



Housing Can Lead the Post-Pandemic Recovery

2021 LEGISLATIVE PRIORITIES


NAHB[®]
National Association
of Home Builders



**Housing Fuels
The Economy**

[NAHBHousingPortal.org](https://www.nahb.org/NAHBHousingPortal.org)

HOME IS ESSENTIAL

The COVID-19 pandemic underscored the importance of home for most Americans. The home is clearly central to American life. For many, it's a workplace, a school, a playground and more.

Safe, decent affordable housing provides fundamental benefits that are essential to the well-being of families, communities and the nation. The pandemic did not slow housing demand or ease the nation's severe housing affordability problem. We still need to produce homes that are affordable to families across the economic spectrum.

More than 4 million Americans work in the residential construction industry, and millions more are engaged in businesses directly relating to home building. Given the outsized role that housing plays in the economy – accounting for nearly 18 percent of Gross Domestic Product – it is imperative that Congress supports policies that will increase the production of quality, affordable housing to meet market demand and keep the economy strong.

As America seeks a return to normal, Congress can do its part to help the housing industry be an engine of job and economic growth by:

- **WORKING** with the Biden administration and industry stakeholders to seek immediate remedies that will ease high lumber prices and supply constraints and increase production;
- **REFORMING** the nation's housing finance system to ensure that single-family and multifamily housing credit remains readily available and affordable;
- **STRENGTHENING** the Low-Income Housing Tax Credit;
- **PREVENTING** federal intrusion into the energy codes development process;
- **CREATING** a national flood insurance program that is predictable and affordable; and
- **CRAFTING** a transportation and infrastructure package that takes housing affordability concerns into account.
- **INVESTING** in federal vocational job training programs and pursuing immigration policies that complement this effort to help fill labor gaps.

The nation's home builders stand ready to assist in this effort. The National Association of Home Builders (NAHB) is a federation of more than 700 state and local builder associations, and its 140,000 members work to provide housing opportunities for all Americans in every congressional district across the nation.

To help demonstrate housing's reach and importance, NAHB has created an economics-oriented website at [NAHBHousingPortal.org](https://www.nahb.org/NAHBHousingPortal.org) where users can generate a detailed profile of housing and homeownership in every state and in each of the nation's 435 congressional districts.

A vibrant housing market is vital to move the economy forward as the nation responds to the pandemic. Let's work together to ease the nation's affordability woes, enable more Americans to achieve homeownership or have access to suitable rental housing, and keep the economy strong.



Lumber and Building Materials: Soaring Prices and Supply Shortages

Led by record-high lumber prices, soaring building material costs and supply shortages have gravely harmed housing affordability over the past year and threaten the nation's economic recovery.

Lumber prices have nearly tripled and oriented strand board (OSB) prices are up more than 300 percent since last spring. These spikes have caused the price of an average new single-family home to increase by more than \$24,000 since mid-April 2020, according to the NAHB standard estimates of lumber used to build the average home. Similarly, the market value of a new multifamily unit has increased by \$9,000 over the same period due to the surge in lumber prices.

Housing affordability is connected to the accessibility and price of building materials. A recent survey by NAHB found that 96 percent of builders reported their greatest pandemic-related challenge has to do with shortages or delays in obtaining building materials. These shortages have disrupted the supply chain, postponed delivery times and raised housing costs.

Home builders and construction firms that have signed fixed-price contracts are forced to absorb these crippling increases in materials prices and costly delays in deliveries; there is a significant risk that some of these firms will be forced out of business. To the extent they are able to pass on their additional costs, both single- and multifamily housing becomes less affordable. Other projects will no longer be economically viable, which undercuts the availability of new housing supply and further jeopardizes affordability.

Housing's potential to lead the economy forward is limited as long as lumber remains expensive and scarce. Congress needs to push the administration to undertake a thorough examination of the lumber supply chain, identify the causes for high prices and supply constraints, and seek immediate remedies that will increase production.

Since the U.S. does not produce enough lumber to meet domestic needs, Congress can do its part to boost domestic production by doing a better job of more actively managing federal forest lands in an environmentally sustainable manner.

Lawmakers should also urge the White House to make it a priority to work with Canada on a new softwood lumber agreement that would end tariffs that are contributing to extreme price volatility.

- Congress should push the administration to undertake a thorough examination of the lumber supply chain and seek remedies that will increase production.
- Consider ways to increase the domestic supply of timber from public lands.
- Urge the administration to return to the table and negotiate a new softwood lumber agreement with Canada.



Housing Finance Reform is Long Overdue

In the current uncertain economic times, access to safe, decent and affordable housing for all Americans is of paramount concern to everyone. Still, more than a decade after the Great Recession, and with the nation still struggling with the economic consequences of the COVID-19 pandemic, Congress has yet to address the uncertainty surrounding the future and direction of Fannie Mae and Freddie Mac. The time is right for Congress to provide long-term stability for the nation's housing finance system and make housing a national priority.

The key to securing an effective secondary market system for conventional mortgages is a limited federal backstop for catastrophic circumstances. History has shown the critical role that government support has provided to stabilizing the housing market in all economic cycles. During bad times, private mortgage credit has fled the market, leaving government-supported mortgage loans as the primary or only option for qualified buyers. Federal support is particularly important to ensuring the availability of the affordable 30-year fixed-rate mortgage that has enabled millions of American families to build wealth and financial security through homeownership. Federal support has also bolstered the production and preservation of much needed affordable rental housing.

NAHB has long advocated that comprehensive housing finance reform must be addressed in a manner that incorporates all facets of government support for homeownership, mortgage liquidity and rental housing opportunities. While Congress addresses the task of providing long-term certainty to Fannie Mae and Freddie Mac, we need to simultaneously take a look at where we can create efficiencies in all government housing programs to ensure that housing credit and rental access is available and affordable and delivered in a manner that is fair and equitable for all Americans.

Previous attempts at reforming the housing finance system have all failed. NAHB urges Congress to make housing a national priority. Comprehensive bipartisan housing reform legislation is needed to address both the long-overdue structural reforms with Fannie Mae and Freddie Mac, and examine government housing programs to ensure that we are adequately meeting the needs of all communities across the country.

**TAKE
ACTION**

- Pass legislation to establish a new secondary market system for conventional mortgages with a limited, well-defined federal government backstop for catastrophic circumstances.
- Improve existing government housing programs to provide better homeownership and rental housing opportunities for all Americans.



Strengthening the Low-Income Housing Tax Credit

The need for affordable rental options remains acute. More than one in four renters spends more than half of their monthly income on rent. And without federal assistance, it is financially infeasible to construct new, unsubsidized affordable rental units.

A 2009 study from Harvard University Joint Center on Housing Studies calculated that to develop new apartments with rents affordable to households with incomes equivalent to the full-time minimum wage, construction costs would have to be 28 percent of the current average.

The best solution to our affordability crisis is to ensure adequate supply. The Low-Income Housing Tax Credit (LIHTC) is the most successful tool for producing and preserving affordable housing.

Established as part of the Tax Reform Act of 1986, the LIHTC has financed 3.2 million affordable rental units since its creation. It leverages public-private partnership whereby tax credits are only awarded once the units are built and occupied. But the demand for affordable rental housing outstrips supply by a wide margin, and we need to do more.

We urge Congress to provide the LIHTC with the resources necessary to meet the nation's affordable housing needs by enacting the Affordable Housing Credit Improvement Act. This bipartisan bill would spur the creation of hundreds of thousands of additional units through a combination of more effective use of existing resources as well as an increase in credits allocated to the states. With nearly 11 million renter households severely cost-burdened, there is now more reason than ever to enact the Affordable Housing Credit Improvement Act.

The demand for affordable rental housing outstrips supply by a wide margin.

**TAKE
ACTION**

- Support the Affordable Housing Credit Improvement Act.



Energy Codes Should Bring Real Benefits

Home builders across the country are building more energy-efficient and resilient homes. Along with other stakeholders, they participate in the code development process that sets the minimum energy efficiency requirements that ultimately are adopted by state and local governments.

Historically, the Department of Energy, the Environmental Protection Agency, and the Department of Housing and Urban Development (the Agencies) served as technical advisors during the development of energy codes. But over the last few years, the Agencies have become increasingly strident in advocating for a prescriptive approach that favors certain products and technologies, and they have pursued expensive and aggressive new requirements. Builders have limited flexibility to meet these requirements, even if other products may achieve the same energy use reductions. This forces home buyers to pay for expensive upgrades that may never repay their initial costs.

Earlier iterations of the energy codes sometimes brought cost-effective revisions. By using energy-efficient windows or lighting, consumers saw a big “bang for their buck.” But now, changes to the code often include very expensive requirements that drive up costs. This could force lower-income families into older existing homes that often use far more energy than newly constructed houses.

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- Oppose legislation that would strengthen the role of the DOE, EPA and HUD during model code development.
- Require any code or proposal supported by these agencies to be repaid through utility savings within 10 years.



Seeking a Lasting Flood Insurance Solution

After numerous short-term extensions, it is essential that Congress pass a long-term reauthorization of the National Flood Insurance Program (NFIP). NAHB has a long history of supporting the NFIP, and is committed to ensuring that federally-backed flood insurance remains available, affordable, predictable, and financially stable.

The NFIP has played a critical role in determining the use and development of flood-prone areas and managing the risk of flooding for residential properties. A strong NFIP helps ensure that the housing industry can provide safe, decent, and affordable housing to consumers under the direction of local jurisdictions. Due to a congressional mandate, all structures built within the 100-year floodplain that have a federally-backed mortgage must carry flood insurance.

If the program lapses, home closings in the 100-year floodplain will be delayed or canceled and the amount of money that the Federal Emergency Management Agency (FEMA) can use to help disaster areas will be severely limited. Moreover, the practice of short-term extensions to the NFIP is disruptive and unnecessarily injects an element of uncertainty into the housing market.

Lawmakers continue to seek a long-term reauthorization of the program. Concurrent with the reauthorization discussions, FEMA has put forward steps to improve the NFIP and increase the number of properties covered by flood insurance. This endeavor, titled Risk Rating 2.0, is designed to change the way FEMA rates a property's flood risk and prices insurance. It will impact mitigation, mapping and other development practices.

On April 1, 2021, FEMA released information updating NFIP's price methodology and outlining the timeline for implementation of Risk Rating 2.0. There are still a number of outstanding questions, particularly surrounding levees and building practices.

Given the potential impacts on the housing industry, it is essential that Congress take an oversight role of this new rating structure to ensure there are no unintended affordability consequences or limitations on new construction as we have seen with previous changes to the program.

- **Senate:** Urge leadership and Banking Committee Chairman Sherrod Brown to request more information from FEMA on Risk Rating 2.0 and to pass a long-term reauthorization of the NFIP.
- **House:** Urge leadership and House Financial Services Committee Chairwoman Maxine Waters to request more information from FEMA on Risk Rating 2.0 and to pass a long-term reauthorization of the NFIP.



Infrastructure Package Must Consider Housing Affordability

As Congress debates a large-scale investment in transportation and infrastructure that is vital to build strong communities and a thriving housing market, lawmakers need to consider housing affordability concerns.

The House leadership has indicated that a massive infrastructure bill approved in the previous Congress, H.R. 2, will serve as the starting point for negotiations on a new package.

H.R. 2 included several provisions to promote the production of affordable housing, such as lowering costly impact fees, lessening strict zoning requirements and streamlining development practices. It also increased funding for important programs such as HOME, the Housing Trust Fund, the Flood Mitigation Assistance Grant Program, rural loans and HUD's multifamily preservation demonstration program.

However, the legislation took a problematic approach toward local land use decisions. The land development process has become increasingly complex and expensive, and it is one of the major factors in the nation's housing affordability crisis. H.R. 2 would require metropolitan planning organizations to include several environmental considerations when making housing and land use decisions, with no considerations of housing affordability.

Improving housing affordability also includes closely examining new mandates placed on home construction. NAHB has serious concerns about changes to the Model Building Code for Electric Vehicle Supply Equipment that was included in H.R. 2. This language puts the Department of Energy (DOE) in an advocacy role on behalf of electric vehicles. The DOE should not be picking winning and losing technologies and helping manufacturers gain market advantage by having their products in the energy code. Rather, it should stick to its current role in assisting states to implement local decision-making.

As the debate on an infrastructure package develops, housing affordability concerns must be one of the primary considerations when making these policy decisions.

**TAKE
ACTION**

- Congress must consider housing affordability concerns when crafting its transportation and infrastructure package.



A Workforce that Promotes Prosperity

The housing industry is critical to the American economy, and a skilled and capable workforce that is adequate to meet demand is vital to the nation's home builders and to housing affordability.

NAHB supports domestic workforce development through its affiliate educational arm, the Home Builders Institute (HBI), and student chapters that encourage young people to pursue careers in residential construction.

Despite economic and labor force disruptions resulting from the COVID-19 pandemic, home builders continue to report difficulty finding skilled workers to fill sought-after, competitively paying jobs. Demand for new homes is high, but labor shortages continue to drive up construction costs and add to a growing housing affordability crisis. Now is the time for Congress to make meaningful investments in our nation's education system to prepare students for careers in the construction industry, better fund federal workforce development programs, and explore opportunities to provide new funding and incentives for workforce education.

At the same time, NAHB members need workers immediately and we urge Congress to create a new, market-based guest worker program for the construction sector that complements ongoing domestic recruitment and training efforts. This will help fill labor gaps to ensure a workforce that can meet the nation's housing construction needs.

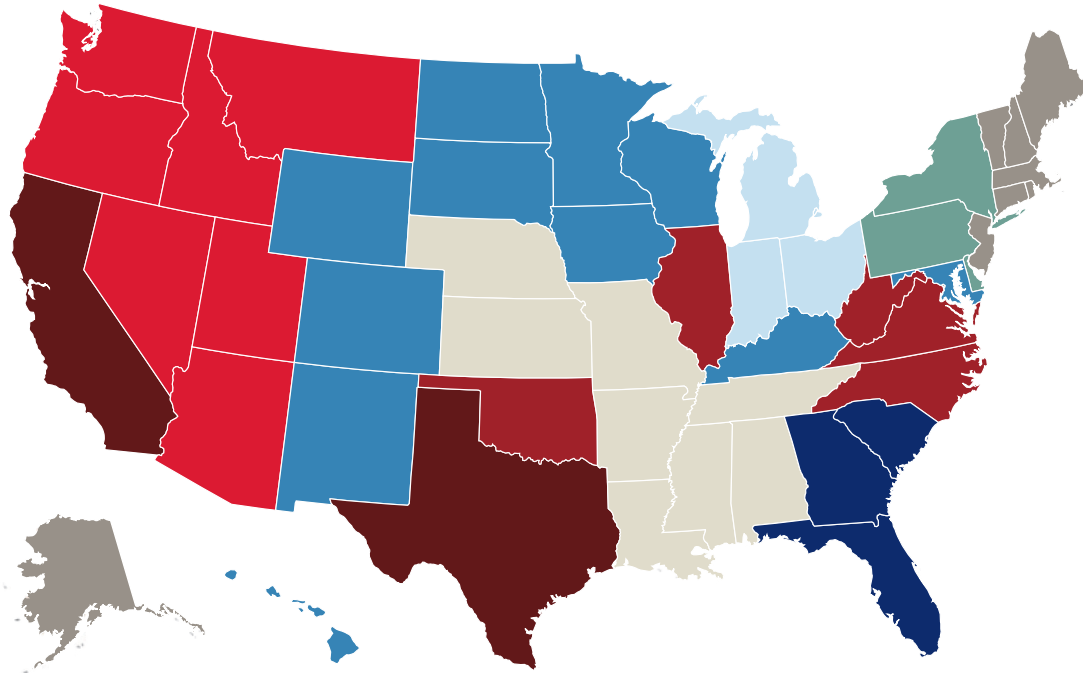
And while thousands of work-authorized individuals holding temporary protected status (TPS) or participating in the Deferred Action for Childhood Arrivals (DACA) program have helped to fill a small part of the growing labor gap in the construction industry, both programs face an uncertain future. The exodus of these workers from the construction sector will only exacerbate existing worker shortages and lead to project delays at a cost to taxpayers and consumers.

Domestic workforce development is crucial to the future labor needs of the construction industry, but in the interim, Congress must approach immigration reform under the lens of American employers' urgent labor needs.

- Pass H.R. 602/S.200, the Relaunching America's Workforce Act, which makes bold investments in education, training and employment services to equip workers with the skills they need for in-demand jobs as the economy recovers from the COVID-19 pandemic.
- Pass legislation that would ensure the ability of DACA and TPS status holders to continue residing and working in the United States.
- Support legislation that would create a flexible, market-based guest worker program through which foreign construction workers could legally enter and work in the United States.



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