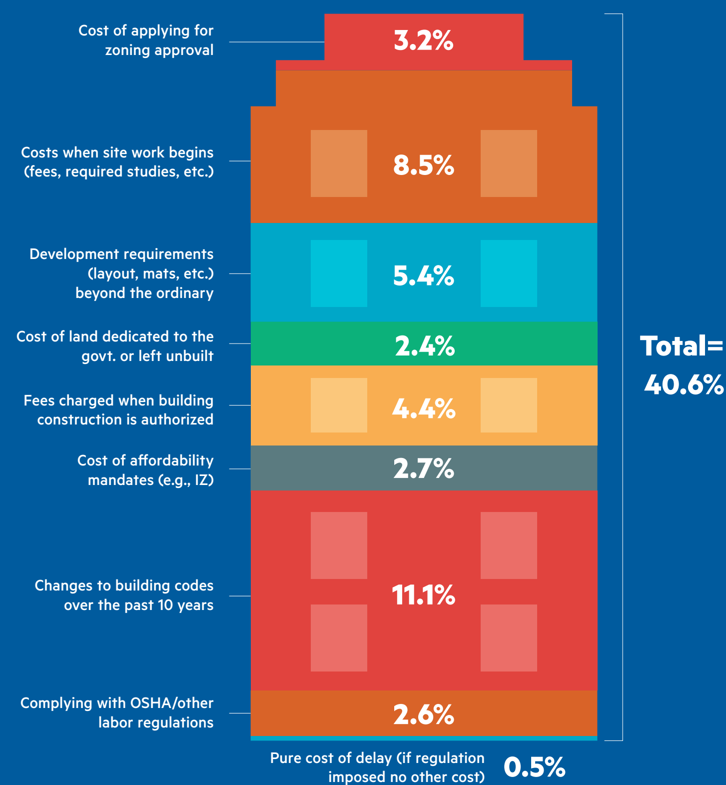
Regulations Account for 40.6% of Multifamily Development Cost, Driving Up Housing Costs and Worsening Affordability

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.

AVERAGE COST OF REGULATION AS A SHARE OF TOTAL MULTIFAMILY DEVELOPMENT COST



Note: Averages are across all multifamily properties, even those not subject to a particular type of regulation. Those are factored in as "0" when calculating.

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.

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

"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**

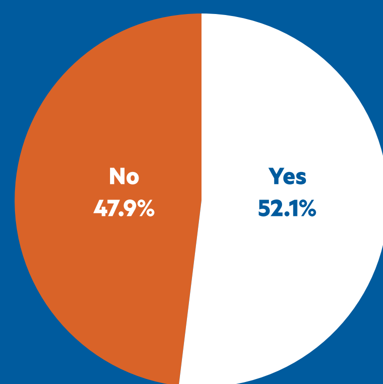
Rent Control and IZ deter some construction altogether. Developers simply avoid communities with those requirements. This translates into housing not being built in many areas where it is so desperately needed.

This translates into housing not being built in many areas where it is so desperately needed.

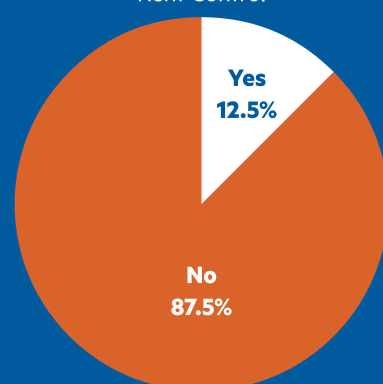
SOME MULTIFAMILY DEVELOPERS AVOID BUILDING IN JURISDICTIONS WITH THESE POLICIES

Will You Build if Affordable Housing Mandates Are Required?

Inclusionary Zoning



Rent Control



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**

NMHC NATIONAL **MULTIFAMILY HOUSING** COUNCIL

NMHC.ORG