

Housing Costs and Economic Opportunity Across the States

THE BACKGROUND

Expensive and restrictive housing markets prevent people from moving to areas with greater economic opportunity. High housing costs make it harder to start and raise families, pursue career advancement, and achieve personal fulfillment, undermining both dignity and self-actualization.

THE PROBLEM

- **Housing costs are outpacing wages:** From 2012–2022, average home prices rose 84%, while wages rose only 46%. In just one year (2021–2022), house prices jumped 15%, compared to a 6% increase in wages.
- **Housing affordability is a major burden:** In 2021, nearly half of renter households (20 million) spent over 30% of their income on housing, and more than 25% (10.4 million) spent over half their income on rent. Overall, over 20 million households (renters and homeowners) were "severely burdened" by housing costs.
- **Government regulations drive up costs:** Regulation accounts for more than 23% of the cost of single-family homes and 40% for multifamily residences, disproportionately hurting low-income families. Scholars estimate that land use regulations reduce U.S. GDP by 1.5% annually.

STATE SOLUTIONS

Allow “Missing-Middle” Housing by Eliminating Single-Family Zoning: Most local zoning laws restrict large swaths of land to only single-family homes. This prohibits more affordable and space-efficient housing options like duplexes, triplexes, and fourplexes, often referred to as “missing-middle” housing. These middle-density housing types used to be common in American neighborhoods but are now largely illegal to build due to zoning restrictions. By allowing these types of housing "by right", meaning without requiring special permission or lengthy public hearings, states can significantly increase housing supply. This helps lower costs for both buyers and renters, enables more families to live in areas with good schools and jobs, and creates more inclusive communities without requiring subsidies.

- **State Examples:** Montana SB323 (2023) requires cities with more than 5,000 residents to allow duplexes on any lot zoned for single-family housing, with no additional restrictions beyond those for single-family homes. In cities with over 50,000 residents, the law also permits triplexes and fourplexes under the same conditions to increase housing availability and affordability.

Establish Multifamily and Mixed-Use Development in Commercial Zones and Enable Commercial Conversions:

Many cities limit housing construction by reserving large areas exclusively for commercial use, such as offices or retail stores. With the rise of remote work and changes in shopping habits, demand for commercial space has declined, leaving many buildings and parcels underused or vacant. States should step in to streamline and encourage the conversion of empty or underutilized commercial buildings into residential units. These conversions can be a cost-effective way to add new housing supply without major new construction.

- **State Examples:** Texas SB.840 (2025) requires municipalities with populations over 150,000 to permit mixed-use residential and multifamily projects as-of-right, without needing rezoning, variances, or public hearings. New Hampshire HB631 (2025) requires municipalities in urban areas to allow residential or mixed-use buildings by right on commercially zoned parcels with municipal services. It removes density, height (under 65 ft), and setback limits, while allowing basic parking and design requirements.

Allow Accessory Dwelling Units (ADUs): ADUs are smaller, independent homes located on the same lot as a primary residence, offering flexible and affordable housing options. They help create housing for young families, seniors, and lower-income renters without dramatically changing the character of neighborhoods. However, outdated local zoning restrictions and permitting barriers have made it difficult to build ADUs, worsening housing shortages and affordability crises.

- **State Examples:** Montana SB528 (2023) requires municipalities to permit at least one accessory dwelling unit (ADU) by right on any lot with a single-family home capped at 75% of the main dwelling's size or 1,000 sq ft, whichever is less. It prohibits extra parking, design-matching, owner-occupancy, impact fees, or more restrictive zoning.

Reduce Indirect Density Restrictions: Indirect density restrictions (such as minimum lot sizes, parking minimums, and height limits) can artificially drive up housing costs and reduce supply. Originally intended to manage growth, these rules now prevent communities from adapting to modern housing needs and demand. Addressing these outdated barriers would allow for more affordable, walkable, and diverse neighborhoods without major new public spending.

- **State Examples:** Texas SB15 (2025) reduces the minimum lot size to just 3,000 sq ft for new single-family developments in Texas cities of over 150,000.