Regulations Account for 40.6% of Multifamily Development Cost, Driving Up Housing Costs and Worsening Affordability

Multifamily developers are subject to a wide range of regulations at all levels of government. While some are necessary for the health and safety of America’s renters, many are not.

In addition, neighborhood opposition and affordable housing mandates can sometimes deter development altogether.

Research by the National Multifamily Housing Council (NMHC) and the National Association of Home Builders (NAHB) quantifies just how much those regulations drive up costs.

Governments Impose Costs, But Policymakers Can Also Reduce Them Through Regulatory Reform

Examining whether some of the fees/requirements associated with these regulations are truly necessary is one way to make a dent in the affordability problem.

**Building Codes**
Changes over the past 10 years are the largest regulatory driver of development costs.
Average Cost: 11.1%

**Zoning**
Very little land in the U.S. is zoned for “by right” apartment development. 94% of developers reported they must dedicate resources to getting land rezoned.
Average Cost: 3.2%

**Public Land/Open Space**
Local governments often require developers to donate a portion of the land for its use or leave it unbuilt.
Average Cost: 2.4%

**Design Changes**
Local governments also often require developers to add certain features to their projects – such as energy-efficiency upgrades – or comply with specific design requirements.
Average Cost: 5.4%

**Delays**
Navigating the approval process, waiting for permits and inspections makes the development process take longer and time is money.
Average Cost: 0.5%

**Local Fees**
Once developers start preparing the land for construction, local governments often impose impact fees (to be used for capital improvements, utility impact fees, specialized environmental or other impact studies).
Average Cost: 8.5%

They can also charge building permit and other fees before building construction can begin. **Average Cost: 4.4%**
Community Opposition Imposes Real Costs

75% of respondents said they encountered “Not In My Backyard” (NIMBY) opposition to their proposed development.

“Quick-Fix” Affordability Mandates Make Housing More Expensive and Deter Development

**Inclusionary Zoning.** Mandates to require a certain number of apartments to have below market rents, mean higher rents for the rest. **Cost: 7.6% Rent Increase**

Rent Control and IZ deter some construction altogether. Developers simply avoid communities with those requirements. This translates into housing not being built in many areas where it is so desperately needed.

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Confronting NIMBYISM adds an average of 5.6% to the development cost and delays completion of the housing by an average 7.4 months.

SOME MULTIFAMILY DEVELOPERS AVOID BUILDING IN JURISDICTIONS WITH THESE POLICIES

**Will You Build if Affordable Housing Mandates Are Required?**

- **Inclusionary Zoning**
  - Yes 52.1%
  - No 47.9%

- **Rent Control**
  - Yes 12.5%
  - No 87.5%

Source: NAHB and NMHC.

Identifying duplicative and unnecessary regulatory costs and combatting NIMBYism are key factors as we work to address the nation’s housing affordability crisis.

Learn more at www.nmhc.org/cost-of-regulations