



AEI Housing Center

AEI.org/housing | March 3, 2025

National Association of Business Economists

How Light-Touch Density and Livable Urban Villages Can Initiate the Housing Abundance Sequence Across the U.S.

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<https://heat.aeihousingcenter.org/toolkit>

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https://aeihousingcenter.org/good_neighbors_toolkit/

Disclosure:

The author has a financial relationship with Places Platform LLC, which is interested in meeting housing supply shortages through walkable oriented development and in the development of metrics for all types of real estate.

Five insights into how light-touch density (LTD) initiates the Housing Abundance Success Sequence

1. Wages by occupation don't vary much across metros, while rents and home prices do. Thus affordability for carpenter households (think blue-collar workers) has steadily declined across most U.S. metros. At the same time, median home price (stock) to median household income ratios have grown steadily, now standing at 4.2 nationally.

LTD improves affordability in four ways:

2. With increased by-right, as built density (homes/acre), the gross living area (GLA) & price both drop for single-family detached (SFD) & attached (SFA) homes.
3. A greater supply of more naturally affordable homes (especially starter homes) tamps down home price appreciation relative to income growth, especially in locales where jobs growth is high.
4. More supply in the middle of the price spectrum promotes filtering, freeing up lower cost housing for purchase or rent by lower income households.
5. Legalizing more starter homes with LTD improves affordability without needing market distorting subsidies and income limits.

Examples:

- A moderate shrinking of SFD lot sizes in greenfield subdivisions, plus shifting a portion land to SFA, would double annual national home production, reduce new home prices by 15%, and greatly expand the supply of naturally affordable SFD and SFA (townhomes).
- Legalize infill LTD (such as small lot single-family detached, duplexes, triplexes, twin homes, townhomes, and backyard cottages, and internal accessory dwelling units) on SFD lots).
- Remove minimum lot size requirements.

Housing Abundance Success Sequence

https://heat.aeihousingcenter.org/toolkit/case_studies

1. By-right zoning
2. Keep it short and simple (KISS) land use rules
3. Unleash housing

Link to AEI Housing Market Indicators: <https://www.aei.org/housing/housing-market-indicators/>

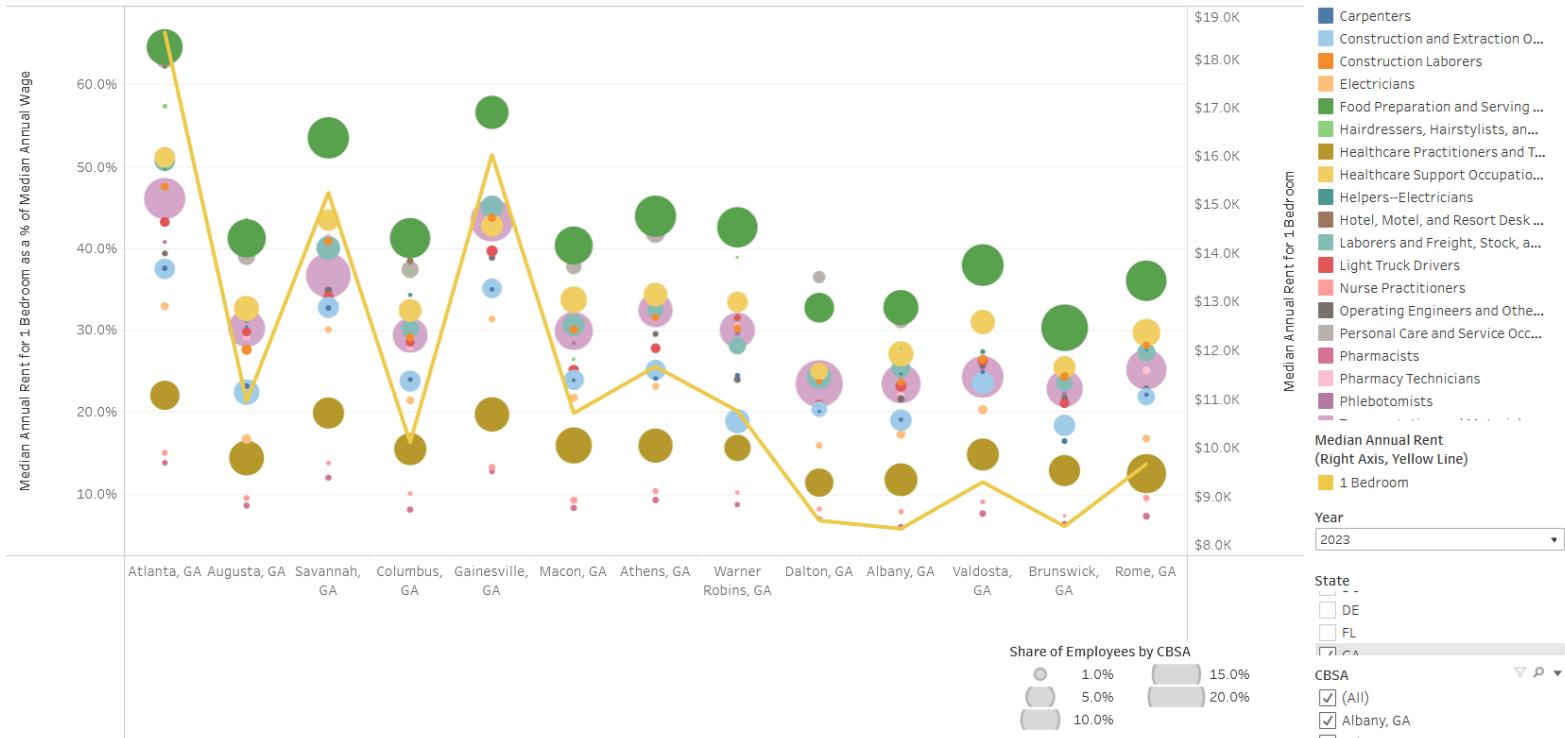
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Wages by occupation indicate that rental affordability varies widely by both occupation and metro

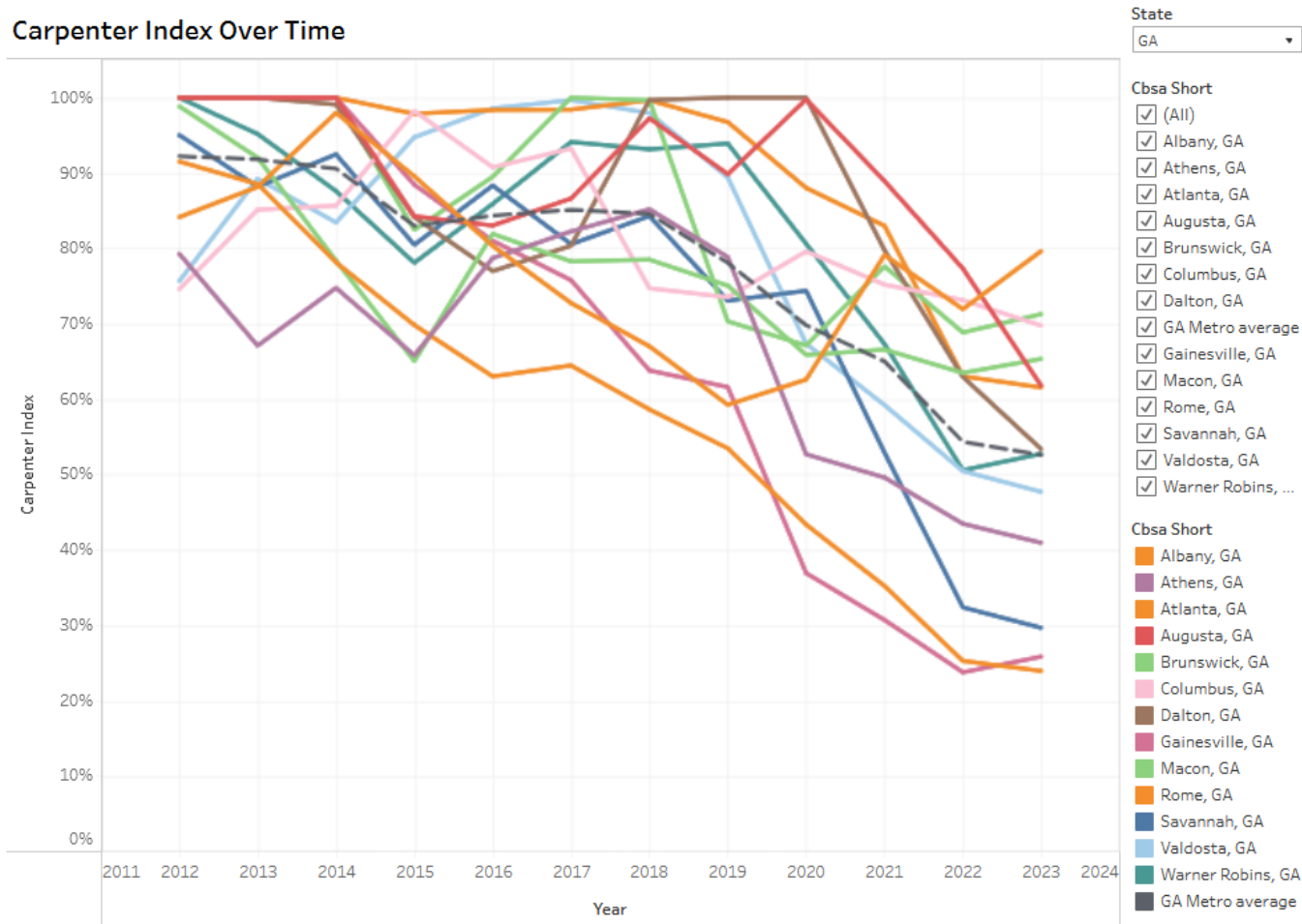
- Wages for job categories such as food preparation (14 million jobs), cleaning and maintenance (6 million), personal care (4.6 million), sales (14.3 million), office and administrative (19 million), production (9 million) and transportation (15 million) account nationally for nearly half of all jobs, yet earn about 80% of the national median annual wage.
- Georgia:
 - 1-bedroom rents are general least affordable for food prep (green circles), transportation & material handling (purple), and health care support (gold circles) occupations and these also have high job shares (left axis).
 - Wages for these job categories across the state (and nation) vary by much less than rents and home prices do.
 - In Atlanta median food prep annual wages are \$28,700, while monthly rents are \$1,545. Compare to Goldsboro where wages are nearly the same at \$26,000, however rents are less than half at \$708.

CBSA Wage by Occupation (left axis, dots) and Rent (right axis, orange line), for self-selected CBSA



Note: Share of Employees by CBSA is calculated using number of employees in a certain occupancy in a CBSA divided by the total number of employees in that CBSA. The CBSAs on the x-axis are arranged in descending order from left to right based on their total number of employees. Year 2015, 2019, and 2021 data are from ACS 5-year data while the other years are from ACS 1-year data.
 Source: 2013-2017, 2017-2021, 2018-2022, 2019-2023 5-year American Community Survey, 2013-2023 1-year American Community Survey, Wage Statistics (OEWS) by Bureau of Labor Statistics, and AEI Housing Center, www.AEI.org/housing.

Affordability for Carpenter Households (Think Blue-Collar Workers) Has Generally Declined Across Georgia’s Metros. State-wide, 53% Were Able to Purchase the Median Entry-Level Home in 2023, Down from 92% in 2012. Over the same period, Atlanta metro declined from 92% to 24%.*



Note: Data are limited to the largest 400 metros in the selected state. We rank metros based on their purchase home sales from 2012 to 2019 in the Public Records. The Carpenter Index is available for all 12 years (2012–2023) for 320 of the largest 400 metros. The remaining metros are missing the Index for 1 to 9 years (26 metros) or for all years (54 metros) due to the unavailability of wage data or sale records. The state average is the arithmetic average of the Carpenter Index for the largest 400 metros in the selected state.

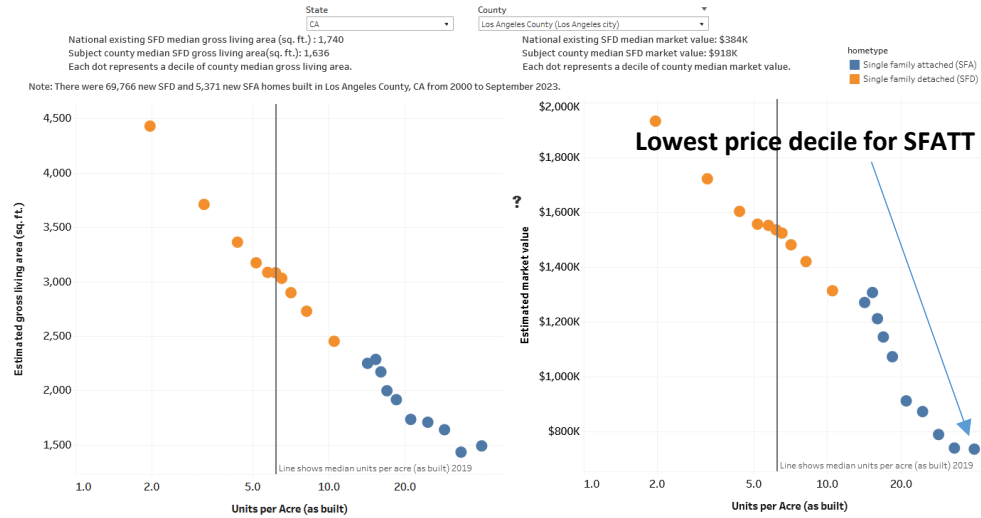
* Arithmetic averages.

Source: Bureau of Labor Statistics, Public Records, and AEI Housing Center, www.AEI.org/housing.

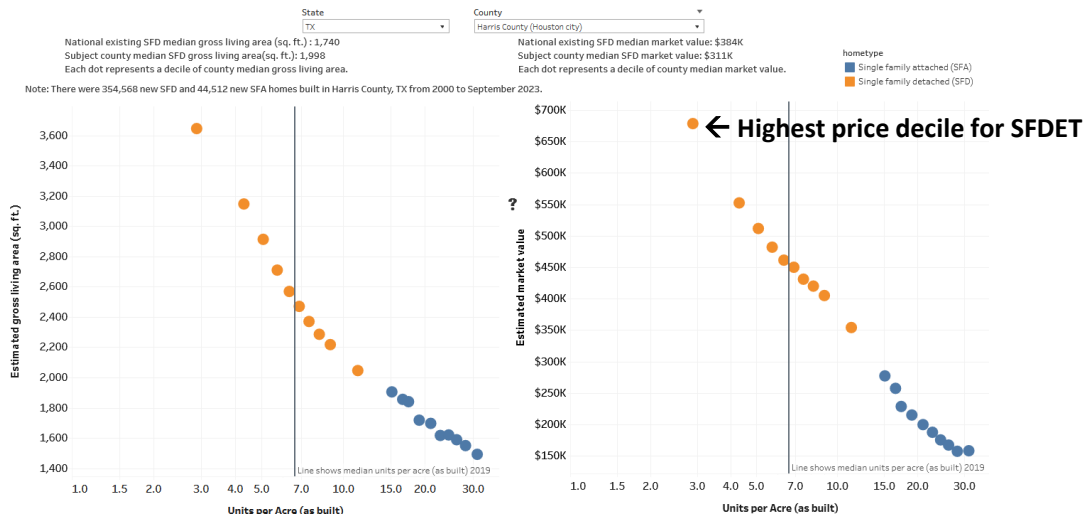
Where will our children and grandchildren live?

- Los Angeles County: the lowest price decile for single family attached (SFATT) is \$700,000.
- Harris County (Houston): the highest price decile for single family detached \$680,000, less than the lowest SFATT decile.

Lot Size, Gross Living Area (GLA), Market Value, & Indexed Property Tax Revenue for Single Family Detached (SFD) and Attached (SFA) using a Log Scale



Lot Size, Gross Living Area (GLA), Market Value, & Indexed Property Tax Revenue for Single Family Detached (SFD) and Attached (SFA) using a Log Scale

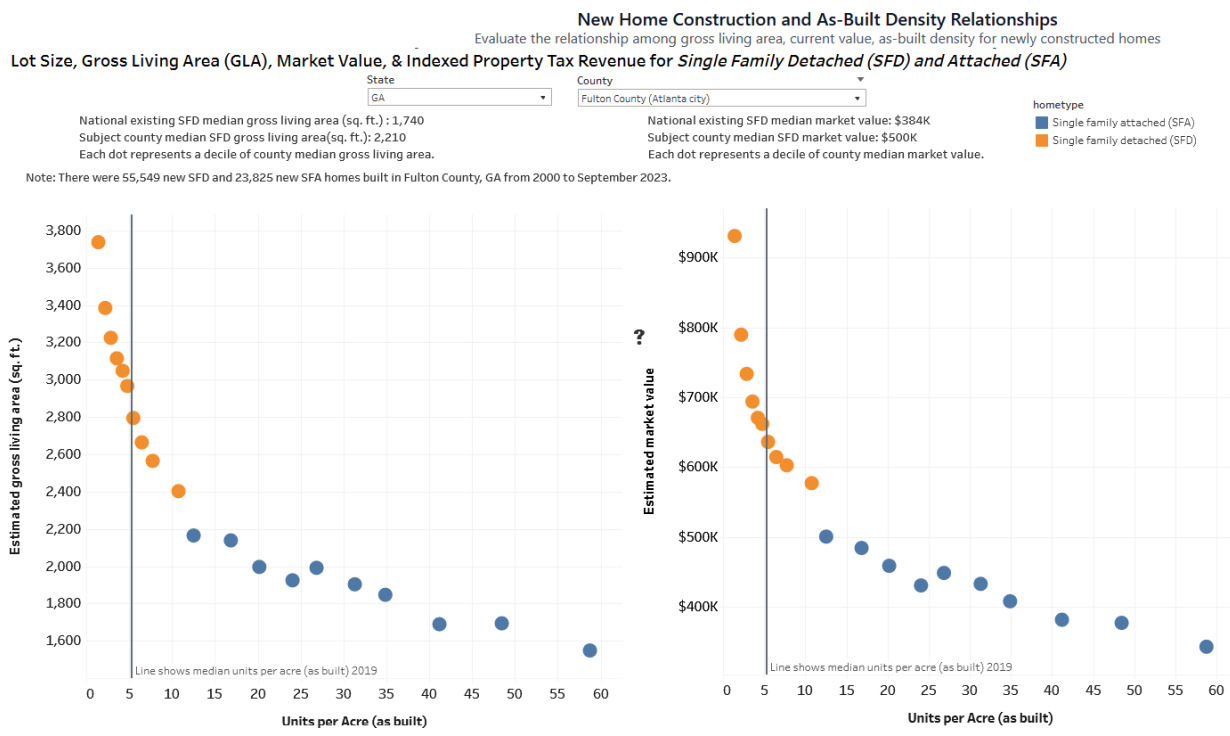


Where will our children and grandchildren live?

What is legal to build makes a huge difference in the number of starter homes

Policy 2: Light-touch density: legalize more starter homes on smaller lots in greenfield subdivisions (Detached @7.7 homes per acre vs. 4.8 and townhomes @22 homes per acre would yield 5-8 million more homes nationwide over 10 years.

- Increasing as built density (units/acre), the gross living area (GLA) & price drop for both single-family detached (SFD) & attached (SFA) homes, unleashes naturally occurring affordable housing (without needing subsidies) & promotes filtering, as lower cost housing is purchased or rented by lower income households.*
- Fulton County, GA: housing abundance requires building new homes near the median price for existing SFD stock (Fulton Co.: \$500k).
 - About 0% of new Fulton SFD are priced below this median, yet 100% of new SFA are near or below this median, with the lowest decile valued at \$350,000.
 - 25 percent of Fulton single-family built since 2000 have been SFA (requiring about 1/5 the land of SFD).
 - Sprawl and infrastructure costs can be reduced by allowing by-right, smaller SFD lots (7-10 homes/acre), and building more duplex/twin homes (8-12/acre), and SFA homes (25-50 homes/acre)

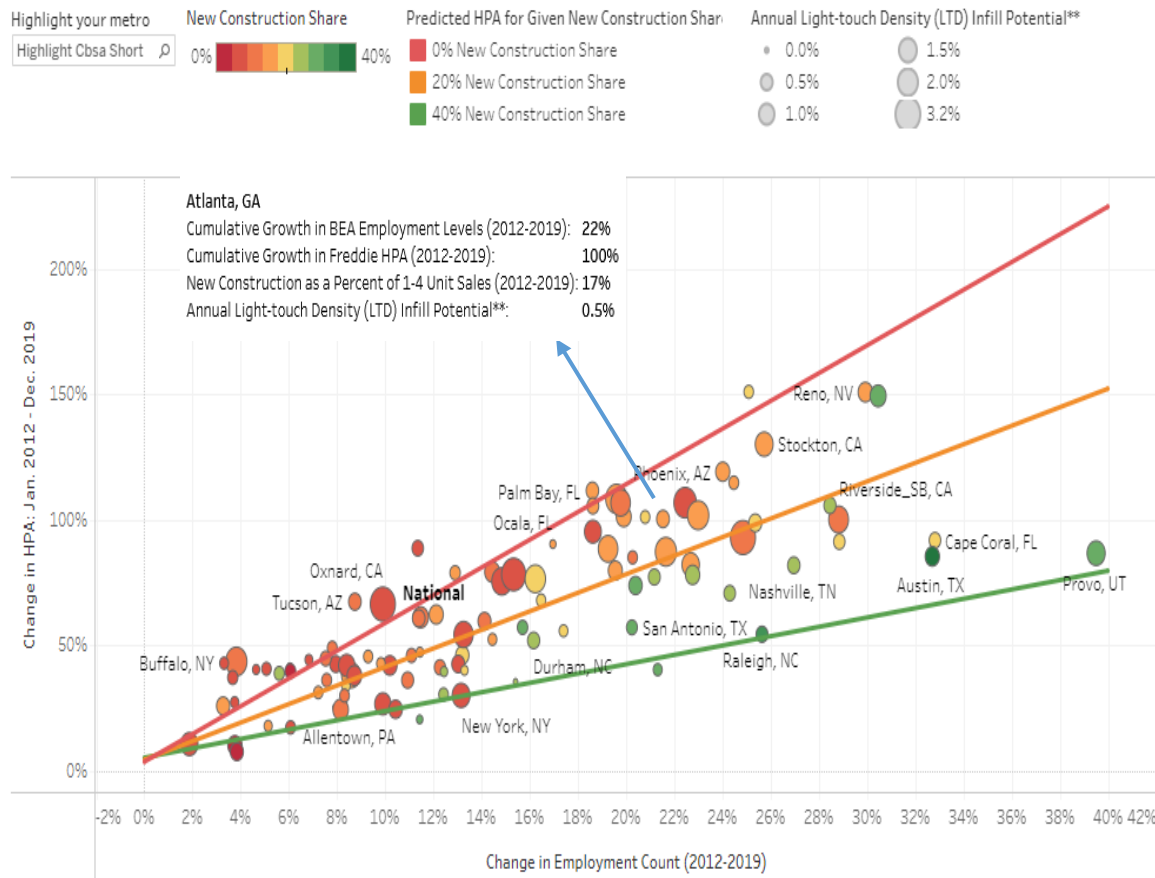


* Across 280 counties, the value relationships had a correlation of 73% & 77% for SFD & SFA respectively. Housing and Economic Analysis Toolkit (HEAT): <https://heat.aeihousingcenter.org/toolkit>

Adding supply tamps down home price appreciation, especially where jobs growth is high

- Home prices appreciate slower in metropolitan regions where high employment growth is combined with high new construction shares of all home sales, thus making homes more naturally affordable.
 - Over the period 2012-2019, compared to national averages, Atlanta metro had above average employment growth and an average share of new home construction. As a result, home price appreciation of 100% was well above the national average of 62%. The HPA trend has accelerated during and post-pandemic.

Metro-level Relationship between Home Price Appreciation (HPA), Employment Change, and New Construction (NC) % of 1-4 Home Sales (2012-2019), Top 100 Metros



Source: BEA, Freddie, and AER Housing Center, www.aer.org/housing.

Achieving Strong Communities: Housing Abundance Success Sequence

As numerous case studies from around the country have shown, the formula for successful housing reform is simple.

1. **By-right zoning**, which does not require approval from zoning boards or city or county councils,
2. **Allow greater density in lots of areas** particularly around walkable and amenity-rich areas through:
 - Light-touch density (LTD), which calls for modest density increases to areas zoned exclusively for single-family detached (SFD) homes. Particularly duplexes, triplexes, townhouses, backyard cottages, and internal ADUs are compatible with SFD homes and therefore an easier political sell. At the same time, these housing types are smaller and require less land, which makes them more affordable to lower- and middle-income households, where the market need is greatest.
 - Livable Urban Village (LUV), which calls for mid- to high-density housing in underutilized commercial and industrial core areas, as well as LTD in adjacent areas.
3. **Short and simple land use rules**, fast permitting, and less expensive building standards.

Implementing these policies would unleash American ingenuity and enterprise by allowing builders of all sizes to build abundant market-rate housing over time thereby increasing the housing stock by about 2% per year.

Legalize and they will build!

List of case studies:

1. [Anaheim](#)
2. [California](#)
3. [Charlotte](#)
4. [Cherry Creek & Denver](#)
5. [Fargo](#)
6. [Filtering: Theory and Practice](#)
7. [Houston](#)
8. [Institutional Landlords](#)
9. [Los Angeles](#)
10. [Los Angeles Metro: McMansionization](#)
11. [Minneapolis](#)
12. [Nashville](#) (Study by Charles Gardner, Mercatus Center)
13. [San Jose Metro](#)
14. [Palisades Park](#)
15. [Philadelphia](#)
16. [Phoenix & Arizona](#)
17. [Raleigh](#)
18. [San Diego ADU Construction](#)
19. [Sarasota](#)
20. Sarasota: [City & Livable Urban Villages](#)
21. [Seattle: Low-Rise Multifamily and Housing Supply](#)
22. [Short-Term Rentals](#)
23. [Single-Room Occupancy Units \(SROs\)](#)
24. [Tokyo](#)
25. [Traditional Housing Subsidy Programs and Inclusionary Zoning](#)
26. [Unleashing the Swarm](#)
27. [Utah](#)
28. [Vienna, Austria](#)

Achieving Strong Communities: Housing Abundance Success Sequence:

1. By-right zoning
2. Keep it short and simple (KISS) land use rules
3. Unleash housing

Resolved: Abundant Housing and Less Sprawl for our Children & Grandchildren

Make These

Avoid These

By-right Light-Touch Density (LTD) for infill development, preapproved plans	Exclusionary single-family zoning (designed and promoted by the federal government in 1922)
By-right LTD & tax abatement for derelict vacant lot infill	Making McMansions the highest and best legal use
Plentiful zoned land at a lower cost per home	Making land is scarce and expensive
By-right Accessory Dwelling Units up to 1500 - 2000 sq. ft.	Low maximum floor-area ratio
Small lot single-family detached greenfield LTD	High minimum lot size
Small lot single-family attached greenfield LTD	Income limits, affordable housing fees, & mandates
By-right lot splitting & home splitting (coliving)	Mandated inclusionary zoning
By-right residential zoning at higher density levels in Live Local Urban Villages (LLUV)	Rental bans or rent control
Zone sufficient land for green field LTD & LLUV	Owner-occupancy requirements
Light-touch permitting & processing, permit approval shot clocks, expand residential building code from 2 to 4/6 units	Impact fees; condominium liability laws/statutes of repose that set condo builder/developers for onerous litigation
Keep It Short and Simple (KISS) – examples: - Abolish or reduce minimum lot & unit size - Reduce set-back requirements	Outsized parking or other requirements that increase construction costs or de facto prevent building LTD entirely (such as a low floor area ratio)
By-right zoning unleashes swarms of activity by property owners and small businesses	Anything not required for single-family homes
Say yes to abundant housing	Saying no to abundant and affordable housing
Good Neighbors support LTD	High displacement pressure & rates of homeless

Strong Communities: Using Light-Touch Density and Livable Urban Villages to Initiate the Housing Success Sequence National Housing Playbook:¹

The federal government (#1) & states & municipalities (#2-6) could add **17-20 million homes over 10 years**, multiples of that needed to solve our housing supply problem (preliminary estimate), with 80% being owner-occupied:²

- **Option 1: Residential development on purchased Bureau of Land Management land – 3 million homes over 10 yrs:**
 - BLM to auction off a miniscule portion (850 sq. mi. or 0.3%) of land suitable for residential development (out of 269,000 sq. mi.).
 - In ten Western states: NV, UT, ID, WY, CA, AZ, CO, NM, and MT.
 - With 80% single-family detached and 20% town homes, about 80% would be owner-occupied homes.
 - Do not allow income limits, housing subsidies, or so called “inclusionary zoning”.
- **Option 2: Light-touch density: legalize more starter homes on smaller lots in greenfield subdivisions: projection – 5-8 million homes over 10 yrs:**
 - Provide for minimum lot sizes no smaller than 4356 sq. ft. (.10 acres) for a newly constructed single-family detached (SFD) home and 1000 sq. ft. for a newly constructed single-family attached (SFA) home.
 - Property owners may, by right, determine the mix of SFD and SFA lot sizes for a subdividing a parcel.
- **Option 3: Light-touch density: legalize single-family home conversion to duplex, triplex, or townhomes – 3.3 million homes over 10 yrs:**
 - Provide that a small-scale subdivision is a by-right permitted use in a residential zone of an urban municipality.
 - A small-scale subdivision: a subdivision of property resulting in the creation of two or more lots, each:
 - No smaller than 1,400 square feet; and
 - Containing, or will contain, a single-family dwelling.
- **Option 4: Livable Urban Villages: core areas – 5 million homes over 10 yrs:**
 - Provide that residential development is a by-right permitted use in commercial, industrial, and mixed use zones of an urban municipality.
- **Option 5: Light-touch density: legalize single-family home backyard cottages – 400,000 homes over 10 yrs:**
 - Provide that backyard cottages or an internal accessory dwelling unit, internal or external, is a permitted use if it is built:
 - In a residential zone of an urban municipality; and
 - On a lot that contains a primary residence or where a primary residence is being built concurrently with a backyard cottage or accessory dwelling unit.
- **Option 6a: Property tax abatement for office/retail to residential/mixed use conversions (no estimate):**
 - Philadelphia experience
- **Option 6b: Property tax abatement for vacant lot to residential construction (no estimate):**
 - Philadelphia experience

¹ Light-touch density: homes similar in scale to legally allowed single-family detached homes, such as single-family detached homes on smaller lots, duplexes, triplexes, twin homes, townhomes, backyard cottages and internal accessory dwelling units) on SFD lots. Livable Urban Villages: (LUV) core areas- legalize by-right mid- to high-density residential zoning in existing areas currently zoned commercial, industrial, and mixed use. Adjacent areas: legalize by-right light-touch density in LUV Adjacent Areas. See also [Strong Towns Toolkit](#)

² These projections assume the use of “Keep it short and simple” (KISS) land use rules. Policies 1 and 2 assume 10 homes per acre (a mix of single-family detached and townhomes.

National Housing Success Playbook: Option 2: Legalize more starter homes by shrinking single-family lot sizes in greenfield subdivisions: projection – 5-8 million homes over 10 years

- **Option 2: Light-touch density: legalize more starter homes on smaller lots in greenfield subdivisions:** projection – modestly smaller lots (Detached: 5,500 sq. ft. vs. 8,500 sq. ft. and townhomes: 1,500 sq. ft. vs. 8,500 sq. ft. would yield 5-8 million more homes over 10 years)

SFD Homes Built Between 2000 and 2023 in the Nation: Scenario Analysis for Smaller Lots

	Baseline	Slightly Smaller Lots			If 20% of the SFD land at 4.8 homes/acre was instead used for townhomes (TH) at the median	If 80% of D. at 7.7 homes/acre and 20% at the median for townhomes (TH)
	A.	B.	C.	D.	E.	F.
Density	4.8 homes/acre median	5.9 homes/acre 7th decile	6.7 homes/acre 8th decile	7.7 homes/acre 9th decile	21.5 homes/acre median (TH)	21.5 homes/acre median (TH)
Homes Built	15,040,300* (Actual)	18,491,200	21,007,500	24,179,300	25,549,300	32,860,400
Extra Homes (Cumulative)		3,450,900	5,967,200	9,139,000	10,509,000	17,820,100
Extra Homes (per year)		150,040	259,440	397,350	456,910	774,790
Sales price/GLA sq.ft. in 2023	\$470,700/2,300 (Actual)	\$456,300/2,110	\$450,500/2,060	\$432,800/1,940	\$318,600/1,720 (TH only) compared to \$354,900/1,660 (existing SFD stock)***	\$410,000/1,830 (All) compared to \$354,900/1,660 (existing SFD stock)***
Owner Occupied** Homes (2010-2023)	13,686,700 (Actual)	16,827,000	19,116,800	22,003,200	20,276,100	26,929,200

*Over 2000-2023, SFD permits averaged around 626,700 homes per year. Over the last 5 years, the nation has issued about 970,100 single-family permits per year. https://heat.aeihousingcenter.org/toolkit/housing_data_app.

** Based on 91% and 69% owner-occupied rates for SFD and TH, respectively. Source: 2021 Five-Year American Community Survey.

*** The sales price figure for scenario E is computed by multiplying the townhome-to-SFD price ratio (0.90) by the median sale price of the existing SFD stock.

Appendix

Greenfield Methodology

Data: Light-Touch Density greenfield estimates are created using property-level Public Records data and [U.S. Census 2023 ACS 5-Year Survey](#). Permit data is from the [U.S. Census Building Permits Survey](#). Data is limited to single-family detached (SFD) and townhomes built between 2000 and 2023. For SFDs, lot sizes are limited to those larger than 3,000 sq.ft. but smaller than 45,000 sq.ft. Townhomes include all properties coded in the Public Records as SFDs but smaller than 3,000 sq.ft. and all properties coded as townhomes between 500 and 5,000 sq.ft. For both SFDs and townhomes, building areas are limited to between 1,000 and 10,000 sq.ft.

Homes Built: The ACS 5-Year count for SFD homes built from 2000-2023 is used instead of the Public Records count when the ACS count is at least 10% higher than Public Records. When the ACS count is used, the actual homes built figure is calculated by multiplying the total SFDs built between 2000-2023 (B25127) by the percentage that are SFDs (B25024).

Density (homes per acre): Decile density figures are computed by binning homes into deciles based on homes per acre and taking the median homes per acre value within each subject density decile. For geographies where a density decile value for scenarios B through D cannot be estimated, the estimate from the previous decile is carried forward. For geographies where the median townhome density for scenarios E and F cannot be estimated, the townhome density is imputed using the density from the next highest geography (e.g., for cities, the county-level townhome density is used).

Sales Price and GLA: Sales price and GLA estimates are computed by taking the median for all homes with homes per acre values that round to the subject density value. The sales price figure for scenario E is computed by multiplying the subject geography's townhome-to-SFD price ratio by the median sale price of the existing SFD stock.