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Warding Off Development Local Control, Housing Supply, and NIMBYs

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POLICY BRIEF

Warding Off Development

Local Control, Housing Supply, and NIMBYs

Evan Mast

BRIEF HIGHLIGHTS

- *Moving control of housing approvals to more local levels of government can exacerbate NIMBY (not-in-my-backyard) behavior.*
- *I study how housing production changes when towns switch from at-large to ward elections for town council.*
- *After switching to ward voting, towns reduce housing permits on average by 21 percent.*
- *The decline is even larger for multifamily housing permits, especially in towns with high homeownership rates.*
- *Ward voting, however, affects many outcomes, and can increase minority representation in local government.*

For additional details, see the working paper at https://research.upjohn.org/up_workingpapers/20-330/.

Housing construction in the United States has not kept pace with demand. In a recent report, Freddie Mac (2018) estimates that 2017 production fell 20 percent short of the level required to accommodate population growth and replace dilapidated structures. This may not only affect housing markets, where costs continue to rise faster than incomes, but also slow aggregate economic growth. Accordingly, ways to address this shortfall have come to the forefront of the housing policy debate.

Highly local control of land-use regulation and development approval may create a classic NIMBY (not-in-my-backyard) problem that reduces housing production. Because new development has diffuse benefits and concentrated costs—such as congestion, lost green space, and construction noise—people may prefer less new housing near their residence than would be ideal for the town or region. Moreover, citizens have outsized influence over proposals in their area, and they can use it to keep housing production low. At a larger geographic level, towns within a region can use local land-use regulations to a similar effect.

These forces are anecdotally strong, leading to recent reforms and policy proposals that try to spur housing production by reducing local control of land-use regulations. Two examples are California's requirements for municipal housing production and Oregon's recent prohibition of single-family zoning in most municipalities. However, despite the increased attention to the issue, there is little empirical evidence on how local control of regulation affects housing supply.

I attempt to fill this gap in the literature by studying a natural experiment that sharply increases the degree of local control within a town. The natural experiment arises from a common reform to elections for town council—a switch from “at-large” elections, in which citizens vote for candidates to represent the town as a whole, to “ward” elections, in which the town is divided into wards and each citizen votes for a single candidate to represent their area. This change shrinks each representative's constituency from the entire town to just one ward, providing voters in the ward with more power over their representative. Moreover, when an issue arises in a councilperson's ward, other members of the council typically defer to the home representative, providing ward representatives with significant control over issues in their district (Schleicher 2013).

My results suggest that towns reduce the number of housing units permitted by 21 percent after switching to ward voting. The effect is larger (38 percent) for multifamily units and in towns with higher owner-occupancy rates. It appears that more localized control has a large negative effect on housing production. This suggests that reforms restricting the influence of local levels of government or small groups of people on land-use regulation and housing approval could indeed increase housing supply. However, note that while switches to ward voting provide a natural experiment for this question, I do not consider all the effects of ward representation or claim that it is worse overall than at-large systems.

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Because new housing has diffuse benefits and concentrated costs, residents may prefer less construction near their homes than would be ideal for the town or region.

Background on At-Large and Ward Elections

Towns in the United States generally use one of two methods to aggregate individual votes into seats on their council. In at-large elections, each citizen chooses from the same pool of candidates to elect representatives who represent the town as a whole. In ward elections, the city is divided into smaller wards (or districts) in which each citizen votes for a single candidate to represent their area. About two-thirds of towns use at-large elections for town council, about 15 percent of towns use a purely ward system, and 20 percent have some representatives elected at-large and some by ward (Clark and Krebs 2012).

Towns are able to choose between different election types. In theory, any majority bloc—whether defined by race, ideology, or ethnicity—can suppress the representation of a minority bloc through at-large voting. For example, a minority representing 15 percent of the population may not be able to win a seat in an at-large election, but they could constitute a majority within a smaller ward. In recent years in the United States, the majority and minority have typically been defined by racial lines. Trebbi, Aghion, and Alesina (2008) show that majority-white Southern towns implemented at-large systems after African American voting rights were strengthened by the Voting Rights Act, and a number of studies have found that ward voting indeed increases the representation of racial minorities (Engstrom and McDonald 1981; Leal, Martinez-Ebers, and Meier 2004).

Accordingly, changes between the two electoral rules have often been motivated by racial equity concerns. A key 1982 Supreme Court case held that at-large elections in Burke County, Georgia, violated the 14th Amendment rights of African Americans in the county, sparking a wave of switches to ward voting in the 1980s and 1990s (*Rogers v. Lodge*, 458 U.S. 613.). While there are other reasons towns may switch to ward voting, in the 1991 Form of Government Survey from the International City/County Management Association (ICMA), 31 percent of the 77 switching towns cite either a court or state mandate. An additional 20 percent cite a government initiative, 29 percent a referendum, and 21 percent another (unlisted) reason. Importantly, housing markets are rarely cited as a motivation for reform, as Hankinson and Magazinnik (2019) carefully document in the meeting minutes of several California cities that switched to ward voting.

Ward systems are more decentralized than at-large, since representation is tied to smaller groups of people. This leads ward and at-large representatives to face very different incentives. At-large representatives should be concerned with the average opinion of the town, while ward representatives should respond to the average opinion in their district. This difference is likely important for housing approvals. Within the ward containing a proposed development, a higher percentage of people will be affected by the project's concentrated costs than in the town as a whole. This means that the average opinion of the project in the ward may be lower than in the town as a whole, making ward representatives less likely to support housing developments.

Empirical Strategy

I study the effect of changing from at-large to ward voting by comparing towns that make this switch to other at-large towns in the same county. Because this is an imperfect comparison, I also repeat this approach but omit at-large towns that appear to be quite different from the switching towns on characteristics such as population and racial composition. To fit the comparison into a natural experiment framework, I refer to the switching towns as the treatment group and the non-switching towns as the control group.

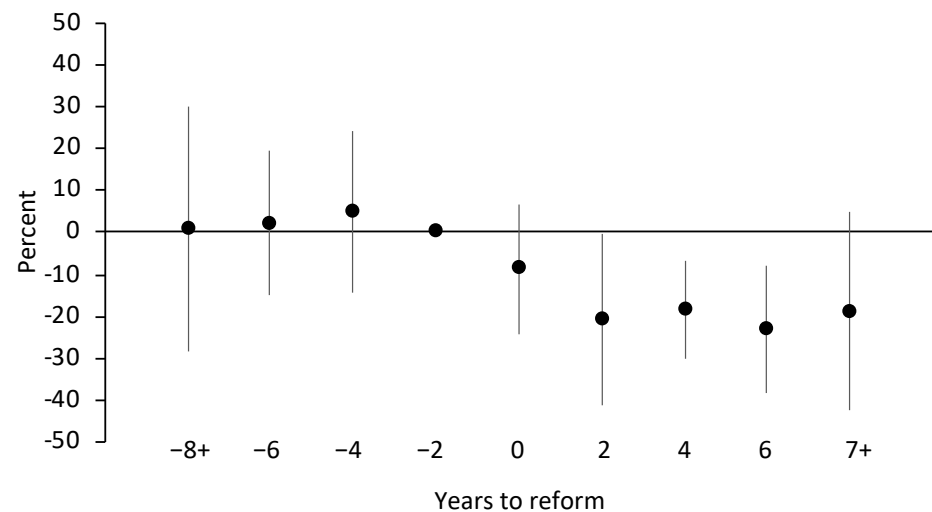
I study the effect of the switch on both regular and low-income housing permits using national data between 1980 and 2016. Data on regular permits come from the Census Building Permits Survey, and data on low-income units come from the Department of Housing and Urban Development. Information on town voting systems comes from surveys conducted by ICMA.

The number of housing units permitted falls sharply after towns switch to ward voting.

Results

Figure 1 plots the percentage difference in housing permits between the treatment and control groups in the years before and after treated towns switch to ward voting. (The difference between the two groups are normalized to zero in the year before the switch occurs, so the figure shows changes *relative* to this initial difference). The two groups appear to be on similar trends prior to reforms. However, immediately following a reform's approval, permits fall sharply in switching towns. This pattern suggests that the reform indeed reduced housing production, and the sharp timing of the drop helps rule out other explanations.

Figure 1 Housing Permits Drop Sharply after Towns Switch from at-Large to Ward Voting



SOURCE: ICMA Form of Government Survey; Census Building Permits Survey.

NOTE: Circles represent estimates of effect of switching to ward voting by years before reform (negative values on the horizontal axis) and since reform (positive values on the horizontal axis). Whiskers represent 95 percent confidence intervals.

Next, I combine the coefficients in Figure 1 to yield an average “before-after” effect of switching to ward voting. Figure 2 shows the results, with estimates for all units, multifamily units, and single-family units in the different columns. The first three rows show results that include all at-large towns in the control group, while the next three rows include in the control only towns that are similar to the switching towns.

The average effect for total units suggests that the switch reduces housing permits by about 21 percent. For multifamily units, the decrease is 38 percent, while single-family is smaller at 11 percent. The larger estimates for multifamily could occur either because neighbors oppose larger projects more strongly, or because the approval process for multifamily is often more onerous and could provide more opportunities for a ward representative to block a project. When using a matched control group, estimates are smaller but tell a similar story.

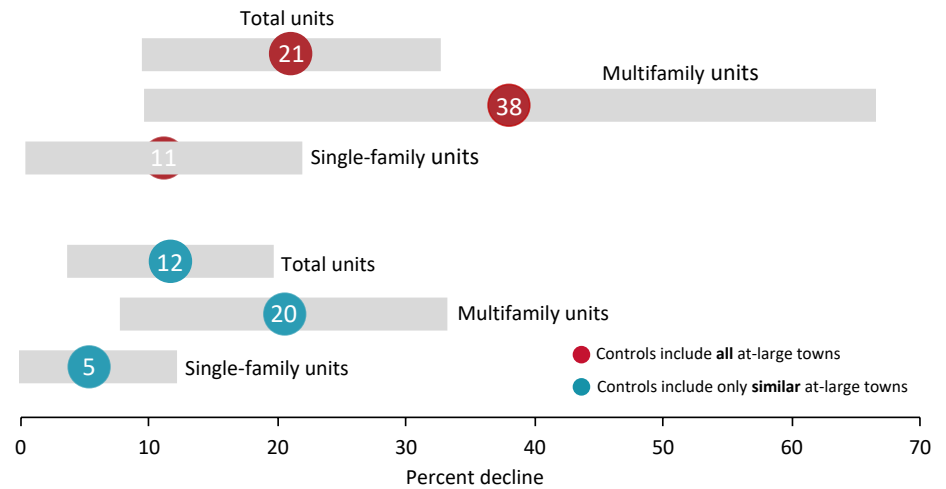
Homeowners concerned about negative effects on their property values may particularly oppose new development. Indeed, in extensions reported in the working paper, I find that ward voting has an even larger effect on multifamily units in high-homeownership towns.

Finally, I find some suggestive evidence that switching to ward voting decreases permits for low-income housing in high-homeownership towns, but not in other towns. This is consistent with findings from other researchers suggesting that the effect of new low-income housing on nearby property values depends heavily on the overall income of the neighborhood.

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My findings suggest that policies that aim to reduce local control to spur housing production may be effective.

Figure 2 Housing Permits Decline Most for Multifamily Housing



SOURCE: ICMA Form of Government Survey; Census Building Permits Survey.

NOTE: Circles represent estimates of effect of switching to ward voting. Gray bars represent 95 percent confidence intervals.

Policy Implications

On the whole, my findings support conventional wisdom and anecdotal evidence of NIMBYism, as this example of increased local control reduces permits for local housing by over 20 percent. This suggests that policies that aim to reduce local control to spur housing production may be effective.

However, I emphasize two caveats. First, I consider only housing outcomes. Ward voting could have other benefits, such as increased minority representation. Second, I study a specific policy, and results may not generalize to every situation. For example, similar forces are at play between towns within broader geographic regions, such as metro areas or states, but further research should investigate voting regime effects at those larger geographic levels. In addition, most proposed reforms consider decreasing local control, and I study an increase—it is not clear if effects are symmetric when the policy shifts the other way.

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