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MODERNIZING ZONING TO EXPAND HOUSING OPPORTUNITY

**An Overview of Emerging State, Local
and Federal Housing Supply Reforms.**



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EXECUTIVE SUMMARY

America's housing shortage is showing up in the daily experience of families and communities across the country. The national housing supply gap is estimated at 4.7 million homes, as demand continues to outpace new construction.

No single policy caused the shortage, and no single policy will solve it. Financing conditions, construction costs, infrastructure capacity, labor availability, insurance pressures, and local opposition all matter. But zoning and land-use rules remain one of the most important aspects of the housing supply landscape because they determine where homes can be built, what types of homes are allowed, how long approvals take and whether a permitted project is financially feasible.

Traditional zoning codes, dating back to the early 20th century, zoned most residential land exclusively for single-family detached houses on large lots. Today, roughly 75% of residential land in American cities remains zoned exclusively for single-family homes.

Across the country, state legislatures and local governments are revisiting a range of zoning rules, including those that govern accessory dwelling units, missing middle housing, transit-oriented development, parking requirements, commercial-to-residential conversion, minimum lot sizes, permitting timelines, and more. The details differ significantly from place to place, but the pattern is clear: zoning reform has moved from a local planning issue to a mainstream state and national policy concern.

The federal government has also reentered the conversation. Recent federal efforts, including the 21st Century ROAD to Housing Act, focus less on direct zoning mandates and more on incentives, technical assistance, financing tools, and program flexibility to help states and localities remove barriers to housing production.

The emerging picture is a growing menu of approaches. Some are broad statewide reforms; others are narrower local adjustments. Together, they show how policymakers are trying to expand housing opportunity while balancing feasibility, infrastructure, local context, and community concerns.

Key takeaways

- ▶ Zoning modernization is now a national trend, but implementation remains highly local.
- ▶ States are increasingly setting baseline expectations for housing production while leaving local governments responsible for many design, infrastructure, and administrative decisions.
- ▶ Federal activity is reinforcing the same themes many states are pursuing: lower costs, more available land, faster approvals, and transparent rules.
- ▶ Allowing more homes on paper is not the same as producing them in practice. A reform may still fall short if parking, lot-size, setback, building codes, or other rules make those homes hard to build.
- ▶ REALTORS® can add value by translating market realities into practical policy discussions and helping communities understand the connection between zoning reform and housing availability.

INTRODUCTION: THE HOUSING SUPPLY CHALLENGE

Nearly every state in America is facing some version of a housing supply challenge. In high-cost markets, the shortage often appears as extreme price escalation, limited inventory, long commutes, and displacement pressure. In smaller cities and rural communities, the problem may look like aging housing stock, limited starter-home production, lack of infrastructure-ready land, or few housing options for seniors, young families, and essential workers.

Zoning and land-use rules alone will not solve these challenges, but they are among the most fundamental in shaping the housing landscape. They determine whether a homeowner can add a small apartment for an aging parent, whether a vacant commercial corridor can become mixed-use housing, whether duplexes or townhomes are allowed in established neighborhoods, and whether a project that meets objective standards can proceed in months rather than years.

The history of zoning helps explain why reform is difficult. Roughly 75% of residential land in American cities remains zoned exclusively for single-family homes. Many communities are now relying on rules created for an earlier time before today's affordability pressures, demographic shifts, and market needs. The result is a growing mismatch between the homes communities need and the homes their rules allow to be built.



THE STATE, LOCAL AND FEDERAL INTERPLAY

Land-use policy in the United States has traditionally been rooted in local authority. That local role remains essential, because the closer a government is to the market it governs, the better it understands the neighborhood preferences and local conditions that drive it. Zoning reform that ignores these realities can generate backlash and implementation problems.

At the same time, housing markets do not stop at municipal boundaries. When one jurisdiction underbuilds, the effects can ripple across a region through higher prices, longer commutes, and displacement pressure in neighboring communities. This is why more state governments are moving from a purely permissive posture toward setting and enforcing baseline zoning rules.

The state-local tension is real, but it is often misframed as an either/or proposition. The most useful question is not whether states or localities should control everything, but rather how states can establish predictable expectations for housing production while preserving meaningful local roles in shaping the details.

The federal role is different, but still relevant. While the federal government generally does not control local zoning, it can use grants, financing tools, and public guidance to encourage more housing production. For example, HUD's 2026 *State and Local Best Practices for Home Construction* organizes the principal barriers to new housing into three categories—cost, land, and time—and highlights approaches such as more transparent fees, by-right development, streamlined permitting, technology-enabled review, and faster dispute resolution.

Congress also stepped up in 2026 by passing the bipartisan 21st Century ROAD to Housing Act, which went into effect in July. The law will reduce regulatory barriers, support manufactured housing, encourage local zoning reform, and give communities more tools to address housing supply.

SPOTLIGHT

The 21st Century ROAD to Housing Act

NAR strongly supported the bipartisan Act as a significant step toward increasing housing supply and improving affordability. Provisions particularly relevant to housing production include:

- ▶ Encouraging state and local governments to reduce zoning, land-use, and permitting barriers.
- ▶ Easing rules that constrain manufactured housing and other lower-cost housing options.
- ▶ Federal activity is reinforcing the same themes many states are pursuing: lower costs, more available land, faster approvals, and transparent rules.

The Act's passage underscores that housing supply has become a major national policy priority, and that federal action can complement state and local efforts to make more homes feasible.

THE REFORM LANDSCAPE: WHAT STATES AND LOCALITIES ARE TRYING

Zoning modernization efforts encompass a broad collection of tools that jurisdictions are adapting to different market conditions, political environments, and community needs. The following categories represent the main areas where state and local governments are experimenting.



1. ACCESSORY DWELLING UNITS (ADUs)

ADUs are small, independent homes located on the same lot as a primary residence. They may take the form of backyard cottages, garage apartments, basement apartments, carriage houses, or in-home suites.

- ▶ ADUs are often the least disruptive entry point for zoning modernization because they add housing incrementally and can support aging in place, multigenerational living, rental income for homeowners, and smaller lower-cost housing options.
- ▶ California remains the leading example. After a series of state reforms that simplified approvals and limited local barriers, ADU production rose from 1,336 permits in 2016 to 26,924 in 2023, when ADUs represented more than one-fifth of all homes permitted statewide.
- ▶ Maine, Montana, Oregon, Washington, Colorado, Arkansas, Iowa, Maryland and other states have moved to require or encourage local governments to allow ADUs, often paired with limits on parking mandates, owner-occupancy rules, or discretionary review.
- ▶ Seattle's 2019 ADU reforms removed owner-occupancy and off-street parking requirements and allowed two ADUs per lot. Annual permits rose from 283 in 2019 to more than 900 in each year from 2022 through 2024.
- ▶ A common implementation lesson is that ADUs can be legal but still impractical if local rules retain excessive parking, size, or approval barriers.



2. MISSING MIDDLE HOUSING

Missing middle housing includes duplexes, triplexes, townhomes, and small multifamily buildings that fit within the scale of many existing neighborhoods.

- ▶ These housing types fill the space between detached single-family homes and larger apartment buildings. They can support entry-level ownership and downsizing for a range of residents.
- ▶ Minneapolis became an early national reference point after allowing duplexes and triplexes citywide. But early production has been modest, offering a reminder that authorization alone does not guarantee new units.
- ▶ Oregon's HB 2001 and Washington's HB 1110 remain major statewide examples of missing middle reform, requiring many cities to allow duplexes and additional units per lot.
- ▶ Maine and Montana have also advanced reforms allowing duplexes or other small-scale housing types in more residential districts, contributing to a broader move away from exclusive single-family zoning in high-demand areas.



3. TRANSIT-ORIENTED DEVELOPMENT (TOD)

TOD reforms allow more homes near rail, bus, and other transit stations.

- ▶ The basic logic is that communities should allow more homes where infrastructure, jobs, services, and transportation options already exist.
- ▶ Massachusetts' MBTA Communities Law requires many transit-served communities to create at least one district allowing multifamily housing by right at a minimum gross density of 15 units per acre.
- ▶ Maryland's 2026 Transit and Housing Opportunity Act, HB 894, reflects the same trend. The law alters land-use rules near certain transit stations, supports mixed-use and transit-oriented development, prioritizes certain redevelopment projects for infrastructure financing, and delays collection of some development excise taxes and impact fees.
- ▶ Austin, Texas adopted an Equitable Transit-Oriented Development overlay in 2024 for properties near its planned light-rail alignment, offering additional height and modified site standards in exchange for community benefits, including affordable housing.



4. PARKING REFORM

Parking reform reduces or removes mandatory off-street parking requirements that can increase costs, consume land, and prevent housing from being built.

- ▶ The strongest framing is right-sized parking, not eliminating parking. The issue is that many rigid minimums in place today are outdated and overly restrictive.
- ▶ California's AB 2097 eliminated local parking minimums for many projects near major transit stops.
- ▶ In 2025, states including Connecticut, Montana, Colorado, and Washington advanced reforms limiting or eliminating minimum parking mandates in certain housing contexts.
- ▶ Cities are also reducing parking requirements downtown, near transit, for ADUs, for small multifamily housing, and for adaptive reuse projects.
- ▶ Buffalo's Green Code eliminated citywide minimum parking requirements when it took effect in 2017, replacing them with a form-based approach focused on access and neighborhood context.



5. COMMERCIAL-TO-RESIDENTIAL AND ADAPTIVE REUSE

These reforms allow conversion of underused commercial properties into residential buildings.

- ▶ Commercial-to-residential reforms can add housing without relying exclusively on established residential neighborhoods. They also help communities respond to changing retail and office markets.
- ▶ California's AB 2011 allows certain affordable and mixed-income residential projects to proceed by right on qualifying commercially zoned land.
- ▶ Los Angeles adopted a citywide adaptive reuse ordinance to streamline conversion of existing commercial buildings into residential projects with five or more units.

- ▶ Florida's Live Local Act created a state-level pathway for multifamily and affordable housing development in commercial, industrial, and mixed-use areas under specified conditions.
- ▶ Indiana's 2026 HB 1001 includes provisions affecting commercial-to-residential and mixed-use development as part of a broader effort to remove local regulatory barriers.



6. LOT-SIZE, SETBACK, AND DIMENSIONAL REFORM

Dimensional standards govern minimum lot size, setbacks, height, lot coverage, and related rules. These standards often determine whether allowed housing can actually be built.

- ▶ A community may say it allows duplexes, townhomes, or ADUs, but if the dimensional standards are too restrictive, the reform may produce little housing.
- ▶ Houston advanced minimum lot size reforms, allowing smaller lot homes to expand ownership opportunities.
- ▶ Texas and Maine advanced state-level minimum lot size reforms in 2025 to accelerate development of starter homes and more affordable housing options.
- ▶ Indiana's 2026 housing reform package also reflects state interest in limiting dimensional and design rules that function as barriers to housing production.

RELATED REFORM

Single-Stair Buildings

Zoning is not the only set of rules that determines whether smaller multifamily buildings are feasible. In many jurisdictions, apartment buildings above three stories must include two exit stairways for fire safety reasons. A growing number of states and cities are considering allowing one protected stairway in certain smaller multifamily buildings when certain safety standards are met. Supporters argue that the approach can make narrow lots and infill sites more workable and allow for flexible unit layouts.



7. STREAMLINED APPROVALS AND PREDICTABLE REVIEW

Streamlined approval reform can include by-right review, objective standards, permit shot clocks, completeness determinations, limited discretionary hearings, online permitting, and transparent reporting.

- ▶ Process can be as important as zoning capacity. Delay and uncertainty raise costs, deter smaller builders, and can stop projects even when zoning technically allows them.
- ▶ Washington's 2026 HB 2418 builds on earlier permit reform by clarifying completeness determinations, applying timeline requirements to additional government entities, and requiring a single point of contact for residential permit applications.
- ▶ Indiana's 2026 HB 1001 includes reporting requirements for local governments to track housing approvals, denials, and approval timelines.



8. FORM-BASED CODES AND FLEXIBLE ZONING TOOLS

Form-based codes regulate the physical form of development more than the specific use or unit count. Flexible tools can also include opt-in districts, pre-approved plans, neighborhood-scale overlays, or block-level choices.

- ▶ These approaches can help communities become more comfortable with housing reform by focusing on what buildings look and feel like rather than treating additional homes as inherently incompatible.
- ▶ Hartford, Connecticut's form-based code is a useful example of allowing a broader range of housing forms while maintaining attention to scale, setbacks, and design.
- ▶ Houston's approach to lot-size flexibility and local opt-out provisions offers a good example of allowing reform while giving neighborhoods some structured choice.
- ▶ More states and cities are exploring pre-approved plans, model codes, and flexible overlays to lower design and permitting costs for ADUs, missing middle housing, and small-scale infill.
- ▶ Some jurisdictions are exploring performance-based building codes focused less on rigid prescriptions and more on whether a project meets defined safety or environmental outcomes.



COMMON THEMES EMERGING ACROSS THE COUNTRY

The details of zoning modernization differ by state and locality, but several recurring themes are visible across the country. These themes are useful because they shift the discussion from abstract support or opposition toward the practical question of whether reforms are likely to produce homes.

Enabling more homes on paper is only the beginning.

When localities pass zoning reforms without addressing the parking, setback, lot coverage, fee, building code, infrastructure, and financing conditions that determine whether homes can actually be built, the reforms tend to produce less new housing.

Objective standards are becoming central.

Clear, objective rules can protect local interests while reducing the likelihood that subjective reviews will stall housing production. They also give property owners, builders, neighbors, and public officials a shared set of expectations.

Local implementation still matters.

Even when states set baseline housing rules, local governments often decide the details of mapping, design, infrastructure sequencing, permit administration, and public communication.

Infrastructure alignment remains essential.

Housing reforms are more durable when paired with realistic planning for water, sewer, roads, schools, utilities, stormwater, and public services.

Affordability requirements require calibration.

Inclusionary zoning, affordability set-asides, fee requirements, and other affordability tools can be important, but if they are poorly calibrated, they can deter builders and create local backlash.

Administrative modernization is gaining attention.

HUD's cost-land-time framework underscores that housing supply is affected not only by what zoning allows, but also by how long reviews take, how transparent fees are, how technology is used, and whether small builders can navigate the process.

Narrative shapes political viability.

Opposition often focuses on fear of change. Supporters of reform are increasingly emphasizing housing options, property rights, family flexibility, workforce needs, local economic health, and the ability of communities to welcome the next generation.

A PRACTICAL LENS FOR EVALUATING REFORM PROPOSALS

Question	Why it matters	Relevant policy details
Does the reform allow more homes?	A proposal must actually result in more homes, not merely signal support for supply.	Unit limits, permitted housing types, eligible districts, by-right pathways.
Are those homes feasible to build?	Rules that appear permissive can still block production if the economics do not work.	Parking, lot size, setbacks, fees, infrastructure, building code thresholds.
Are the rules objective?	Objective rules reduce risk that reforms will be disregarded and unenforceable.	Predictable standards, shot clocks, completeness determinations, efficient review.
Is local implementation realistic?	Local governments remain responsible for many details that shape outcomes.	Model ordinances, technical assistance, infrastructure planning, public communication.
Will outcomes be measured?	Tracking results helps distinguish productive reform from symbolic reform.	Goals for permits, approvals, timelines, fees, production by geography and type.



WHAT THIS MEANS FOR STATE AND LOCAL REALTOR® ASSOCIATIONS

The national landscape suggests several ways REALTOR® associations can contribute constructively to zoning and housing supply discussions.

First, associations can help ground debates in market reality. REALTORS® see inventory constraints, buyer frustration, rental pressure, downsizing needs, and workforce housing challenges in real time. That perspective can make the housing shortage concrete for policymakers.

Second, associations can help distinguish between reforms that create headlines and reforms that create homes. A proposal may sound ambitious without being enforceable or feasible. Conversely, a modest reform such as ADU simplification, commercial corridor reuse, or faster permitting may be more meaningful.

Third, associations can help communities understand tradeoffs without dismissing legitimate concerns. Parking, infrastructure, schools, stormwater, design, and neighborhood change are real issues. The more durable approach is to ask how reforms can address those concerns while still allowing more housing.

Finally, associations can help keep the focus on people. Zoning debates can become technical quickly, but the stakes are human: first-time buyers trying to enter the market, seniors trying to age in place, teachers and nurses trying to live near work. REALTORS® work with these people every day and can help tell their stories.

Four Ways REALTOR® Associations Can Add Value

1

Ground debates in market reality.

2

Separate symbolic reform from reforms that produce homes.

3

Address community concerns without dismissing them.

4

Keep the focus on buyers, renters, homeowners, workers, and families.

MESSAGING PATTERNS VISIBLE IN SUCCESSFUL REFORM DEBATES

Frame	Why it works	Less useful frame
More housing options	Emphasizes choice and flexibility rather than abstract density.	<i>Density as the lead message</i>
Right-sized parking	Reassures communities that reform is not anti-car or anti-parking.	<i>No parking / eliminating parking</i>
Homes for the next generation	Connects reform to families, workers, and community continuity.	<i>Developer-centric framing</i>
Predictable, transparent rules	Appeals to fairness, property rights, and good governance.	<i>Deregulation as a standalone message</i>
State baseline, local implementation	Balances statewide need with local context.	<i>State takeover / local veto framing</i>
Underused land for housing	Makes commercial reuse intuitive and politically practical.	<i>Upzoning every neighborhood</i>



CONCLUSION: REMEMBERING THE STAKES

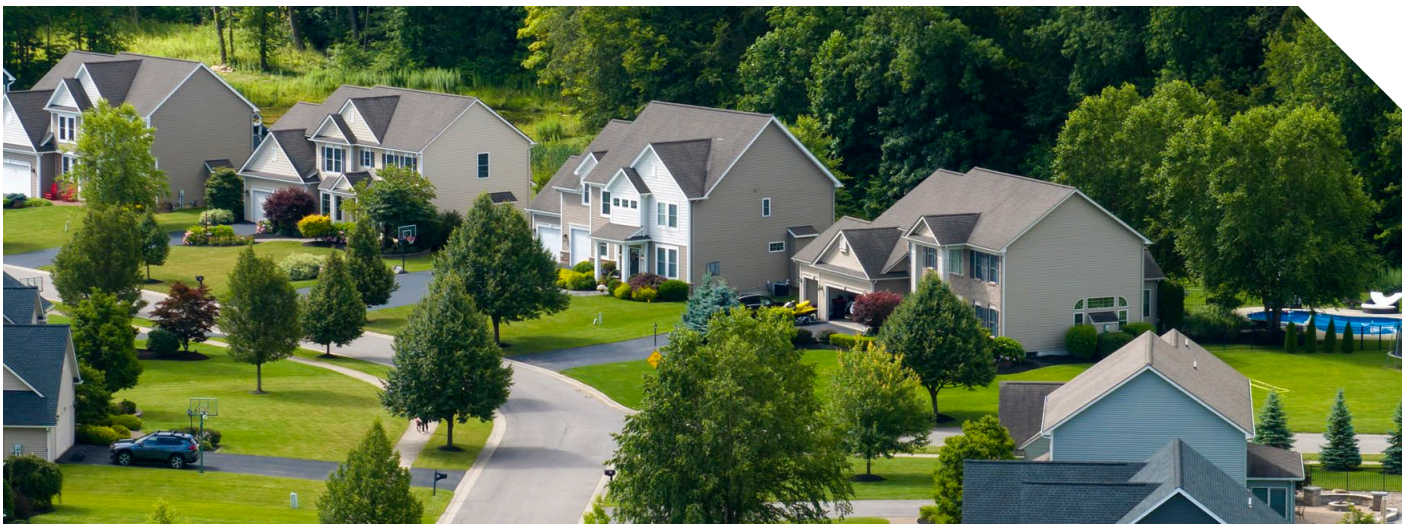
A couple wants to build a small backyard apartment to care for an aging parent, only to discover that their town does not allow it. A teacher wants to live in the same community where she works, but there are no attainable homes within reach. A young family wants a starter home they can afford, such as a duplex or small-lot home, but local rules make those options scarce. A builder is ready to convert a vacant commercial corridor into housing, but the approval process is uncertain and the zoning does not allow residential use.

These are the human consequences of zoning rules that determine who can live where, what kinds of homes are available, and whether communities can adapt to changing needs.

Modernizing zoning does not have to mean high-rises on every street or one-size-fits-all mandates from above. It can mean allowing one more home on a lot, allowing workers to live closer to the communities they serve, helping first-time buyers find attainable options, or making better use of underused commercial land.

The national landscape is moving toward a more practical understanding of housing supply. Cost matters. Land matters. Time matters. Local context matters. And above all, the ability of communities to remain open and affordable for the people who sustain them matters.

REALTORS® understand these realities because they work in the market every day and live in the communities affected by these decisions. By bringing that market knowledge to policymakers, state and local REALTOR® associations can support a more balanced conversation about how to expand housing opportunity while preserving the qualities that make communities strong.



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FOR QUESTIONS ON THIS PAPER, OR
MORE INFORMATION ON ZONING, CONTACT:



Drew Myers

Senior Policy Representative

State and Local Issues | Advocacy Group

National Association of REALTORS®

500 New Jersey Ave NW

Washington, DC 20001

Email: dmyers@nar.realtor

Office: 202-383-1072 | **nar.realtor**