



to Charles Gardner, senior fellow at George Mason University's Mercatus Center, housing and rent prices have increased about 50 percent on average since the pandemic.

A March 2026 case study produced by the Pew Charitable Trusts, which has a housing policy initiative, shows the impact on housing prices in the City of Austin, Texas, as zoning reforms, which started as early as 2015, expanded through subsequent years.¹ Between 2010 and 2019, rents in Austin increased more than any other major American city—more than 93 percent, according to the case study.

Efforts to address this issue have included changes in rules that allow for more large apartment buildings, “opening more areas to more types of homes,” encouraging accessory dwelling units (ADUs), and reducing parking requirements. Zoning changes were accompanied by related policies and practices, which included changes to building codes, bonds, and streamlining permitting.

There have been ample signs of success. In December 2021, Austin's median rent was \$1,546—15 percent higher than the US median. But by the beginning of 2026, median rent had fallen to \$1,296—4 percent lower than the rest of the United States overall.

Pew, which has collected multiple examples of changes to past zoning practice, recognizes the challenges. As Senior Officer Tushar Kansal explained, efforts to create higher-density housing can generate concerns about changing the culture of a neighborhood or creating new problems with school overcrowding, road wear and tear, more traffic delays, or parking problems.

While these fears may be valid in some places, the result of zoning reforms in the City of New Rochelle, New York, showed that they're far from inevitable. As Kansal reported, fears expressed about school overcrowding, excessive traffic, or problems with parking were not realized. “And the residents have really come around because they're seeing the benefits to their local community life,” he said.

PERSPECTIVE

Why Zoning Issues Are More Important than Ever

BY KATHERINE BARRETT AND RICHARD GREENE

Driven by the affordable housing crisis and the increasingly complex and controversial issue of data center placement, many local governments are striving to come to grips with the impact of zoning changes. They are also confronting intergovernmental pressures that come from strong state interests in housing and data center development.

Both issues require substantial information on the local level, not just about the fiscal impact of zoning change on rural communities, small towns, cities, and counties, but about the nature of diverse state rules and the federal political pressures that affect their ability to control land use.

Housing has a long history of zoning change impacts, and this, combined with widespread recognition of an

affordability crisis, makes zoning issues pertaining to housing critical. But the explosion of data centers is an emerging—and more complex—topic.

The impact of zoning changes on housing

The push in the last few years for zoning changes in housing has been driven by an acceleration in housing prices, increased attention to homelessness, and fears that traditional zoning practices contribute to dramatic problems in housing production.

In many cities, small towns, and suburbs, those practices have accelerated the shortage of housing by dictating large plots of land for housing and required space for parking, and statutes that forbid multi-family housing.

The pressure to deal with the issues of housing supply has been accelerating in recent years. According

Careful analysis is needed to see whether the benefits justify a zoning decision that leads to accepting a local data center.

Growing data center caution

Hunger for data center development led to much easier zoning approval in previous years, but local governments and some states have increasingly started to consider more of the opportunity costs and risks of aggressive data center development.

In a March 26, 2026, article, *The New York Times* reported that \$156 billion in 48 projects was blocked or stalled in 2025.² Not all of these involved zoning decisions, but the Times noted that “zoning commissions and county councils across the country have been resisting.”

Resistance stems from worries about data centers’ consumption of water and electricity, the quality of life in their vicinity, and the cost versus benefit analysis for an individual government.

“Infrastructure demands are a central issue,” said John Matelski, chief information officer for the National Association of Counties (NACo). “These demands can exceed what local systems were designed to support and often require coordination beyond the zoning process.”

Intergovernmental pressure

The housing affordability crisis has led to greater alignment in state and local government goals, but state legislation still has the potential to derail city and county plans.

This was the case in 2025, when the State of Texas passed several bills that allowed local residential building in areas previously zoned for commercial or industrial use. These bills were in line with the general goal of increasing housing supply by erasing previous local barriers. But in an interview with the *Austin Business Journal* in July 2025, Lauren Middleton-Platt, the city’s

planning director, noted that one of the new laws would “significantly impact the viability of many of the city’s density bonus programs” because they bypassed city laws creating incentives for developers to provide housing for low-income individuals.³

The potential preemption of local authority is far more evident when it comes to data centers, as Justin Kollar chronicled in a 2026 viewpoint article in the *Journal of the American Planning Association* in 2026.⁴ In it, he described a wave of state legislation, reinforced by federal priorities, that reduces local planning over land use.

This includes both “softer preemption methods” such as special purpose zones that help steer the location of data center investment by offering incentives to developers. But it also includes “more forceful preemption methods that outright limit local government authority over land use and zoning.”

In this extremely complex area of decision making, Kollar details how important it is for local governments to understand their state’s highly varied zoning and land use criteria. “Each state is dealing with a different regulatory system, different energy mixes, different energy and water history, and different politics,” he said. Without an understanding of the difference in state laws, local needs, and resource pressures, he warned that local entities will sometimes falsely assume that the experience in one locality can predict outcomes elsewhere.

Assessing fiscal impact on government

There are lots of reasons why data centers can benefit a state or localities’ financial condition and competitive position. But careful analysis is needed

to see whether the benefits justify a zoning decision that leads to accepting a local data center.

A March 2026 report from S&P Global looked at data center risks for U.S. governments.⁵ These include revenue volatility, the danger that comes from technological change and the rapid depreciation of computer equipment; the impact of construction delays; an overriding need to understand the impact of high energy and water demands; the potential need for infrastructure investment; and the “local impact of data center demand on household utility rates.”

In Gardner’s view, measuring the impact of zoning changes in housing also requires far more ongoing data and analysis. He pointed out that the effect of zoning laws on property taxes is complex and depends on both local policies and an intergovernmental relationship, which determines how tax dollars and school and other costs are shared.

“There’s a lack of clarity as to the effects growth is going to have on the bottom line of a town,” he said. “From my perspective, the data on these points has been somewhat lacking, and that contributes to a public discourse where a lot of the economic impact on a town’s bottom line is left up to guesswork rather than a good understanding of how this is going to affect finances.”

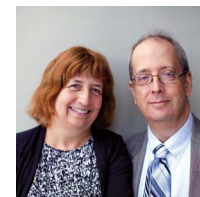
¹ Liz Clifford, Seva Rodnyansky, and Dennis Su, “Austin’s Surge of New Housing Construction Drove Down Rents,” Pew Charitable Trusts, March 18, 2026.

² Lydia DePillis, “Local Opposition Is Slowing A.I. Data Centers,” *The New York Times*, March 26, 2026.

³ Sean Hemmersmeier, “Austin’s affordable housing efforts could be thrown off by new Texas law,” *Austin Business Journal*, July 31, 2025.

⁴ Justin Kollar, “Planning Under Preemption: State Power and Local Authority in the AI Data Center Era,” *Issue of the Journal of the American Planning Association*, April 2026.

⁵ “Everywhere, All At Once: How The Growth Of Data Centers Could Carry Risks For U.S. Local Governments,” March 24, 2026.



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