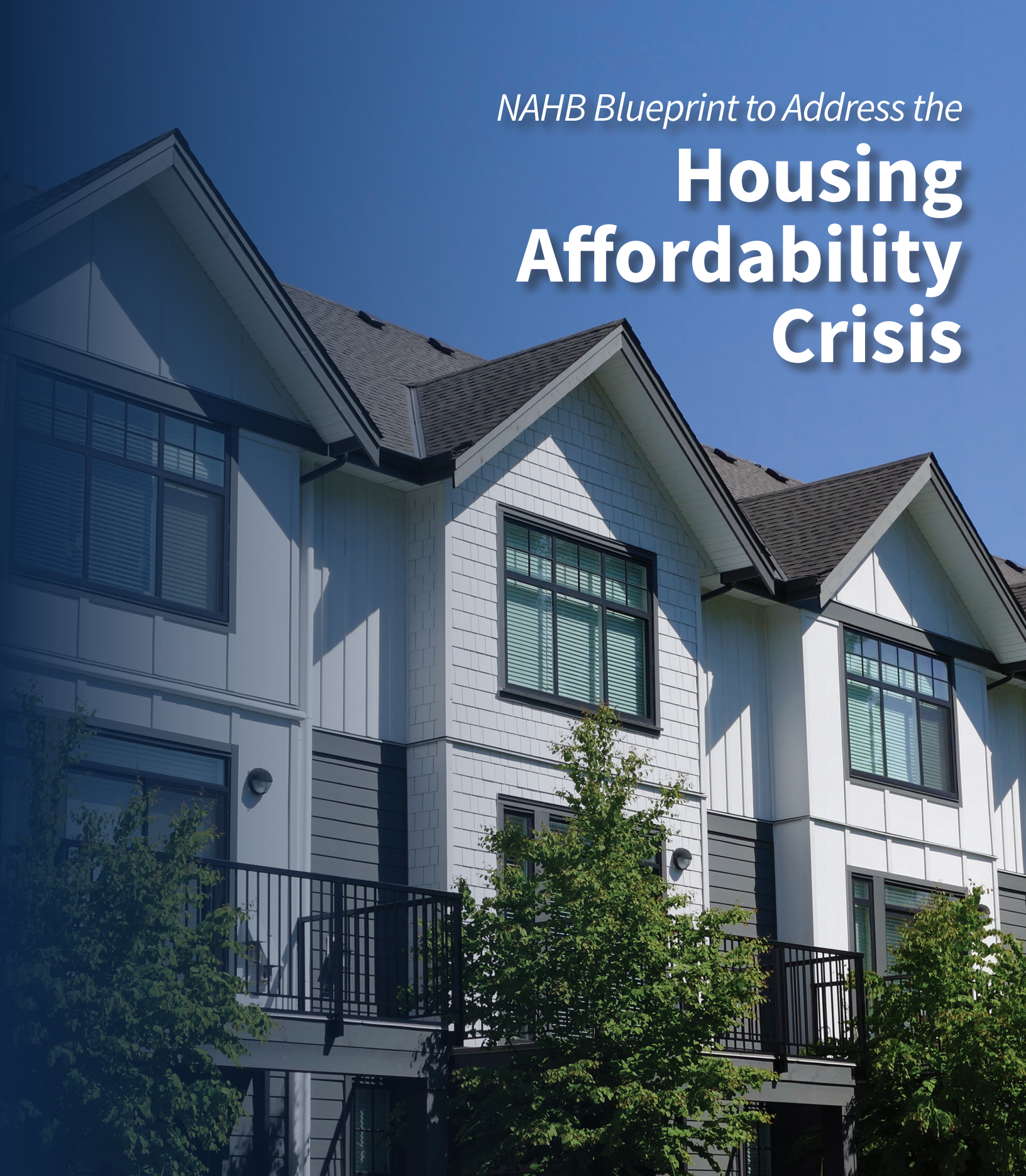


*NAHB Blueprint to Address the*

# **Housing Affordability Crisis**



**A 10-Point Housing Plan**



# A 10-Point Plan to Tame Shelter Inflation, Ease the Housing Affordability Crisis

With a nationwide shortage of roughly 1.5 million housing units that is making it increasingly difficult for American families to afford to purchase or rent a home, the National Association of Home Builders (NAHB) provides this 10-point housing plan designed to tame shelter inflation and ease the housing affordability crisis by removing barriers that hinder the construction of new homes and apartments.

Shelter inflation – rent and homeownership costs – is still rising near a 5% rate, and for the past year, more than half of overall inflation in the economy has been due to rising housing costs. The only way to effectively tame shelter inflation – particularly with elevated interest rates for both mortgages and development/construction loans – is to build more attainable, affordable housing.

## Solutions Must Be Implemented at the Local, State and Federal Levels

With policymakers at all levels of government looking for ways to provide more affordable homeownership and rental housing opportunities for all Americans, NAHB is offering a blueprint that outlines initiatives that can be taken at the local, state and federal levels to address the root of the problem – the impediments to increasing the nation’s housing supply.

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**1 ELIMINATE EXCESSIVE REGULATIONS.** On average, regulations account for nearly 25% of the cost of a single-family home and more than 40% of the cost of a typical apartment development. Agencies and officials at all levels of government must thoughtfully consider the true effect regulations have on small businesses by requiring a more thorough analysis, including indirect costs associated with a proposed rule. Federal efforts to further regulate the housing industry must be subject to greater congressional oversight, allow for increased public participation in the process, be based on sound data, and should only be undertaken after a careful consideration of the costs and benefits as well as the potential effects on small businesses. At the local level, policies like rent control actually worsen the nation’s housing affordability crisis by discouraging new development, which is key to bringing down rising prices.

**2 PROMOTE CAREERS IN THE SKILLED TRADES.** In any given month, there is a shortage of roughly 200,000 to 400,000 construction workers, and home builders will need to add 2.2 million new workers over the next three years just to keep up with demand. This severe labor shortage is exacerbating the housing affordability crisis through higher home building costs and construction delays.

Policymakers at all levels of government can help by supporting funding for building and construction trades education and providing more placement services to job seekers. In addition to promoting training and jobs in the trades, Congress can help by adopting sensible immigration policies that preserve and expand existing temporary work visa programs while also creating new market-based visa programs that will accurately match demand with available labor.

**3 FIX BUILDING MATERIAL SUPPLY CHAINS AND EASE COSTS.** The cost of building materials has surged 34% since December 2020, with the four-fold lumber price spike in 2021 adding more than \$30,000 to the price of an average new single-family home. The price of distribution transformers is up 71% since December 2020, and the severe shortage of transformers is delaying housing projects across the nation. Federal policymakers can help mend faulty building material supply chains and ease price spikes and volatility through boosting the production of sorely needed transformers and other materials, ending tariffs on Canadian lumber shipments into the U.S. and on building materials coming from China, and increasing the domestic supply of timber from federally owned lands in an environmentally responsive manner.

## **4 PASS FEDERAL TAX LEGISLATION TO EXPAND THE PRODUCTION OF AFFORDABLE AND ATTAINABLE HOUSING.**

The Low-Income Housing Tax Credit finances the production of affordable rental housing, but demand for this housing greatly exceeds available resources. NAHB supports bipartisan legislation to increase resources for this program. NAHB also supports bipartisan proposals to create a new tax credit to produce affordable workforce rental housing geared toward middle-income households, such as teachers, health care professionals and law enforcement.

## **5 OVERTURN INEFFICIENT LOCAL ZONING RULES.**

Many local and state governments have adopted zoning laws that inhibit home construction and drive up costs. Inefficient land use policies make it harder and more expensive to build. Localities need to rework their zoning plans to increase density and allow more flexibility for developers. NAHB supports ideas such as reducing minimum lot sizes, promoting accessory dwelling unit construction, minimizing parking requirements, and legalizing missing middle housing (townhomes and duplexes) construction. In addition, localities should consider a range of housing types, including implementing by-right zoning for needed attainable and affordable housing; mandating objective-based design standards, and providing clear approval criteria; strategically planning housing growth around existing transit or other public infrastructure; and promoting housing on underutilized land such as government-owned land, adoptive reuse, and infill development.

## **6 ALLEVIATE PERMITTING ROADBLOCKS.**

Permitting delays at all levels of government delay housing projects and raise construction costs. At the federal level, Congress can reform the Clean Water Act (CWA) and the Endangered Species Act (ESA) to expedite the permitting processes by providing clarity and predictability while respecting environmental safeguards. Obtaining a CWA Section 404 permit takes upwards of one year, and completing a required ESA consultation can

take years. At the state level, the Building Industry Association of Washington estimates that the average permitting delay in the state is 6.5 months and costs home buyers more than \$31,000. One easy solution is a time limit on how long the government has to either deny or approve a permit. If the time limit ends without action, the permit is deemed approved.

## **7 ADOPT REASONABLE AND COST-EFFECTIVE BUILDING CODES.**

New homes are resilient and energy efficient, yet there continues to be a push to mandate the use of restrictive, costly energy codes that raise housing costs while providing little energy savings to consumers. The U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA) recently finalized a decision that requires them to insure mortgages for new single-family homes only if they are built to the 2021 International Energy Conservation Code (IECC) and HUD-financed multifamily housing be built to 2021 IECC or ASHRAE 90.1-2019. A study by the Home Builders Association of Greater Kansas City found that building to the 2021 IECC can add as much as \$31,000 to the price of a new home while only minimally increasing the energy efficiency of the home. Meanwhile, a Home Innovation Research Labs study revealed that it would require up to 90 years for a home buyer to realize a payback on the added upfront cost of the home. That's not a reasonable trade-off for a new home buyer and clearly would do very little to provide meaningful energy savings for residential homes and apartments. The Trump administration can reverse this poor policy that will put homeownership out of reach for many middle-class households. All codes are adopted at the state and local level, and these types of federal mandates create direct compliance conflicts and block homeowners from accessing financing. Policymakers also have to update appraisal practices to ensure that appraisers recognize the value of energy efficient and other green and innovative features in newly constructed homes.

## **8 REDUCE LOCAL IMPACT FEES AND OTHER UPFRONT TAXES ASSOCIATED WITH HOUSING CONSTRUCTION.**

While some impact fees may be necessary to cover the costs of increased public services for new home developments, those fees must be imposed fairly with the cost to the home buyer in mind. When fees are levied arbitrarily or used to fund unrelated city or county services not connected to new home construction, they unfairly raise housing costs for home buyers and renters alike. Excessive impact fees also act as a barrier to home construction at a time when more housing is needed to satisfy unmet demand. Timing of when fees are charged, and other infrastructure financing methods can balance the burden tacked onto housing construction.

## **9 MAKE IT EASIER FOR DEVELOPERS TO FINANCE NEW HOUSING.**

Like home buyers seeking a mortgage, home builders and developers rely on banks for financing to build new homes and housing developments. Banks posted a decline in the volume of total outstanding acquisition, development and construction (AD&C) loans during the third quarter of 2024 as high interest rates and tight financial conditions continue to limit residential construction. Fannie Mae, Freddie Mac and the Federal Home Loan Banks should be encouraged to support a secondary market for AD&C financing that would expand financing options so that builders can increase the housing supply.

## **10 UPDATE EMPLOYMENT POLICIES TO PROMOTE FLEXIBILITY AND OPPORTUNITY.**

Building a typical single-family home requires the skills and commitment of 11 to 30 independent specialty trade contractor firms. Subcontracting out large portions of work has consistently proven to keep housing production costs low and provide opportunities for small businesses. But a builder's ability to compete efficiently and

optimally price a home depends on the degree to which overall costs are certain and predictable. The current patchwork approach for determining worker status (i.e., employee or independent contractor), calculating overtime pay and prevailing wages, and documenting employment status not only creates additional and unforeseen burdens, but also disincentivizes housing production. Employment policies and requirements must both recognize the common practices among regulated industries and be simple and economical enough for all-sized businesses to comply.

The nation's home builders are committed to doing their part to boost housing production to meet the needs of a growing population, make homeownership and renting more affordable, and elevate housing as a national priority. But we cannot do it alone. By implementing these practical solutions and reaffirming their commitment to housing, policymakers at all levels of government can help fulfill the promise of the Housing Act of 1949, which set a goal of "a decent home and a suitable living environment for every American family."

### **About the National Association of Home Builders**

The National Association of Home Builders (NAHB) strives to protect the American Dream of housing opportunities for all, while working to achieve professional success for its members who build communities, create jobs and strengthen our economy.

Each year, NAHB's members construct about 80% of the new homes built in the United States, both single-family and multifamily.

A federation of 700 state and local builders associations, NAHB represents more than 140,000 members who work to provide homeownership and rental housing opportunities for all Americans.