

# **The Risks and Limitations of Upzoning Proponents Do Not Want You to Know**

There is widespread consensus regarding the need to improve housing affordability. Upzoning, which involves changing zoning regulations to allow for higher-density or mixed-use developments, is considered by many policymakers to be one of the most effective approaches for addressing this issue. In theory upzoning can offer several advantages, including an increased housing supply, reduced long-term rents, and improved urban efficiency. It's an influential elixir; one too many elected officials of all political persuasions accept without question. Progressives see it as egalitarian, conservatives and libertarian embrace the small government (deregulation) free market economic dynamic. The promises are so alluring that advocates either ignore, downplay, or even deliberately hide the risks and limitations of upzoning from the public.

Upzoning is also utilized by policymakers as an approach to mitigate imbalances in housing supply. Although a universal standard does not exist for municipalities, a healthy housing composition typically includes 40–50% single-family detached homes, 20–25% townhouses or rowhouses, and 25–30% condominiums and multifamily apartments. According to this standard, Alexandria's housing is unevenly distributed: 14% are single-family detached homes, 20.5% are townhouses, 4.5% consist of small apartment units, and 61% are made up of large apartments complexes. Alexandria's upzoning strategy, as outlined in Zoning for Housing, the Duke Street Land Use Plan, and Housing 2040 seek to reduce the number of single-family detached homes, somewhat encourages more townhomes and rowhouses, and

focuses heavily on increasing apartment units. This approach does not achieve a balanced housing market.

Empirical research and comprehensive case analyses by reputable institutions including the Brookings Institute, Urban Institute, Columbia University, and the Council of Community Housing demonstrate that municipalities nationwide implementing upzoning policies are encountering significant risks and limitations associated with this strategy. Since upzoning can lead to undesirable results, it is important for policymakers and stakeholders to thoroughly and impartially assess all possible outcomes.

## **Gentrification and Displacement**

One significant and troubling consequence of upzoning is the rapid rise in property values, especially within sought-after neighborhoods. As zoning rules loosen, investors and speculators are drawn in by the promise of future profits, driving up land and home prices even before new construction begins. This speculation doesn't just make new homes more expensive, it also pushes up the cost of existing housing, deepening the affordability crisis for low and moderate income residents who find themselves being priced out of their own communities. For many households, the dream of stable and affordable housing slips further out of reach as the very policies meant to increase supply end up fueling a cycle of displacement and economic exclusion. There is also evidence of demographic shifts, with higher-income or majority white populations moving into previously diverse neighborhoods. The opposite of the access, racial equity, and diversity proponents promote. Upzoning supercharges gentrification pressures. As a result, tenants in both market-rate and subsidized units within upzoned areas face an elevated risk of displacement due to redevelopment or rising rents associated with perceived development potential. However, higher property values have the potential to generate increased tax revenue for municipalities experiencing fiscal limitations, which may affect the objectivity of policymakers during upzoning deliberations.

## **Limited Growth in Housing Supply**

Upzoning does not automatically lead to a significant growth in housing supply. In 2023, the Urban Institute conducted a study of 1,136 U.S. municipalities that implemented less restrictive zoning policies and determined that these changes resulted in an average increase of only 0.8% in housing units over a period of three to nine years. Development is tied to market conditions including financing constraints, construction costs, and labor shortages. Moreover, small-scale infill or “missing-middle” upzoning often fails to produce enough units to significantly alleviate housing shortages, especially in already dense areas.

## **Speculation and Market Distortion**

Investors often acquire upzoned parcels to take advantage of anticipated future value appreciation, rather than for immediate development. This speculative activity can elevate land prices without contributing to new housing supply. In fully developed urban areas characterized by small or fragmented lots, redevelopment may not be economically feasible, resulting in an unequal distribution of benefits and heightened market pressures.

## **Infrastructure and Community Strain**

Increased density because of upzoning can exacerbate traffic congestion, parking shortages, and overcrowding, especially if infrastructure improvements do not keep pace with new construction. The demand for public services such as schools, utilities, and recreational amenities may rise faster than municipal capacity, placing additional strain on local budgets and community resources.

## **Regulatory and Implementation Challenges**

Upzoning frequently incorporates "by-right" provisions; however, this does not remove the necessity for obtaining building permits and design approvals, nor should it preclude collaboration with the community. Dismissing residential concerns may provoke community opposition, including legal challenges.

Additionally, inconsistencies in policy and differing requirements for inclusionary housing or tenant protections create unpredictable results, making it challenging to accurately assess the impacts of upzoning.

### **Affordability Limitations Without Subsidies**

High-density, market-driven development tends to produce housing for higher-income households, which is insufficient to address the needs of low-income residents without complementary subsidies. The expectation that new market-rate housing will eventually become affordable for low or moderate income households is rarely met. Since 2019, Alexandria has built 7,900 new housing units, but this has not even marginally improved housing affordability.

### **Conclusion**

Upzoning promises to boost housing supply and cut costs, but empirical evidence suggests it often fails and poses major risks. Speculative activity can distort local markets. Housing affordability generally does not improve significantly, lower income residents face increased displacement pressures, while services and infrastructure become strained. Overstating the benefits of upzoning may lead to unrealistic public expectations regarding housing supply, affordability, equitable access, and enhanced community stability. Policymakers should be careful when implementing upzoning.