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URBAN FINDINGS

Downzoning Chicago: How Local Land Use Policy Has Reduced Housing Construction and Reinforced Segregation

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Findings

In the postwar United States, cities used downzoning policies to limit construction, often for the sake of preserving neighborhood aesthetics and protecting property values. We show that downzonings in Chicago between 1970 and 2016 were more frequently implemented in high home value areas. We evaluate downzoning's consequences by comparing outcomes between Chicago tracts that were subjected to this regulatory change and those that were not, using fixed-effects regressions. In downzoned areas, housing supply declined, but housing values and white population shares increased. Overall, downzoning has contributed to reduced housing availability in high-demand neighborhoods, while reinforcing class and racial segregation.

1. Questions

Localities use land-use policy, including zoning, to shape the built environment. With elected officials worried about rising housing costs, some cities have recently "upzoned" to accommodate construction (Freemark 2020; Pendall, Lo, and Wegmann 2022). But postwar US local development policy was dominated by "downzoning"—meaning altering land-use controls in a way that limits the ability to build new structures, particularly higher-density apartments (Morrow 2013; Whittemore 2012). Homeowners who sought to protect neighborhood aesthetics and property values supported these downzonings (Been, Madar, and McDonnell 2014; Fischel 2005), as did renters who worried that new development could increase housing costs (Hankinson 2018). The dominance of residents who were wealthy, white, and homeowners in planning processes likely contributed to these policy choices (Einstein, Palmer, and Glick 2019; Lo and Freemark 2022).

Research examining *citywide* zoning changes indicates that downzoning is associated with increased housing costs and less building (Stacy et al. 2023). This suggests that neighborhood-level downzonings could contribute to the underprovision of housing. To explore the conditions that affect downzoning and downzoning's neighborhood-scale consequences, in this paper we examine tract-level data for the city of Chicago to answer:

- What was the incidence of downzoning? In what sorts of neighborhoods did it occur?

- What were downzoning's effects in terms of housing availability, housing costs, and neighborhood demographics?

2. Methods

We leverage a parcel-level dataset of downzonings across Chicago between 1970 and 2016; these data pinpoint the decade when downzonings occurred. We classify historic landmarking as a form of downzoning, as it may be even more onerous for developers than downzoning—it "freezes" assets, providing little opportunity for redevelopment, while downzoning typically allows at least some reconstruction.[1] This research builds on a descriptive study of zoning policy by Chicago Area Fair Housing Alliance (2018). Chicago experienced dozens of neighborhood- or parcel-level downzonings beginning in the 1970s, often responding to resident concerns about overdevelopment or neighborhood decline (Schwieterman and Caspall 2006). We combine these data with tract-level, Census-produced housing and demographic data.[2]

Not every community reacts similarly to equivalent zoning changes. A downzoning might have more damaging effects on housing availability and affordability in high-wealth neighborhoods—where there is demand for construction—than in low-wealth areas (Freemark 2023). This factor may be particularly relevant in post-1970s Chicago, where many buildings were abandoned across the increasingly impoverished South and West Sides. Using citywide data may violate the assumption of parallel pre-trends, important for establishing comparability between "treated" (downzoned) and "untreated" (non-downzoned) tracts.

We calculated the share of each tract's land area that was downzoned, by decade.[3] We then evaluated tract-level housing supply changes between 1960 and 1970, before mass downzonings began; a t-test of means shows a statistically significant difference in housing supply growth between tracts citywide that experienced any downzonings in the following two decades and those that did not (supplementary table S1). To create samples that enable a fair comparison between treated and untreated areas in our fixed-effects regressions, we thus subsetted the citywide data into two study groups whose later downzoned and not-downzoned tracts exhibited no significant difference in their housing supply growth pre-trends: (a) tracts that had a greater-than-median white population share *and* greater-than-median

1 We did not differentiate downzoning from historical landmarking, as we did not have data on the relative degree of change any particular policy had on development potential. Future research could further examine this issue.

2 We combined data from multiple decades using areal interpolation.

3 To calculate areas of tracts that were downzoned, we account only for land that could theoretically be used for residential purposes, thus excluding land used for parks, cemeteries, industrial uses, transportation, water, and schools. These models estimate the average treatment effect of downzoning over different periods (e.g., 1980 data, with one potential previous decade of downzoning, is combined with 2010 data, with four potential previous decades of downzoning). As such, readers should be cautious in their interpretation of model coefficients.

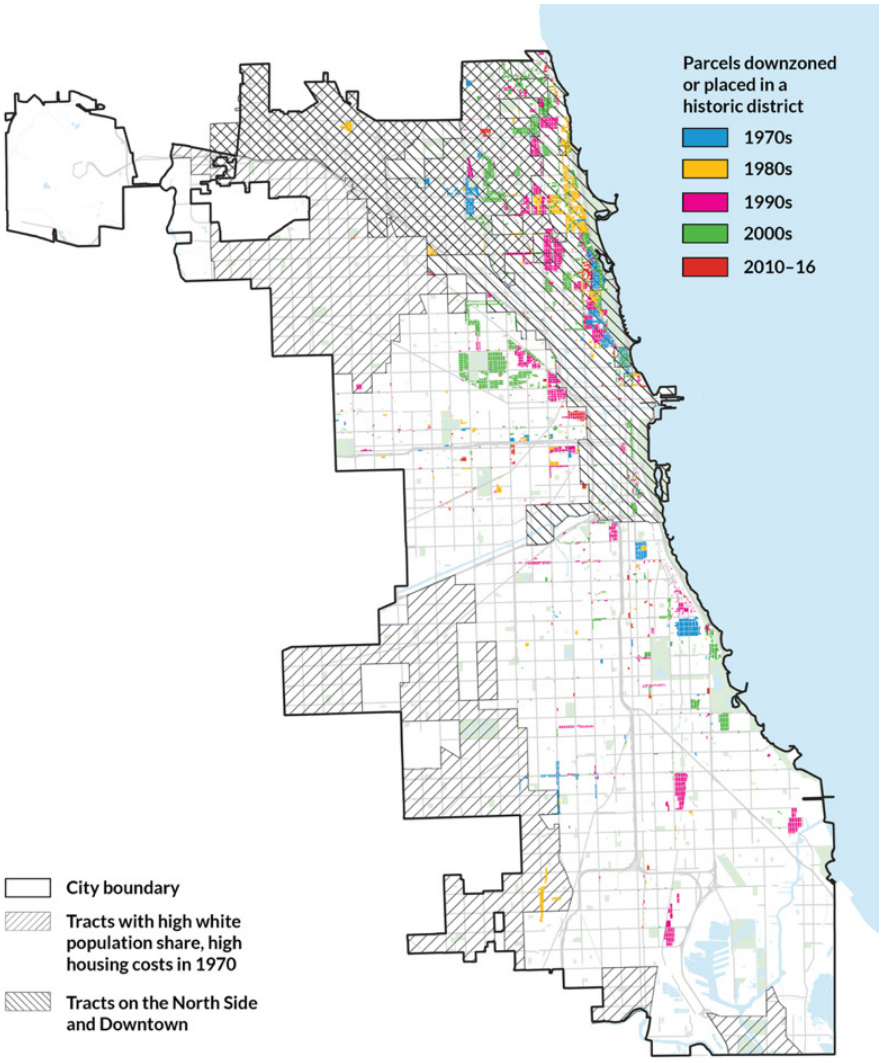

Figure 1. Map of Chicago, showing downzoned areas and study groups

Source: The authors, based on data from US Census, 1970, and George Kisiel, 2024.

Note: The two study groups have some overlap, primarily in the far northern portion of the city. But a majority of tracts in each group is only in that group.

housing values in 1970; and (b) tracts located downtown or on the North Side (figure 1).[4] We examine these areas using a panel dataset. For each tract and decade, we identify both the share of the tract that was cumulatively downzoned during previous decades and during the same decade, because we hypothesize that both could influence outcomes.

The choice of these study groups reflects that Chicago neighborhoods experienced contrasting postwar trajectories. Tracts with high white population shares and high housing costs in 1970, as well as those on the North Side and downtown, gained housing value in the following decade; those elsewhere declined in value (supplementary figure S1). We thus focus on these study groups, since they feature a variety of "treated" and

4 Supplementary table S1 suggests that North Side and downtown study group may provide the most accurate comparison.

Table 1. Regression results: Incidence of downzoning, by tract and decade, Chicago

		Period when downzoning occurred				
		1970–79	1980–89	1990–99	2000–09	2010–16
		I	II	III	IV	V
		Binary dependent variable: Whether at least 10 percent of tract was downzoned during decade				
At beginning of period	Median housing value	0.02 (0.02)	0.04 (0.00) ***	0.04 (0.00) ***	0.04 (0.00) **	0.00 (0.14)
	Population density	0.00 (0.01)	0.01 (0.23)	−0.03 (0.01) *	0.02 (0.20)	0.00 (0.51)
	Share owner	−0.11 (0.03) ***	−0.14 (0.00) ***	−0.26 (0.00) ***	−0.27 (0.00) ***	−0.02 (0.09)
	Adjusted R^2	0.02	0.04	0.06	0.08	0.00
	N	796	787	795	796	788

Source: The authors, based on data from US Census and American Community Survey, 1970–2016, and George Kisiel, 2024.
Note: Robust standard errors shown in parentheses. p-values of *** < 0.001; ** < 0.01; * < 0.05. Share population white is not included in the regressions to avoid multicollinearity; it is closely correlated with home values in Chicago. We also examined whether there was a relationship between the incidence of downzoning and trends in the previous decade (not shown) but did not find any systematic link therein.

"untreated" tracts. Moreover, given that zoning controls are most relevant in high-demand neighborhoods, these study groups best reflect where these regulations might matter.

We use OLS regressions to estimate associations between tract-level characteristics and a tract's likelihood of being downzoned, by decade, between 1970 and 2016. We then use tract- and time-level fixed-effect models (sometimes with time trends) to estimate downzoning's effects on housing availability, share white population, housing values, and rents.

3. Findings

We examine the incidence of downzoning by regressing several tract-level characteristics on a binary dependent variable: whether at least 10 percent of a tract's land area was downzoned in a decade (table 1).[5] We find the city was more likely to downzone areas in tracts that had higher housing values (this relationship was statistically significant for three decades); this suggests that higher-income residents and their elected representatives successfully leveraged downzoning to maintain the status quo. We also find that lower homeownership rates were associated with downzoning, contrary to previous research (Been, Madar, and McDonnell 2014); this may result from the fact that downzonings largely did not impact the city's edges (figure 1), which were predominately zoned for single-family homes and not easily downzoned.

Next, to descriptively understand the relationships between our variables, we compare changes between 1990 and 2010 among tracts that experienced a previous downzoning (between 1970 and 1990), and those that did not. In both study groups, downzoned tracts had substantially lower housing supply growth (table 2). On average, tracts on the North Side or downtown that

5 We make similar findings when examining share of tract downzoned as a continuous variable (not shown).

Table 2. Median percent change for four tract-level indicators, 1990 to 2010, by downzoning status between 1970 and 1990

Indicator	Study group			
	Tracts with higher-than median white population share and housing value in 1970		Tracts on the North Side and Downtown	
	Experienced downzoning between 1970 and 1990	Did not experience downzoning	Experienced downzoning between 1970 and 1990	Did not experience downzoning
Housing supply	2.0%	4.6%	1.8%	9.6%
	Downzoned tracts had substantially lower rates of housing supply growth than those that were not downzoned.			
Share population white	−23.6%	−52.7%	−6.2%	−18.0%
	Downzoned tracts lost white population at a slower rate than those that did not experience downzoning.			
Housing value	47.2%	34.6%	38.2%	48.0%
	Housing value did not grow in a systematically different way in downzoned versus non-downzoned tracts.			
Rent	27.3%	34.9%	35.9%	40.2%
	Downzoned tracts had somewhat lower rent growth than those that did not experience downzoning.			

Source: The authors, based on data from US Census, 1970 and 1990, and George Kisiel, 2024.
Note: Data exclude tracts that experienced downzoning during the period from 1990 to 2010.

were downzoned between 1970 and 1990 gained only 65 units between 1990 and 2010, while non-downzoned tracts gained 470 units on average, seven times as much.[6]

The comparison in table 2 also shows that the median downzoned tract had slower loss in its share population white than non-downzoned tracts. We identify lower rent increases in downzoned areas, an issue to which we return below, and uneven trends in terms of housing values.

To confirm these outcomes, we estimate downzoning's supply impacts using fixed-effects regressions that leverage our panel data (table 3). Among *all* tracts, downzoning was associated with *increasing* housing availability (models I–II), but this likely results from divergent preexisting conditions, as noted. Examining just the study groups, on the other hand, we find consistently negative housing supply effects associated with higher levels of downzoning (models III–VI). These effects occur *both* as a result of previous-decades downzonings and also same-decade downzonings (effects are generally larger from downzonings that occurred further in the past). Outcomes manifest whether or not we include time trends.[7] This provides evidence that downzoning substantially reduced housing supply.

Finally, we examine downzoning's impacts on other neighborhood characteristics (table 4). Downzonings were associated with higher white population shares and higher housing values (models I–II and IV–V, with varying statistical significance and effect magnitude), outcomes that suggest

6 Excluding tracts that experienced downzoning during the period from 1990 to 2010.

7 We also tested models in which we combined previous-decade downzones with same-decades ones (not shown). These models produced similar results.

Table 3. Downzoning is associated with lower housing availability in the study areas

	Study group					
	All tracts		High white population share, high housing cost tracts		North Side and Downtown tracts	
	I	II	III	IV	V	VI
	Dependent variable: Housing units at the end of the decade, by tract (log)					
Cumulative share of tract downzoned in previous decades	0.08 (0.03) **	0.03 (0.04)	−0.08 (0.05)	−0.17 (0.04) ***	−0.20 (0.04) ***	−0.12 (0.04) **
Share tract downzoned same decade	0.05 (0.02) *	0.02 (0.02)	−0.09 (0.04) *	−0.05 (0.03) *	−0.07 (0.03) **	−0.04 (0.02)
Tract FE	Yes	Yes	Yes	Yes	Yes	Yes
Period FE	Yes	Yes	Yes	Yes	Yes	Yes
Tract time trends	No	Yes	No	Yes	No	Yes
Adjusted R^2	0.88	0.97	0.95	0.98	0.86	0.97
N	4588	4588	1350	1350	1242	1242

Source: The authors, based on data from US Census and American Community Survey, 1970–2016, and George Kisiel, 2024.
Note: Data excludes outliers at the top and bottom 2.5%. Robust standard errors shown in parentheses. p-values of *** < 0.001; ** < 0.01; * < 0.05.

Table 4. Downzoning is associated with increased white population share, higher housing values, and lower rents, in fixed-effects regressions

	Study group					
	High white population share, high housing cost tracts			North Side and Downtown tracts		
	I	II	III	IV	V	VI
	Outcome at end of decade			*Outcome at end of decade*		
	Share population white	Housing value (log)	Rent (log)	Share population white	Housing value (log)	Rent (log)
Cumulative share of tract downzoned in previous decades	0.12 (0.13)	0.64 (0.22) **	−0.49 (0.25)	0.15 (0.04) ***	0.40 (0.30)	−0.26 (0.08) **
Share of tract downzoned in same decade	0.02 (0.06)	0.34 (0.13) **	−0.31 (0.13) *	0.06 (0.02) **	0.46 (0.17) **	−0.09 (0.05)
Tract FE	Yes	Yes	Yes	Yes	Yes	Yes
Period FE	Yes	Yes	Yes	Yes	Yes	Yes
Tract time trends	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.86	0.89	0.44	0.83	0.69	0.62
N	1340	1340	1335	1242	1242	1242

Source: The authors, based on data from US Census and American Community Survey, 1970–2016, and George Kisiel, 2024.
Note: Data excludes outliers at the top and bottom 2.5%. Robust standard errors shown in parentheses. p-values of *** < 0.001; ** < 0.01; * < 0.05.

that downzoning reinforced segregation and concentrated wealth. We hypothesize that downzoning has been associated with increased investment in, and competition for, ownership units, resulting in higher home prices.

We also find that downzoning is associated with lower rents (table 4, models III and VI). Downzoning displaces housing construction into other areas that were not downzoned; we find a significantly lower share of rental units built in recent decades among tracts that were downzoned (supplementary table S2). On average, tracts that experienced any downzoning between 1970 and 2000 lost about 160 rental units over that period, while those that were *not* downzoned gained 25 or more rental units on average. As new rental units typically charge higher rents (Damiano and Frenier 2020), we hypothesize

that the lower rents in downzoned areas are a product of declining typical rental unit quality, though further research is needed to substantiate this claim.

This study offers further evidence for downzoning's impacts, building on previous citywide analysis. Neighborhood-scale downzonings are associated with less housing supply, increasing home values, and concentration of white residents in the most sought-after neighborhoods. Cities seeking to increase access to housing and improve neighborhood diversity should avoid downzoning.

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SUPPLEMENTARY MATERIALS

Supplementary Information

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