



Written Testimony

of

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Competition Policy, Antitrust, & Consumer Rights

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RE: Examining Competition and Consumer Rights in Housing Markets

Chair Klobuchar, Ranking Member Lee, and members of the subcommittee, thank you for the opportunity to testify today. My name is Vanessa Brown Calder, and I am the director of opportunity and family policy studies at Cato Institute. The views I express in this testimony are my own and do not represent any official position of my employer.

Accessible, low-cost housing is vital to the health and prosperity of America's families and communities. When housing is abundant, it is more affordable. Abundant housing provides educational and economic opportunities for children and adults.¹ It allows families to be part of the communities that they desire. Policies that support abundant, affordable housing are associated with reduced homelessness and improved homeless policy outcomes.²

Although junk fees, institutional investors, and similar matters have received recent political and media attention, inaccessible, high-cost housing is largely a result of existing federal, state, and local policy. Government policies that constrain housing development are particularly detrimental in this regard.

State and local regulations constitute some of the most significant policies constraining housing supply. Zoning and land-use regulations are nearly ubiquitous across American cities. These regulations directly prohibit housing development, increase costs, create uncertainty, and produce delays.³

Zoning regulations have a meaningful impact on family budgets. A well-known paper finds that zoning regulations push up the cost of apartments by around 50 percent in Manhattan, San Francisco, and San Jose.⁴ A recent paper reviewing 24 metropolitan areas finds a massive "zoning tax" (up to \$500,000 per quarter-acre) in cities with restrictive land-use regimes.⁵

In addition to state and local policy, federal policy also plays a role in limiting housing supply. In Western States, the federal government owns a substantial portion of the land, which therefore cannot be developed.

In Nevada, Utah, and Idaho, the federal government owns between 60 and 80 percent of the land.⁶ In other states like Arizona, Colorado, Wyoming, California, and Montana, the federal government owns more than one-third to one-half of land.

Contrary to public perception, the vast majority of federal lands are not national parks, monuments, or Bureau of Indian Affairs land. Instead, most federal western land is managed by the Bureau of Land Management (BLM) or U.S. Forest Service (USFS).

This land is often close to urban areas, with a significant portion of land within city or county boundaries. Previous estimates indicate that there are 217,000 acres of BLM and USFS land within Utah city boundaries and 650,000 acres of the same within one mile of Utah city borders.⁷

Presented with a similar set of facts in the 1990s, former Senate Majority Leader Harry Reid led a group of legislators in passing the Southern Nevada Public Land Management Act (SNPLMA). This legislation allowed local governments in the land-locked Las Vegas, Nevada area to nominate federal land for competitive market auction.

The sale of federal land in the Clark County area subsequently resulted in hundreds of millions of dollars allocated to Nevada public schools and more than a billion dollars allocated to Nevada's trails, parks, and natural areas, creating a win-win for Nevada developers, conservationists, and residents.⁸

Ranking Member Lee and cosponsors of the HOUSES Act propose extending a similar solution to other Western States. The HOUSES Act would allow local governments to nominate and purchase federal land and develop the land for housing projects that meet certain density minimums and other criteria.⁹

Like the Southern Nevada Public Land Management Act, proceeds from the HOUSES Act would be made available for environmental initiatives, including improvements to existing National Parks, wildfire prevention programs, public water infrastructure projects, and restoration initiatives.

Research suggests that the HOUSES Act could have a meaningful effect on housing affordability. A recent U.S. Congress Joint Economic Committee study finds that HOUSES reforms could lead to the construction of approximately 2.7 million homes, and this increase in housing development would be possible with the conversion of just 0.1 percent of existing federal land holdings.¹⁰ As a result of this new development, six Western States could nearly or completely eliminate their housing shortages, and six other states could substantially reduce them.¹¹

In addition to policies that directly constrain development, additional federal, state, and local policies are relevant.¹² When supply-limiting policies are addressed, the participation of institutional investors in the housing market is largely inconsequential. Furthermore, the gains that result from reforming supply-limiting policies far exceed potential gains from regulating junk fees or market participants. When considering reforms to improve housing, policymakers and analysts should keep in mind that the government is the dominant player and regulator in the housing market.

As a result, ample reform opportunities exist for policymakers interested in improving housing access and affordability. Reforms that expand housing supply will unleash the housing market and ensure that American families have the choice, opportunity, and upward mobility that they desire.

Thank you, and I look forward to your questions.

¹ Vanessa Brown Calder, "Zoned Out: How School and Residential Zoning Limit Educational Opportunity," Joint Economic Committee Republicans, November 12, 2019.

Daniel Shoag and Peter Ganong, "Why Has Regional Income Convergence in the U.S. Declined?," working paper, Harvard Kennedy School, Harvard University, January 2015.

² Vanessa Brown Calder and Jordan Gygi, "Housing Markets First: Housing Supply and Affordability Are Key to Reducing Homelessness," Cato Institute Briefing Paper No. 153, May 8, 2023.

³ Vanessa Brown Calder, "Zoning, Land-Use Planning, and Housing Affordability," Cato Institute Policy Analysis no. 823, October 18, 2017.

⁴ Edward L. Glaeser, Joseph Gyourko, and Raven Saks, "Why Is Manhattan So Expensive? Regulation and the Rise in House Prices," National Bureau of Economic Research Working Paper no. 10124, November 2003.

⁵ Joseph Gyourko and Jacob Krimmel, "The Impact of Local Residential Land Use Restrictions on Land Values Across and Within Single Family Housing Markets," National Bureau of Economic Research Working Paper no. 28993, July 2021.

⁶ Carol Hardy Vincent and Laura A. Hanson, "Federal Land Ownership: Overview and Data," Congressional Research Service, February 21, 2020.

⁷ Ryan Freeman, "Federal Land Valuation Model Agreement RFP No. COF 2018-03," report prepared for the use of the Utah State Legislature of the Commission on Federalism, May 18, 2020.

⁸ U.S. Department of the Interior, Bureau of Land Management, "Southern Nevada Public Land Management Act (SNPLMA) Statistics," November 30, 2021.

⁹ Purchase is subject to approval. Details regarding how local governments will disburse said lands to private actors, or otherwise initiate housing development, are not prescribed by the Act.

U.S. Congress, Senate, "Helping Open Underutilized Space to Ensure Shelter (HOUSES Act) Act of 2022," S.4062, 117th Cong., 1st sess., introduced in Senate April 7, 2022.

¹⁰ They estimate buildable federal land by limiting land to BLM-managed land and removing all remaining land parcels containing water, marshland, or a slope greater than 15 degrees that would make development challenging. Then, using various assumptions based on the HOUSES Act, the report models how many homes could be built on eligible buildable parcels before 1) the available buildable land runs out or 2) the so-called housing "shortage" is eliminated.

This estimate includes 430,000 homes in San Diego County, California; 350,000 homes in Maricopa County, Arizona; 109,000 homes in Clark County, Nevada; and 55,000 new homes in Utah County, Utah alone.

Kevin Corinth and Hugo Dante, "The HOUSES Act: Addressing the National Housing Shortage by Building on Federal Land," Joint Economic Committee Republicans, August 4, 2022.

¹¹ The authors acknowledge that "shortage" is an economically imprecise term, though practically useful.

¹² Vanessa Brown Calder, "Housing Affordability," in *Empowering the New American Worker: Market-Based Solutions for Today's Workforce*, ed. Scott Lincicome (Washington: Cato Institute, 2023), p. 204-217.