The Flawed Logic and Lack of Evidence Behind Austin's HOME Initiative

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Introduction

The Equity Office has asked me to prepare a report outlining what the latest research on urban housing tells us about the likely impacts of the HOME Initiative (Phases I & II) on low-income and people of color in Austin. This is an extension of my work for Equity on the financial impacts of Black dispossession due to the 1928 *City Plan,* and to redlining and gentrification in East Austin. Based on my expertise in urban geography (see "About the Author" below), and after reviewing more than 25 recently published articles on housing, zoning, and affordability, my top conclusions are

1. The HOME Initiative is based on faulty assumptions that rely on deeply flawed research which itself is not supported by evidence, as well as on research that is not applicable to the Austin context.

2. The increase in land and housing prices in Austin in recent years are the results of fundamental dynamics of urban land markets, long known in the literature, and not due to zoning or other "constraints" on supply. They are the outcomes of market processes, not a distortion of them.

3. The HOME Initiative is unlikely to achieve its goals of increasing affordability in Austin and will likely lead to higher property values throughout the city, as well as continued gentrification and displacement in lower-income neighborhoods, home to many of Austin's residents of color.

This report is organized as follows: The first part addresses the flawed assumptions in theories underlying much of the recent calls for land-use deregulation and why it matters. Part 2 examines the lack of evidence for arguments about housing prices of three interrelated concepts: upzoning, new construction, and filtering. With examples that have been used in arguments about land-use reforms in Austin, the third part explains why individual case studies alone cannot be relied upon as the basis of policymaking and why such research needs to be seen in the context of the body of evidence taken as a whole. The paper concludes by explaining why academic research evidence that counters many arguments heard recently in the public sphere is only now coming to light.

About the Author

Dr. Richard Heyman has taught urban studies, planning, and geography at UT since 2006. He received his Ph.D. in urban geography from the University of Washington in 2004. He has also taught at the University of Minnesota and the University of North Carolina. His research has been published in many academic journals, including *Antipode, Geoforum, Cartographica, American Quarterly,* and *Environment and Planning D: Society and Space*. In 2022, he co-edited (with Eliot Tretter) a special issue of *The International Journal of Urban and Regional Research* on the housing crisis, co-wrote the introductory article (with Eliot Tretter), and co-wrote (with Eliot Tretter and Liz Mueller) an article on Austin. He was also a member of the CodeNext Citizens' Advisory Group ("CAG") from 2015 to 2017. Recently, he has collaborated with the Equity Office on research into the history of Black property dispossession in Austin.

Part 1: Theoretical Misconceptions

The Housing Options for Middle-income Empowerment Initiative (hereafter: HOME) is being promoted primarily as a response to the affordable housing crisis in Austin.[1] Although HOME has elements that address climate change, the environment, and transit,[2] this report focuses only on the affordability claims associated with upzoning (Phase I) and the reduction of minimum lot size (Phase II).[3] The justification for both of these policy changes rests on the common-sense-seeming idea that these land-use changes "allow" for more housing, which will "drive down rent and purchase prices".[4] Allegedly, land-use regulations are constraining the supply of housing; thus, removing them will increase supply and decrease prices. This idea has recently come to prominence in the public sphere,[5] has been promoted by "YIMBY" movement activists in Austin and elsewhere,[6] and has found traction in several cities.[7] However, it is based on faulty assumptions whose roots can be traced back to a handful of articles published by the economists Edward Glaeser, Joseph Gyourko and their colleagues, especially a 2003 paper by Glaeser and Gyourko entitled "The impact of building restrictions on housing affordability" published by the Federal Reserve Bank of New York.[8] Glaeser and Gyourko's paper can be thought of as the theoretical origin point of the land-use deregulation movement. I offer the following detailed critique the paper because it reveals the fundamentally flawed assumptions baked into arguments for land-use deregulation along the lines of HOME. This matters because misunderstanding urban land market dynamics ends up misidentifying the cause of high prices in land-use regulation instead of in fundamental market dynamics; this risks making affordability worse through deregulation policies.

Glaeser and Gyourko's main argument, which will sound familiar to us today, is summed up in the following quote:

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[1] See, for example, http://homecoalitionatx.com/phase-2, which states that Phase II is intended to "address Austin's affordable housing crisis."

[2] See pamphlet *A Home for Everyone*, from the Office of Council Member Leslie Pool, District 7. https://assets.austintexas.gov/austincouncilforum/44-20231011154303.pdf.

[3] Many of the goals of HOME are laudable, including creating a built environment that helps mitigate climate change, promotes walkability and other mobility options, including transit, and better supports our local environment. However, the question that this report focuses on is *equity* and whether the goals of increased affordability are likely outcomes.

[4] Quote from both http://homecoalitionatx.com/phase-2 and *A Home for Everyone* pamphlet.

[5] See, for example, Klein 2022, Krugman 2015, Ynglesias 2012; on social media, and from both Presidents Obama and Biden (White House 2016; White House 2022).

[6] See https://aura-atx.org/; https://cayimby.org/; https://sfyimby.com/; https://www.texansforreasonablesolutions.org/

[7] For example, Portland, OR: City of Portland 2021; Minneapolis (see https://minneapolis2040.com/); Montana: Brasuell 2023.

[8] Glaeser and Gyourko's paper was part of a 2002 conference convened by the New York Fed, on Policies to Promote Affordable Housing (https://www.newyorkfed.org/newsevents/news/research/2003/rp030623). It appeared alongside a critique by Brendan O'Flaherty (2003). See also Glaeser, Gyourko, and Sacks 2002; Glaeser and Gyourko 2018; Gyourko 2009; Hirt 2015; Hsieh and Moretti 2017; Hsieh and Moretti 2019; Glaeser 2011.

> Our *alternative* view is that homes are expensive in high-cost areas primarily because of government regulation, that is, zoning and other restrictions on building. According to this view, housing is expensive because of artificial limits on construction created by the regulation of new housing. It argues that there is plenty of land in high-cost areas, and in principle new construction might be able to push the cost of houses down to physical construction costs. … [Our] *hypothesis* implies that land prices are high, not due to some intrinsic scarcity, but because of man-made regulations. Hence, the barriers to building create a potentially massive wedge between prices and building costs. (Glaeser and Gyourko 2003, p. 23, emphasis added).

They call this difference between prices and building costs a "zoning tax."

The first thing to note about this argument is the word "alternative" at the beginning: their paper represented a stark departure from accepted understandings of urban land markets and housing prices. They were attempting what we would call today a "disruption" in understandings of housing price dynamics. In the original publication, their paper was accompanied by a "commentary" by economist Brendan O'Flaherty, who said, "This idea is probably wrong" (O'Flaherty 2003, 42). In other words, right at the beginning, other researchers did not see merit in Glaeser and Gyourko's novel ideas. Why?

For one thing, their logic is circular:[9] their "*hypothesis*" (that is, their theoretical assumption going into the project) was that high prices were the result of "man-made regulations." This was also the conclusion of the paper, yet they provide *no evidence* that land-use regulations help set housing prices. As one recent paper points out, Glaeser and Gyourko use only "indirect methods that have received little close scrutiny" (Phibbs and Gurran 2021, p. 474). Instead, as economists ideologically committed to free-market principles, they "seem determined to prove the negative impacts of planning [i.e. regulation] on housing" (Phibbs and Gurran 2021, p. 459). In other words, they began their study *assuming* that any government regulation distorts the housing market and drives up costs, and they end up asserting, *without evidence*, that this is the case. They found a gap between prices and construction costs that their econometric model could not account for, so they labeled it a "zoning tax." How did they do this?

Glaeser and Gyourko make a very subtle—yet crucial—shift in their novel discussion of housing prices. They focus on the cost of *land* and assert that the long-standing theory of urban land markets, explained most comprehensively by Alonso (1964), erroneously assumes that land is scarce. This is a fundamental misunderstanding of the theory on Glaeser and Gyourko's part. Urban land-use theory does not assume that *land* is scare (after all, urban housing markets continue to add land through sprawl);[10] instead, the theory focuses on the importance of

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[9] Murray and Phibbs make a similar point: "The unifying assumption of this broad literature is that market mechanisms, via mobility, tend towards equality and diversity across economic, social and racial dimensions, and any observed deviation from this must be due to a regulatory barrier" (2023, p. 604).

[10] Just to be clear: I am not saying that sprawl is good, only that sprawl is evidence that urban land is not "scarce." Cities have always grown outward as their populations expanded, essentially adding land to the city, even when

location. This is not merely a semantic distinction. *Locations* are by definition unique, unlike abstract quantities of land modeled by Glaeser and Gyourko and other economists. Locations are concrete places with desirable qualities such as elevation, slope, proximity to jobs, schools, shopping, parks, other amenities, centrality, transportation infrastructure, peacefulness, tree cover, views, etc. Only one building can occupy a specific location. Following from this, some locations are obviously more desirable than others, meaning that people will pay more to occupy those locations, and those with greater resources will outbid those with less. Urban scholars call this the "location premium" (Phibbs and Gurran 2021). As O'Flaherty recognized back in 2003 in his original critique of Glaeser and Gyourko, location "is not a quantity. I am not indifferent between my 5,000 contiguous rectangular square feet of New Jersey and 720,000 randomly chosen square inches spread across the face of the earth" (O'Flaherty 2003, 43). Ignoring nearly a century of research, Glaeser and Gyourko mistake the location premium for a "zoning tax."

The argument for land-use deregulation based on assumptions about the impact of regulation on the cost of land "fundamentally misunderstands the operation of urban land markets" (Phibbs and Gurran 2021, p. 467) because it ignores the role of location, which is "a timeless feature of land markets" (Murray 2021, p. 194).[11] Phibbs and Gurran (2021) caution that the approach pioneered by Glaeser and Gyourko and taken up by many activists and commentators today, is "unreliable" (p. 467). They explain why such abstract, econometric studies are deeply flawed:

> The belief of many economists in market outcomes, their lack of understanding about housing system processes, especially the role of land, and an almost religious concern with planning [i.e. regulation] as a contributor to house price inflation, has hindered their ability to see how housing markets are actually working and what potential policy levers are available to change housing market trajectories. (Phibbs and Gurran 2021, p. 473).

Murray states baldly that "this method should not be relied upon to inform planning and housing policy decisions" (Murray 2021, p. 191).[12]

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outside the city's legal jurisdiction, which is irrelevant from a housing/land supply perspective: housing markets typically cross municipal jurisdictions.

[11] Murray's claim of timelessness is based on his study of land sales data from colonial Australia and ancient Mesopotamia showing that the location premium existed well before modern land-use regulations and zoning.

[12] Swedish economist Lars Syll's work shows that economic research based in econometric and statistical modeling is often misrepresented to the public and to policymakers as providing concrete answers to economic issues. He cautions that "Statistical — and econometric — patterns should never be seen as anything other than possible clues to follow" (2018, p. 8). They should not be seen as definitive evidence. Because econometric and statistical models are closed systems, while actual economies (such as metropolitan housing markets) are open because of their social nature, "the statistical methods used in econometrics are ill-suited, or even, strictly seen, inapplicable" to real-world circumstances, the complexities of which defy elaboration through quantifiable "parameters" (2018, p. 9). Such studies offer extremely limited guidance for urban policymakers, especially when taken individually (see Conclusion below).

Urban land scholars have long recognized that land values decrease with increasing distance from a city center, reflecting the effect of the "location premium" (see Figure 1). Furthermore, research has shown that as cities grow in size, competition for location increases and, therefore, the location premium increases—in other words, as cities become larger, land values become more expensive (Combes, Duranton, and Gobillon 2019; Rodríguez-Pose and Storper 2022). Rodríguez-Pose and Storper explain that "land prices rise exponentially with urban size" (2022, p. 65). As Austin grows, we should expect land prices to go up, not due to distortions in the market from zoning and land-use regulation, but because of fundamental market dynamics.

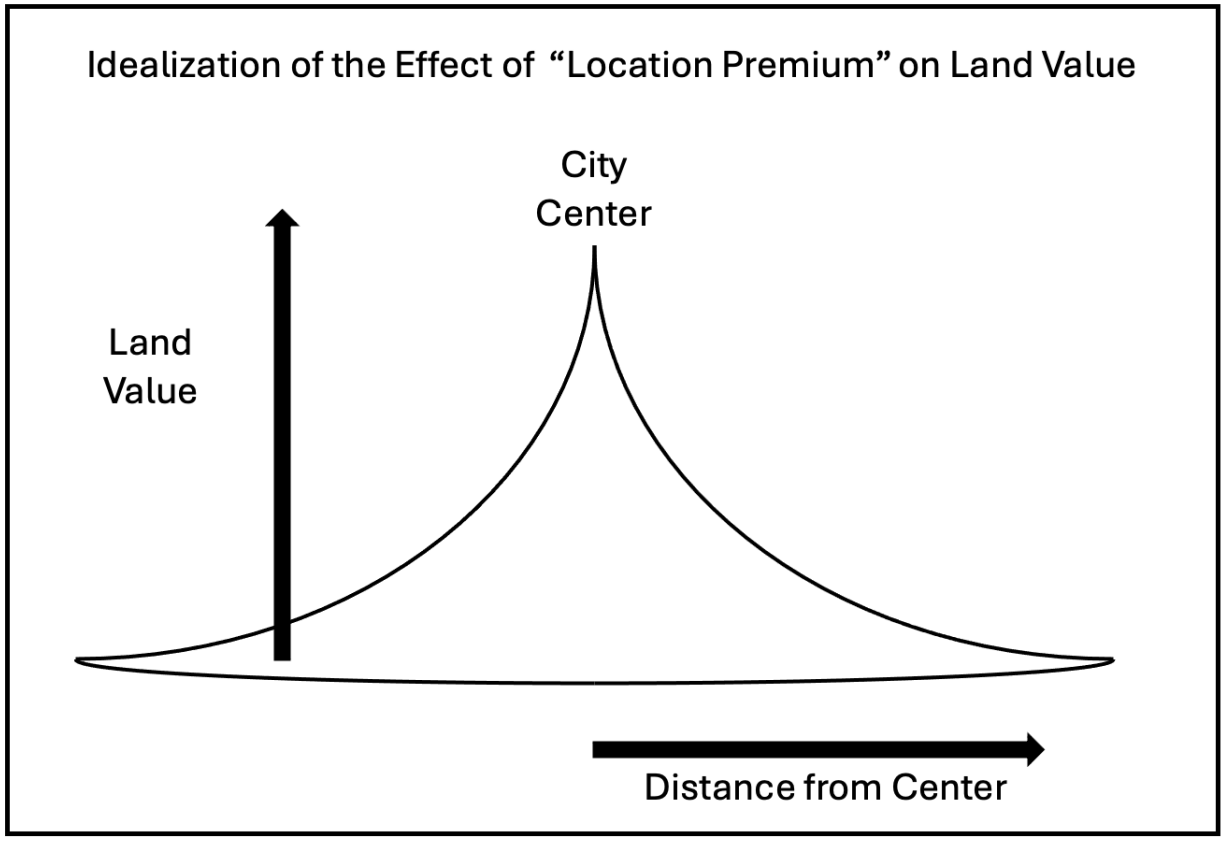

Figure 1. Standard model of urban land value, well known in the urban studies and geography literature. Note that this model assumes no land-use regulations or zoning. Nor does it take into account historical processes such as segregation, redlining, etc., that would have distortionary effects. Drawn by the author.

Many of the calls for land-use deregulation build directly the Glaeser and Gyourko theory and replicate their fundamental confusion of location premium with the impacts of land-use regulation, their "zoning tax." One local example is an essay posted on the website of the YIMBY activist group AURA, entitled "The High Price of a Small Lot" (https://aura-atx.org/author/mdnahas/), which argues that "our land-use laws" are to blame for the higher cost of land closer to the city center (See Figure 2), which the author calls a "membership fee to

join the country club of landowners in Austin" (Nahas 2020). This is Glaeser and Gyourko's "zoning tax."

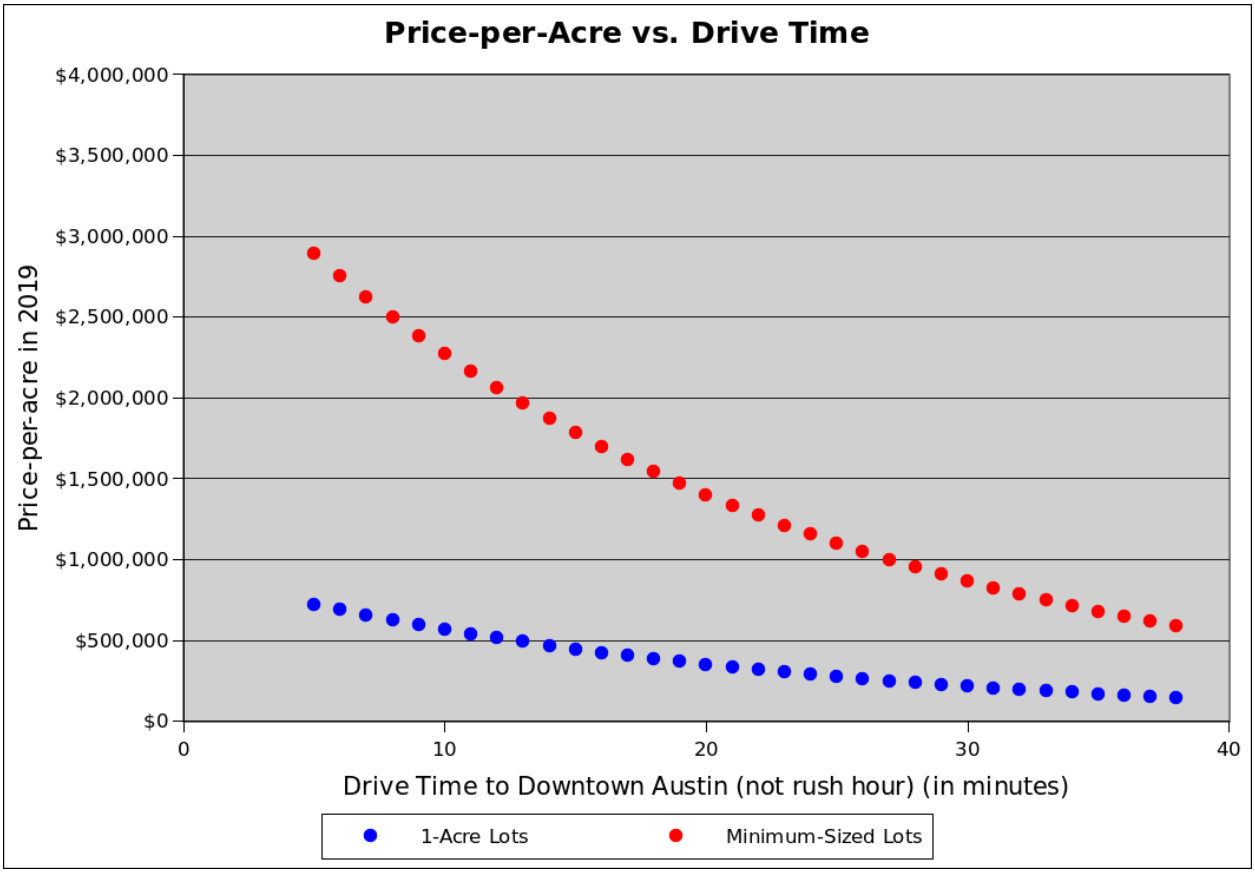

Figure 2. From Nahas 2020.

Rather than describing a "membership fee" or a "zoning tax," Figure 2 simply rediscovers the location premium that is predicted by urban theory, which long predates Glaeser and Gyourko's theoretical disruption.

Higher land values—and, hence, housing prices—are much more a function of the increased premium paid for preferred locations than they are the results of building constraints imposed by land-use regulations. Land is not scarce, location is. Increasing housing prices are the outcomes of fundamental market forces, not a distortion of them. It is simply ideological belief to talk about an "artificial constraint" on housing supply. This is why Phibbs and Gurran identify "the need for an interdisciplinary approach to understanding the operation of urban housing markets and the problems that arise from an *overly narrow approach* to housing market analysis. This interdisciplinary approach would need to include urban planners who could help identify real versus imagined supply bottlenecks in land-use regulation" (Phibbs and Gurran 2021, p. 474, emphasis added).[13]

[13] The discussion over land-use regulation has been dominated by free-market economists whose training and disciplinary theory makes them view all government intervention as increasing prices. See also Footnote 12.

The recent increases in land and housing prices in Austin are entirely consistent with what would be expected of a high-demand, high-growth city, based on well-known models of urban land markets. They are the outcomes of market processes, not a distortion of them; deregulating land-use and zoning would only enhance the effects of these market processes, not mitigate them.

Part 2: Lack of Evidence

Not only are the underlying assumptions of land-use deregulation deeply flawed on a theoretical level, but they are not supported by the evidence. Recent research into land-use upzoning, the impacts of new construction on prices, and filtering shows that urban land and housing markets do not function in the manner predicted by proponents of deregulation.

Part 2a: Research on Upzoning

Large-scale or blanket changes to zoning rules that allow more intensive development on parcels to produce an increased supply of housing and thereby drive down prices—"upzoning"—is a relatively new phenomenon that has arisen in response to the recent affordability crisis in many cities. As a policy solution, it comes directly out of the Glaeser and Gyourko line of analysis, which holds that zoning and other land-use regulations "constrain" the supply of land and therefore contribute to higher land prices; thus, lifting zoning restrictions will increase the supply of land and lower overall housing prices. That is the theory.

Since Glaeser and Gyourko's novel analysis is only 20 years old and has only in the past few years been embraced in the public sphere (see Conclusion below), upzoning itself has only recently begun to be experimented with in cities; thus, evidence that could support or contest the theory of upzoning is rare. It remains mostly a speculative endeavor (AEMP 2022; Greenway-McGrevy, Pacheco and Sorensen 2021; Freemark 2023; Cheung, Monkkonen, and Tiu 2023).

However, in the past couple of years, a few studies of the limited cases of upzoning have appeared. In an important contribution, Yonah Freemark conducted a review of this research (a "meta-study") and concluded that "evidence indicates that upzonings offer mixed success in terms of housing production, reduced costs, and social integration in impacted neighborhoods" (Freemark 2023, p. 548). Two points relevant to HOME follow from this.

The first is that there is insufficient evidence to support the assertion that upzoning leads to increased affordability. Instead, the evidence we have points in several directions at once: some research shows prices rising after upzoning, while some show prices moderating (See Figure 3). As Freemark says, "Scholars cannot yet definitively answer which specific elements of the market or zoning code produce which outcomes" (Freemark 2023, p. 559). This is because "sorting out effects—regulatory outcomes from demand-side pressures, market preferences,

and demographic changes—is admittedly a challenging task" (p. 551). In other words, given the range of possible factors affecting housing prices, it is very difficult to comprehensively model housing dynamics using econometric tools in ways that produce reliable and predictive results across different contexts. That is, current research is too new and too limited to provide adequate evidence for policy purposes: it is "unrealistic to develop a universal theory explaining outcomes of altered land-use regulations" (Freemark 2023, p. 559). Cities are just too different and too complex for models to adequately predict outcomes in all cases.

The second aspect relevant to HOME is that the "mixed" outcomes identified in the research points to differential outcomes in different neighborhoods. However, it should be stressed that "most upzonings have been associated with increased property values and sales prices on affected parcels" (Freemark 2023, p. 556). The differential outcomes relate to how much (not whether) the values go up: "Homes in less-expensive communities became more expensive compared to those in more expensive areas… The least-developed land prior to upzoning saw the largest upswing in values" (Freemark 2023, p. 556). The impacts of upzoning disproportionally affect lower-income neighborhoods.

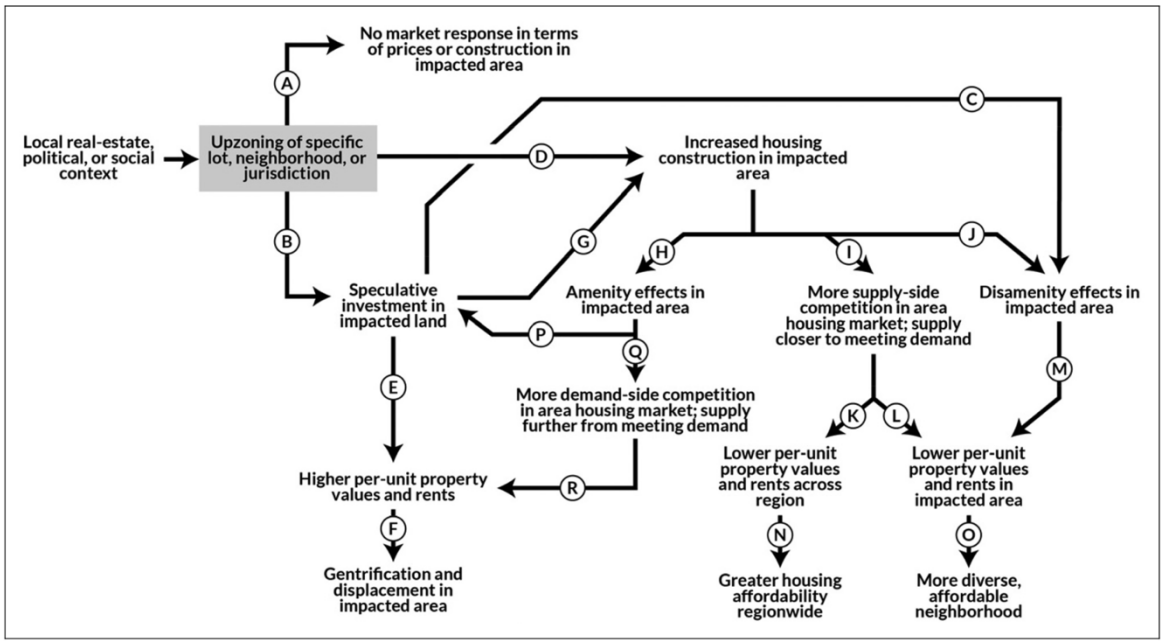

Figure 1. After upzoning: Potential scenarios. Source: The author, based on a review of the scholarship.

Figure 3. We do not know which path upzoning will take in Austin, likely different paths in different neighborhoods. "After upzoning: Potential scenarios." From Freemark 2023, p. 552.

One of the other conclusions that a review of research leads to is that "the breadth of evidence shows that adding supply moderates price increases, though it is insufficient to achieve affordability for low- or moderate-income families" (Freemark 2023, p. 550). Again, two points here. First, the evidence does not show that prices decline; instead, it shows that the rate of

increase moderately slows.[14] Prices continue to go up, just at a slightly less rapid pace. Second, the moderation of prices does not lead to more affordability for most people and has negative impacts on people of color: "the preponderance of upzonings studied identified mixed short-term impacts on housing production, combined with increased land values within neighborhoods affected and reduced racial integration" (Freemark 2023, p. 558).

Other recent research supports Freemark's points about the lack of evidence for upzoning leading to affordability, disparate impacts across neighborhoods, and a general rising of values and prices in the wake of upzoning (Greenway-McGrevy, Pacheco, and Sorensen 2021; AEMP 2022; Rodríguez-Pose and Storper 2022; Cheung, Monkkonen, and Tiu 2023). Cheung, Monkkonen, and Tiu's paper is of particular note, as theirs is one of only two studies to look at the "heterogeneous impacts of upzoning in different neighbourhoods" (2023, p. 7). They found that "upzoning increases the value of a property because it creates the potential for redevelopment, and the more units and FAR allowed, the higher the value premium. We also find that the relationship between neighbourhood incomes and the value premium from upzoning is not linear (p. 18). The other study that looks at this aspect, Kuhlmann (2021), "found that in Minneapolis properties in neighbourhoods below the median house price saw greater price appreciation" (Cheung, Monkkonen, and Tiu 2023, p. 16). Within a city, a blanket upzoning will have different impacts in different neighborhoods.

Furthermore, the research shows that rising property values often *precede* upzoning, indicating that, because of the speculative nature of the real estate market, even the anticipation of upzoning can negatively impact vulnerable neighborhoods (AEMP 2022, p. 49; Damiano and Frenier 2020, p. 28). Rodríguez-Pose and Storper insist that "there is also virtually no evidence that substantially lower costs trickle down to the lower two-thirds of households or provide quality upgrading of their neighbourhoods" (2020, p. 240).

One final point regarding the often remarked upon "exclusionary" nature of zoning. Yes, zoning has been used in many places as a barrier to low-income people and people of color; however, as the researchers at the Anti-Eviction Mapping Project state, "making zoning less restrictive does not intrinsically make it more equitable" (AEMP 2022, p. 15). In one of the only recent studies of minimum lot size, modeling suggests that "minimum lot size zoning lengthens the life of housing and protects neighborhoods from clearance and rebuilding. These are effects that have not previously been documented. Furthermore, this type of zoning provides more incentives for developers to maintain existing buildings. This slows structure deterioration and maintains a uniform level of housing-service quality in a neighborhood" (Zhao 2022, p. 2). While Zhao's study is a theoretical model and not based on empirical evidence, it provides a caveat that reminds us of one of the original functions of land-use regulations and zoning: stabilizing neighborhoods.

A survey of the most recent research shows that upzoning for affordability is not a policy that is grounded in evidence; rather, it sits atop the shaky theoretical shoulders of Glaeser and

[14] See discussion of Asquith, Mast, and Reed 2020 below.

Gyourko. As Rodríguez-Pose and Storper state, policymakers would be prudent to remember that "the burden of proof is on those who propose sweeping policy experiments with our cities" (2022, p. 63). Additionally, surveying the breadth of existing research cautions against drawing hasty conclusions and basing policy decisions on individual case studies; the evidence must be seen and assessed as a whole (see Part 3, below).

Part 2b: Impacts of New Construction on Prices

Related to upzoning, the effects of new construction on housing prices forms a somewhat separate realm of research. Here, researchers look not at zoning changes themselves but at impacts of new housing units added to a city or neighborhood, the theory being that additional supply of housing should lower prices. This research mostly looks at the apartment rental market, rather than home sales. As in the research into upzoning, evidence shows varying impacts of new construction on prices, differing across cities and neighborhoods, as well as with the type of new construction, whether market-rate or subsidized. **In general, promises about increasing affordability through new construction are not borne out by the totality of evidence.**

As with upzoning, new studies highlight the fact that the impacts of new construction on prices is "the subject of intense academic and political debate" (Murray and Phibbs 2022, p. 600). In other words, that there is no academic consensus on the question. Furthermore, a number of researchers comment on the difficulty of modeling these dynamics due to the plethora of factors involved (Damiano and Frenier 2020; Murray and Phibbs 2022; Freemark 2023). Damiano and Frenier put it this way: "The complex nature of housing makes it difficult to model as a standard economic good. Rather than a single good or service, housing can more accurately be thought of as a bundle of goods that include both the unit itself as well as the land beneath it and local spatial amenities" (p. 6).

If the law of supply and demand tells us that more supply leads to lower prices, how is it that many researchers find that new housing construction results in higher prices? There are two main explanations for this. The first is what economists call the "amenity effect": "new construction has both supply effects – the downward pressure on rents resulting from the additional competition new supply provides – and amenity effects – the upward pressure resulting from desirable amenities associated with the new construction and the changes brought about in part by the people it brings to the neighborhood" (Been, Ellen, and O'Regan 2023, p.4). This is similar to the concept of "location premium" discussed above: some people will pay more to live in specific locations due to certain desirable qualities, including proximity. New construction can bring new amenities to a neighborhood, making it more desirable, thereby pushing up prices. This is what is often referred to as "gentrification": "Most new studies also find some evidence that new construction is followed by local gentrification. (Been, Ellen, and O'Regan 2023, p.5).[15]

[15] The paper by Been, Ellen, and O'Regan is especially important because their earlier paper on "supply skepticism" (Been, Ellen, and O'Regan, 2019) is often cited as evidence for the affordability effects of increasing supply. In their

In this discussion of housing price and new construction, it is worthwhile to address a well-circulated paper by Asquith, Mast, and Reed (2023), which is usually—and wrongly—cited as evidence supporting the theory that new supply reduces prices and prevents gentrification (see also Asquith, Mast, and Reed 2020). This confusion is due to some unfortunate language choices. The authors find that "new buildings lower rents in nearby buildings by 5% to 7% relative to trend (p. 359). This wording appears to say that rents decreased, but in fact it means that rent *increases* slowed. Furthermore, the authors acknowledge that their study areas are "already gentrifying" (p. 363) and that "While there is a strong observed correlation between new construction and rising rents, this appears to be because new buildings are typically constructed in areas that are already changing. When these new buildings are completed, they actually slow rent increases in the nearby area: the average new building lowers nearby rents by 5% to 7% relative to trend" (p.373). In other words, these neighborhoods exhibit rising rents in anticipation of new construction, which subsequently moderates. The paper does not provide evidence that adding new supply increases affordability, especially for lower-income residents. According to rent data presented in the paper, rents after new construction are *10% higher relative to the pre-gentrification trend* (see Figure 4).

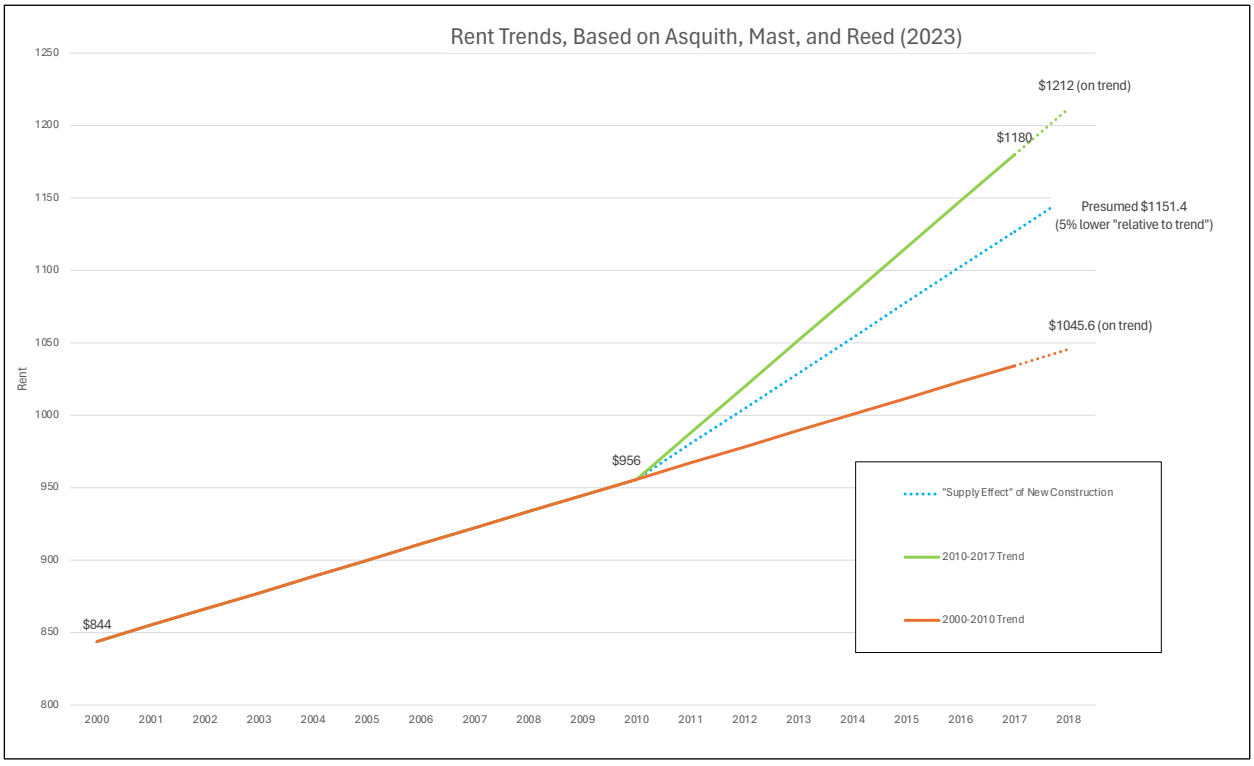

Figure 4. Illustration of rent trends before gentrification (2000-2010), before and during construction of new market-rate housing (2010-2017), and after the "supply effects" of new construction, based on data in Asquith, Mast, and Reed (2023).

"revisit" of the question, they find that the "mixed evidence" in new research casts doubt on their earlier conclusions (p. 10).

The second explanation for why recent research into the impacts of new construction shows such varied impact is the fact of housing "submarkets": "instead of a singular 'housing market,' it is more advantageous to think of housing as an interconnected set of submarkets segmented by geography, housing type, housing quality, tenure, and neighborhood quality" (Damiano and Frenier 2020, p. 6). In their study of Berkeley, the AEMP found that "the addition of units appropriate for the luxury submarket may decrease rents in that submarket, but they will have much less effect on the low-cost submarket" (AEMP 2022, p. 7). Damiano and Frenier (2020) conducted the first-of-its-kind study of the impact of new supply on prices in Minneapolis by breaking up the city's housing stock into three categories, high-priced, medium-priced, and low-priced housing. By looking at change of prices across these groups (or "terciles"), Damiano and Frenier found that "new construction increased rent by 6.6 percent in the lowest rent tercile, had no effect on the middle tercile, and decreased rents by 3.2 percent in the highest tercile" (p. 3). The use of the idea of "submarkets" makes this an important study that adds to our understanding of how supply and demand work in the segmented housing market. This study suggests that we need to be wary of claims that do not differentiate between the impact of new construction on wealthier and less-wealthy neighborhoods. Because of submarkets, rents can simultaneously go down in some neighborhoods and up in others after new construction (see also Chapple and Song 2024 on displacement).

The studies cited above all focus on the impacts of new market-rate construction on housing prices, but several studies also look at the impacts of new, subsidized housing construction on neighborhoods and find that subsidized or affordable housing prevents displacement. While this research did not look at rents themselves, displacement is often the outcome of rising prices and gentrification. The AEMP found that their model showed that "additional affordable units decreased the likelihood of displacement with statistical significance, while an increase in general supply of housing remained inconclusive" (AEMP 2022, p. 32). On a granular scale, they "find with greater than 95% confidence that each additional affordable unit built in a tract before the study period decreased the probability of displacement in that tract by .067% during the study period. Each additional affordable unit built in a tract during the study period decreased the probability of displacement in that tract by .054%" (p. 33). Again, this suggests that more policy attention needs to be given to the differential impacts of different kinds of new housing on different kinds of submarkets: adding market-rate housing is likely to increase rents in lower-income neighborhoods, while adding subsidized housing is likely to prevent displacement by stabilizing rents in vulnerable communities (see also Zuk and Chapple 2016).

A third way to understand why new construction does not help affordability is because new market-rate housing does not serve—and never has served—low-income people, a fact that is commented on in many recent papers. For example, Schragger (2021) says, "the housing market, even in the absence of legal restrictions, does not usually (and may never) respond to the needs of low- income or even moderate-income consumers in high-demand cities or regions" (p. 163).

Another factor in why we fail to find clear evidence of declining prices is because of the behavior of developers. Several recent papers point out that developers will never willingly build new housing, if doing so would drive down rents. From a developer's perspective, "there is no immediate point [...] at which you would oversupply a local market with new-build properties and consequently reduce prices" (Letwin, 2018, AX58–AX144). Instead, developers "'pace' the timing of their projects to maximise profit, rather than to maximise their output to satisfy market demand" (Phibbs and Gurran 2021, p. 459). Developers are sophisticated economic actors who literally bank on rents going up and do everything in their power to ensure that they do.

Overall, recent research suggests that a policy which relies on new construction to increase affordability is unlikely to succeed. Evidence does not support such a policy. As Rodríguez-Pose and Storper argue, "there is strong reason to believe that an affordability strategy based principally on deregulation will fail" (2022, p. 67).

Part 2c: Filtering

The theoretical mechanism by which new construction improves affordability for those not able to access new market-rate housing is filtering. Technically, when talking about filtering in this way, we mean downward filtering—the process whereby higher-income people vacate older housing in favor of new housing, which then becomes occupied by people of lower income, sparking a chain of movements. Housing is said to filter "down" the income scale as it ages and as newer units are built. The cost of older housing is assumed to go down with age. This is the rationale that Glaeser and Gyourko give for their theory of why new supply helps lower-income people: "Although poor households almost certainly are not consuming the typical unit in areas with extremely high prices, we suspect that most filtering models of housing markets would show that they too would benefit from an increased focus on land-use constraints by affordability advocates" (2003, p. 23). **However, new research provides evidence that filtering is not reliable for policy purposes. In other words, the evidence does not support the theory of filtering, or as Rodríguez-Pose and Storper put it, that "there is limited evidence to back the assertion that deregulation and upzoning, leading mostly to building new luxury housing in desirable areas of dynamic cities, will trickle down to wider parts of the housing market" (2022, p. 62).**

Many recent papers cite the work of Zuk and Chapple (2016), which is one of the few empirical studies to estimate how long filtering takes to get to lower-income people. Drawing on data from the San Francisco Bay Area, Zuk and Chapple calculate that that it would take fifteen years for a moderate-income unit to filter down to a low-income household and close to fifty years for such a unit to filter down to a very-low-income household. As a policy tool to address an affordability crisis, the time horizon for filtering makes it unrealistic.

In her more recent research Chapple, along with colleagues, looks at mobility and filtering in the Bay Area due to new market-rate housing construction. They find that "new construction fosters churn," that is, more movement into and out of neighborhoods (Chapple, Hwang, Jeon, Zhang,

Greenberg, and Shrimali 2022, p. 5). This seems to support the filtering theory; however, they also find that "When market-rate housing production occurs, the lowest-SES [socio-economic-status] movers tend to make constrained moves—similar or downward moves as measured by the income or poverty level of the receiving neighborhood" (p. 4). In other words, lower-income people do not move "up" into housing which has become cheaper over time; they have "constrained" choices. The researchers attribute this to the "extreme" pressure on housing in the San Francisco Bay Area, concluding that "In this context, the traditional mechanism for providing housing affordability for all but the lowest income households–filtering–is broken" (p. 6).

Chapple et al's conclusion is consistent with recent research into the limits of filtering in high-demand cities, where key assumptions of filtering theory are violated: that older housing decreases in value over time, that people are able to move easily (no cost of movement, or what economists call "friction"), and that in-migration is not significant. For example, Mast (2019) explains that a key component of filtering theory is that the chain of moves extends from the higher-income end all the way down to lower-income folks; the longer the chain, the more likely it is that filtering benefits lower-income families: "The effect of new housing on lower-income areas will be stronger the longer chains last, as there will be more opportunities to reach such an area" (p. 2). However, there are a number of ways that the chain can be broken, such as "a young adult moving out of her parents' house. … [or] If the unit is filled by a household from outside of the region" (p. 2). In other words, in growing cities with high levels of in-migration, filtering cannot be counted on to increase affordability because new units are often filled by new migrants instead of current, lower-income residents. In these scenarios, filtering stops and no benefits from new housing accrue to lower-income residents.

Furthermore, Mast points out that for low-income people already living in older housing in poor neighborhoods, "reducing demand through the migration chain mechanism is unlikely to lower costs further, perhaps because rents have reached the minimum cost of housing" (2019, p. 4). Thus, the "constrained" moves of lower-income movers that Chapple et al found. Similarly, in Freekmark's review of the research on upzoning, such as that proposed in HOME (discussed above), he concludes that "Evidence assembled thus far from actual upzonings suggests that the construction that does occur following rezonings is inadequate at the regional scale for policymakers to rely on such regulatory reforms alone to provoke filtering of existing units into affordability" (Freemark 2023, p. 558).

Spader's (2024) very recent research comparing filtering in different metro areas across the country shows that "filtering is significantly more volatile in a subset of high-appreciation metropolitan areas compared to lower-appreciation areas" (p. 2); "strong demand and rising home prices slowed or reversed filtering rates" in high-demand cities (p. 16). That is, in high-demand cities—like Austin—filtering does not occur in ways that the theory suggests. Instead, he finds evidence that filtering has "stalled" or "reversed" in high-demand cities. "Reverse filtering" means that instead of older housing filtering *down* in price, it filters *up* (p. 11). This is especially true for lower-cost housing: he found "slower filtering rates or upward filtering on average among units in the lowest cost tier" (p. 18). In-migration from outside the metro area

disrupts the chain of movements that is essential for downward filtering, as Mast explains, leaving lower-income residents untouched or made worse off by the "churn." Even "a reform increasing metropolitan affordability through filtering may simultaneously reduce affordability in neighborhoods undergoing gentrification" (Freemark 2023, p. 559). Spader concludes that "filtering may be most effective at increasing the supply of middle- and higher-cost units and less effective at increasing the supply of lower-cost units. (2024, p. 21). **The research shows that in contexts similar to Austin, filtering cannot be relied upon to provide increased affordability for lower-income residents.**[16]

Part 3: Individual Case Studies Might Not Be Applicable to the Austin Context

Often in public discussions about policy changes such as HOME, proponents and opponents point to case studies of individual cities where outcomes from similar policy changes support their arguments. They say, "Look, policy X worked in city Y, so it will work in Austin!" or "Look, policy X had such-and-such disastrous effects in city Z, so it will do the same in Austin!" A review of the research shows that evidence for the outcomes of the kinds of land-use upzonings contemplated in HOME shows different outcomes in different cities. What this tells us is that it is not useful to generalize from individual case studies. Yes, they add to our understandings of the relationships among housing prices, supply, demand, construction, land-use regulations, etc., but only in the context of the totality of other research. **In other words, it is important to view the research not on the basis of individual case studies but on what we can determine from seeing the case studies as a *whole body of research*.**

Taken together, the research on land-use upzoning, new construction, filtering, and related phenomena is mixed; as Freemark points out, it is "unrealistic to develop a universal theory explaining outcomes of altered land-use regulations" (Freemark 2023, p. 558-9). Simply put, we do not know enough about the intertwined dynamics that go into housing prices to say definitively that certain outcomes will be the results of specific policies regarding housing in all cities. Housing markets in cities are immensely complex systems that are not reducible to universal theories, especially given the different population, growth, geographical, economic, historical, and regulatory contexts across hundreds of cities in dozens of states (each with its own laws regarding cities), and multiple countries (Syll 2018). Many of the studies consulted for this report comment on the extremely complex nature of housing markets, the varied contexts (especially regulatory contexts), and the lack of research into the specific questions being raised by the current housing crisis (Damiano and Frenier 2020; Been, Ellen, and O'Regan 2023; Freemark 2023; Spader 2024; Rodríguez-Pose and Storper 2020 and 2022; Murray and Phibbs 2023; Phibbs and Gurran 2021; Greenway-McGrevy, Pacheco, and Sorensen 2021; Murray 2021).

[16] Outcomes might be different if Austin had robust tenant protections (rent control/stabilization, just cause evictions), inclusionary zoning, and abundant subsidized and income-restricted housing.

Some regulatory differences that directly affect housing and housing prices are the presence or absence of rent control/rent stabilization, just-cause evictions (which affect displacement and the "churn" necessary for filtering), inclusionary zoning, and the amount of subsidized housing available. For example, the state-by-state context for rent control/rent stabilization varies from total prohibition/preemption to state-wide statutes to a mix of state and local legislation, to no legislation one way or another (see Figure 4). Inclusionary zoning is permissible in 20 states and D.C., limited in 22 states, and prohibited/preempted in eight states (Lasorsa 2019). Federally subsidized housing units range from 52 per 1,000 residents in D.C. to 6 in Arizona. New York has 30, Minnesota 16 (the average), California 13, and Texas 10 (https://www.huduser.gov/portal/datasets/assthsg.html#year2009-2022). We do not have evidence for how housing policy reforms, such as HOME, can be affected by the different combinations of these policies in different cities. Because of the staggering number of possible combinations of regulatory differences across cities, it has not been feasible to model in any comprehensive way how they might affect housing prices in light of land-use deregulation or upzoning.

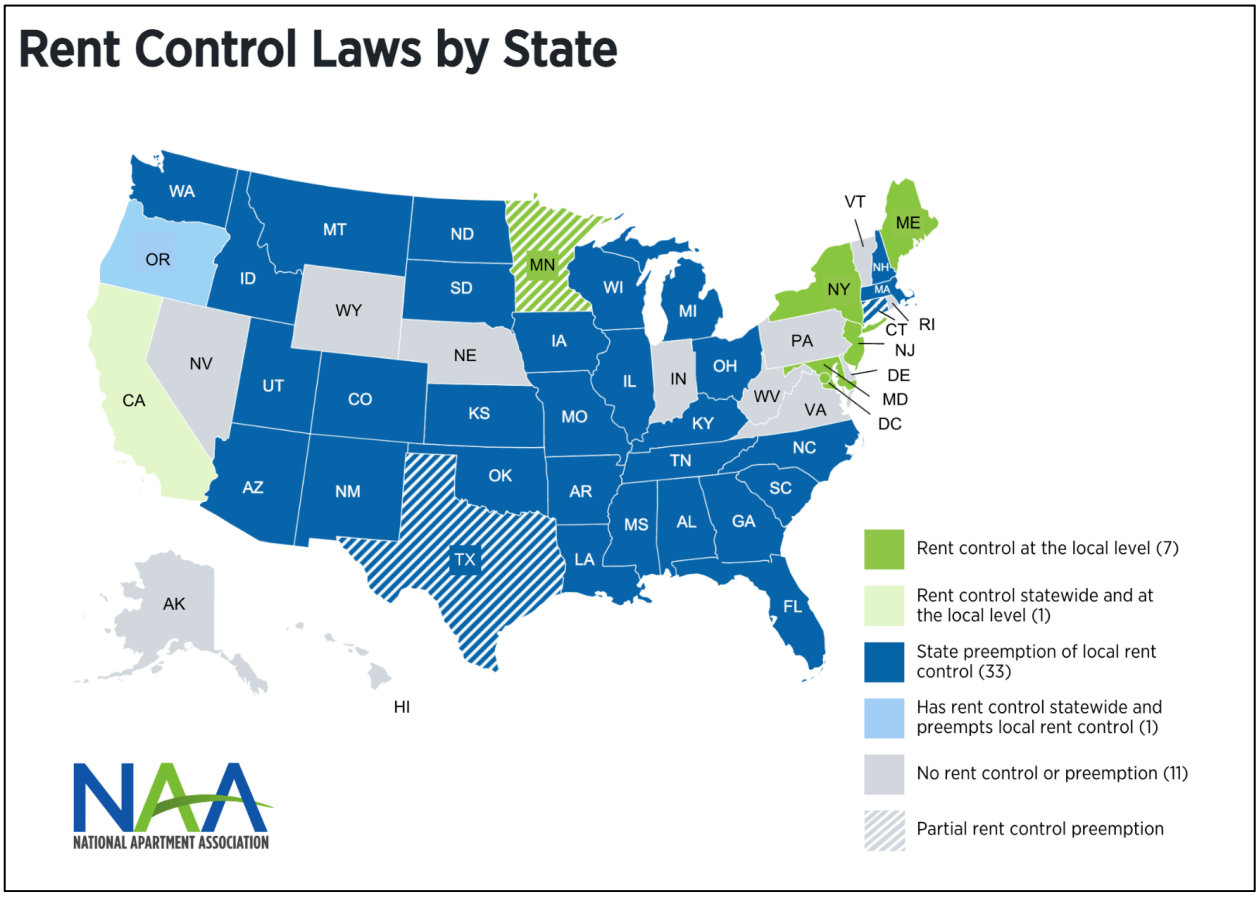

Figure 4. Rent control/rent stabilization differences among states. Map From National Apartment Association (https://www.naahq.org/rent-control-policy).

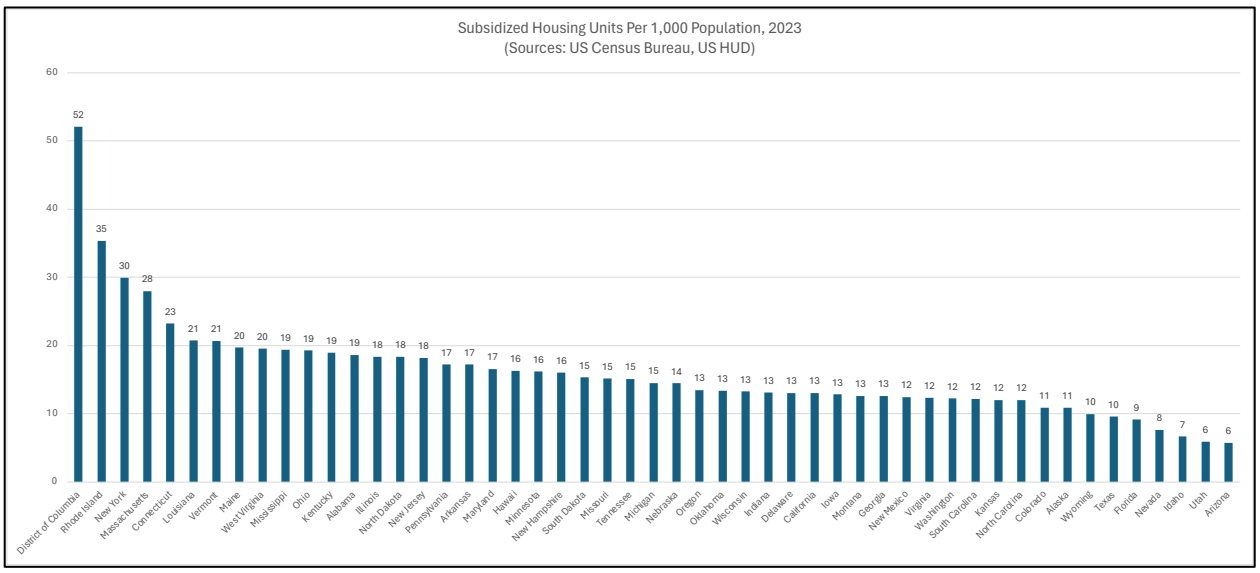

Figure 5. Subsidized housing units per 1,000 residents. Sources: ACS US Census Bureau, HUD.

Similarly, cities have different histories of settlement patterns, segregation, redlining, cycles of disinvestment and reinvestment, in-migration, economic booms and busts, population growth spurts and lulls, levels of income inequality and economic polarization, all of which play a role in the current housing stock available, level of demand, price, and affordability. Taking a subset of these, the amount of pressure on a city's housing stock from growth associated with in-migration matters—it matters to filtering, as discussed above, and to which neighborhoods are targeted for redevelopment, who currently lives in those neighborhoods, etc.

Part 3a: The Houston Minimum Lot-Size Reform Study

For example, let us take the study of minimum lot-size reform in Houston, which is posted on the HOME Coalition of Austin's "Facts and Resources" page (https://www.homecoalitionatx.com/facts-1), and which was heavily referenced in the Council meeting public comments on December 7, 2023 (transcript available here: https://services.austintexas.gov/edims/document.cfm?id=420244). The study was published by the Furman Center at NYU,[17] funded by the PEW Charitable Trusts, and carried out by UT-Austin researchers (Wegmann, Baqai, and Conrad n.d.; see also Wegmann, Baqai, and Conrad 2023). The HOME Coalition of Austin summarizes the key takeaways this way: "Houston's lot-size reform has facilitated affordable homeownership by reducing minimum parcel sizes, making it viable to develop family-sized townhouses. This move addresses the high and rising housing costs by enabling a more diverse range of housing types in areas previously limited to single-

[17] The Furman's Board of Advisors is heavily dominated by major players in the New York real estate, investment, and development ecosystem (https://furmancenter.org/about/advisors).

family homes on large lots".[18] PEW also promoted the paper on its website for documenting increased affordability: "Lot-Size Reform Unlocks Affordable Homeownership in Houston" (PEW Policy Brief 2023). Furthermore, the paper argues that the changes associated with Houston's lot-size reform were not accompanied by gentrification. Both the increased affordability and lack of gentrification were cited in testimony before Council on 12/7/23 in support of HOME.[19]

The Houston case is an example where, when the details of both Houston and Austin have been considered, there is a strong argument that Houston's lot-size reform is not very instructive for which outcomes we might expect from HOME, especially Phase II. First of all, the kinds of single-family-to-townhouse conversions that are the focus of the paper were "rare," happening on just 0.5% of available lots and producing just 5,359 units, which replaced 1,392 teardowns, yielding and increase in housing supply of 3,967 units over the course of 13 years (305 per year on average). For policy purposes, this kind of housing production is insignificant and nowhere near approaching the levels needed to theoretically spark filtering and reduce pressure on prices in Austin (nor Houston, for that matter).

Secondly, the longer version of the paper (Wegmann, Baqai, and Conrad 2023) explains that "SF2TH [single-family-to-townhouse] redevelopment, it appears, disproportionately took place in somewhat advantaged tracts near the urban core and helped those neighborhoods grow their advantaged populations" (Wegmann, Baqai, and Conrad 2023, p. 192). In Houston between 2000 and 2020, there was not the demand for redevelopment in lower-income neighborhoods that we see in Austin. This can partly be explained by the fact that Houston had much more open formerly commercial and industrial sites that converted to residential use (and in particular to townhouses (Wegmann, Baqai, and Conrad n.d., p. 13)), as well as the difference in general growth rate between Houston and Austin. Between 2000 and 2020, Houston grew by a strong 53%, while Austin shot up by an astonishing 83% (See Figure 6).

[18] As of March 23, 2024, the hyperlinks on the HOME Coalition of Austin's "Facts and Resources" page were not linking properly, as the button for "Houston's Lot-Size Reform" linked to an article from the Austin Board of Realtors. The button linking to Wegmann et al's paper was labelled "Houston's Tall, Skinny Housing."

[19] An increased range of housing types, mentioned on the Coalition webpage, was also cited in testimony. However, the paper does not in fact show this; instead, it documents the proliferation in Houston of a single new housing type—the "tall, skinny" townhouse. The paper explicitly states that the houses produced by the lot-size reform were "not 'missing middle' housing" (Wegmann, Baqai, and Conrad n.d., p. 15).

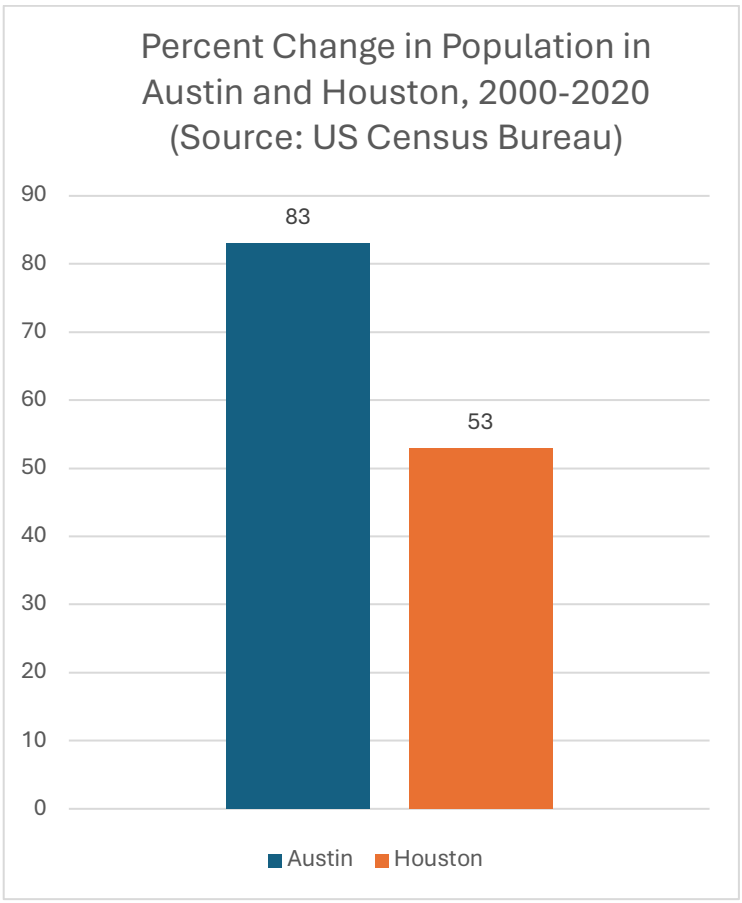

Figure 6. Percent change in population in Houston and Austin between 2000 and 2020. Source: US Census bureau.

The difference in growth rates and histories of gentrification (redevelopment pressure in low-income neighborhoods) means that deregulating land-use rules, such as upzoning and minimum lot-sizes, in the current context in Austin will put even more strain on those vulnerable communities (see Figure 7). Because "SF2TH" redevelopment took place in already "advantaged" neighborhoods, the PEW/Furman study insists that "The spatial patterns of SF2TH redevelopment are not consistent with gentrification" (Wegmann, Baqai, and Conrad 2023, p. 193). However, because of the difference in redevelopment pressures in Houston and Austin, it would be irresponsible to expect the same outcomes in Austin from lot-size reform.

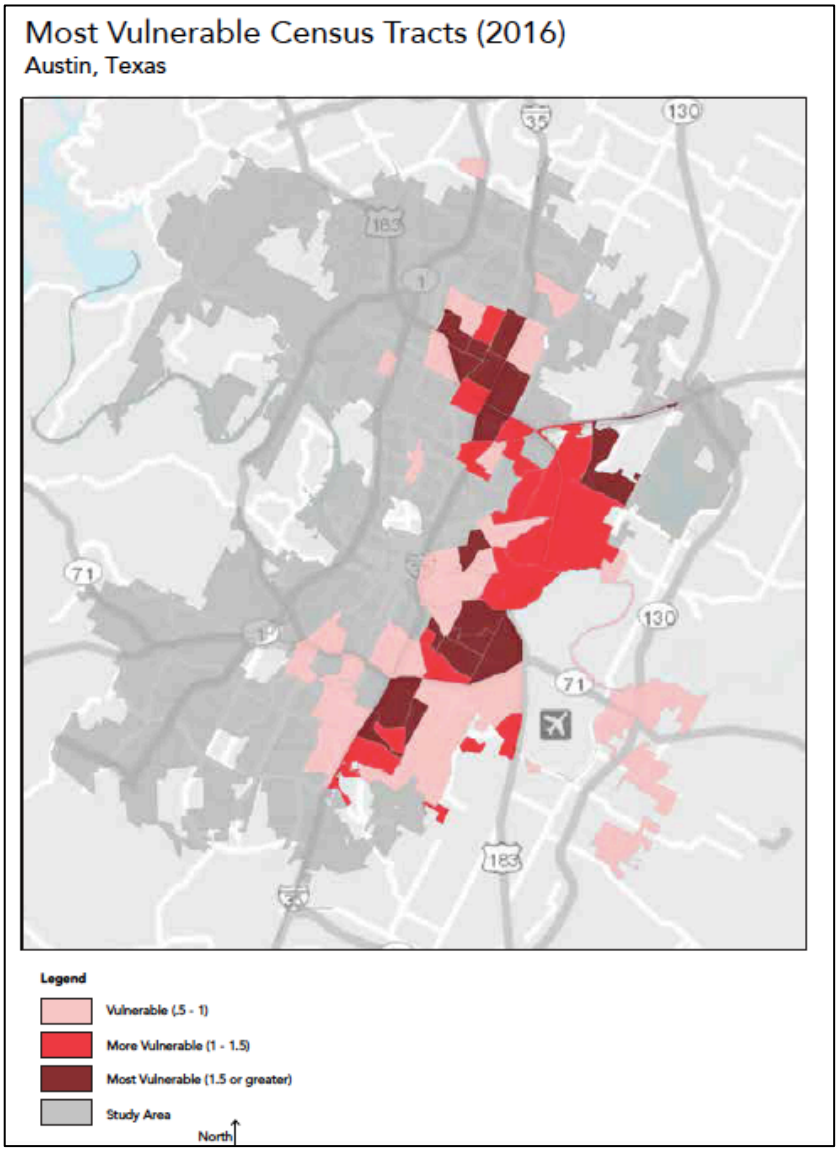

Figure 7. Map of census tracts in Austin vulnerable to gentrification, from *Austin Uprooted* (Way, Mueller, and Wegmann 2018).

Furthermore, it would not be accurate to conclude that the Houston case suggests that Austinites would see lower housing costs because of lot-size reform, even though the PEW Issue Brief touts affordability in its headline. The report itself admits that the townhouses built in response to single-family lot redevelopment are "not cheap" (Wegmann, Baqai, and Conrad n.d., p. 4). Their main argument for affordability in townhouse redevelopment is that "The median SF2TH had an assessed value, as of 2020, of $340,000 ($133 per square foot)—much lower than the median citywide assessed value of single-family houses built 2007 or later on unsubdivided parcels, which was $545,000 ($176 per square foot)," making them "affordable to a household earning 105 percent of the metropolitan median household income" (Wegmann, Baqai, and Conrad n.d., p. 25). Data from the Travis Central Appraisal District indicates that teardowns-and-new-builds of comparable square footage to the Houston

townhouses in lower-income neighborhoods in Austin are appraising at over $200 per square foot.

The study also points out that "the total assessed value on the parcel jumps more than threefold from before versus after redevelopment" (Wegmann, Baqai, and Conrad 2023, p. 187), demonstrating that lot-size reform is likely to dramatically increase property values in Austin. The report also documents how the census tracts with townhouse conversions became whiter than tracts without conversions (16.8 percentages points up vs. 6.4 points down), more affluent (median family income up $109,667 vs up $29,520), better educated (bachelor's degrees up 38.3 points vs. up 6.2), more expensive (house prices up $315,401 vs. up $134,195), and had fewer young people and elderly (see Figure 8). All of these are indicators of gentrification.

Table 3: Average Parcel-Level Change from 2000 to 2015-2019 For Subdivided vs. Unsubdivided Parcels

	Change within parcel's census tract from 2000 to 2015-2019	
	Subdivided parcels	Unsubdivided parcels
Percent of population under age 18	-7.4 pp	-2.3 pp
Percent of population over age 65	-0.2 pp	+1.8 pp
Percent of population non-Hispanic Black	-3.8 pp	-5.2 pp
Percent of population non-Hispanic white	+16.8 pp	-6.4 pp
Percent of population Hispanic	-21.0 pp	+10.7 pp
Median Family Income (nominal dollars)	+$109,667	+$29,520
Percent of adults 25+ with bachelor's degree or higher	+38.3 pp	+6.2 pp
Percent of occupied housing units owner-occupied	+11.6 pp	-3.1 pp
Median owner-occupied house price (nominal dollars)	+$315,401	+$134,195
Population density per square mile	+1,986	+270
Number of parcels	1,371	281,400

pp = percentage point change

Figure 8. Table showing neighborhood change in census tracts where townhouse conversions took place and tracts where they did not. From (Wegmann, Baqai, and Conrad n.d., p. 29).

Thus, there is no indication in this case that the results of a minimum lot-size reform in Austin similar to Houston's would create more affordable housing here nor stem gentrification. In fact, given the context in Austin, the opposite is more likely.[20]

[20] Additionally, the Houston reform included an opt-out provision that HOME does not (Wegmann, Baqai, and Conrad 2023). Such a provision, or a more geographically targeted reform, might protect some vulnerable neighborhoods from gentrification by voluntarily limiting the redevelopment potential—and thus the assessed values—of those lots.

Part 3b: The Fed's Minneapolis Case Study

In early March, 2024, the Federal Reserve Bank of Minneapolis published a short article on its website, "How New Apartments Create Opportunities for All" with the subtitle of "Market-rate rental construction in Minneapolis has freed up more affordable homes for households across the income spectrum" (Boesch, Hembre, and Horowitz 2024). Shortly afterwards Texans for Reasonable Solutions (TRS), a major proponent of HOME, began promoting the article by tweeting about it on X[21] and through an email blast on March 15 that claimed that the article showed that "building more housing lowers housing costs for EVERYONE and REDUCES displacement" (TRS 2024; emphasis original). The TRS email maintains that Texans should follow "the example of cities and states that are confronting the housing shortage head on" through policies that sound very similar to Phase II of HOME: "Policies like reducing minimum lot size requirements and removing land use restrictions are a great start with proven success. **Less unnecesary** [sic] **restrictions = increased supply = lower costs for EVERYONE**" (emphasis original). The email also included a hyperlink to the PEW article about lot-size reform in Houston.

The Fed's Minneapolis case study is another example where the differing contexts between the study city and Austin means that the case study has no predictive value for Austin.

The Fed article is mostly an overview of the theory of filtering, citing the work of Evan Mast (see above), with a very short discussion of data on Minneapolis presented by Mast at the Minneapolis Fed's Fall 2019 Opportunity & Inclusive Growth Institute.[22] Mast presented data about the chain of moves that followed new housing construction in central Minneapolis between 2010 and 2017. He traced the origin addresses of occupants in the new buildings and then the origin addresses of the new occupants of those residences and then those, etc., finding that over the course of 3-5 years, "100 new market-rate units lead about 45-70 people to move out of below-median income areas, loosening [the] housing market in such areas" (Mast 2019, p. 13).

In Minneapolis, we can assume that most of the moves in the chain were from within the metropolitan area, as it grew by just 64,128—1.9 percent—between 2010 and 2017, from 3,333,653 to 3,397,781. This suggests that downward filtering was likely occurring, as the theory predicts. However, between 2010 and 2017, Austin grew by 284,354 people—16.6 percent, from 1,716,236 to 2,000,590 (see Figure 9) and continues to grow rapidly (but, see Footnote 23). Thus, as explained above, we must assume that the chain of moves necessary for filtering will be broken by new migrants to the area. Therefore, the Minneapolis case study

[21] The notice was retweeted by several active urbanists in Austin, as well as by the local business journalist James Rambin.

[22] For information about the meeting, see https://www.minneapolisfed.org/article/2019/expanding-and-diversifying-housing-approaches-and-impacts-on-opportunity. Mast's presentation is available here: https://www.minneapolisfed.org/-/media/assets/events/2019/institute-fall-conference-housing-2019/3-institute-fall-19-mast.pdf.

provides no guidance for how new housing construction would impact lower-income residents of Austin.

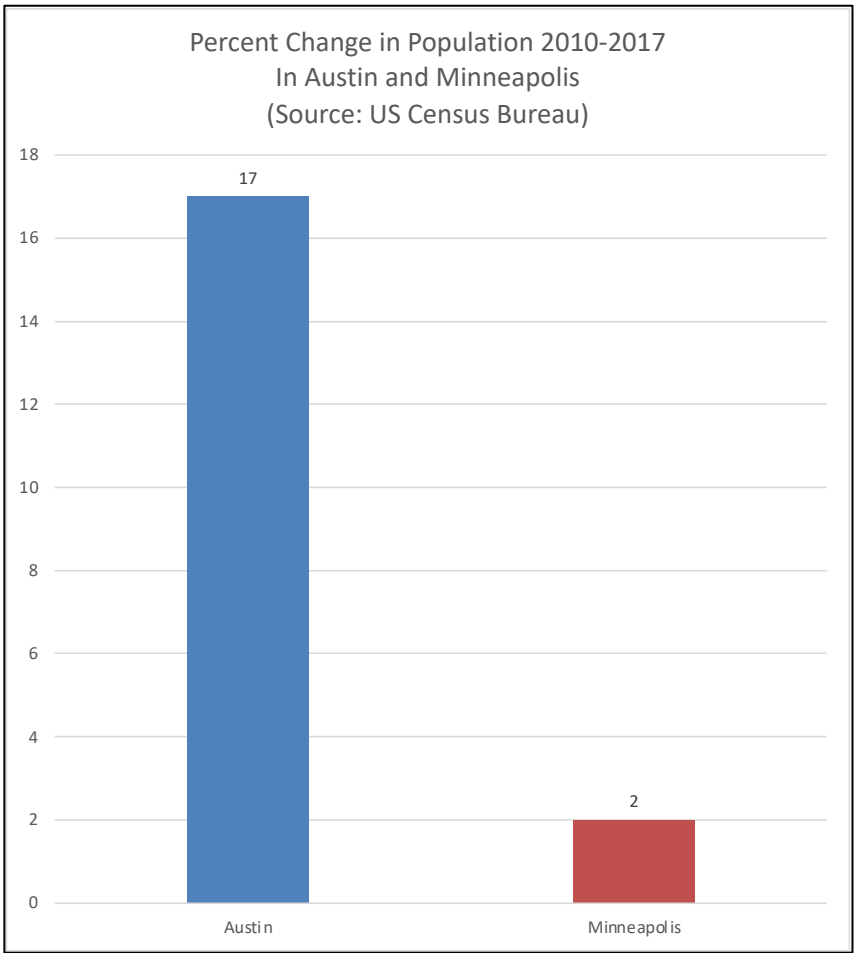

Figure 9. Percent change in population from 2010 to 2017 in Austin and Minneapolis. Source: US Census Bureau.

Because of the plethora of factors that go into the price of housing, we cannot necessarily predict the outcomes of a policy in one city based on a study of a similar policy in another city. Policymakers should not base decisions on individual case studies (or even a collection of case studies) without understanding and considering the entire body of evidence in the research and the particular similarities and differences between the case-study cities and Austin. The cases of Houston and Minneapolis are examples where the research may lead us to erroneous conclusions if we are not careful.

Conclusion

A review of the most recent urban studies research on the dynamics of housing prices, supply, demand, upzoning, filtering, etc.—taken as a whole—shows that basic premises of HOME (such

as that upzoning and minimum lot-size reform will increase supply and thereby decrease housing prices) rest on faulty theoretical claims that are not supported by evidence. Furthermore, individual case studies of cities with very different redevelopment pressures and in-migration rates are not a sufficient basis for policy development in Austin. The unique characteristics of our context need to be taken into account in light of the totality of research on housing in cities to understand the likely outcomes of specific policies. Such an approach leads to the conclusion that the rise in land prices in Austin in recent years, together with the increase in housing prices, are due, in large part, to fundamental dynamics of urban land markets and not a "distortion" of them by land-use regulation and zoning. High prices are not the results of land-use regulations, including minimum lot sizes, acting as "constraints" to housing supply; they are evidence of the "location premium" that some people are willing to pay to live centrally. They may also be due to the mere *anticipation* of upzoning (see above). Given Austin's dramatic and continuing growth,[23] an increase in land prices is exactly what is expected. Following from this, and based on the evidence in the research, deregulation of land-use and zoning is likely to increase prices and to impact neighborhoods vulnerable to gentrification the most. HOME is unlikely to increase affordability for most Austinites, but may bring down prices in certain above medium-income submarkets.

Some readers of this report may suspect that it is part of a disinformation campaign intended to sow doubt and confusion about legitimate science and public policy akin to the fossil fuel industry's use of fringe climate skeptics and industry shills. Unlike industry-sponsored climate skeptics, I have no financial stake in presenting these arguments.[24] However, some proponents of upzoning—which would increase property values—do have financial ties to the real estate/development industry and to corporate-funded research institutes, such as Ed Glaeser at the Manhattan Institute or Texans for Responsible Solutions working with the Koch-funded Mercatus Center and Cicero Institute.

It is also important for nonacademic readers of this report to understand certain aspects of the academic social scientific research process. Firstly, it is normal and routine for academics to include a statement about "policy implications" in write ups of their research. This is where academic researchers make claims to the significance and justification of their work. They are intended to add to on-going conversations among researchers and are typically not to be taken as definitive statements or the final word on the topic. (Nor do they speak to the nuances of crafting actual policy for specific jurisdictions.) Academic research works by slow accretion to a body of knowledge, and must be assessed as a totality. Furthermore, the pace of academic research necessarily lags behind changing circumstances and emerges into public debate only through indirect channels, such as when journalists begin looking for answers to pressing public issues. For example, when Glaeser and Gyourko published their original paper, with its novel

[23] It has been reported recently (McGlinchy 2024) that in-migration to Travis County in 2023 was less than out-migration for the first time in twenty years, so some revisions to Austin population projections may need to be made.

[24] Some YIMBYs might argue that, because I own a house in Austin, I have a financial interest in minimizing the housing supply. In fact, upzoning would make my property more valuable in more direct and immediate ways than some imaginary limit to the aggregate supply of housing the Austin metro region.

and controversial theory of housing prices,[25] in 2003, the US was in the inflationary stages of a housing bubble characterized by easy credit and a building boom. Even though home prices were on the rise, there was no housing affordability crisis, and the paper had little impact on discussions outside of a small circle of market-fundamentalist economists (See Figures 10 and 11).

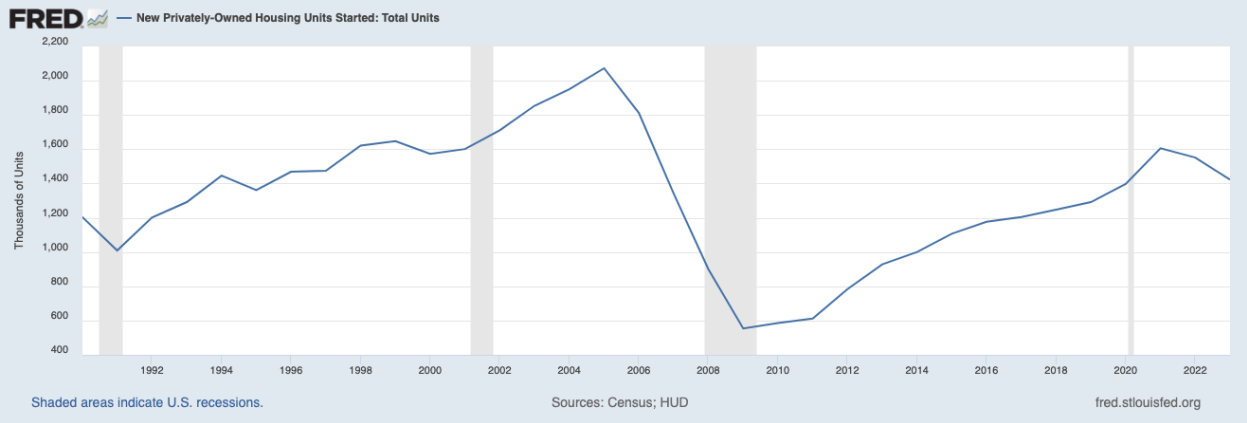

Figure 10. New housing starts in the US, 1990-2023. Source: Federal Reserve Bank of St. Louis.

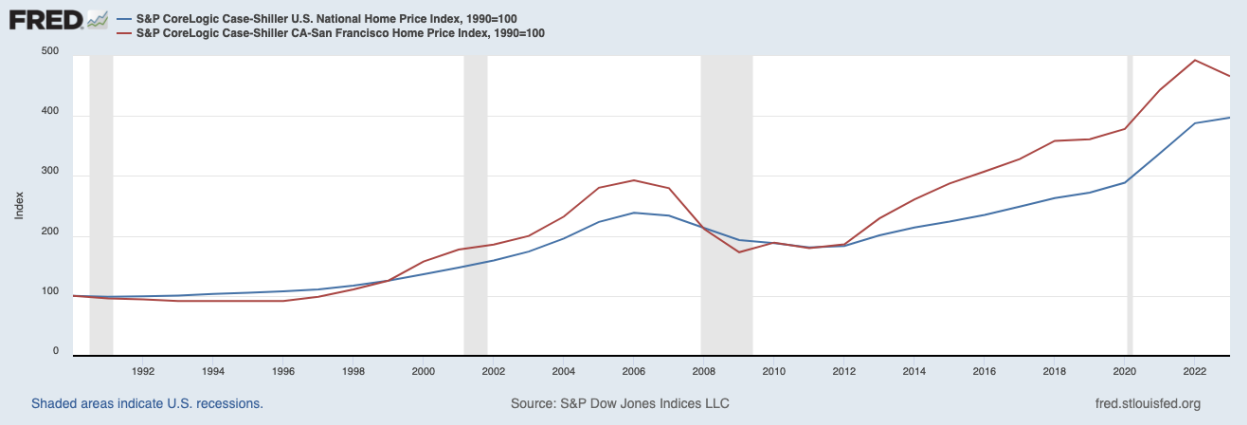

Figure 11. Case-Schiller Index of US (in blue) and San Francisco (in Red) Home Prices, 1990-2023. Source: Federal Reserve Bank of St. Louis.

During the Great Recession that followed the housing crisis and in the long, slow recovery afterwards, roughly from 2008 to 2012 or so, no one was talking about a housing affordability or supply crisis. Tightening credit, a glut of foreclosed houses, falling/stagnating prices characterized the period.[26] It was only after prices began to rise dramatically in certain coastal cities with high growth, such as the San Francisco Bay Area, after 2014 or so (see Figure 11) that some people started organizing around these issues, identified land-use and zoning regulations

[25] Murray (2021) finds the popularity of Glaeser and Gyourko's paper "surprising," given that it was published alongside a substantial critique (p. 205). See above.

[26] This is a national generalization. Local conditions varied around the country.

as “constraints” to supply, and coined the term “YIMBY” (Dougherty 2016; Bronstein 2018; Maier 2013).[27] It was at this time that Glaeser and Gyourko’s work, and other work in a similar vein, came into public conversations (see Beyer 2016; RECA 2016; Romen 2017 Fiscel 2015; Furman 2015; Hirt 2015; Shaw 2018).

It's worth reiterating that most of the research that came into public conversations at this time came from market-fundamentalist economists whose views departed dramatically from urban studies scholars (urban economists, planners, urban geographers, etc.), as discussed in Part 1 above. It was only as this research began to gain public traction (perhaps around 2016 when the Obama White House published its “Housing Development Toolkit,” which embraced Glaeser and Gyourko’s arguments about land-use regulations constituting “barriers” [White House 2016]) that non-economist urban scholars began to engage with their arguments. It took some time for these scholars to embark on new research in light of this novel challenge to the consensus view of urban land markets. Planning for research, carrying it out, writing it up, and publishing it can easily take four of five years (then add in the pandemic). Therefore, it is not surprising that rebuttals to the Glaeser-Gyourko school have only begun to appear in the academic literature in the past two or three years. It is only now that a more complete—and complex—picture of the interactions of land-use regulation, supply, and prices can begin to emerge. Evidence is now available that refutes that simplistic logic of “Less unnecesary [sic] restrictions = increased supply = lower costs for EVERYONE” (TRS 2024), especially in high-demand, high-growth cities like Austin. I agree with Rodríguez-Pose and Storper that “too much is being promised to policy-makers about the supposed potential benefits of housing market de-regulation” (2020, p. 243).

A review of the full picture of current available research evidence suggests that HOME will cause (and may have already caused—see Part 2a above) a rise in land values, contribute to gentrification and displacement in vulnerable, low-income neighborhoods, and not achieve its stated goals of increased affordability, especially for moderate- and lower-income Austinites and people of color.

[27] In 2014, the local Austin organization AURA broadened from its original focus on rail to embrace YIMBYism more broadly (see https://aura-atx.org/about/). See also Formby 2017.

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