. So much so, that it's just not economically possible to build less dense structures on land that is zoned for more intense housing.

Its undeniably true that a 10,000 square foot lot on which you can build 100 apartments will command a higher price than that same 10,000 square foot lot on which you can build only a single home. And downzoning that lot from allowing 100 apartments to allowing one house will lower the price **of that lot**. But it won't lower the price of land generally, nor will it lower the price of housing. This is the classic fallacy of composition: what's true for any one individual lot is not true for an entire marketplace.

At a larger scale the effect is reversed. The practical effect of down zoning would be to further drive up the price of the remaining land which upon which apartments could be built. The price of land is a product of the supply of sites on which apartments can legally be built and the demand for living in a neighborhood and metropolitan area. Down-zoning a

particular site reduces the supply, but doesn't diminish the demand, with the result that buyers bid up the prices of the remaining parcels. That, then gets reflected in the price of housing. Vicki Been (<http://prrac.org/newsletters/janfebmar2017.pdf>) demolished the New York City version of this argument:

If the supply of housing is not increased, to accomodate growth, rents will go up. There are no other plausible outcomes . . . Unless we build new housing, people who can afford higher rents will outbid poorer current residents for existing housing.”

Let's take Chuck's argument to its logical conclusion: If you prohibit development altogether on a piece of property, you can drive its market price almost to zero. But then you also don't get any housing built on that property, and the demand for housing that could otherwise be filled by that site is displaced to all other properties, driving up the overall level of prices. Alternatively, consider Noah Smith's thought experiment (<http://noahpinionblog.blogspot.com/2017/05/the-nimby-challenge.html>):

If we believe lots of high priced housing is the problem, what would be the effect of demolishing a lot of high priced homes? As Smith points out, the occupants of those homes would bid up the price of the remaining housing stock.

For powerful evidence of how allowing more density actually facilitates lower housing prices, you need look no further than this Strong Town Post from last fall: “The \$50,000 San Francisco Home. (<https://www.strongtowns.org/journal/2016/9/22/the-50000-san-francisco-studio-apartment>)” As the article points out in copious detail, its possible to produce small but affordable housing on land of any given price, provided you are allowed to build densely enough.

Downzoning, in essence, is a requirement that any person who wants to build a home has to buy a fixed amount of land to go with that home. A 5,000 acre minimum lot size says, you can build as many houses as you

like, but you must buy 5,000 square feet of land to go along with each home. Anybody who can't buy that much is automatically priced out of the neighborhood.

And from the standpoint of public finance-where Strong Towns has a sensible perspective-downzoning is a fiscal disaster. Cities incur substantial expenses to build roads, transit systems and parks to enable development in a neighborhood. Downzoning automatically increases the per capita costs of all of those investments, because each road, park and bus line can serve fewer people. It also pushes additional development to the urban fringe, where some municipality must build entirely new infrastructure at high cost, and where not incidentally individual households will have to drive more, creating more pollution and congestion plus incurring more transportation costs. Ultimately, downzoning is a recipe for more sprawl: if you can't build as many apartments, you've got to build more single family homes, and you'll end up consuming a lot more land in the process.

If we are concerned that the price of land for apartments is too high, it actually means that we want to increase the number of places where you can build apartments, by upzoning. The reason people pay high prices for land zoned for multi-family development is because most land is restricted to only single family homes.

The the level and increase in rents in Portland is alarming, especially if you've arrived from Brainerd. Some of what's going on in Portland-and other cities-is what economists call the "temporal imbalance" between supply and demand: demand changes rapidly, but supply takes longer to respond. Thankfully, there's growing evidence that rent increases are subsiding (<http://cityobservatory.org/has-portlands-rent-fever-broken/>) as new supply comes on line. But the high prices for land in cities-and particularly in desirable urban neighborhoods is a sign that we're not building enough housing units in those places. And far from making housing cheaper, downzoning land in cities like Portland and Austin will make the housing affordability problem far worse.

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**John Wayne** • a year ago



Uh, Joe, I don't think you're reading him right at all. Chuck definitely agrees that there needs to be broad upzoning. He, however, has a massive issue with the land speculation that stops any development in its tracks (Land value tax would be a better solution, but you didn't bring that up either). This hurts to read.

4   • Reply • Share ›



**Joe Cortright** ➔ John Wayne • a year ago



Land value tax is a great idea. Where's the evidence that speculation is stopping development in its tracks? Increasing the supply of land zoned for apartments will also undercut the prospects for speculation.

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**John Wayne** ➔ Joe Cortright • a year ago



I can only point to Chuck's description of stuff in Portland and some city in Texas. There's a lot of fallow property in the super upzoned areas waiting for someone to give them a big check. Maybe you haven't seen all his articles, because he's kinda spread it out over a few of them.

4   • Reply • Share ›



**Seth Zeren** ➔ Joe Cortright • a year ago



Joe - anecdote may not be evidence; but as a practicing real estate developer in a weaker market, Chuck's argument resonates with me. Belief in magic development potential under zoning inflates assumed value, sticky downward prices mean people won't consider more modest projects and so sites sit vacant in the middle of improving neighborhoods. It's a real thing in Providence.

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see more

3 ^ | v • Reply • Share ›



**Christian Hershey** → Joe Cortright • a year ago



What is your take on Chuck's floating height limit incremental zoning?

^ | v • Reply • Share ›



**Payton Chung** → John Wayne • a year ago



Chuck flatly says "The simple answer is downzoning." What is there to misread about that? Or does he actually mean something else with that statement?

^ | v • Reply • Share ›



**spencerrecneps** → Payton Chung • a year ago



That could certainly have been phrased better. I think he's trying to say that the answer is downzoning in those specific areas where an upzoning puts the lot out of alignment with its neighbors. The thinking is that this incentivizes speculation by landowners who hold onto fallow property hoping to win the density lottery.

My take on his articles was that he's arguing upzoning is bad, not that downzoning is good. There's a subtle but significant difference.

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see more

1 ^ | v • Reply • Share ›



**Charles Marohn** → Payton Chung • a year ago



You have taken about 12,000 words of writing on this specific topic and plucked one line in a story about one specific situation.

I know that one line fits a narrative you have developed, but it's intellectually lazy.

^ | v • Reply • Share ›



**Christian Hershey** • a year ago



Chuck can speak for Chuck and I'd love to see him respond to this, but as I understand it he is in favor of up-zoning almost everything, and downzoning the transit corridors. "...the next increment of intensity must always be available. By right. Everywhere." Taking his argument to a logical conclusion wouldn't drive development to zero because it isn't just about downzoning.

2 ^ | v • Reply • Share ›



**Charles Marohn** → Christian Hershey • a year ago



<https://www.strongtowns.org...>

^ | v • Reply • Share ›



**Charles Marohn** • a year ago



Here are my thoughts on this:

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**Jeffrey Jakucyk** • a year ago



Even if you upzone an entire neighborhood, speculation can still be a problem because that neighborhood may only represent a tiny fraction of the metro area. So on a macro level, it's not much different than just one lot. This is because supply is so thoroughly constrained everywhere else, that even a large neighborhood getting upzoned may not relieve the pressure, so it becomes super valuable.

Andres Duany has mentioned similar issues with some of his new urbanist developments. When you try to build the climax condition from the start, you get speculation and stagnation. This leads to pushing for incremental development, which in itself is fine and should be encouraged, but I fear it needs to be hand-held just as much as traditional zoning, and there's nothing to say it won't be stopped by some worrywart NIMBY group 10 or 20 years down the road that wants to preserve the inaugural condition instead of letting it mature.

So this is why broad metro or even regional-level upzoning (or let's say loosening of zoning) is the only way to really combat the problems of what is a de facto metro-level downzoning that's been going on for nearly a century. Unfortunately this conflicts with Chuck's hyper-local focus, as it does with most conservatives. But maybe the way to approach it is to take a page from Duany's push for subsidiarity, where decisions should be made at the most local level that can be done competently. Since a lack of housing is generally felt at the metro or even regional level, then maybe that's where the decisions

[see more](#)

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**Stan Clauson** • a year ago



This is a valid analysis and an important counterpoint to those who believe in downzoning to reduce land cost.

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