National Institute of
BUILDING SCIENCES™

2024 Moving Forward Report: Housing Affordability

Prepared by the NIBS
Consultative Council

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Introduction

The National Institute of Building Sciences (NIBS) serves as an unbiased forum for solving common issues and identifying opportunities within the building community. The NIBS Consultative Council assembles high-level building community leaders to make collective recommendations directly to policymakers to improve our nation's buildings and infrastructure. Members of the council include organizations representing consumers, architects, engineers, government officials, contractors, researchers, and housing officials. The goals of the council are three-fold:

- Convening Thought Leaders: bringing together industry leaders and experts from across the built environment to improve our nation's infrastructure and buildings.
- Identifying Challenges: assembling experts who identify key issues they believe will be facing the industry in the year ahead.
- Finding Solutions: developing and publishing a yearly report that offers solutions to key challenges the built environment faces.

For the 2024 Moving Forward Report, the Consultative Council investigated two critical challenges facing the building industry: access to clean water and housing affordability. For each topic, the Council evaluated the state of the industry, identified key issues, and made recommendations to industry actors and policymakers to help overcome the challenge. NIBS and the Consultative Council intend to revisit each topic periodically, to track progress and discuss potential new challenges and solutions.

On November 6, 2023, NIBS and the Consultative Council hosted a full-day, three-part hearing focused on housing affordability at the National Press Club in Washington, DC. The hearing brought together leading experts from trade associations, think tanks, academia, and practitioners to discuss the state of housing affordability and potential solutions to address the affordability and availability of housing for America's families. A hearing summary, including speaker bios, presentations, and a recording of the event, can be found here: https://www.nibs.org/events/housing-affordability-hearing.

Housing Affordability: Recommendations Summary

As part of the 2024 Moving Forward Report, the Consultative Council examined the fundamental problem of housing affordability in the United States. This report examines the issue of affordability of both rental and for-sale homes and its impact on all levels of society, along with a range of potential solutions to ease the strain of housing expenses on households.

The U.S. Department of Housing and Urban Development's standard measure of affordability for renters and homeowners is to spend 30% or less of their gross income on housing costs. In recent years, the combination of a housing shortage, inflation, and higher interest rates increased the cost of both rental and purchase housing faster than wage growth, leading to higher percentages of consumers paying more than 30% and even 50% or more of their income for housing.

The third quarter 2023 Housing Affordability Report by ATTOM Data Solutions showed that median home prices in 99% of counties throughout the U.S. were less affordable than historical averages.[1] From early 2020 to early 2023, rents in professionally managed buildings increased by 24%, according to The State of the Nation's Housing 2023 report by the Joint Center for Housing Studies (JCHS) at Harvard University.[2] While steep housing costs impact lower income households more significantly than higher income households, the issue is pervasive throughout all income levels in every community.

The points below provide a summary of the recommendations discussed in this report. Detailed recommendations

> **“There’s no silver bullet to fix the affordable housing crisis. You need silver buckshot.”**
>
> **– Chris Herbert, Managing Director of the Joint Center for Housing Studies at Harvard University**

from the NIBS Consultative Council can be found on page 17. The Council’s recommendations are meant to supplement other actions that must be taken to stabilize the housing market for renters and homeowners, increase the supply of housing, and create lasting change for the continued production and rehabilitation of residential buildings for all age groups, income levels, and needs.

Summary Recommendations:

Regulations:

Codes and standards are essential for life safety and promoting sustainability and energy efficiency, as well as ensuring resilience to natural disasters and other phenomena. The National Institute of Building Sciences believes that code adoption is a critical aspect of moving the industry forward. However, given the perception among developers and policymakers that codes may contribute to increased housing costs, NIBS supports a non-biased, scientifically rigorous study of the benefits and costs of codes and standards adoption on housing affordability, from both a first-cost and lifecycle cost perspective. In addition, regulations or requirements that may impede alternative or innovative forms of construction, such as permitting and inspection as it currently relates to offsite methods, should be examined for possible streamlining or updating.

Zoning and Land Use:

Revise zoning codes to allow accessory dwelling units (ADUs), increase density, and allow multifamily buildings in neighborhoods previously restricted to single-family homes.

Financial Investments:

On the supply side, provide low-interest construction loans, increase the availability of Low-Income Housing Tax Credits (LIHTC), reduce or eliminate tariffs that contribute to the high cost of building materials, and consider taxing investment properties at a higher rate to reduce the prevalence of predatory investors. On the demand side, increase the availability of homeownership programs that help low- and moderate- income households buy homes, and address the impact of rising insurance premiums and property taxes with exemptions and subsidies for seniors and low-income households.

New Construction:

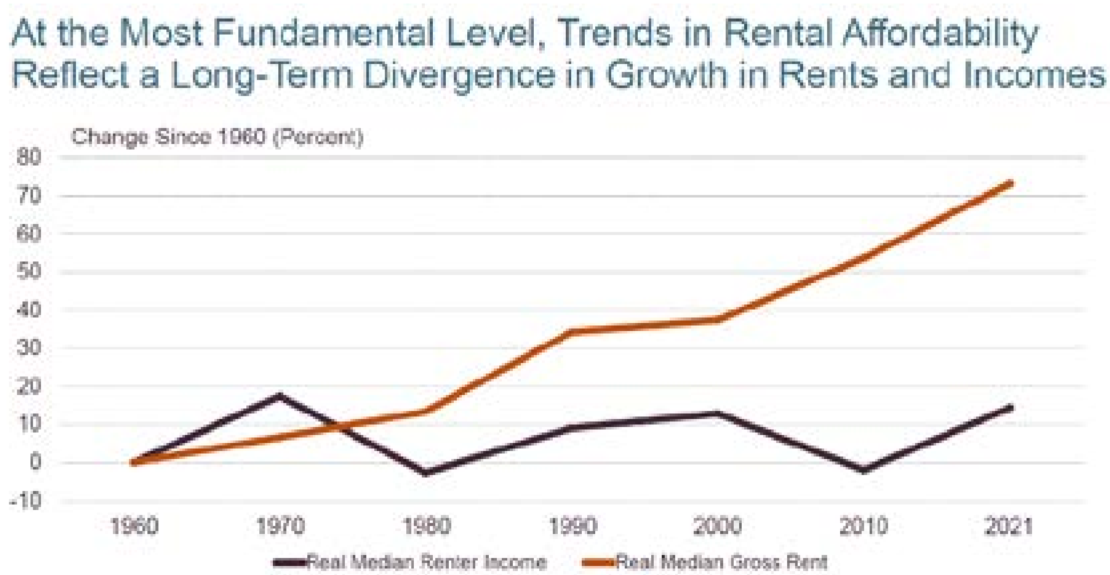
Invest in alternative methods of construction, including industrialized off-site production, along with new materials such as 3D printing or insulated concrete form construction to speed construction time and lower costs and assure regulations are updated to support their effective use. Encourage the design and production of smaller homes, small multifamily units for homeowners to share with tenants, and the conversion of obsolete commercial spaces for residential use.

Workforce:

Develop model programs and provide incentives to increase recruitment, training, and retention in construction and related fields to address the long-term shortage of labor.

The Challenge: Housing Affordability for Renters

The housing affordability crisis is not a new phenomenon, but one that has steadily worsened over decades of divergence between housing costs and incomes. In 1960, approximately 25% of renters were cost-burdened, meaning they spent more than 30% of their income on rent, according to the Harvard JCHS. That share has grown over the past six decades and today stands at approximately 50% of all renters. The wide gap between wage growth and rents is partially to blame. Between 1960 and 2021, real incomes grew by 15% among renters, while rents increased by 70% during that same period.



Note: Underlying values are adjusted for inflation using the CPI-U for all items.
Source: Chris Herbert, Harvard Joint Center for Housing Studies. Presentation to NIBS Consultative Council, November 6, 2023.

The combination of rising housing costs and income losses during the COVID-19 pandemic, which hit lower income households hardest, generated the most significant decline in rental affordability in years. A record 21.6 million households paid more than 30% of their income on rent in 2021, with 11.6 million of those households spending more than 50% of their income on housing. The share of cost-burdened renters rose to 49% of renter households in 2021, nearly reaching the peak of 51% in 2011 following the Great Recession.

Another trend impacting renters is the proliferation of affordability issues, which are no longer confined to the lowest tier of household incomes. While 86% of renters with incomes below $15,000 and 68% of renters with incomes between $15,000 and $29,999 are rent-burdened, the share of cost-burdened renters is rising fastest among middle income households. Between 2019 and 2021, the largest increase in the share of cost-burdened renters was in the income group earning between $45,000 and $74,999, up 4% to 34% of renter households in that income bracket. The share of cost-burdened renters earning $30,000 to $44,999 increased 3% to 63%.

The Challenge: Housing Affordability for Buyers

Homeownership has become increasingly difficult for the average U.S. wage earner over the past two years, according to ATTOM's report.[1] The increase in home prices and residential mortgage rates combined have pushed the average percentage of wages needed to buy a typical home up to 35%, a level considered unaffordable. Common lending standards recommend a 28% debt-to-income ratio for housing costs. The third quarter 2023 average of 35% is the highest level since 2007 and above the 21% average in early 2021, just before mortgage rates rapidly increased from their historic lows.

While rising prices and mortgage rates impact all buyers, first-time buyers feel the effect most acutely since they need to save for a down payment. Repeat buyers typically have equity from their previous homes to fund their next purchase. High rents make saving a challenge for prospective first-time buyers.

The number of renters with the income and savings to qualify for the median-priced home was nearly cut in half, from 8.8 million in March 2022 to 4.9 million in September 2023, according to JCHS research. The analysis is based on a 3.5% down payment and closing costs, which require approximately $25,000 cash for the median-priced home, which was $379,300 in March 2022 and $394,300 in September 2023. The annual income needed for the median priced home in March 2022, when mortgage rates were 4.2%, was $97,400 to keep the monthly housing costs of $2,500 at 31% of income. That compares to $129,500 needed for a median priced house in September 2023 at a 7.2% mortgage rate with housing costs of $3,300.

The Number of Renters with Incomes High Enough to Qualify to Buy the Median Home Has Been Nearly Cut in Half

	March 2022	March 2023	September 2023
Median US Home Price (Dollars)	379,300	375,400	394,300
Interest Rate (Percent)	4.2	6.5	7.20
Downpayment and Closing Costs	24,700	24,400	25,600
Total Monthly Owner Costs	2,500	3,000	3,300
Annual Income Needed @ maximum 31% debt to income	97,400	117,100	129,500
Renter Households in 2022 with Income Needed	8.8 million	6.1 million	4.9 million

Note: Estimates assume a 3.5% downpayment on a 30-year fixed-rate loan with zero points. 0.85% mortgage insurance, 0.35% property insurance, 1.15% property taxes, 3% closing costs, and a maximum 31% debt-to-income ratio.
Source: Chris Herbert, Harvard Joint Center for Housing Studies. Presentation to NIBS Consultative Council, November 6, 2023.

For homebuyers, the affordability challenge is two-fold: they need the income to qualify and the cash for the down payment. While saving $25,000 to buy a median-priced home can be difficult for most buyers, significantly more cash is needed in high-cost housing markets. As demonstrated above, the income required to qualify for a loan is affected by mortgage rates as well as home prices. In 2000, the ratio of home prices to incomes in 70% of metro areas was under three, which means that the median home cost less than three times the median income in that area, according to JCHS research. In 2022, due to rising prices over the past two decades, 75% of metro areas had a price to income ratio of four or more, and more than 50% of metro areas had a price to income ratio of five or more. In other words, in half of the country, the median home costs five times the median income.

Still, affordability issues for prospective homebuyers are not new. The gap between income growth and housing costs has been building for decades, according to researchers at the Joint Center for Housing Studies at Harvard University. Between 1960 and 2021, the average income of homeowners grew 60%, while average homeowner costs increased by 160%.[2]

Supply Side Issues and Solutions

The extreme shortage of housing to rent and to purchase is a prime driver of affordability issues. Estimates of the housing shortage vary from 1.5 million to as high as 5 million housing units. While housing construction varies according to household formations and demand, since 2014 the degree of underbuilding compared to demand has been stark, at nearly half of the number of units built in previous decades, according to the National Association of Home Builders (NAHB).

Multiple factors contribute to the lack of construction, including lending, labor, legal issues, lumber, and land issues. The limited availability of financing and its high cost have slowed the availability of land for developers, along with overly restrictive zoning regulations. Construction loans currently carry mortgage rates of 12% to 13%, which is one reason there is less than a one-year supply of buildable lots. The NAHB estimates that it can take as long as five years to prepare land for development in areas with a lengthy zoning approval process including a community review, compared to the average of two to three years, so this shortage may have a big impact as the housing market is anticipated to rebound in 2024 and 2025 as mortgage rates ease.

“We need to add more than 720,000 skilled labor workers annually, which is more than two million in the next three years.”

– Robert Dietz, Chief Economist and Senior Vice President For Economics and Housing, National Association of Home Builders

Labor shortages, which have been exacerbated by a decline in immigration and limited investment in encouraging young people to enter trade professions, slow construction and increase costs. The shortage of skilled labor has been building since the Great Recession when construction slowed, and many people left the industry. NAHB estimates that at least two million new skilled laborers will be needed over the next three years.

Source: Robert Dietz, National Association of Home Builders. Presentation to the NIBS Consultative Council. November 6, 2023.

In recent years, building materials have exponentially increased in cost, partly due to tariffs, regulations, and supply chain disruption, along with increased demand for remodeling and new construction. For example, 90% of single-family homes are built with wood framing, but the U.S. has a 9% tariff on wood from Canada. To address materials costs, the U.S. could encourage more domestic production of lumber, reduce tariffs, and encourage investment in industrialization and using alternative materials and methods, including 3D printing.

Legal issues refer to regulatory constraints from local, state, and federal jurisdictions that limit or slow construction and add to costs. The full combined impact of regulatory issues is not well understood, and in need of further study. Regulations and zoning issues can be used as a form of exclusionary zoning, such as when specific architectural design standards must be met, which also contributes to higher housing costs.

Housing policies that fail to address all these challenges will fail to solve the affordability crisis, according to NAHB.

Some potential solutions include incentives to encourage building more attainable homes, such as smaller single-family homes and townhouses. In 1999, 37% of newly built homes had less than 1,800 square feet, while in 2022, just 23% of newly built homes were that size or smaller. Townhouses offer a medium density solution that fits between single-family homes and multifamily development and are generally more affordable than a single-family home. Currently 16% of new homes are townhouses, and NAHB anticipates this will rise to 20% in the next year or so.

Teardowns of older homes that would cost too much to renovate but are located in desirable areas represent about 9% of the market now but are expected to rise to 15% within the next five years. The advantage of teardowns is the lot is already prepared for housing and the infrastructure is in place, which can reduce costs. In addition, there may be opportunities to increase density by building two houses on a lot that once held one property.

Modular and panelized construction, currently just 2% of single-family housing starts, offer an opportunity for economies of scale, especially in higher density markets.

HUD recently revised its code for manufactured housing and will launch a competitive grant program to revitalize manufactured housing and manufactured housing communities.

One million multifamily apartments are currently under construction, the highest level since 1973. However, the apartments being built are primarily upscale buildings. A missing component of multifamily housing is duplexes and small buildings for two to four families, construction of which has not rebounded since the Great Recession. A recent survey by Zillow found that more than half of Millennial and Gen Z renters would prioritize buying a house with more than one unit so they can rent part of it for income.[3]

"We almost need to solve all the problems to solve any of the problems. Innovation by itself is not addressing many of the long-standing issues in the housing industry."

-Tyler Pullen, Senior Technical Advisor, Terner Center for Housing Innovation, UC Berkeley & The Housing Lab

Housing Crisis for Low-Income Households

Households with extremely low income, defined as less than 30% of area median income, and with very low income, defined as less than 50% of area median income, are impacted the most by the lack of supply of affordable housing. The U.S. has consistently underfunded programs that provide housing vouchers and subsidies for these households. In addition, the supply of affordable housing is limited, even for those who qualify for special programs.

The COVID-19 pandemic exacerbated these issues. Between 2019 and 2021, there were 950,000 more households that met the definition for very low income, while the number of affordable and available units for this group decreased by 463,000 during that period, according to HUD. Similarly, the number of extremely low-income households increased by 571,000, while the number of affordable and available units for that cohort decreased by 252,000.

Only an estimated one in four eligible households receive federal rental assistance, according to HUD. In 2021, 8.5 million renter households did not receive assistance even though they qualified for it. Many people in low-income households wait years for subsidized housing to become available.

Seniors in low-income households are particularly at risk, typically needing assistance at home with limited resources to pay for housing and care, according to a JCHS report.[4] A record high number of seniors – nearly 11.2 million – were cost-burdened in 2021, an increase of 1.5 million people in five years. The number of people aged 80 and older will double between 2023 and 2040, which means that policies to support seniors retrofitting their homes to age in place or to move to new homes that meet their needs should be under consideration now. If solutions include moving, this could in turn make more housing available for younger renters and buyers.

Solutions: Federal Actions to Produce, Preserve and Protect Affordable Housing

In May 2022, the White House Housing Supply Action Plan was launched with multiple policies meant to boost housing supply and reduce housing costs, such as:[i]

- Issued joint guidance with the Department of the Treasury on the use of State and Local Fiscal Recovery Funds for affordable housing.
- Restarted the Federal Finance Bank's Risk Share Program (HUD/Treasury).
- Allocated $5B in HOME-ARP funds to develop housing for vulnerable populations.
- Launched $85M Pathways to Removing Obstacles to Housing (PRO Housing)
- Created new lending authority for residential development via TIFIA and RRIF (DOT)

HUD has also collaborated with NIBS and MOD X on the development of the Offsite Construction for Housing Research Roadmap, and funded research on removing barriers to off-site construction and boosting supply through land use and zoning reforms.

In addition, recent programs including some that are part of the Inflation Reduction Act (IRA) provide resources to preserve and improve affordable housing, such as:[ii]

- Green and Resilient Retrofitting Program: $800M in grants and up to $4B in loans
- Choice Neighborhoods: 50 communities and nearly $7B invested since inception.
- Rental Assistance Demonstration: over $16B in capital investment to improve or replace nearly 193,000 deeply rent-assisted homes since inception.
- Updated CDBG notice to promote acquisition, preservation, and other supply uses.
- Launched HUD Funding Navigator to identify IRA and BIL resources for climate resiliency and energy efficiency improvements.

HUD has also taken steps to improve the Housing Choice Voucher Program.

State and local governments have also taken steps to improve access to affordable housing. For example, in Montana, a land planning reform act was passed with bipartisan support for an array of changes, such as statewide legalization

"We need a sense of urgency and to recognize that housing is a core part of our economic health."

– Solomon Greene, Principal Deputy Assistant Secretary for Policy Development and Research, HUD

[i] Greene, Solomon. Testimony to NIBS Consultative Council. November 6, 2023. https://www.nibs.org/sites/default/files/pdfs/NIBS_Housing-Hearing.pdf

[ii] Greene, Solomon. Testimony to NIBS Consultative Council. November 6, 2023. https://www.nibs.org/sites/default/files/pdfs/NIBS_Housing-Hearing.pdf

of accessory dwelling units (ADUs) and zoning changes to allow duplexes to be built on single-family home lots. In Washington, D.C. and San Francisco, tenants in multifamily buildings have the right of first refusal to purchase their building, and both cities have housing trust funds to provide assistance in those efforts. Many states and localities maintain an affordable housing preservation database similar to the national database. In some communities, a land trust is used to buy and renovate homes to make them available to first-time buyers rather than to investors.

Private-sector activities to produce, preserve, and protect affordable housing are supported by federal initiatives, including IRA tax credits and rebates.

The Department of Transportation provides guidance to developers as well as to government agencies that can access more than $35 billion in funds available for low-interest loans through the Transportation Infrastructure Finance and Innovation Act (TIFIA) and Railroad Rehabilitation & Improvement Financing (RRIF) programs for transit-oriented development projects, including conversion projects.[5]

HUD offers numerous opportunities for low-cost funding to increase the supply of housing, including incentives to convert underutilized office buildings to housing.[6]

While there is no direct housing production funding in the IRA bill, it includes $15 billion in federal grants and approximately $36.5 billion in tax credits over the next 10 years that can be used for spending related to energy efficiency and decarbonization efforts that can lower overall costs for housing development.[7]

Although multiple research reports have found that modern model building codes do not appreciably impact housing affordability, some builders raise a concern that retrofitting housing and building new homes to meet higher energy-efficiency standards and to increase resilience to the impacts of climate change may require initial investments that add to construction costs in the short term. Just as initial investment costs bear consideration for affordability consideration, it is important to ensure that residents can afford to stay in that housing over the long-term. Focusing on total cost of ownership/rental accounts for lower utility bills and insurance premiums and a reduced likelihood of damage by disaster events, supporting long-term affordability as discussed below. Federal funding through the IRA and the Bipartisan Infrastructure Legislation (BIL) may be available to offset some of those investments. An interactive HUD funding navigator tool is available for HUD participants to identify resources for their projects.

Solutions: Financial Actions to Improve Access to Affordable Housing

Multiple steps have been taken to help homeowners keep their homes, such as foreclosure prevention programs, and to assist prospective buyers. For example, the mortgage interest premiums for FHA loans were lowered to reduce costs. Rent payments can be used for credit profiles to improve borrower credit scores, and income from ADUs can be included in debt-to-income ratios.

Renovation loan programs that allow borrowers to wrap home improvements into their purchase mortgage may be revised to increase their accessibility to borrowers.

State and local governments can increase the availability of homeownership assistance, such as down payment help and low interest loans, and provide homeownership education and counseling to prospective buyers in their communities.

Solutions: Lower Energy Consumption and Housing Affordability

While housing expenses are often the largest component of a household budget, addressing other costs, such as energy bills, can relieve overall financial pressure. Energy bills average about 3% of the budget of most households, but average nearly three times that (8.6%) for low-income households, according to the Department of Energy. Depending on their location and income, some households spend as much as 30% of their budget on energy costs.[8] Programs such as the Department of Energy's Affordable Home Energy Earthshot direct funds for research and development and to target retrofitting the approximately 50 million single-family homes, multifamily homes, and manufactured homes rented or owned by people in low-income households.[9] The goal of that program is a 50% reduction in the cost of retrofits to reduce energy consumption by an average of 20% over the next 10 years. Other programs such as Building America focus on making energy and decarbonization improvements in new construction, particularly those built for low-income households.

Solutions: Designing for Affordability

Numerous builders, building scientists, and architects work constantly to innovate construction and design practices that can streamline housing production and contribute to affordability. While some of these solutions involve technology, others can be as simple as designing smaller yet more efficient homes with features such as pocket doors and flexible rooms.

> **"The Affordable Home Energy Earthshot program is targeting a 50% cost reduction for retrofitting and to reach an average 20% energy consumption reduction in homes within 10 years."**
>
> **– Eric Werling, Building America National Director, Building Technologies Office, U.S. Department of Energy**

Designing specifically for co-living with communal and private spaces meets the needs of young adults as well as seniors who need affordable accommodations and social connection. Even simply repeating the same design for single-family homes and townhouses can increase affordability by eliminating the need for new designs and allowing for streamlined production. As further examined below, off-site construction presents an opportunity to leverage a systems-based approach to design and construction.

Aligning code requirements from one jurisdiction to the next can allow for easier replication of designs, which in turn lowers costs.

Solutions: Increase Off-Site Housing Production

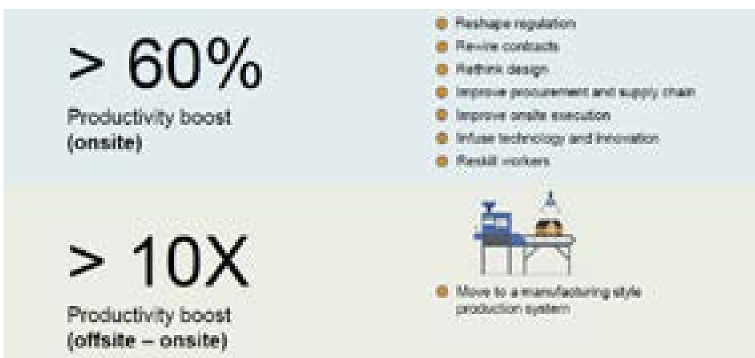
A core strategy for increasing the supply of affordable housing is to encourage off-site production such as modular, panelized, prefabricated, or manufactured housing. This could speed construction by 20% to 50%, compared to on-site production and potentially save as much as 20% in costs.[10] Off-site built homes typically offer energy efficiency benefits that lower operational costs for homeowners, too. Currently, a barrier to off-site housing production is the typical distance from factories to homesites. The greater the distance between the factory and the site, the higher the transportation costs, resulting from both the freight costs themselves as well as the patchwork of regulations and requirements that must be followed from jurisdiction to jurisdiction. Programs to incentivize off-site manufacturing and reduce regulatory costs could relieve this issue and increase the percentage of homes built in this environmentally friendly and more affordable way.

“There are 19,000 jurisdictions in the U.S. with different codes, so it should not be surprising that innovation is difficult in this regulatory environment.”

– Tyler Pullen, Senior Technical Advisor, Terner Center for Housing Innovation, UC Berkeley & The Housing Lab

In addition to not enough factories to produce off-site housing, another obstacle to increasing the percentage of this type of construction is the patchwork of regulations. Eleven states leave the entire process for plan review and inspection of off-site projects to local governments, which may not have the resources, experience, or expertise to effectively perform these functions—particularly in factories outside their jurisdiction. The remaining 39 states and the District of Columbia have statewide off-site construction programs, but each operates under different requirements. Varied requirements typically raise costs, particularly for factories looking to deliver projects on a regional basis. The International Code Council and Modular Building Institute have developed standards and best practices that could be used to improve the compliance process.[11]

Discussions are currently underway with HUD to create an innovation framework to encourage solutions to obstacles slowing off-site housing production.



Source: “Improvements to Productivity: Manufacturing Style Production.” McKinsey Global Institute. Presented by Ivan Rupnik, MOD X. Presentation to the NIBS Consultative Council. November 6, 2023.

“We’ve deindustrialized the manufacture of housing since the 1970s.”

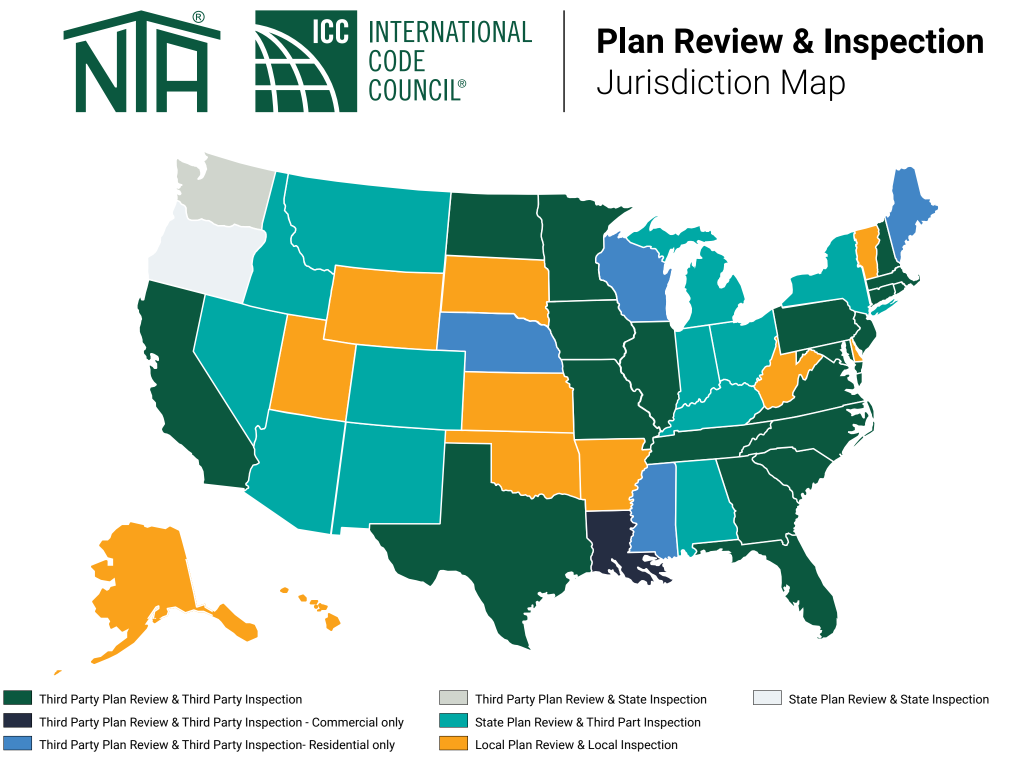
– Ivan Rupnik, Founding Partner of MOD X and an associate professor at Northeastern University

(Paraphrased slightly) You can choose to innovate the production of housing with a performance-based regulatory framework, which focuses on the outcomes or goals of a building as opposed to prescriptive codes that specify exact methods and materials.

– Ivan Rupnik, Founding Partner of MOD X and an Associate Professor at Northeastern University

Solutions: Zoning as a Housing Affordability Tool

Local governments are responsible for zoning codes, but state governments assign different levels of authority to cities, counties, and townships that can impact their ability to make changes. In addition to zoning codes, jurisdictions can use tools such as impact fees, development incentives, and other tools to control housing policies. Nationally, women, people of color, renters, and people in low-income households typically have less influence over zoning



Source: Ivan Rupnik, MOD X. Presentation to the NIBS Consultative Council. November 6, 2023 decisions, as they are generally less available to advocate at zoning hearings and are less likely to be appointed to zoning commissions. Increasing their participation in zoning decisions could change the conversation and result in decisions leading to greater density and the development of more affordable housing.

Zoning codes that limit construction to single-family homes, set a minimum lot size, and require parking often contribute to a lack of affordable housing. Zoning changes can be used to encourage diversity of housing in a community and increase density, both of which contribute to the supply of affordable housing. For example, more jurisdictions can allow the construction of accessory dwelling units (ADUs), which offer numerous options including

"Zoning is really one of the big reasons why the U.S. isn't building enough housing."

– Yonah Freemark, a Senior Research Associate with the Metropolitan Housing and Communities Policy at the Urban Institute

multigenerational living. Other zoning tools include allowing duplexes and triplexes to be built on land formerly occupied by single-family homes. A regional approach rather than a metro area approach to zoning could be used to expand opportunities for zoning changes that could increase housing supply.

"Land use isn't the only thing that matters when it comes to housing affordability. There's no silver bullet to solve affordability issues or broader social issues."

– Yonah Freemark, a Senior Research Associate with the Metropolitan Housing and Communities Policy at the Urban Institute

Addressing the Affordability Challenge: Recommendations from the Consultative Council

The availability of affordable housing is a prime concern for Americans at all income levels, in every demographic group, and in every geographic location. A large majority (80%) of Americans said they are very or somewhat concerned about the lack of affordable housing in the U.S., while 76% are concerned about it in their state, and 74% are concerned about it in their community, according to a recent survey by NeighborWorks America, a nonprofit organization that works to strengthen communities and create opportunities for people to live in affordable housing.[12]

Untangling the complexity of affordable housing issues requires a multifaceted approach that addresses challenges

> **"Labor unions and trade associations are doing outreach, such as tours and exhibits about apprentice programs, to make them more attractive to people from non-traditional backgrounds and show them that this is a viable pathway to the middle class."**
>
> **– Justice Favor, Director of Strategic Partnerships of the Greater New York Laborers-Employers Cooperation and Education Trust**

for renters, homebuyers, and homeowners. There's not one simple solution to the problem, but numerous actions can improve supply, lower costs, and increase access to affordable housing for every income level. The recommendations below are designed to promote collaboration between the public, private, and nonprofit sectors and focus attention on solutions to longstanding challenges that have led to today's affordable housing crisis.

Regulatory Reform

A full and comprehensive study of the impact of buildings codes and other regulations on housing affordability is needed. Additionally, jurisdictions should seek ways in which their regulatory frameworks may bias against or discourage alternative forms of construction, such as offsite construction.

As a starting point, we encourage the Administration to consider updating the statutory definition of manufactured housing. This will help provide manufactured homebuilders with more design flexibility and consumers with more options beyond local site-built for single-family homes and the newly HUD-approved duplex. We believe this update will greatly benefit Americans in rural and low-income communities, which has become increasingly important as our population ages.

Zoning and Land Use

Local agencies responsible for zoning regulations should ease restrictions and eliminate single-family-home-only districts to allow for greater density, such as reducing minimum lot sizes and allowing two-unit or three-unit buildings to replace an obsolete single-family home. Zoning authorities should also reduce or eliminate restrictions to make it easier for existing homes to be expanded with an accessory dwelling unit (ADU).

HUD's Pathways to Removing Obstacles to Housing program (PRO) incentivizes housing-forward actions to further develop, evaluate, and implement housing policy plans. PRO addresses restrictive zoning and land-use policies and improve housing strategies that will advance housing and community plans. This includes allowing accessory dwelling units (ADUs), incentivizing the development of vacant lots and the conversion of commercial properties to residential and mixed-used properties, and reducing off-street parking requirements. We urge Congress to increase funding for PRO to help knock down the barriers we face in the housing affordability crisis.

Financial Investments

The Federal government should increase funding for state housing finance agencies so they can invest more money in homeownership programs, such as down payment assistance, low interest loans, and tax credits.

The Federal government should increase the use of Low-Income Housing Tax Credits (LIHTC) to build affordable rental housing. LIHTC use has declined since 1990, and the tax credits are used to produce just 3% to 5% of new housing.

Federal agencies should encourage lenders to ease lending requirements and fund reduced mortgage rates for builders, particularly for land development and construction loans. According to NAHB, construction loan interest rates are currently in the 12% to 13% range.

Federal, state, and local jurisdictions should develop incentives to encourage the construction of two-to-four family buildings that allow homeowners to offset their mortgage with rental income and that contribute to the availability of rental housing.

The Federal government should reduce or eliminate tariffs that contribute to the cost of building materials, which are up 41.46% over the past five years, according to the Q4 2023 Gordian Quarterly Construction Cost Insights Report's Historical Cost Index Material Value metric, which tracks the change in the cost of raw materials, such as lumber and steel.[14]

Federal, state, and local governments should introduce incentives such as tax abatements and low-cost financing to offset the cost of converting underutilized office buildings for residential use, which could in turn contribute to the revitalization of downtown communities.

State and local jurisdictions should consider taxing investment properties at a higher rate to stop predatory investors that compete against first-time buyers and impact affordability. Investors have purchased approximately 25% of single-family homes in the past two years, according to CoreLogic, a real estate data analytics firm.[15]

State and local jurisdictions should address the impact of rising insurance premiums and property taxes, particularly on seniors and low-income households with exemptions or subsidies.

LIHTC, the largest incentive for affordable housing construction and rehabilitation, has led to an increase in affordable housing stock since its creation in 1986. In particular, this program has led to housing units being built in low-income communities, and we ask Congress to increase the number of credits they make available to each state this year.

The Consultative Council encourages members of Congress to pass the bipartisan Neighborhood Homes Investment Act (NHIA). The NHIA establishes a Federal tax credit targeted at the new construction or substantial rehabilitation of affordable, owner-occupied housing in distressed urban, suburban, and rural neighborhoods. This program would marshal private investments to build and substantially rehabilitate affordable homes for moderate to middle income homeowners over the next decade.

New Construction

Government agencies, building scientists, academic researchers, and private companies should collaborate and invest in nontraditional forms of housing production, such as modular, prefabricated, and manufactured housing, as well as in new materials including 3D printing to speed construction times and reduce construction costs. These groups should focus on expanding the development of factories for modular homes in multiple locations to reduce expense and lessen the environmental impact of transporting housing components long-distance. Further, these groups should champion the adoption of standards that support greater consistency in how off-site construction is regulated.

Congress can support new construction and the rehabilitation of affordable rental housing by continuing to fund the HOME Investment Partnerships Program (HOME). This program provides homeownership opportunities not seen before HOME's inception in 2021.

Workforce

Government agencies, nonprofit organizations, academic institutions, and builders should provide outreach and incentives to encourage more people to enter the construction profession, particularly women, who represent just 11% of construction workers. More programs need to be in place to train, recruit, and retain employees for construction and related industry jobs to address the ongoing shortage of skilled labor in numerous housing markets.

We encourage the Administration to utilize funds provided by the Workforce Innovation and Opportunity Act (WIOA) and to seek increased funding from Congress to combat the workforce shortage in the built environment.

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1090 Vermont Avenue, NW, Suite 700
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Phone: 202-289-7800
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