

ZONING AND AFFORDABLE HOUSING: HOW LAND USE REGULATIONS LIMIT DEVELOPMENT IN THE USA

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Abstract. The conventional exclusive zoning policy in the United States has resulted in issues pertaining to housing affordability, housing segregation, and the exclusion of low-income families from areas characterised by higher levels of socio-economic development. The purpose of the article was to identify the impact of land use regulations on housing affordability in the United States. In particular, the most important legal restrictions, socio-economic consequences, and the need to change the housing regulation policy are highlighted. The study is based on the methods of meta-analysis of scientific publications to systematize land use regulations in the United States, and the method of analysing housing affordability indicators for extremely low-income tenant households in different states of the United States in 2024. The article examines the current issues of the impact of state regulation in the United States, "single-family" zoning, established restrictions on building density, and political obstacles to housing affordability in the United States. A comprehensive meta-analysis of empirical studies, complemented by an analysis of prevailing regulatory restrictions, has revealed a significant impact of regulatory policies on housing shortages and affordability. This has resulted in "distorted" demand and a decline in the number of developments, particularly in densely populated states and agglomerations. It was determined that a series of discrete legislative policy changes would be required to address the issue of housing affordability. A comparative analysis of housing affordability indicators in individual US states has revealed significant problems with housing provision for extremely low-income tenants and a significant financial burden on households. In 2024, the most severe housing shortages were observed in the states of Nevada, Arizona, Alaska, Florida, and Texas. This phenomenon can be attributed to the current restrictions on development in these regions. The housing affordability crisis in these regions has the most negative impact on tenants with critically low incomes – defined as less than 30% of the state average. Consequently, households in such states face a high level of financial burden due to high rental costs. US land use policies consequently lead to residential segregation and socio-economic inequality. In this regard, it is justified to review zoning principles and develop a more inclusive land use policy. The implementation of policy instruments aimed at promoting housing affordability, such as delayed approval deadlines, land use restrictions, and project requirements, has been observed to result in an increase in construction costs. In view of this, a proposal is put forward to introduce new incentives for developers by changing the requirements for building density, reducing bureaucratic obstacles, and introducing a flexible approach to land use. A novel approach to inclusive zoning involves the targeted zoning of territories within states. However, existing political challenges serve to limit the implementation of this approach. The formal abolition of zoning regulations alone will not guarantee a solution to the problem of housing affordability, given the cost of construction and rental. The issue of housing affordability necessitates a systemic resolution.

Keywords: zoning, housing affordability, land use regulation, development, US housing policy, urban planning.

JEL Classification: R52, R31, R38

1. Introduction

Effective management of housing construction and the housing market presents challenges in terms of land regulation. Excessive restrictions on land use can reduce

the supply of developments, increase housing and rental costs, and decrease housing density (Quigley, 2005).

In the United States, the development of affordable housing is restricted by zoning regulations and other

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municipal land use restrictions. Consequently, despite an increase in the stock of affordable housing, the pace of construction remains slow (Bratt & Vladeck, 2014).

Local governments in the United States practise single-family zoning to protect neighbourhoods from denser development. However, in 2019, local governments in some states began passing legislation to repeal these rules in large parts of their territories (for example, Oregon, California and Minneapolis). These policies are related to the housing affordability crisis and racial inequality in the United States, particularly in the rental market (Badger & Bui, 2019).

Today, most cities in the United States are zoned for single-family housing. For instance, 70% of residential land in Minneapolis, Minnesota is zoned for single-family homes; 77% in Portland, Oregon; 94% in San Jose, California; 75% in Los Angeles, California; 81% in Seattle, Washington; and 85% in Sandy Springs, Georgia and 84% in Charlotte, North Carolina. The construction of other residential properties is illegal (Badger & Bui, 2019).

The affordable housing crisis in the United States is becoming increasingly systemic, particularly given the backdrop of growing urbanisation, income inequality and restricted space for new construction. One of the main factors exacerbating the crisis is land use regulation, particularly current single-family zoning regulations (Glaeser & Gyourko, 2018). Although housing regulations aimed to promote the rational management of territorial development, the standards have, in practice, significantly limited the construction of social housing and apartment buildings.

Local authorities, driven by political interests, often create additional obstacles to increasing the housing stock (Einstein et al., 2019). In this context, researching the impact of such restrictions on development and housing affordability is highly relevant from both scientific and practical standpoints.

This article aims to identify the mechanisms through which land use regulations influence housing affordability in the United States. It highlights the most significant legal restrictions and socio-economic consequences, emphasising the need for changes in housing regulation policies.

2. Results

The scientific issue of the impact of regulatory policy on housing affordability encompasses the following topics: the overall effect of regulatory norms and land use regulations on housing affordability; the effect of land zoning on socio-economic inequality and housing costs; and the part played by local government and policy in improving housing affordability.

In the majority of states within the United States, the development of urban areas is subject to regulation through zoning requirements for land

use, restrictions on building density, and parking requirements. The implementation of such policies has resulted in limitations being imposed on the supply of housing and the density of buildings.

Recent studies suggest that traditional U.S. land use policies, as well as more recent policies (inclusive zoning, smart growth), have led to increased housing costs. It is evident that housing costs represent the largest proportion of household budgets, particularly for low-income households, and these policies have been shown to exacerbate socioeconomic inequality (Ikeda, 2015).

In the seminal work on the subject, Ikeda (2015) demonstrated that regulatory taxes have a significant impact on housing affordability, resulting in the creation of additional costs due to artificial restrictions. Consequently, the issue of housing affordability emerges, particularly in the context of major metropolitan areas in the USA. For instance, in San Francisco or New York, regulatory taxes can amount to over 200 thousand dollars per unit of new housing.

A study of over 300 US markets (Landis & Reina, 2021) has revealed a correlation between stringent regulatory frameworks and housing prices. In metropolises characterised by high demand, such as Seattle and San Francisco, even minor restrictions can exert a substantial influence on prices. Conversely, in less developed regions, the impact of strict regulations on prices is considerably less pronounced.

A substantial body of research has demonstrated that stringent land use regulations can exert a considerable impact on housing prices, with studies indicating a potential increase of 20-40% in high-demand urban areas. The examination focused on three key areas: development approval processes, site requirements, and construction time limits. Consequently, the length of time it takes to obtain building permits, as opposed to the restrictions imposed on land by regulatory bodies, is the primary factor contributing to increased housing prices (Quigley, 2005).

A number of additional factors must also be considered when assessing housing affordability. Consequently, research (Biber et al., 2022) has been conducted on the development of suburbs, which, despite their limited size, low density and minimal land requirements for construction, have imposed substantial constraints on the construction of new housing. Consequently, this has a direct impact on the overall national housing shortage.

An analysis of the alterations to zoning in Los Angeles between 2000 and 2016 reveals a moderate progression of zoning changes in the city during this period. The city has maintained the zoning of substantial tracts of land for single families, while approximately 1,200 acres have been rezoned to permit the construction of a minimum of 50 residential units per acre. Furthermore, parking requirements

have been reduced in certain areas, the construction of additional residential units has been simplified, and housing affordability incentives have been introduced (Gabbé, 2019).

It has been demonstrated by various studies that government policies in the United States at the federal, municipal, and local levels have resulted in increased neighbourhood segregation, including discriminatory zoning and other restrictions that have led to increased inequality (Rothstein, 2017). Rothstein (2017) posits that areas with predominantly single-family housing types have higher income and education rates, and that access to these areas is limited for low-income groups, including racial minorities. The spatial limitations inherent in the design of multifamily housing have resulted in diminished mobility and exacerbated residential isolation.

In response to the housing crisis, local governments in the US are amending land use regulations. While state intervention in California, Minnesota and Oregon, involving changes to zoning regulations such as the mandatory construction of duplexes, is considered more effective, it does not solve the existing systemic problems of housing affordability (Infranca, 2019). Zoning changes arising from the need to address rapidly increasing housing prices and the abolition of local restrictions on new construction, granting permits for certain types of housing, and providing incentives for their construction, should not impose new planning requirements or procedures on developers. At the same time, state intervention should provide clear mechanisms for resolving existing housing affordability issues and political contradictions (Infranca, 2019). While lifting restrictions can encourage new construction, it can also lead to social resistance and undermine trust in local government decisions. In some cases, it can even lead to an unstable political environment that discourages investment in new developments (Schragger, 2021).

Zoning has become a tool for informal social segregation (Massey & Rugh, 2017). The prevalence of single-family zoning in Atlanta, Charlotte and Cleveland, for example, has reduced access to quality secondary education and infrastructure for non-white and low-income families. Zoning is directly related to the level of residential segregation in 80% of US metropolitan areas (Massey & Rugh, 2017).

A similar opinion is expressed by Tziganuk et al. (2022), who classify exclusionary zoning as legal barriers of a systemic nature that pose direct legal risks to housing affordability programmes. Most county and municipal governments in the United States use zoning regulations to control new construction and improvements to residential properties. Exclusionary zoning can be defined as legislation that sets limits on the types of homes that can be built in a particular area of a state, county, or city. For instance, a zone

designated as residential may have standards for single-family or multi-family homes, lot size and residential building size, and the location of a residential building on a property.

For almost a century, zoning regulations have functioned as a significant impediment to the development of affordable housing. In the majority of localities where exclusive or "Euclidean" zoning has been implemented, a significant proportion of land has been allocated for single-family housing. In regions where zoning practices have been extensively implemented, residential properties tend to be larger, occupying larger plots, while smaller development areas are used to accommodate increased density (Nicholas, 2024).

It is estimated that approximately 75% of land in U.S. cities is subject to zoning regulations that restrict the construction of only certain types of buildings, thereby contributing to socioeconomic inequality. It is evident that low-income families encounter significant barriers when attempting to access housing and reside in economically developed areas. In order to encourage the provision of affordable housing, local governments should consider repealing zoning regulations and introducing regulations for the issuance of permits for other types of buildings. This would increase the level of flexibility for developers to construct duplexes, townhouses, or multi-family buildings (Hanley, 2023).

Conversely, inclusionary zoning aims to incentivize developers to include a specified percentage of affordable housing in new development projects. A common example is the 20% inclusionary zoning requirement, which stipulates that 20% of housing units must be designated as affordable to middle-income families within the designated area (Nicholas, 2024).

The term "affordable housing" refers to housing that is constructed with subsidies from federal or state development programmes, with the objective of ensuring that the cost of construction is below market prices. Subsidies have been identified as playing a pivotal role in facilitating the initiation of affordable housing projects, with their financial support proving to be a crucial factor in offsetting developers' costs. However, a paucity of both affordable and market housing in the United States is reducing supply and, as a result, limiting affordability.

Municipalities can utilise regulatory incentives, including density bonuses, streamlined approval processes, building permits, and reduced or waived design standards and parking requirements, as cost-effective tools. Density bonuses, which are frequently linked to zoning requirements, represent a trade-off that enables developers to construct a greater number of units than would typically be permitted by the zoning regulations, in exchange for the provision of affordable housing. For instance, Salt Lake City

has permitted the development of affordable mid-range housing (e.g., duplexes, townhouses) in areas designated for single- and two-family residences. It is evident that such residential properties are not subject to the stipulated minimum requirements pertaining to lot size, width, and frontage. In the state of California, the construction of duplexes and small apartment buildings is legally permitted in areas designated exclusively for single-family homes. In New York, policies aimed at counteracting local zoning regulations include the provision of incentives for higher-density housing in proximity to transit stations, in addition to measures designed to address communities that are not achieving housing targets. California and New York are taking proactive steps to repeal zoning ordinances that limit housing supply, indicating a more inclusive affordable zoning policy, with the aim of easing local restrictions. The city of Minneapolis has revised its zoning regulations to permit the construction of missing intermediate housing types in single-family zoning districts. There was a 45% increase in permits issued for 2-4 units between 2020 and 2022, largely due to reduced parking requirements (Nicholas, 2024).

The city of Minneapolis is a pertinent case study in this regard, as it exemplifies the endeavours of local authorities in addressing the issue of housing segregation, augmenting housing construction, and reducing the cost of living. Concurrently, the data demonstrate that the objectives aimed at resolving the issue have not been accomplished, as evidenced by the increase in the number of permits issued for the construction of apartment buildings during the period 2018-2023. Concurrently, the proportion of apartment-type residential units in the overall housing stock remains modest. In the city of Minneapolis, a number of significant innovations have been implemented, including the abolition of parking requirements in proximity to transport stops in 2015, the legalisation of the construction of accessory dwelling units in 2015, and the abolition of parking requirements throughout the city in 2021. During the period

2015-2021, the number of housing units in the city increased twofold (Hanley, 2023).

The consequence of exclusive zoning is that each state in the United States is confronted with an affordable housing crisis, with no state having sufficient affordable rental housing for extremely low-income households. The deficit ranges from 8,866 rental homes in Wyoming to nearly 1 million homes in California. The most significant shortages of housing are observed in Nevada, Arizona, Alaska, Florida, and Texas. The National Low Income Coalition (2024) has reported that Nevada has only 14 affordable rental homes per 100 low-income households, whereas Arizona and California have 24, and Alaska, Texas, and Florida have 25. The imposition of building restrictions has had a deleterious effect on housing affordability in a number of US states (see Table 1), with the consequence that those in the lowest income bracket, with an income of less than 30% of the state median, have been particularly affected. Consequently, these states impose a considerable financial burden on families in the form of rental costs.

Research findings (Rumbach et al., 2022) indicate that in metropolitan Houston, the absence of formal zoning is compensated for by the existence of other regulatory mechanisms (e.g., limitations on mobile home parks) which have resulted in the spatial exclusion of certain household demographics. This suggests that informal regulations may be equally as effective in constraining housing affordability.

In order to accelerate the development of the housing market and provide affordable housing, other policy instruments are utilised. However, these have simultaneously resulted in inflated prices and excluded certain groups of households from communities. For instance, delays in approval deadlines, the introduction of land use restrictions on building heights, the permitted types of housing, and design requirements can result in an increase in the cost of constructing new facilities.

It is evident that zoning regulations and rules exert a significant influence on housing affordability.

Table 1
Housing affordability for households with extremely low incomes (less than 30% of the state median income) in different American states, 2024

State	Housing shortage for extremely low-income households, units	Number of affordable housing units per 100 households	Household spending burden
Wyoming	8,866	51	63%
California	972,083	24	77%
Harmlessness	78,218	14	86%
Arizona	133,684	24	79%
Alaska	14,722	25	64%
Florida	435,879	25	82%
Texas	679,301	25	

Source: (National Low Income Coalition, 2024)

Consequently, the modification of pertinent policies and standards is imperative to ensure the advancement of the housing market in the United States. However, existing restrictive measures impede the development of new facilities. In order to address the prevailing issues, it is recommended that incentives be introduced for developers to facilitate an escalation in development density, a streamlining of project approval procedures, a reduction in extant bureaucratic barriers, and the introduction of flexible land use regulations.

Thus, there is a clear link between tighter building regulations and rising housing prices, particularly in areas of high demand. Key traditional elements of exclusive zoning include single-family zoning and minimum lot sizes. New approaches to inclusive zoning, such as state pre-emption and targeted zoning, could significantly help to address housing affordability issues, but they require political willpower. However, the formal repeal of zoning regulations does not guarantee a dramatic increase in housing affordability. This is because a holistic, systemic approach to regulation is needed.

Despite significant support for zoning reforms, political barriers to spatial development remain a key factor in deteriorating housing affordability. Local resistance often results in local initiatives aimed at reducing regulatory barriers being blocked (Einstein et al., 2019). Local governments in states depend on property tax revenues, so they have a vested interest in maintaining the status quo. The political fragmentation between cities and states makes implementing a unified, affordable national housing policy difficult.

Building and zoning restrictions, particularly those relating to single-family housing, significantly complicate the development of affordable housing in the United States. These regulatory barriers are exacerbated by political resistance at the local level, social inequality and the absence of a unified state strategy. To ensure housing justice, land use principles must be reviewed with a focus on inclusivity, density, and sustainable development.

3. Conclusions

The study enables the formulation of several scientific conclusions regarding zoning and housing affordability in the United States. The present study hypothesises that land use regulation policies, which are a key factor influencing housing affordability, lead to residential segregation. The imposition of stringent regulatory frameworks, which stipulate minimum land lot sizes for the construction of predominantly single-family dwellings, along with restrictions on building density and parking requirements, has resulted in a systematic limitation of the supply of housing, particularly in cities characterised by high demand, such as San Francisco, Los Angeles, and New York. Regulatory restrictions have been shown to create additional barriers to new development by creating indirect tax burdens on a housing unit. This has resulted in a considerable increase in the cost of new housing, leading to a nationwide housing shortage, particularly for households with extremely low incomes. Exclusive (segregated) zoning has been demonstrated to exacerbate socio-economic inequality by restricting access to quality infrastructure, education, and transportation networks for low-income families. The implementation of these regulations has been demonstrated to engender spatial isolation and to impede population mobility. The efficacy of inclusive zoning and developer incentives, as evidenced by tools such as density bonuses, the elimination of parking requirements, and simplified approval procedures, is well-documented. However, these measures require greater political support to be fully implemented. The example of Minneapolis confirms the gradual increase in housing supply due to changes in regulatory norms from 2015 to 2021. It is recommended that future research and scholarly pursuits concentrate on identifying the role of private initiatives in the effort to overcome homelessness. This should include a particular focus on the potential for collaboration between the private and public sectors in addressing homelessness.

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