



ISSUE BRIEF:

The Economic Imperative for
Land Use Reform in Connecticut



**DESEGREGATE
CONNECTICUT**

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www.desegregatect.org

Summary

One year ago, Desegregate Connecticut formed with the mission of reforming Connecticut's broken land use regime. In that time, we've spoken with thousands of people across the state: young people who can't afford to live in the towns where they grew up; seniors without options to downsize or find housing in walkable, senior-friendly areas; employers struggling to attract and retain talent due in part to a lack of housing opportunities; renters with few options to choose from; property owners with high property taxes and mortgage costs; and so many other constituencies who—knowingly or unknowingly—are harmed by Connecticut's byzantine approach to zoning.

This paper lays out the economic case for reform. We first document the high costs associated with Connecticut's restrictive land use policies. Next, we turn to the prospect for reform.

I. Restrictive Land Use Has Devastating Costs for Connecticut

The consensus among academic, industry, and government researchers is overwhelming: restrictive land use policies result in higher housing costs, more cost-burdened households, lower property values, reduced economic growth, lower municipal tax revenues, job loss, population decline, and segregation.

Housing Supply & Affordability

Connecticut is one of the least affordable states in the country, with a [shortage of 86,717](#) affordable units compared to current demand. With less housing to choose from, [housing costs have risen dramatically](#) over the last four decades. As a result, [one in six](#) Connecticut families devote more than 50% of their monthly income to housing. The [vast majority](#) of cost-burdened households are concentrated in the poorest communities in the state. One study estimates that a [teacher living in New Haven](#) must use 47% of their income to afford a 2-bedroom apartment.



Money spent on housing leaves households with less disposable income to spend elsewhere. After paying the rent and utilities, the average renter is left with only a modest amount of money for discretionary spending, as a recent [Harvard study](#) revealed. This makes saving for a house out of the question. The American dream of homeownership has become further out of reach over the last two years because of spiraling prices, which we have seen across the state since early 2020. And realtors estimate a [7.8% increase](#) in home prices in areas like Fairfield County within the next year. As prices increase, fewer and fewer people are able to qualify for mortgages. [Modest increases](#) in monthly mortgage payments have the potential to price out thousands of Connecticut households from qualifying for a mortgage.

Economists agree that producing more market-rate housing improves affordability. In 2018, the NYU Furman Center for Real Estate published a [groundbreaking study](#) by three of the nation's foremost housing experts, which found that "adding new homes moderates price increases and therefore makes housing more affordable to low- and moderate-income families." Since then, cutting-edge empirical work has further confirmed that conclusion. [A major 2019 study](#) tracked the occupants of 802 new multifamily developments in North American cities, finding that for every 100 new market-rate units built, approximately 65 units are freed up in existing buildings, accommodating up to 48 moderate- and low-income families. A similar [study](#) published by Harvard and MIT this year found that new buildings decrease rents in nearby units by about 6% relative to farther away units.

Zoning reforms including "upzoning" for small multifamily units, permitting accessory dwelling units (ADUs), and reducing parking mandates, will increase affordability. The [Victoria Planning Policy Institute](#) has suggested that the best way to increase affordability and economic opportunity is "upzoning" in accessible, high-opportunity neighborhoods. In [California](#), within three years of legalizing ADUs, permits [increased](#) 11-fold in Los Angeles alone, with statewide ADU rents on average considered to be affordable. Similarly, in [Portland, Oregon](#), the average ADU monthly rent is \$850—[hundreds](#) below the average rent for all dwellings. The [American Planning Association](#) found that after reducing multi-family parking mandates in Minneapolis, new studio apartments, which typically went for \$1,200 per month, were being offered for less than \$1,000 per month.

Property Values

Restrictive zoning laws reduce property values by limiting property owners' ability to maximize the economic utility of their land. While zoning that separates industrial and residential uses may protect property values, zoning that prevents more diversity in



residential uses dampens them. Today, regulations barring duplexes, triplexes, and other multifamily housing depress the value of property by limiting its economic potential.

Zoning reform increases property values. Data from [Arkansas](#), [Virginia](#), and [Wisconsin](#), among [many others](#), show that allowing different housing types (such as accessory dwelling units (ADUs), duplexes, triplexes, and other small-scale density options) has a modest, positive effect on the value of nearby property. In [Minneapolis](#), modestly upzoning single-family homes to allow triplexes drove a 3-5% increase in the price of affected housing units compared to similar unaffected properties in surrounding cities.

Legalizing ADUs, similarly, can [increase a property's value by up to 50%](#). [UC-Berkeley researchers](#) studied California's recent legalization of accessory dwelling units, finding that a statewide approach led to rapid increase of ADUs that rented out at affordable costs, with an average size of 615 square feet. Low- and moderate-income homeowners and seniors on fixed incomes [particularly benefit](#). Setting uniform rules and streamlining approvals for ADUs thus provides a [valuable tool](#) for low and moderate income homeowners to build equity, and an excellent way for homeowners to earn extra income by renting out the accessory unit.

Economic Growth & Job Creation

Extensive research documents how restrictive zoning laws constrain economic growth and job creation. In 2019, researchers from Chicago and UCLA found that [housing supply constraints](#), including zoning, lowered aggregate US economic growth by 36% from 1964 to 2009. They observed that workers could not move around very easily to start new businesses or find new jobs, because of a limited supply of housing nationally.

Connecticut exemplifies this problem. The Connecticut Business and Industry Association reports that businesses across the state have [jobs, particularly manufacturing jobs, to fill](#), but the [lack of suitable workforce housing](#) means businesses cannot attract or retain workers. As a result, the lack of housing inhibits business expansion and job growth. At the same time, the lack of housing options also impacts the kinds of jobs that are being produced. As of October, over [277,000](#) Connecticut residents had lost their jobs and since the start of the COVID-19 pandemic, and over a [half a million residents](#) filed for unemployment.

Zoning reform that enables new housing could help Connecticut meet the needs of existing business and create new jobs and new economic activity. The [National Association of Home Builders reports](#) that if 1,500 units of multifamily housing were built



next year in Connecticut, that state would see the creation of 3,200 jobs immediately and 921 permanent service jobs annually.

Tax Revenues

Constraints on housing supply, including zoning, mean less housing is built. That results in a smaller grand list and higher taxes for all current residents. The DesegregateCT Zoning Atlas has demonstrated that there are particularly onerous constraints on 2-4-unit and larger multifamily housing. These constraints diminish Connecticut's tax base. [Connecticut's tax revenue](#) fell 17.3% from its peak in 2013 through 2019, when adjusted for inflation.

Zoning reform can help unlock new housing that helps us rebuild our tax base. According to the [National Association of Homebuilders](#), the construction of 1,500 new multifamily units would increase Connecticut's state and local tax revenues by \$39.8 million in the first year, and \$16.4 million annually thereafter. In [Trumbull](#), the addition of 600 new multifamily units generated far more tax revenue than they cost the town in services and education expenses. A [study in North Carolina](#) found that 2-4 story apartment buildings generate more than twice the tax revenue of a mall or box store.

Population Decline

The latest [Census data](#) revealed that Connecticut had the slowest population growth in the Northeast, of just 1% over the past ten years. A [State of Connecticut report](#) cited the top reason people leave Connecticut is the lack of housing options. Connecticut lags in building the housing needed to accommodate existing and new populations. While housing permits are up 24% nationwide this year compared to last March, they are [down 20%](#) in Connecticut.

This stagnation is not due to a lack of demand: we have seen [rising demand](#) across the state, including places like the [Naugatuck Valley](#). Yet we have failed to build more housing in response. Instead, this spike in demand has translated into higher prices, limiting the inflow of new arrivals and pricing out existing residents.

Beyond general supply constraints, onerous zoning thwarts the construction of diverse housing types that would allow our state to attract and retain population. Multifamily housing and single-family homes on small lots provide more affordable and attractive options for young people, renters, first-time homebuyers, and seniors looking to downsize. Unfortunately, zoning rules bar this type of housing on the [vast majority](#) of Connecticut's residential land. Advocates for [seniors](#), [young people](#), and the generations



[in between](#) recognize the need for both more supply and greater housing diversity—failing to heed their calls risks driving them out of state or never attracting them here at all.

Segregation

Connecticut is among the most racially and economically segregated states in the country. Fairfield County is the [most segregated](#) metropolitan area in the country by income, with Greater Hartford and New Haven County not far behind. Among school-aged students, Fairfield County ranked [first](#), Greater Hartford [fourth](#), and New Haven County [seventh](#) in residential segregation by income. From a racial segregation standpoint, Connecticut's metropolitan areas likewise stand out as [more segregated](#) than the lion's share of comparable areas throughout the country.

Restrictive zoning laws play a large role in [driving](#) and [entrenching](#) residential segregation throughout the country. Connecticut is no exception—fair housing [experts](#) and civil rights [scholars](#) point to exclusionary zoning as one of the foremost causes of segregation in our state. It is no coincidence that, according to the [Brookings Institute](#), Connecticut has the most restrictive land use laws in the country; the highest rates of zip code segregation by income; and the highest test score gap between students in high opportunity versus low opportunity areas.

Connecticut's pervasive segregation is not just a moral issue—it is an economic one. Racially segregated areas have much larger [income gaps](#) by race. Racial minorities often inhabit neighborhoods without sufficient access to [grocery stores](#), [child care](#), and [vital health services](#). These consequences reverberate across generations, as children who grow up in low-income, segregated neighborhoods [make less money](#) and [pursue higher education at lower rates](#) than those who grow up in integrated neighborhoods. Consequently, southwest Connecticut has the [largest racial wealth gap](#) in the country. Even among households with enough wealth to own a home, the average Black family's home is worth just \$131,000, compared to \$784,000 for an average white family's home. [Connecticut Voices for Children reports](#) that in 2016, 33.5% of Latino children and 30.5% of Black children lived in poverty, compared to just 5.6% of white children.



II. Zoning Reform Unlocks Inclusive Economic Growth

Connecticut has the opportunity to curb these economic costs, create more housing, boost its stagnant population by adopting land use reforms. The inclusive growth enabled by zoning reform doesn't just help those at the top—it knocks down walls of exclusion by providing access to [high opportunity areas](#) and puts us on the path toward more integrated, diverse communities.

Modest [reforms on the table](#) this legislative session offer tremendous promise and can lay the foundation in the years to come. Current proposals include legalizing [accessory dwelling units](#), [capping parking mandates](#), and [various process improvements](#), which are rooted in DesegregateCT's [own research](#) and [others' research](#). National experts have said the legislation contains "[modest changes that will make a real difference](#)," highlighting in particular [the need to curb outdated parking mandates](#) and other onerous requirements that drive up housing costs. The current proposals are virtually costless to the State, according to the [State's own Office of Fiscal Analysis](#).

Over [65 op-eds](#) have been published in favor of zoning reform—more than for any other issue or bill this session. Elected officials and community leaders have not just testified but vocally [rallied](#) to drum up support for Desegregate CT's proposals. And a multitude of organizations—the Connecticut Conference of Municipalities, the statewide American Planning Association, the statewide Association of Zoning Enforcement Officials, banking institutions like Capital for Change and the Hartford Community Loan Fund, the National Development Council, and myriad others from our coalition [of 69 nonprofit organizations](#)—have signed on to support statewide zoning reform.

Connecticut can gain millions in state and local tax revenue, boost local businesses and jobs, start to reverse equity and affordability issues, all at zero cost to the public. Across the country, [other states](#) are taking action to bring their land use laws into the twenty-first century. To keep up with and surpass its competitors as an engine of dynamic growth, a destination for businesses and people, and a vibrant state we are proud to call home, Connecticut must address the high costs of exclusionary zoning and adopt statewide land use reform.

