

Reforming Zoning Policies to Enable Residential Development in Commercial Zones

Zoning reform is essential to address housing shortages and revitalize underutilized commercial areas. Many zoning codes restrict residential development in commercial zones, limiting opportunities to create affordable housing and transform vacant business districts. Allowing residential use in commercial areas supports housing diversity, reduces urban sprawl, and promotes vibrant, mixed-use communities.

Zoning restrictions in commercial areas are outdated:

Traditional zoning often separates residential areas from business zones, making it illegal to build homes in many commercial districts. This outdated approach rigidity limits the flexibility of land use and keeps commercial zones underutilized, particularly as shopping patterns shift and more retail spaces sit vacant. Updating these zoning laws to permit residential development in commercial areas allows cities to adapt to changing urban dynamics and maximize land use.

Commercial zoning restrictions worsen housing shortages and reduce housing options:

A [2015 study by the Mercatus Center](#) highlights that restrictive zoning artificially limits land for housing, driving up costs and reducing access to affordable homes. Allowing residential use in commercial areas can increase housing supply and provide diverse housing options, such as apartments above stores or low-rise units in business districts, without using undeveloped land. This approach helps meet housing demand, supports affordability, preserves green spaces, and reduces urban sprawl.

Commercial-to-residential conversions can revitalize communities:

[Research](#) shows that mixed-use development encourages economic growth. Allowing residential development in commercial zones brings life to declining business districts by increasing foot traffic, attracting local businesses, and fostering a sense of community. By integrating residential uses in these areas, cities can support local economic growth and create safer, more vibrant neighborhoods where people live, work, and shop.

Zoning reforms promote social equity and environmental sustainability:

Increasing the supply of affordable housing, especially for lower-income households, these changes help reduce socioeconomic disparities and enable more people to live near jobs, schools, and essential services. Additionally, flexible zoning policies encourage walkable, mixed-use communities that reduce car dependency. A 2012 EPA [report](#) states that mixed-use development typically has a lower environmental impact and offers more transportation and housing choices.

Examples of zoning reform success:

Several states and cities have adopted policies allowing residential development in commercial zones, resulting in more housing units and revitalized business districts. For example, Florida's "Live Local Act" ([SB 102](#)) permits high-density housing in areas previously limited to commercial use, helping to alleviate housing shortages. Oregon's [HB 2984](#) and Rhode Island's [SB 1035](#) have also allowed more flexible zoning in commercial areas, creating new housing opportunities while reducing the strain on residential-only neighborhoods.