NMHC Forum on Housing Affordability

2020 NMHC Annual Meeting
January 23, 2020
NMHC AFFORDABILITY PRINCIPLES

PROVIDE RELIEF TO COST-BURDENED RENTERS
Given that stagnating incomes make it challenging for many lower- and middle-income households to find housing at a price point that consumes no more than 30 percent of their incomes, NMHC supports providing relief to such households.

BUILD MORE AND PRESERVE EXISTING AFFORDABLE HOUSING
To address the housing shortage, NMHC believes that subsidies must be increased to promote construction and preserve existing units, particularly for units for households earning less than 100 percent of area median income.

REMOVE BARRIERS TO CONSTRUCTION AND REHABILITATION
Rising costs and regulatory burdens at all levels of government depress apartment development and rehabilitation nationwide. Although the most significant barriers are often imposed by state and local governments, there is a role the Federal government can play in lowering development costs, reducing barriers to construction and allowing more rental housing to be built.

OPPOSE “QUICK-FIX” SOLUTIONS THAT ARE NOT MARKET BASED AND EXACERBATE HOUSING AFFORDABILITY CHALLENGES
While NMHC supports market-based solutions that assist burdened renters and promote increased housing supply, we strongly oppose solutions that are not market based and ultimately constrain housing supply. Chief among such proposals is rent control.
Housing Affordability and Social Justice on the Hill

Evictions
Rent Control
Mandates
Screening
NMHC was instrumental in educating Federal lawmakers on housing affordability in 2019:

- President Trump’s EO Establishing a White House Council on Eliminating Regulatory Barriers to Affordable Housing
- Evictions and Criminal Screening Legislation
- YIMBY (Yes in My Backyard) Act
- Build More Housing Near Transit Act
- Housing is Infrastructure Act of 2019
- Section 8 Funding Increase Legislation
- HUD’s RFI on Eliminating Regulatory Barriers to Affordable Housing
NEGATIVE REGULATORY AND LEGISLATIVE INITIATIVES

However, the housing affordability crisis has led to policymakers sponsoring harmful bills:

- The Landlord Accountability Act
- The Fair Chance at Housing Act
- The Prevent Evictions Act of 2019
- The Tenant Protection Act
- A Just Society: A Place to Prosper Act of 2019
LOOKING AHEAD:
THE 2020 ELECTION IS RIGHT AROUND THE CORNER
1. The State of Housing Affordability | An overview of the economic, demographic, and policy trends that are driving housing affordability issues at the national level and how they are playing out in local markets.

2. Housing Cost Drivers | A framework describing the different factors that determine the costs to develop housing and how local policies impact these costs.

3. Benefits of Multifamily Housing | A synthesis of the benefits of multifamily housing for cities, residents, and communities.

4. Housing Affordability Tools | A description of how different housing tools close the gap between what a household can afford in housing costs and the cost to develop and operate that housing.

5. Housing Affordability Discussion Guide | A summary of the key issues framing advocacy for affordable housing and how to engage with housing stakeholders.

6. City Case Studies | Eight case studies of cities across the country focusing on different levels of growth and affordability.
Picked up by 134 news outlets – including AP News, Yahoo Finance, MarketWatch, and several NBC, ABC, and Fox affiliates – that have a total reach of 49.7 million unique visitors per month.

The Toolkit was discussed and distributed at the New Democratic Coalition roundtable on housing affordability and highlighted at the HUD Innovative Housing Showcase event on the National Mall.

- 84,985 people reached through paid promotion across social media
- 15,079 people reached through organic posts across social media
- 1,905 engagement with content across social media
The State of Housing Affordability

**National Trends**
The combination of a shortage in rental housing, rising development costs and stagnant incomes are driving the growing housing affordability crisis affecting U.S. cities.

**Housing Cost Drivers**
Development costs influence the operating costs for a property, which determine the rent required to make the project feasible.

**Apartment Development Framework**
The framework below is a simplified representation of the apartment development process, illustrating the relationship between costs and rents.

**Affordability Challenges Spread**
Stagnant incomes paired with rising rents have led to growing affordability challenges.

20.2 million renter households - 44% of all renters - struggle to afford rent, with 39% of middle-income renters experiencing the largest increase in cost burdened households since 2000.
The Benefits of Multifamily Housing

In any market, multifamily housing exhibits three fundamental characteristics that allow it to yield a far-reaching set of benefits.

**Increased Density**
Multifamily housing allows for more housing units to be built on any given parcel of land. Increasing the density of households can quickly expand the tax base and commercial vitality of an area. It also allows for more much-needed housing to be built in desirable areas with greater employment, easier access to transit, and generally a higher quality of life, as these areas typically are more land-constrained and expensive to build in.

**Average Number of Units per Acre by Housing Type**

<table>
<thead>
<tr>
<th>Stories</th>
<th>15+ stories</th>
<th>4-1/2 stories</th>
<th>1-3 stories</th>
<th>Single-family detached</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units/Acre</td>
<td>176</td>
<td>36</td>
<td>13</td>
<td>3</td>
</tr>
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</table>

**Wide Variety**
Multifamily housing serves a wide range of household types and needs. The wide range of available unit types, locations, and price points allows multifamily housing to accommodate a unique variety of household types, income levels, and lifestyle preferences.

**Greater Efficiency**
Multifamily housing is cost-effective and efficient to build and operate. Development costs for multifamily housing are far lower on a per-unit basis than single-family. Multifamily housing also makes more efficient use of utilities and other infrastructure.

"Multifamily rental housing offers a powerful tool to increase residential density in downtown and suburban locations, while also accommodating a socio-demographically diverse population." — Journal of Housing Studies

<table>
<thead>
<tr>
<th>Per-square-foot cost of development</th>
<th>Multifamily</th>
<th>Single-family detached</th>
</tr>
</thead>
<tbody>
<tr>
<td>$127</td>
<td>$228</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Total cost of developing one unit</th>
<th>Multifamily</th>
<th>Single-family detached</th>
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<tbody>
<tr>
<td>$120,000</td>
<td>$45,000</td>
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Local Housing Policy Guide

States and local governments have the policy and regulatory authority to improve housing affordability in their communities. Historically, local housing policies have been narrowly focused on how to best allocate federal subsidies to create, or preserve, income-restricted housing. As the pool of funding for federal housing subsidies continues to shrink and affordability challenges grow, state and local governments are increasingly turning to their own policy and regulatory authority to improve affordability.

The Local Housing Policy Guide shows how six common local housing policies work and provides recommendations for how localities can tailor them to their unique market conditions.

Housing policies that are not designed to fit with the local market conditions are likely to be ineffective or harmful. Local housing policies improve affordability by addressing market failures. It is important to establish effective local housing policy without an understanding of the drivers of a market failure. Too often, localities adopt housing policies without understanding whether they are appropriate for their market. They may also misjudge the cause of affordability challenges, blaming high rents on new development instead of symptomatic failures in the housing market.
Property Tax Incentives

Property tax incentives improve affordability by directly lowering rents or increasing the supply of rental housing.

What are Property Tax Incentives?

Property tax incentives are state or local policies designed to reduce the tax burden on properties in order to support a public policy goal. The specific mechanisms vary by state and local municipality, but often fall under three broad categories: tax abatements, tax rebates, and tax exemptions. All three mechanisms have similar results – a net reduction in property taxes paid and lower operating costs.

- **TAX ABATEMENTS**
  - Direct reduction in the amount of taxes owed.

- **TAX REBATES**
  - A reduction in taxes applied after taxes are paid.

- **TAX EXEMPTIONS**
  - A reduction in the appraised value of a property, thereby reducing overall taxes owed.

Tax incentives can enhance development feasibility by allowing operators to reduce their operating costs.

- Urban Land Institute

How Tax Incentives Work

Tax incentives can work in two ways – a direct approach that provides incentives in exchange for rents at a certain affordability level, and a supply approach that focuses on increasing the overall supply of rental housing to reduce the demand pressure on existing units. These approaches can be achieved either through negotiations between the developer and the municipality or through established government programs.

**DIRECT APPROACH**

A well-run direct incentive program can increase affordability by requiring a reduction in rent in exchange for a commensurate reduction in property taxes. These incentives can be achieved either through negotiations between the developer and the municipality or through established government programs.

**SUPPLY APPROACH**

A well-run supply incentive program focuses on increasing the overall supply of housing by providing an incentive for an overall property, which could reduce the market rents required for new development and making more development feasible. Increased supply in a market can stabilize or reduce rents and decrease the likelihood that existing residents are displaced.

Effective Policies:

1. Define a clear and feasible approach
2. Balance affordability with incentives
3. Enable simple administration and developer participation

The Housing Affordability Toolkit is a valuable tool for engaging with local housing stakeholders.

Housing Affordability Tools

Property Tax Incentives

The Housing Affordability Toolkit is a valuable tool for engaging with local housing stakeholders. Housing stakeholders - lawmakers, developers, community advocates, local residents, etc. - must be equipped with materials that allow them to effectively and productively advocate for local housing policies. In diverse communities across the nation, this requires a thorough understanding of national and local market trends, a working knowledge of various local policies and their impact on housing costs and development, and a compelling benefits case for multifamily housing.

The Housing Affordability Toolkit is structured in such a way to help NMHC members guide local, policy-based conversations. The Toolkit is comprised of four sections, which can be used in a variety of combinations to inform and guide a multitude of conversations.
Atlanta, GA

Atlanta is experiencing strong population growth and worsening affordability challenges, affecting the ability of low- and middle-income renters to afford to live in the city. Growth has been accommodated through the construction of new multifamily housing and the densification of neighborhoods where housing had not been developed in decades. However, much of this housing is targeted at higher-income households.

<table>
<thead>
<tr>
<th>Median Household Income</th>
<th>Median Renter Household Income</th>
<th>Total Renter Households</th>
<th>Total Multifamily Rental Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>$53,800</td>
<td>$37,400</td>
<td>113,800</td>
<td>78,100</td>
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**Drivers**

Greater Demand for Rental Housing

Between 2000 and 2016, the number of renter households in Atlanta has grown by nearly 10%, or 20%. On average, these new renters have higher incomes than the city’s existing renters, leading to more households with greater resources competing for rental housing in Atlanta.

Rising Development Costs

Increases in construction costs (75% since 2000) and land prices (725% since 2012) have raised the cost to develop—and the rents necessary to support—new rental housing.

**Impacts**

Reduced Supply of Lower-Rent Housing

Greater demand for rental housing has increased competition and raised rents for existing housing. As a result, the availability of rental units priced under $800 a month is declining rapidly. The number of these units fell by 34%, or 17,000, between 2000 and 2016.

High Rents for New Rental Housing

Rents for newly built units rose 24% between 2000 and 2016. The market built almost no new market-rate rental housing affordable to the median renter in 2013 and 2017 due to high development costs and competition from higher-income renters.

**Emerging Affordability Challenges for Middle-Income Renters**

Atlanta is struggling to attract and retain both new and existing low- and middle-income renters, who are disproportionately locating in lower-cost communities in the surrounding metro region.

Relevant tools

For more information on relevant housing tools, programs, and policies, see the following pages:
- Public Land
- Tax Abatement
- By-Right
- Inclusory zoning

Cities Facing Similar Challenges

Cities facing similar housing affordability challenges include:
- Houston, TX
- Columbus, OH
- Irving, TX
- Columbia, SC

Pittsburgh, PA

Pittsburgh is home to a large number of low-income renters who are vulnerable to even modest increases in rent. However, the city’s cost of rental housing is still relatively low. Much of the city’s existing lower-rent housing is becoming obsolete. The housing developed in recent years has primarily been for newer, high-income renters. This housing is out of reach for low-income residents and cannot replace the loss of existing lower-rent housing.

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<tr>
<td>$44,700</td>
<td>$32,000</td>
<td>72,000</td>
<td>29,000</td>
</tr>
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</table>

**Drivers**

Widening Gap in Rental Incomes

A majority of Pittsburgh’s renter households are low-income (53% in 2016, down from 68% in 2000). At the same time, the city has experienced a small, but meaningful influx of high-income renters, who have heightened competition for rental housing.

Aging Housing Stock

Much of Pittsburgh’s stock of single-family and multifamily rental housing was built before World War II, and is increasingly obsolete and unaffordable.

Moderately Rising Development Costs

Hard costs have risen by 42% since 2000, slightly above the national average of 37%. Land costs have been volatile and largely fell throughout this period, reflecting the higher rates of vacant and underutilized land throughout the city.

**Impacts**

Rising Rents for Existing Rental Housing

Between 2000 and 2016, the real gross median rent for units built before 2000 increased by 38%, double the nationwide growth rate of 13%. This increase has had a significant impact on the many low-income renters who rely on the city’s cost of living. The availability of rental units priced under $800 has fallen by over 15,000, or 32%, since 2000.

New Rental Housing Unaffordable for Low-Income Renters

Due to higher development costs and greater renter competition, only 0.5% of the units built in 2013 and 2017 were priced to be affordable to low-income renters.

**Emerging Affordability Challenges for Low-Income Renters**

Though still relatively affordable to middle-income renters, the number of low-income households in the city has actually decreased, as they are unable to access quality housing at their prior prices.

Relevant tools

For more information on relevant housing tools, programs, and policies, see the following pages:
- Public Land
- Tax Abatement

Cities Facing Similar Housing Affordability Challenges include:
- St. Louis, MO
- Fort Worth, TX
- Kansas City, KS
- Indianapolis, IN
GROWING HOMES TOGETHER

Housing Affordability for All

Together we can fix America’s housing crisis.

Over half of American households paid more than 30% of their income on housing costs in 2015. Federal, state and local governments must work together to tackle the cost of housing in the United States.

About the Issue

A growing number of working Americans are struggling to find housing they can afford. It is a clear strain on families that must be addressed.

01
We must address the tremendous shortage of homes and remove barriers to adding more supply.

02
Local governments must take the lead and find creative, public-private partnership opportunities to bring the price point down and create more affordable housing.

03
We must then use targeted subsidies to help the families that are in the most need right now.
On the day of its release, the GHT press release was picked up by 138 news outlets – including AP News, Yahoo Finance, MarketWatch, and several NBC, ABC, and Fox affiliates – that have a total reach of 49.7 million unique visitors per month to their sites

- 43,000 users reached through Facebook
- 225,000 impressions through Twitter
- Posted on social media over 140 times

GHT has been used as a resource for industry stakeholders and reporters nationwide. The GHT social media pages have over 700 followers each, including several reporters in key states

The GHT Newsletter launched in September 2019.

- 9 newsletters sent to more than 140 recipients, including reporters in our key states
- Garnered an above-industry-average open rate of 40%
- Retained nearly 100% of subscribers
GROWING HOMES TOGETHER

Talking Points

Draft Op-Eds, LTEs, articles

Social Media

Digital Portal

Rent Control Fact Sheets

Infographics
WE ARE APARTMENTS

Three national reports: Economic Impact, Future Demand, Vision 2030

Dynamic data for national, state, congressional district and metro levels

The WeAreApartments.org Calculator has been used 1,886 times in 2019

An “Always On” flow of industry content – articles, posts and, soon, video

- 13 Articles published
- 8,692,301 Impressions
- 90,320 Engagements
- 95,428 Click throughs

Apartments and their residents contribute $3.4 trillion to the U.S. economy annually, supporting 17.5 million jobs.

The country needs to build 328,000 new apartment homes each year to meet demand.

Forecasted by the year 2030
NMHC RENT CONTROL RESOURCES

The Impact of Rent Control Literature Review

NMHC Rent Control Resources