



WHAT YOU NEED TO KNOW

America's Affordable Housing Challenges

"Millions of hardworking Americans who seek affordable rents or sustainable homeownership simply cannot get their foot in the door. We have reached the point where many of our nation's teachers, nurses, police officers, and firefighters struggle to live in or around the communities they serve." - Secretary Ben Carson

Middle class families are struggling to find and afford housing in the communities where they work. In the past year alone rent prices grew 3.8 percent according to the Bureau of Labor Statistics and home prices increased 3.9 percent according to the National Association of Realtors.

CRITICAL SHORTAGE OF AFFORDABLE HOMES: Currently, there is more demand for affordable housing than supply.

- The supply of single-family homes for sale is at its lowest level since the National Association of Realtors began tracking in 1982.
- According the Federal Reserve - despite a booming economy - home construction per household remains near a 60-year low.
 - The U.S. needs about 1.3 million new homes to keep up with population growth, but last year the National Association of Home Builders (NAHB) estimated that builders started fewer than 900,000 new homes.
- According to the National Apartment Association, the U.S. needs 4.6 million new apartments by 2030 or it will face a serious shortage.
 - To meet demand, more than 325,000 new units would have to be built each year, however from 2012 through 2016, on average, only 244,000 new apartment units were built per year.

REGULATIONS DRIVING UP COST: Regulations add nearly \$85,000 to the cost of a house, an increase of more than 30 percent since 2011, according to NAHB.

- Regulations like density limitations, height restrictions, parking requirements, lengthy permitting and approval processes, and "not in my backyard" (NIMBY) opposition are the primary reasons for housing supply restrictions and increased housing costs.
 - Over 30 percent of the cost of a multifamily development are due to regulations, according to the National Multifamily Housing Council.

- A large majority of big city land parcels are eligible only for single-family homes, and not larger multifamily buildings -- which could house more people, and in the process, moderate prices.
- Some of the most heavily regulated cities are also some of the nation's costliest.
 - San Francisco, for example, saw median home value per square foot rise by 15 percent more than income, according to Brookings. The median home value in San Francisco is now \$1.35 million.
 - In Los Angeles, more than a third of the households earning 80-100 percent of the area median income are cost burdened, according to Brookings.
 - To exacerbate the problem, last year California mandated that all new homes must have solar panels. This will further drive up the price of a new house.
- According to Harvard, the national median rent is rising 20 percent faster than overall inflation and the median home price 41 percent faster.
- Even Democrats understand how regulations are impeding the building of housing. The New Democrat Coalition's housing [report](#) credits Tokyo, Japan for creating more housing than all of California by embracing by-right development.
 - "By-right development limits or eliminates objections to developments that comply with all regulations and zoning and land-use plans. Bringing a similar approach to the U.S. could unleash more construction."

INNOVATIVE SOLUTIONS: The Federal government does not, and should not, control local land use regulations, instead the solution to our affordable housing challenges must come from all levels of government working together with non-profits and the private sector.

- The Trump administration created Opportunity Zones to incentivize development, including housing, in distressed communities.
 - To bolster housing construction in Opportunity Zones, HUD recently announced incentives for FHA insured multifamily property owners who are building in Opportunity Zones.
- To make sure the country does not lose affordable housing, HUD has preserved more than 100,000 affordable housing units through our Rental Assistance Demonstration program.
- HUD expanded our LIHTC pilot program that streamlines FHA mortgage insurance applications for affordable housing developments that utilize LIHTC.
- Last year, to support wealth creation, FHA served more than 650,000 homebuyers, most of whom were low-to-moderate income earners.
- To help their communities remain affordable, churches are creating affordable housing by selling their air rights or building affordable multifamily developments on unused land.
- State and local governments, like Minneapolis, Minnesota and San Diego, California, have examined outdated regulations, so more affordable housing developments can be built in high opportunity areas.

- Innovators are creating new technologies that drive down the cost of building a home, like 3D printing and manufactured housing.
 - The average cost per square foot of a manufactured home is nearly half that of a site-built home – \$49 per square foot, as opposed to \$107. And yet, even at this lower price, manufactured homes appreciate in value at a rate similar to site-built homes.
 - Some 3D printed homes can be built in less than 3 days, and for less money than a traditional house.

PRESIDENTIAL ACTION: President Trump through an Executive Order established the White House Council on Eliminating Regulatory Barriers to Affordable Housing. The council will be tasked with accomplishing the following items by January 2021:

- Work across agencies, States, local governments, and private-sector stakeholders to identify policies that artificially increase the cost of developing affordable housing.
- Report on the quantifiable effect that Federal, State, and local regulatory barriers have on affordable housing development, the economy, and society.
- Take action to reduce Federal regulatory and administrative burdens that discourage private investment and housing development;
- Take action within existing Federal programs to align and support local and state efforts to reduce regulatory and administrative burdens that discourage housing development.
- Recommend Federal, State, and local policies that would:
 - Reduce and streamline statutory, regulatory, and administrative burdens that inhibit the development of affordable housing supply at all levels of government;
 - Incentivize State, local, and tribal governments to reduce barriers to affordable housing development.