THE HOUSING AFFORDABILITY CHALLENGE

NMHC/NAA Viewpoint

A growing number of working families are struggling to find housing they can afford. Federal, state and local governments must reduce barriers to developing more rental housing and leverage the strength of the private sector to both produce new housing and preserve existing apartments.

Apartment homes have long provided people a flexible and inherently affordable housing option. However, as the number of renters has reached historic highs, the surge in demand has placed significant pressure on the available apartment supply. This has made it difficult for millions of families across the income spectrum, nationwide to find quality affordable rental housing.

The widespread lack of affordable rental housing is holding our economy back. Almost half of renters in America spend more than 30% of their income on housing, and the problem grows worse every year as supply fails to keep up with demand. While this trend has stubbornly worsened for decades, evidence suggests that impacts brought on by the COVID-19 pandemic will further exacerbate challenges for demand and supply of rental housing—intensifying the need for real solutions.

The apartment industry stands ready to help meet the rising need for accessibly priced rental housing, but we cannot do it alone. Even in communities that want and desperately need new apartment development, the numerous hurdles that must be overcome include: entitlement expenditures; zoning rules; environmental site assessments; impact fees; mandates such as inclusionary zoning or rent control; labor expenses; and building code requirements. Recent research found that on average, regulations comprised 40.6 percent of total development costs.

The U.S. needs to build 4.3 million more apartments by 2035 to meet the demand for rental housing. This includes 600,000 units (total apartments) to fill the shortage from underbuilding after the 2008 financial crisis.

Underproduction of housing has translated to higher housing costs – resulting in a decline of 4.7 million affordable apartments (monthly rents less than $1,000) from 2015-2020.

At the local level, state and local governments can use a number of tools to meet the growing demand for rental homes. They can streamline and fast- track the entitlement and approval process; provide density bonuses and other incentives for developers to include workforce units in their properties; enable “by-right” zoning and create more fully entitled parcels; defer taxes and other fees for a set period of time; lower construction costs by contributing underutilized buildings and raw land; create incentives to encourage higher density development near job and transportation hubs, and address NIMBYism as an obstacle to solving the affordable housing challenge. Ultimately, a public-private partnership is essential to addressing this shortage.

At the federal level, Congress can take steps to incentivize more development and preservation. They can expand the Low-Income Housing Tax Credit and enact a comparable Moderate-Income Housing Tax Credit. They can preserve and increase funding for subsidy programs that address housing affordability, including HOME, Section 8, FHA Multifamily and CDBG. And they can provide regulatory relief to reduce development and operating costs.