Subdivision Requirements as a Regulatory Barrier to Housing Affordability

Local subdivision regulations are a major tool by which local governments manage and shape the housing development process. In addition to land plating or site planning, these regulations establish infrastructure or site requirements to support new residential development. They establish specifications for streets, sidewalks, water and sewer, drainage, curbs and gutters, street signs, and landscaping. In many cases, subdivision regulations also provide for trees, utility easements, and dedications of land or fees for recreational and/or school facilities. Subdivision regulations are intended to ensure that proposed housing developments are cost-effective in terms of long-term maintenance by the locality, meet health and safety requirements, are properly designed, and have a favorable impact on the community.

However, the cost of these requirements can represent a significant share of the cost of producing new housing. As such, they can be considered “regulatory barriers” to affordable housing if the locally-determined requirements exceed those necessary to protect the health, safety, and welfare of the community.

This newsletter is taken from a HUD-funded study of the cost impact on housing development of locally imposed subdivision requirements.

This situation has been a concern for many years and was identified in the report, *Not in My Backyard* (prepared by the 1991 President’s Commission on Regulatory Barriers to Affordable Housing) as a potential major contributor in raising the cost of housing and limiting the supply of affordable housing in communities.
HUD Response

As a result the Department of Housing and Urban Development commissioned a nationwide study to determine whether subdivision requirements exceed what is necessary to meet health and safety requirements and, hence, represent a regulatory barrier. The main objective of the study was to develop a national estimate of the cost of excessive land and site development standards on single-family detached housing built in subdivisions. This type of housing is the most closely associated with the ideal of homeownership in America.

In order to measure which local standards are in fact excessive, the study commissioned nationally recognized land development experts to devise benchmark subdivision standards. Benchmark standards are standards necessary to achieve minimum acceptable health and safety benefit for the community. Such standards, and their corresponding monetary values, were devised for the most important development standards: lot size, floor space requirements, lot width, roadway width, sidewalk requirements, and curb & gutter drainage. The expert group in land and housing development consisted of residential land developers, architects, civil engineers, and land planners and was asked to develop benchmark standards for this study. Based on the responses from this group, consensus benchmark standards were developed and used in this study as the basis for determining whether existing local standards were excessive.

Study Methodology

The study used a four-step methodology for developing the national cost estimates for those subdivision rules that constitute regulatory barriers: (1) collect regulatory standards from a nationally representative sample of jurisdictions for the selected subdivision and related zoning rules; (2) establish benchmark values and unit costs for each requirement; (3) produce a cost estimate for excessive regulation based on the application of the benchmark values and costs to the regulatory standards from the national sample of jurisdictions; and (4) create a national estimate of the costs of excessive regulations. For practical reasons, this study focused on only one type of zoning district - those that allowed the densest single-family residential development. If the study had examined all zoning districts in all jurisdictions, which would have included lower density districts, greater levels of regulatory-cost barriers most likely would have been found.

Summary of Findings

The overwhelming majority of communities in the study (94%) mandate one or more land development standards for residential subdivisions. The most common regulatory standards were for lot size, front setbacks, off-street parking, and lot width. The least common requirements were for floor area and open space.

Ninety-one percent (91%) of all the communities had one or more regulatory standards that exceeded the benchmarks. Jurisdictions exceeded the benchmarks most frequently for off-street parking, front setbacks, lot width, and lot size. Jurisdictions exceeded the benchmarks least frequently for floor area, sidewalk requirements, open space, and sidewalk width requirements.

Lot size, lot width, and floor area accounted for the largest percentage of total costs for a variety of reasons:

- Excessive lot size regulations accounted for the largest percentage of cost (65%). The cost of land is a major component of the cost of housing, so it should not be surprising that regulations mandating excessive lot sizes result in such a finding. Coincidentally, sixty-five percent of jurisdictions in the sample exceeded the lot size benchmark. On average, jurisdictions with excessive lot size requirements exceeded the benchmarks by 6,573 square feet. The frequency and magnitude of lot size requirements greater than the benchmarks, combined with the cost of land, resulted in the regulatory-cost barrier for lot size accounting for the majority of total costs of the regulatory-cost barriers for all the land and site development variables considered in this study.
- Excessive lot width requirements account for a moderate share of costs (9%), with 63 percent of jurisdictions containing lot width regulations exceeding the benchmarks. Excessive lot widths also have clear secondary cost impacts, i.e., they increase cost for land, sanitary sewer main, water
main, street paving, curb and gutter, sidewalk construction, landscaping, and storm sewer.

- Floor area had a disproportionately large impact on total regulatory-barrier costs in proportion to the number of jurisdictions with excessive floor area requirements. While only 8 percent of jurisdictions had excessive floor area requirements, the regulatory-cost barrier for floor area for those jurisdictions accounted for 17 percent of the total regulatory cost for all land development variables for all the jurisdictions in the study. This resulted from the relatively high cost per square foot of required floor area and the fact that the mean differential between required floor area and benchmark floor areas was 354 square feet (or more than $26,000 per dwelling unit).

### Key Findings

The average cost of excessive regulation resulting from subdivision standards for one dwelling unit was about 5 percent of the average cost of a new home. For the land development standards studied, the average regulatory-barrier cost for one dwelling unit was $11,910. In comparison with the average cost for a new single-family dwelling in the United States in 2004 ($244,000), the average per-unit regulatory-cost impact adds 4.8 percent to the average selling price.

The regulatory-barriers cost varied considerably across communities, as well as across regions and Metropolitan Statistical Area (MSA) status. Given that the sample is representative of all jurisdictions in the nation, the national regulatory-cost barriers will vary by region and whether the jurisdiction is part of an MSA. The actual regulatory-barrier cost for any given jurisdiction, of course, depends on actual local regulations and costs of development.

Of the two types of “models” used to make the national estimates—aggregated and disaggregated—the disaggregated model provides the best national estimate of the land development regulatory-barrier costs. The disaggregated model accounts for variations in regulatory standards and costs among the Census regions and MSA status better than the aggregated model. The total mean regulatory-barriers cost for land and site development standards in the disaggregated model was about $14.6 billion for the nation in 2004.

### Conclusion

This study is the first effort to quantify, on a nationwide basis, the cost of excessive site development regulation on housing affordability. The common rationale for such requirements is that they enhance the soundness, livability, and sustainability of a community. The purpose of this study, however, has not been to deny that such standards have important benefits for the community, but to broaden the perspective of what other values and goals can and should be embodied in the housing development regulatory process, and to call attention to the impacts that excessive requirements have upon housing affordability. The additional cost pressures that such standards impose on new housing may also increase the prices of existing housing.

The findings themselves are not surprising; but they confirm and serve to quantify, through an empirical study, what has been well-known, but unverified, throughout the workforce housing community—that large lot zoning and various site development requirements—limit or prevent the development of affordable housing. Such requirements, then, can harm a community’s ability to provide what is, or ought to be, a high priority community goal.

The $14.6 billion national estimate for the land development regulatory-barrier costs is a very conservative estimate. For practical reasons, this study focused only on one type of zoning district, i.e., one that allowed the densest single-family residential development. If the study had examined all zoning districts in all jurisdictions, which most likely would have included lower density districts, far greater levels of regulatory-barrier cost would have been found. For example, in medium-density residential-zoned districts typically found adjacent to the dense zoning districts, the required minimum lot areas are generally larger. One would expect to find greater regulatory-barrier costs in such neighborhoods vis-a-vis the higher-density areas. Hence, the regulatory-barrier cost resulting from requiring lot sizes greater than the benchmarks would have been larger if these medium-density residential-zoned districts had been included in the regulatory-barrier cost analysis. Also, the estimate of housing construction costs on a per-square-foot basis associated with excessive floor area standards was relatively conservative. Further, in lower-density areas
Local advocates for reduction in regulatory-cost barriers may wish to use the regulatory-barrier costing tool, being developed by HUD to determine the regulatory-barrier costs that apply in specific locations. This computer-based tool will incorporate the benchmark standards used in this study as the baseline for judging the economic impact of a community’s regulatory standards using local land and land development costs under the standards adopted by the local land planning jurisdiction or jurisdictions.

**Additional Information**

The inquisitive reader can access and print the complete 130-page HUD report titled Study of Subdivision Requirements as a Regulatory Barrier on the Internet at [http://www.huduser.org](http://www.huduser.org).