STATE BRIEFING BOOK

# Building the right homes in the right places

## How state leadership can unlock more housing and expand opportunity



Smart Growth AMERICA

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# Housing is the foundation of opportunity. Here is how your state can build more of it.

The nation is short millions of homes, and the shortage is most acute for homes affordable to working families in well-connected locations. Housing shapes nearly everything in a person's life: where children go to school, how long a commute takes, what jobs are within reach, and how much money is left each month for everything else. It also shapes a state's economy, affecting where businesses can grow, whether employers can attract workers, and how communities develop. Governors have a critical role to play in helping communities build the right types of housing in the right places at the right prices.

There is no shortage of proposals and promises to build more housing across local, state, and federal levels. Your challenge is to identify and implement the approaches that work, particularly in your state's regulatory environment and housing markets, from the ones that merely sound promising. As governor, you are uniquely positioned to set the state's housing agenda, work with legislators and local governments to advance reforms that address community needs, and lead by example by putting state-owned land and resources to work.

## This memo outlines four actions to put your state on a pro-housing path:

- **Build in well-connected places.** Require and incentivize homebuilding in locations where people want to live, demand is strong, infrastructure is already in place, and residents have easy access to jobs, transportation, and daily needs.
- **Cut red tape.** Allow more types of housing, from single-family detached homes to townhouses and apartments, and streamline permitting and approval processes that add unnecessary costs and delays.
- **Put state land to work.** Take steps to make underused state-owned property available for housing development.
- **Partner with local governments.** Provide the technical expertise and staffing capacity localities need to get housing built.

## Understanding your state's authority to act

Opportunities for state-level housing and land-use reform depend, in part, on whether a state follows Dillon's Rule or Home Rule. In Home Rule states, local governments have been delegated power to set policy. In these states, local units of government can act freely unless a specific policy is prohibited. In Dillon's Rule states, local governments can

only exercise powers granted to them by the state. These differences shape the strategies states can use to increase housing supply.

## Action 1: Build in well-connected places

People want to live in locations with strong access to jobs, services, transportation, and existing infrastructure. Yet too few homes are being built in these places to meet demand. When housing supply falls short in these locations, prices rise beyond what many households can afford.

Your state has an opportunity to encourage more homebuilding in these locations through a variety of strategies. Doing so will meet demand where people want to live, deliver the greatest return on public dollars, and avoid the cost of extending roads and utilities to new sites. Three strategies can get you there: transit-oriented development policies, designation programs, and housing in underused commercial areas. Even in Home Rule states where local communities determine their approach to zoning, state-level actions can encourage housing in well-connected locations.

### Transit-oriented development

Transit-oriented development (TOD) policies make it easier to build housing near transit. States can support TOD by requiring or strongly incentivizing multifamily and higher-density development near transit, including by allowing more housing types by right. They can also direct funding toward housing and complementary investments, such as public realm improvements, in these areas.

For instance, **Massachusetts'** MBTA Communities law requires municipalities that host or are adjacent to MBTA service to zone at least one reasonably-sized district where multifamily housing is permitted by right. The policy directs housing to areas with existing transit and, because it requires a variety of housing options, it also encourages the missing middle housing that many regions lack. While MBTA Communities has faced some implementation challenges—including some communities choosing to take a "paper compliance" route and zoning housing on unrealistic sites such as a golf course—it has led to 7,000 housing units in the pipeline across 100 developments since it was adopted into law in January 2021.

**Washington's** HB 1491 takes a different approach to transit-oriented development, relying on incentives alongside requirements. It sets a minimum share of affordable units in new buildings in TOD areas, offers a 20-year property tax exemption for buildings that meet those affordability requirements, eliminates off-street parking requirements in station areas, and requires higher densities near new rapid transit stations.

Together, these examples show that your state can combine financial incentives, reduced administrative burdens, and zoning updates rather than relying on any single tool.

### Designation programs

Outside of metropolitan areas with well-developed transit, rural and suburban areas can also use strategies to direct development to well-connected locations. For example, your state can use a designation program to target its investments toward compact, walkable areas that are ready for housing, community development, and economic growth.

**Vermont's** designation program prioritizes development in existing downtowns and village centers while preserving the state's rural landscape. Participating municipalities become eligible for tax incentives, grant funding, technical assistance, and regulatory relief. Under Vermont's Act 181, designated locations are also subject to fewer regulatory barriers for housing. Your state can adopt a similar model by making designation a condition of, or a priority for, state funding. That ensures public dollars reinforce places people already gravitate toward, rather than fueling sprawl or the conversion of undeveloped land.

### Housing in underused commercial areas

Finally, your state can open up well-connected sites that already exist as aging retail corridors, shopping centers, and office parks. These areas often have the roads, utilities, and customer base that housing needs, but zoning frequently prohibits residential use.

**New Hampshire** allows multifamily housing and mixed-use development by right in commercial zones. Your state can leverage similar policy by legalizing residential development in commercial districts statewide, creating new housing opportunities without new infrastructure or case-by-case rezoning that would incur time and costs for city staff and developers.

## Action 2: Cut red tape

Removing regulatory barriers that raise the cost of building homes, slow construction, and preserve single-family-only zoning is one of the most effective ways states can encourage more housing. Lengthy permitting processes, design review, and parking requirements can add significant costs and delays to a project without necessarily improving housing outcomes. Reforming these rules allows housing to move forward through predictable, by-right processes instead of case-by-case approvals. Three kinds of reform can get you there: updating the zoning rules that limit what can be built, reducing minimum lot sizes and parking requirements that drive up costs, and allowing a wider range of housing types.

### Comprehensive zoning reform

**Montana's** package of bipartisan housing and zoning reforms, often called the"Montana Miracle," shows that a state can make meaningful progress on housing through a focused set of reforms. Specifically, the reforms loosened parking minimums and building height limits and legalized duplexes, accessory dwelling units (ADUs), and manufactured housing. While the law faced challenges in court, it has enabled some Montana cities to gradually expand their housing supply. For instance, in Whitefish, a town of less than 10,000 residents and one of the fastest-growing urban areas in the state, the law supported construction for 250 housing units. Your state can draw on the same playbook, using its own authority to remove the barriers that keep homes from being built where they are needed most.

### Reducing minimum lot sizes

Some states have changed minimum lot size requirements to improve housing supply. **Texas's** SB 15 cut minimum lot sizes to 3,000 square feet, down from the typical 5,000 to 7,500, in its largest cities and counties. Larger required lots mean more expensive land per home, so smaller lots open the door to more affordable starter homes. Your state can adopt a similar statewide standard that establishes clear limits on minimum lot sizes, making the rule predictable for builders across jurisdictions.

### Other reforms to expand housing options

Other states are pursuing similar reforms through different approaches. **Utah** and **Maine**, among others, have eased administrative and zoning restrictions through state action to reduce barriers to housing development and expand housing options. Together with Montana and Texas, these examples show that your state can act through zoning changes, lot and parking reform, or streamlined approvals, and can choose the mix that fits its local context.

## Action 3: Put state land to work

One clear path to building more housing in high-demand places is to make state-owned and underutilized land available to affordable housing developers. Land is often one of the largest costs in a housing project, and making public land available can help reduce development costs. Two steps can get you there: identifying which properties are suitable for housing and working with local governments to identify additional publicly owned land.

**Maryland's** Housing Starts Here executive order instructed state agencies to identify surplus state-owned land suitable for housing, especially near existing transit. **Vermont** is taking a similar approach, compiling a list of vacant and underused state properties as it

works toward building more than 30,000 units by 2030. Your state can do the same by directing state agencies to inventory their state-owned parcels and publish the results in a searchable database that developers can use to find sites. Keep in mind that high-potential sites include not only vacant sites but also low-density uses, such as single-story buildings, that could present opportunities for mixed-use development.

The federal government has recognized the value of using publicly owned land for housing: Section 104 of the 21st Century ROAD to Housing Act, passed in July, requires Community Development Block Grant (CDBG) grantees to publish an online, searchable inventory of the undeveloped land they own. Governors can work directly with grantees to build a thorough inventory of government-owned properties across the state, combining state and local holdings in one place. This directs housing to underused land and gives developers a single place to identify potential housing sites across the state.

## Action 4: Partner with local governments

State governments can help local governments say yes to housing by providing the tools, resources, and information they need to act. Local officials know their neighborhoods, infrastructure, and residents best, but state-level support may be needed when local political pressures push back against addressing housing gaps in communities or actively block pathways to create much-needed housing.

Many localities want to expand housing but lack the planners, legal expertise, or time to update their zoning codes. In other cases, they may face significant political challenges due to entrenched interests or local opposition to new housing and economic development. In these cases, state-level directives such as the "Montana Miracle" or Massachusetts' MBTA Communities law may not always be popular, but they are necessary for the end goal of addressing the housing shortage.

Your state can fill this capacity gap and provide local planning staff with political cover, while allowing local governments to determine how best to meet statewide housing goals. Where local action stalls, your state can require communities to act by offering a menu of pro-housing reforms tailored to their local context and providing implementation support. This gives local officials room to tailor their approaches to their communities while ensuring that every part of your state helps address the housing shortage.

Technical assistance and support for local governments can take many forms. Your state can offer model ordinances and template code language that localities adopt and adapt to fit their own context, rather than a one-size-fits-all rule. It can fund regional planning staff or technical assistance, or place state planners on call to help small and rural jurisdictions

that have limited staff capacity. The state can also offer planning grants to help communities update their plans and codes, and streamline the state review and approval steps that slow local projects. In each case, the locality leads, and the state's role is to make the work easier and faster. In **Delaware**, the state housing agency funded zoning technical assistance on pro-housing zoning interventions for any community that opted in through the SJR8 Zoning and Land Use Technical Assistance Pilot Program.

New federal guidance will give states another tool to support local housing production. Section 107 of the 21st Century ROAD to Housing Act requires the Department of Housing and Urban Development (HUD) to publish guidelines and best practices for zoning that supports housing production, including reduced parking minimums and lot sizes, higher density maximums, and expanded by-right uses. Many states have already adopted these practices, but the federal guidance will make these best practices available across the U.S. Your state can help localities translate national best practices into approaches that work for their own communities, whether a rural town, a growing suburb, or a mid-sized city. Localities that see the state as a helpful partner, rather than a regulator, are far more likely to embrace these reforms and carry them through.

## Your first steps as a pro-housing governor:

The strategies above offer a range of approaches to housing affordability and supply, and as governor you are positioned to put them in place. As you work with your legislature to implement the above strategies, here is where you can take early action:

1. **Build bipartisan coalitions to support housing.** Housing can bring together legislators, agency leaders, local officials, builders, employers, and advocates who differ on many issues but share the goal of building more homes, including affordable ones, to meet the needs of residents across your state. Motivations will differ: some members of this coalition may be motivated by deep social need; others may see that a lack of housing is making it harder for businesses to attract and retain workers. Bring these partners in early, in the legislature and in your agencies alike, and give them a stake in the outcome. Reforms that have support from both parties and from local leaders are far more likely to pass and to last beyond your term.

2. **Use executive orders to drive change from the governor's office.** Executive orders let you direct state agencies to inventory surplus land, align funding with housing production, and prioritize housing in their planning. Early executive action also signals that housing is a priority for your administration and builds momentum for the legislative reforms that follow.

3. **Learn from other states through national networks.** Housing policy is changing quickly, and you do not need to start from scratch. Participating in national networks lets you draw on the expertise of other governors and housing practitioners, see what is working, and avoid approaches that have fallen short. Assign a member of your team to represent your state in these forums and bring what they learn back to your agencies and legislative partners.

## Smart Growth America is here to help

Smart Growth America is a national nonprofit organization working to expand housing access by building more homes of the right types, in the right places, and at the right prices.

Smart Growth America is eager to partner with and can provide resources and technical expertise to help state leaders implement pro-housing policies. Explore our resources on implementing the smart growth provisions in the 21st Century ROAD to Housing Act, visit our website, or contact Housing Advocacy Manager Aditya Mistry at amistry@smartgrowthamerica.org for more information.