



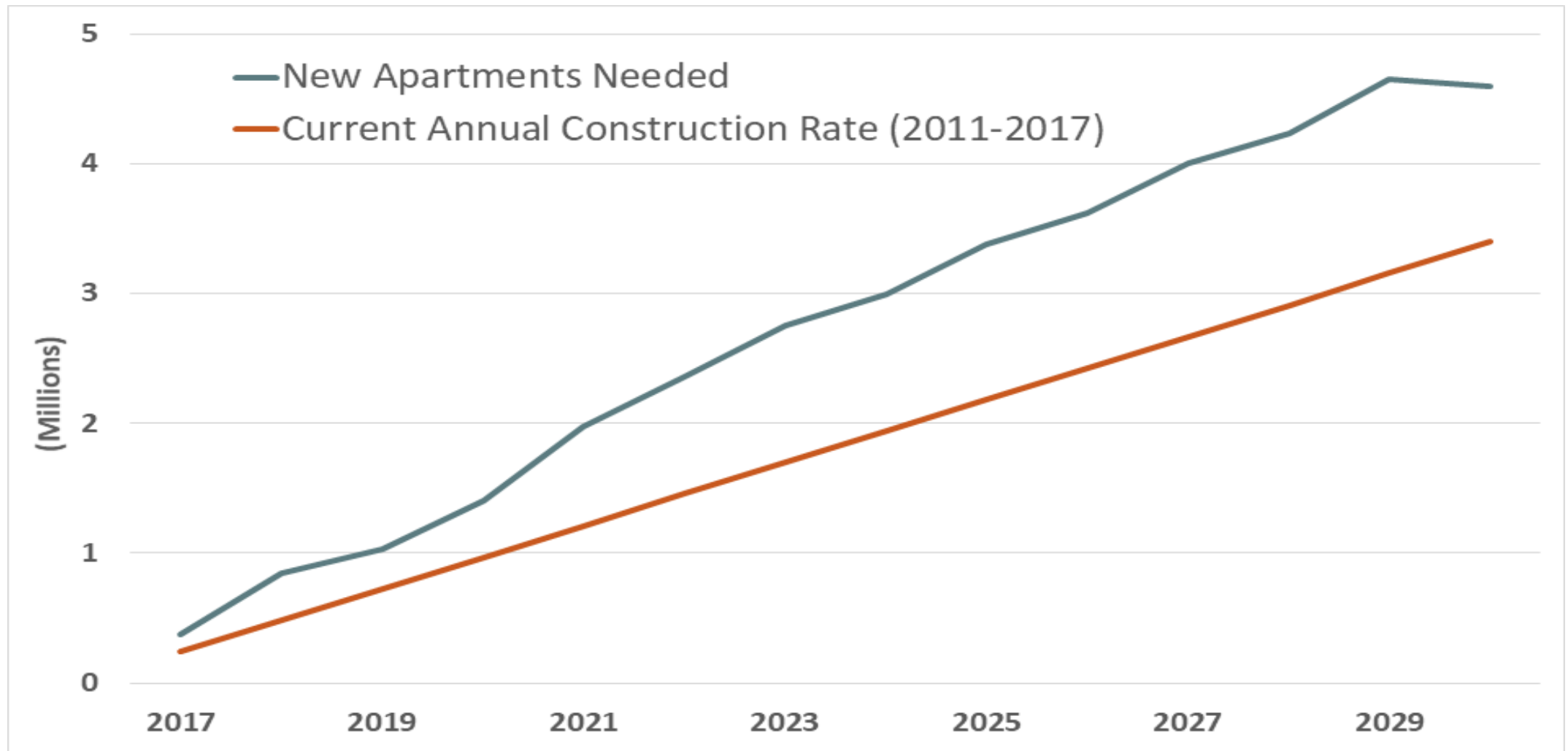
NATIONAL
**MULTIFAMILY
HOUSING**
COUNCIL

APARTMENT LEADERSHIP RESIDES HERE™

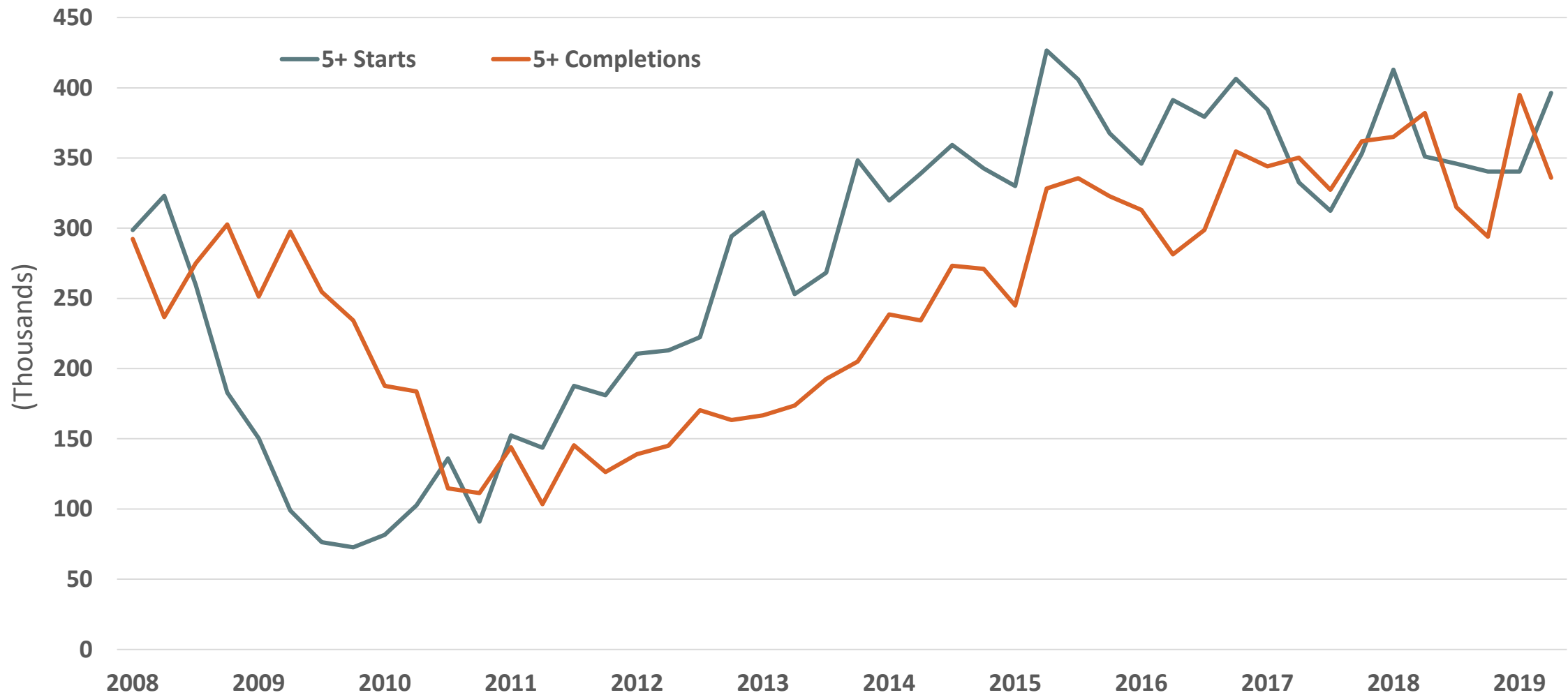
Neighbor Works:
Tackling Housing Affordability

THE MULTIFAMILY INDUSTRY IS EXPERIENCING
STRONG, CONTINUING DEMAND

THE U.S. NEEDS TO BUILD AN AVERAGE OF 328,000 APARTMENTS EVERY YEAR THROUGH 2030...



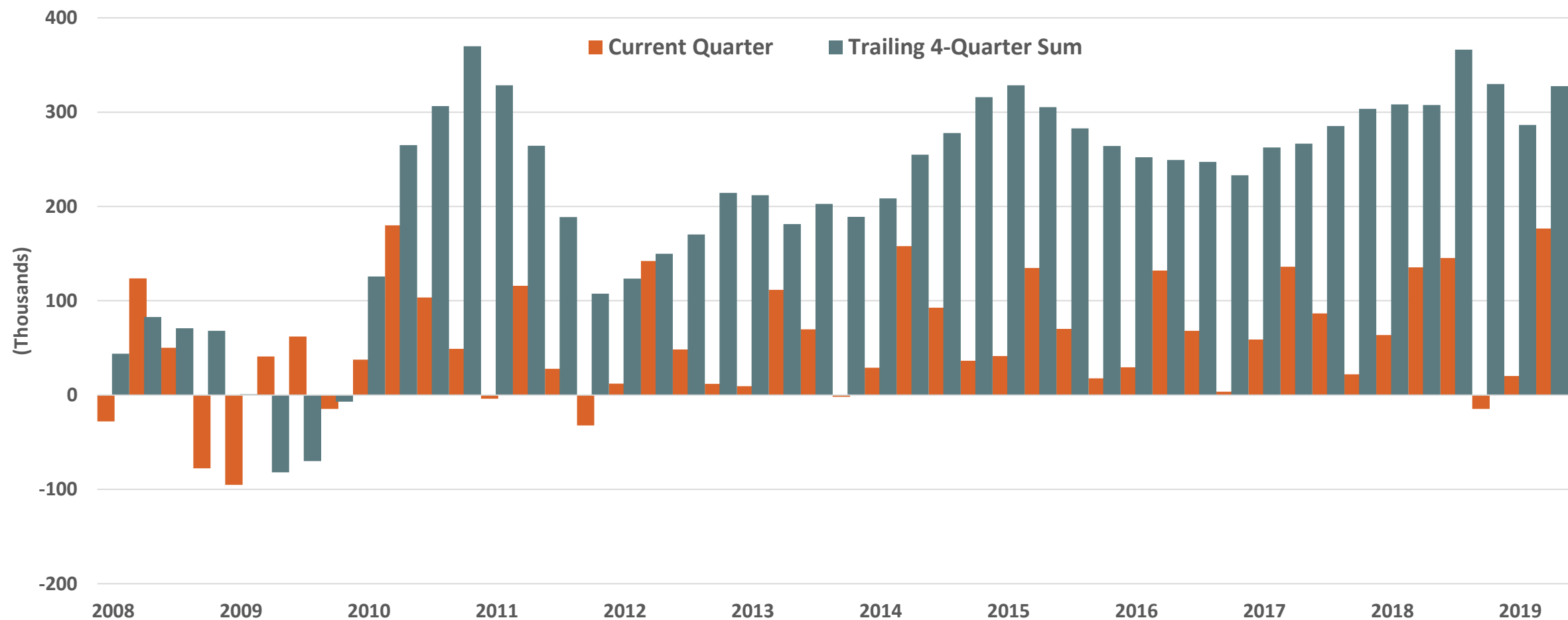
...WE'VE ONLY HIT THAT NUMBER TWICE SINCE 1989



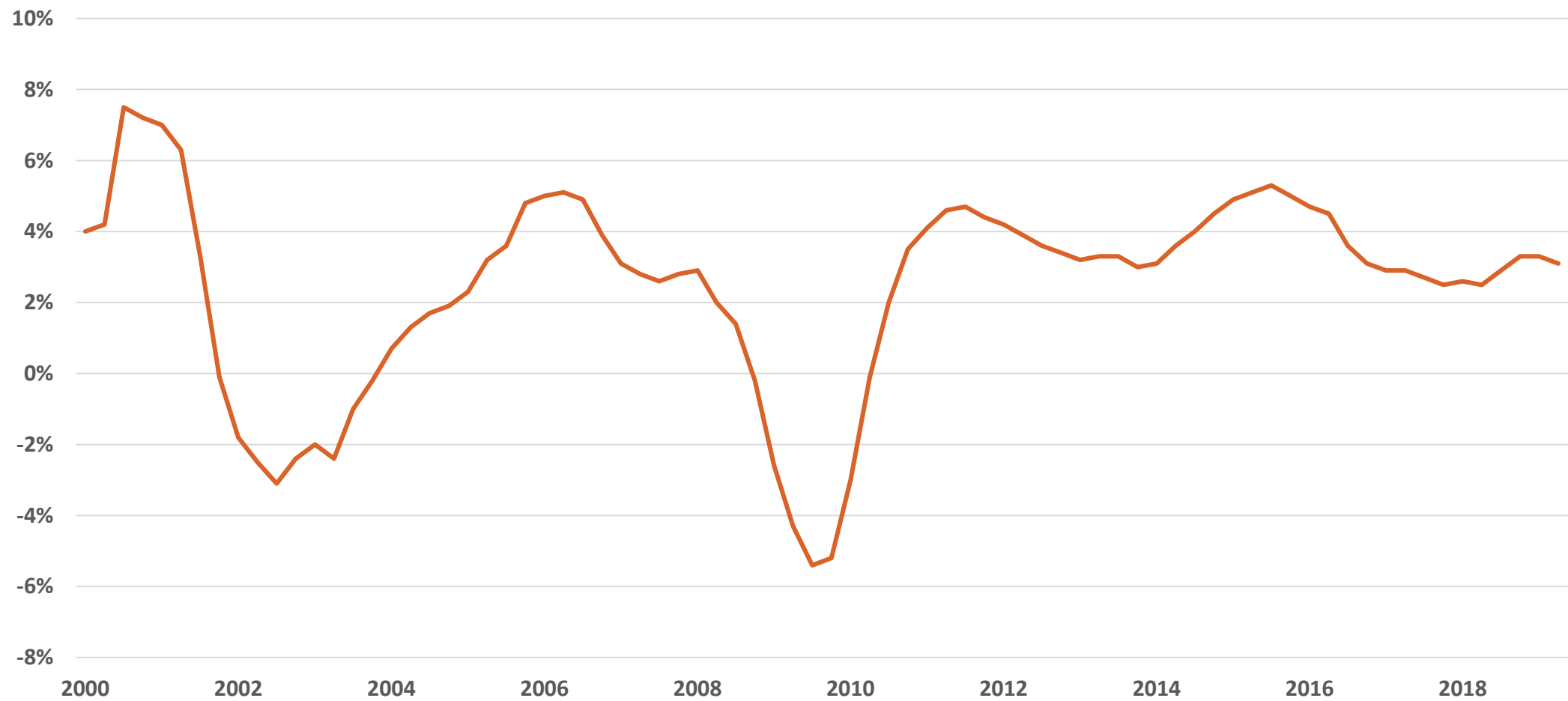
Source: US Census Bureau, New Residential Construction.

WE ARE BUILDING ENOUGH EVERY YEAR AT A MACRO LEVEL, BUT
STILL PLAYING CATCH-UP FROM THE AFTERMATH OF THE
RECESSION

NET ABSORPTIONS OF INVESTMENT-GRADE, MARKET RATE APARTMENTS INDICATE HEALTHY DEMAND



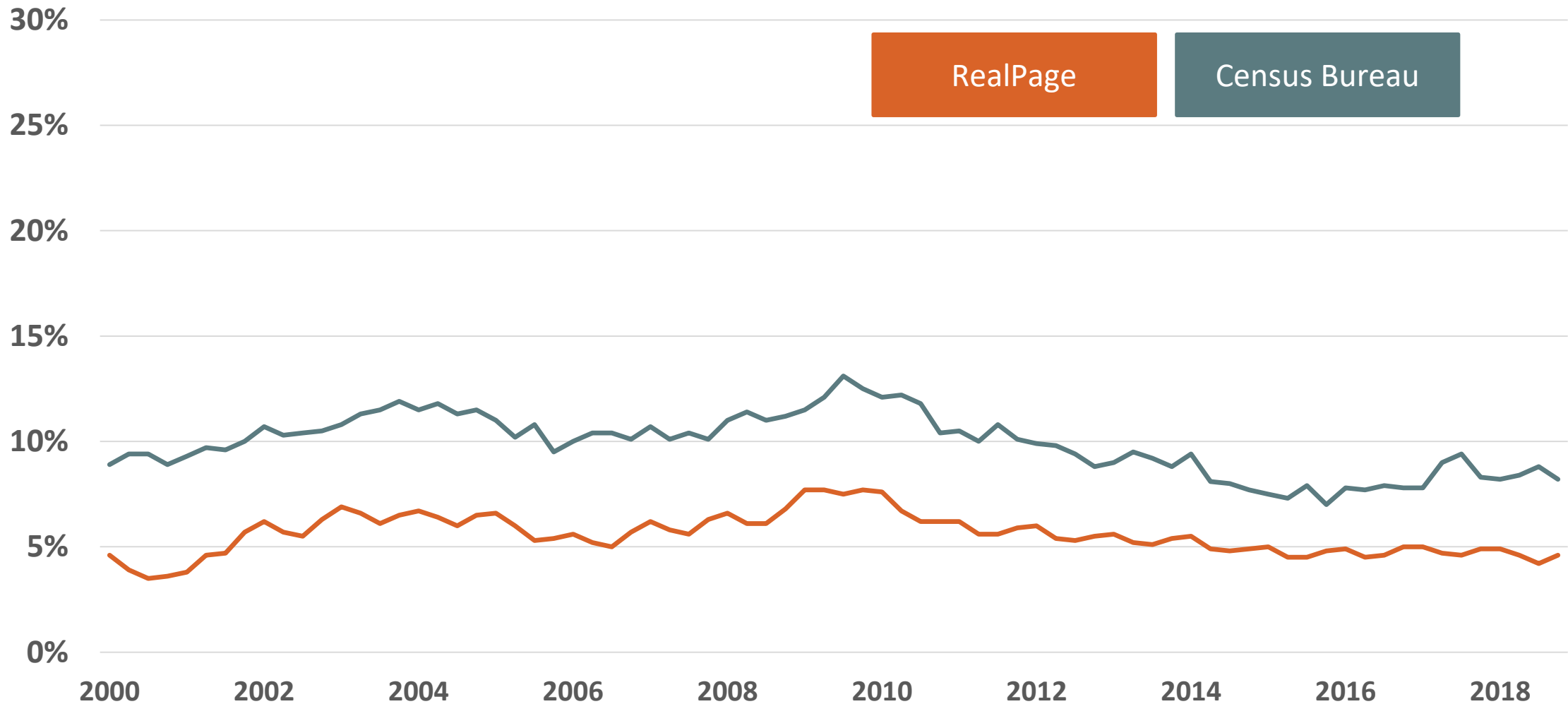
RENT GROWTH HAS MODERATED IN RECENT YEARS, YET REMAINS POSITIVE



Source: RealPage

VACANCY RATES HOVER NEAR RECORD LOWS

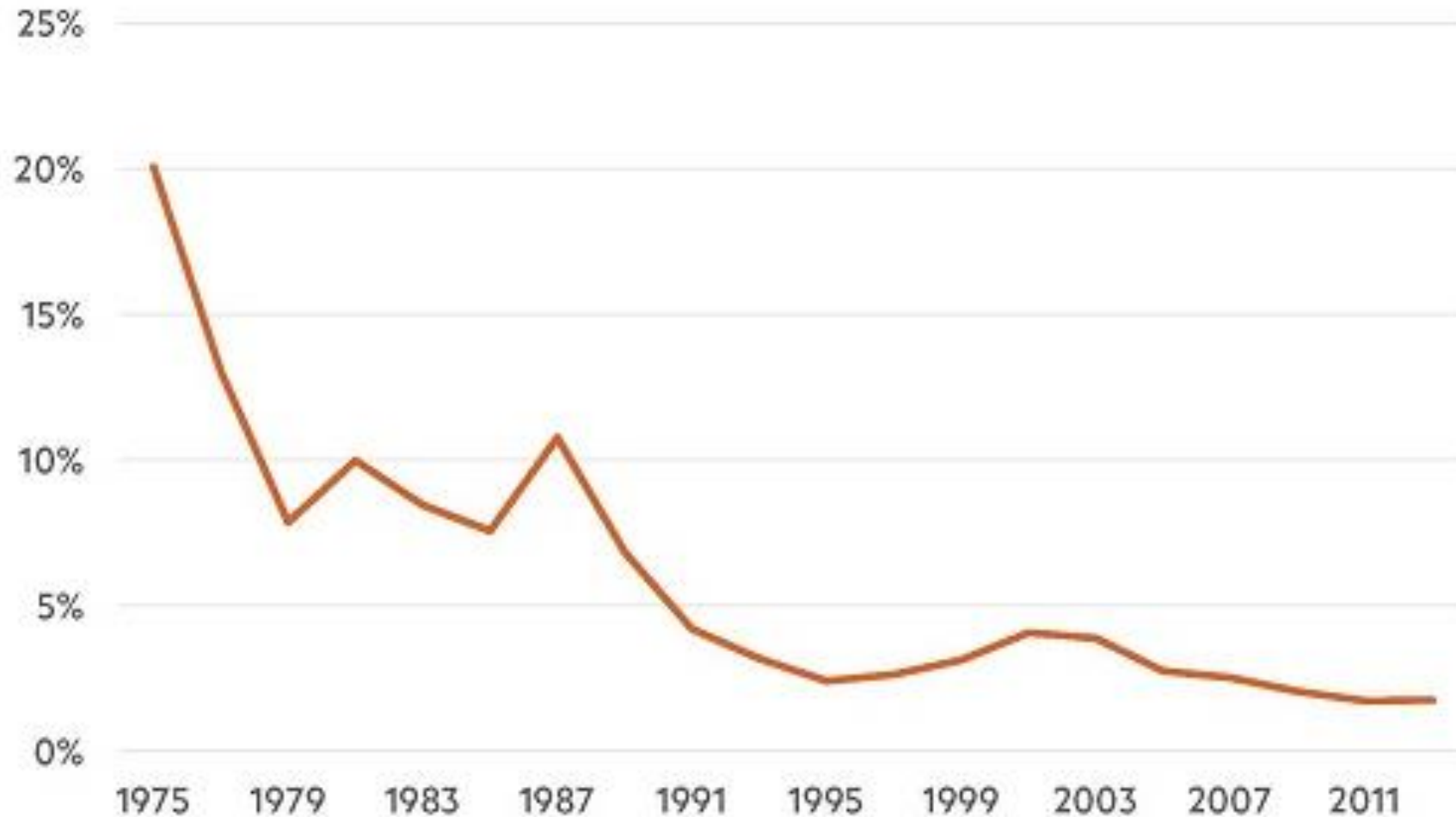
U.S. Rental Apartment Vacancy Rate (5+ units)



Source: U.S. Census Bureau; RealPage.

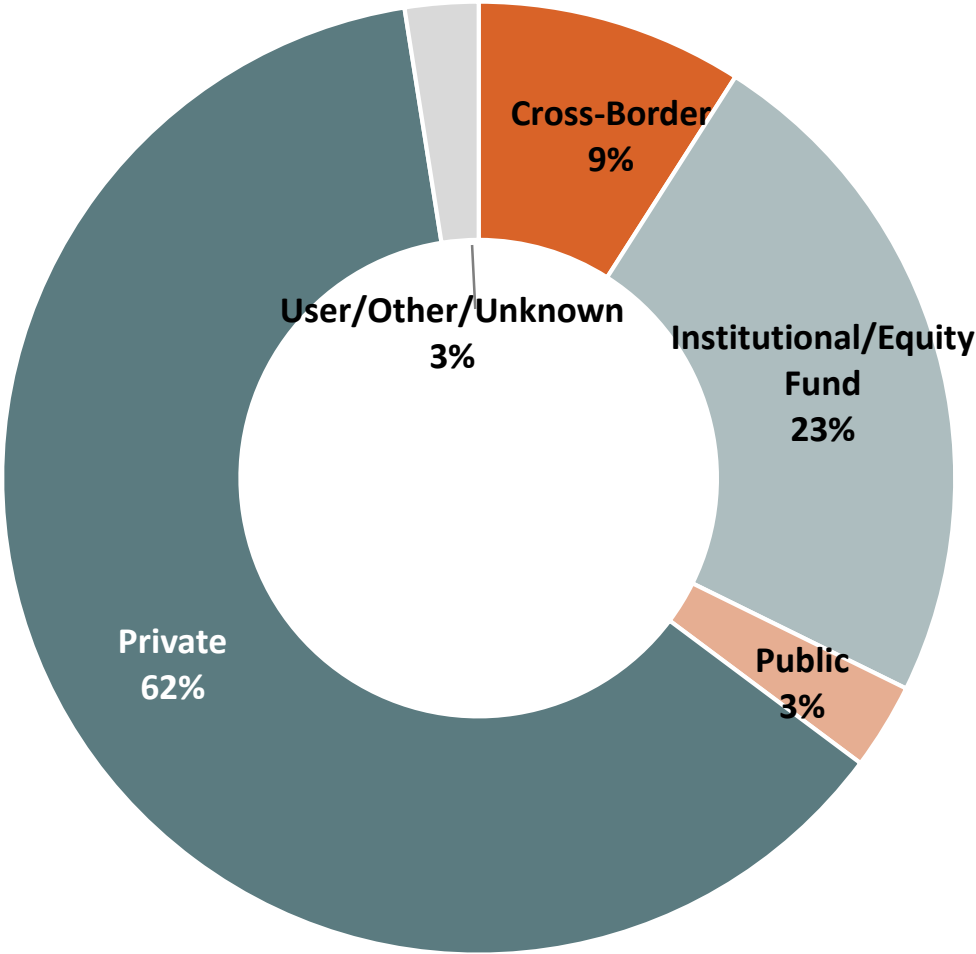
BUT MUCH OF THE BUILDING HAS OCCURRED AT THE HIGHER END

New Apartment Share of All Apartments Affordable to Median-Income Households



INVESTOR APPETITE IS STRONG

FOREIGN SOURCES ARE A GROWING PORTION OF EQUITY INVESTMENT, BUT PRIVATE INVESTORS DOMINATE

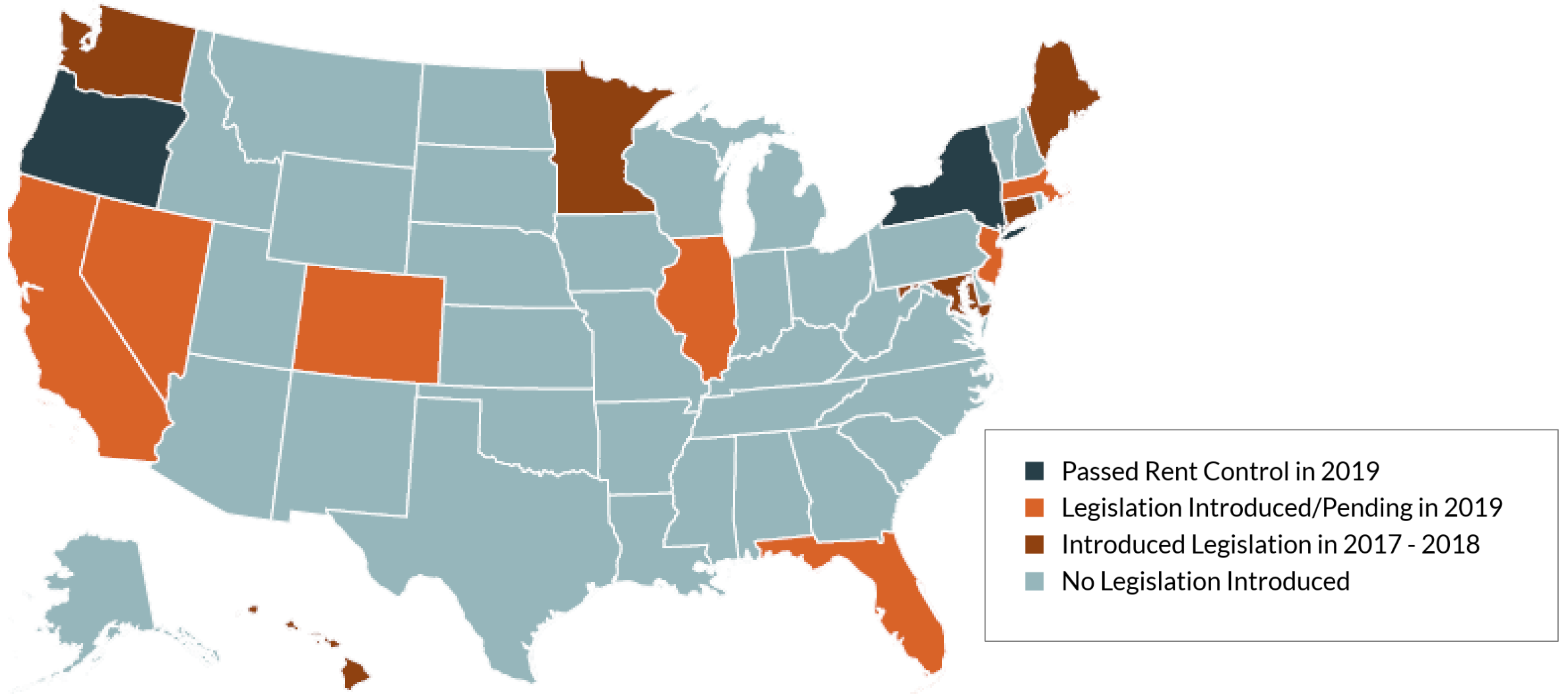


CANADIAN SOURCES TOP BUYERS IN 2018

Country
Canada
Singapore
Netherlands
Germany
Bahrain
United Kingdom
Mexico
Sweden
China
Switzerland

HOUSING DEMAND IS STRONG
ADDITIONAL SUPPLY IS COMING ONLINE
INDUSTRY CONTINUES TO ATTRACT INVESTMENT
YET, THE COUNTRY IS FACING A HOUSING AFFORDABILITY CRISIS

RENT CONTROL THREAT IS HEATING UP NATIONWIDE

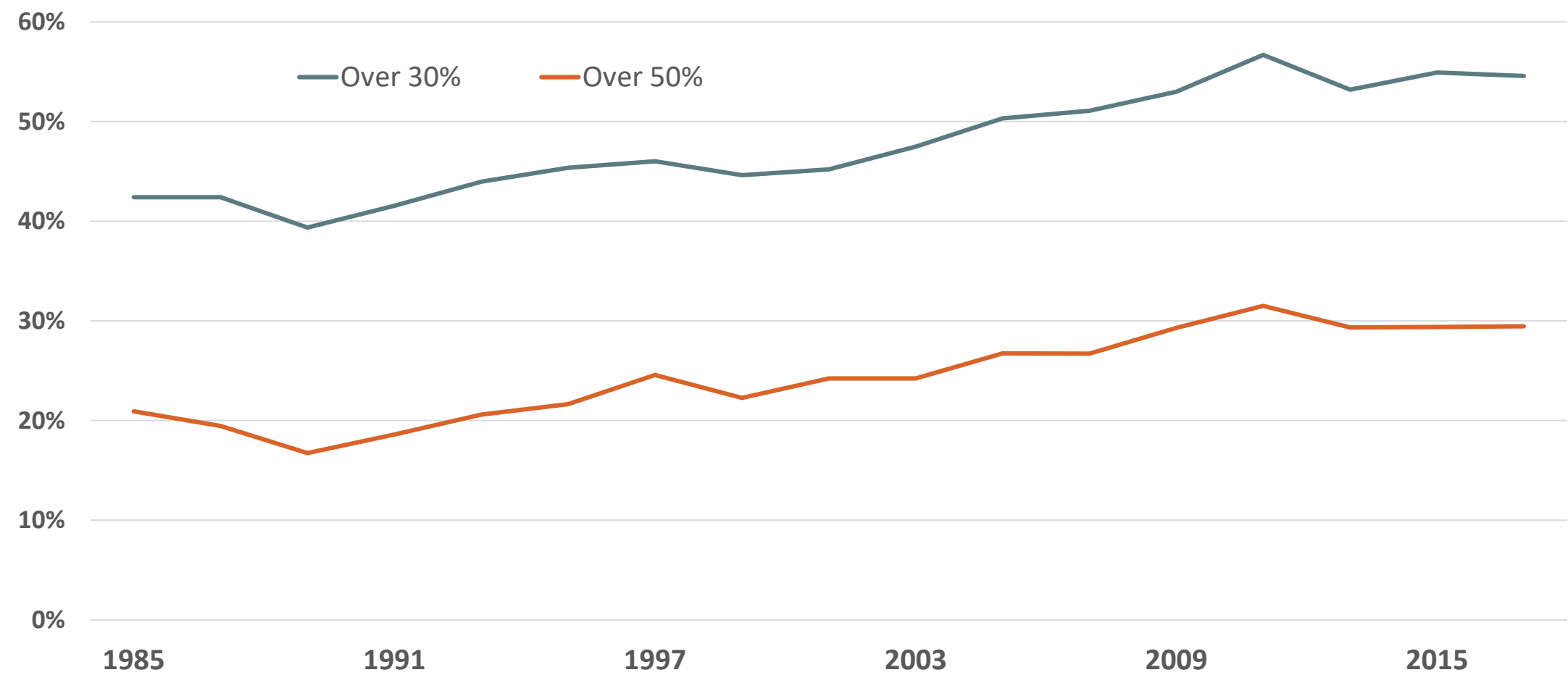


WHAT ARE THE FACTORS BEHIND THE CRISIS?

THE PERFECT STORM

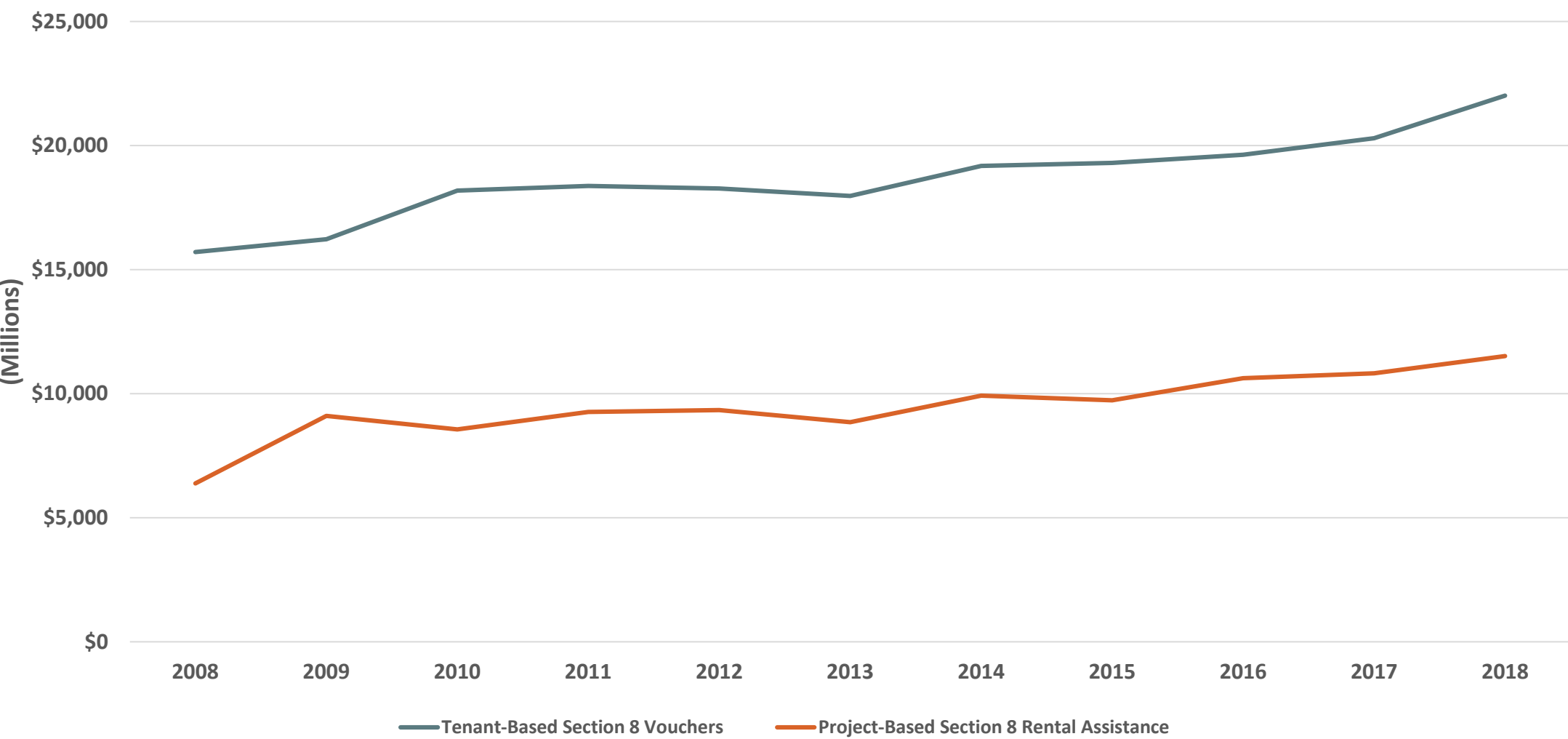


COST-BURDENED APARTMENT HOUSEHOLDS HAVE LONG BEEN AN ISSUE



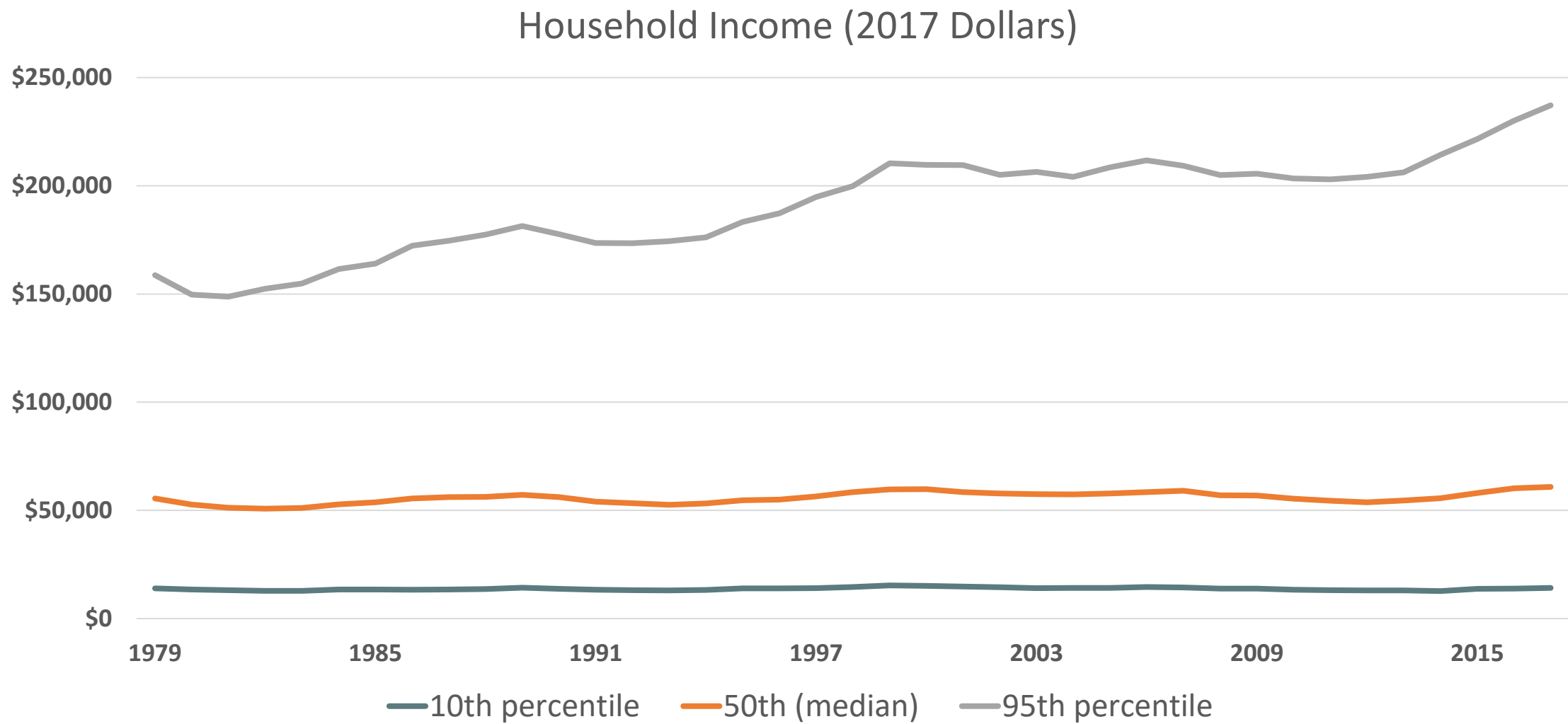
Source: NMHC tabulations of American Housing Survey microdata.

APPROPRIATIONS FOR VOUCHERS HAVE GROWN SLIGHTLY, BUT NOT NEARLY AT THE RATE OF BURDENED HOUSEHOLDS



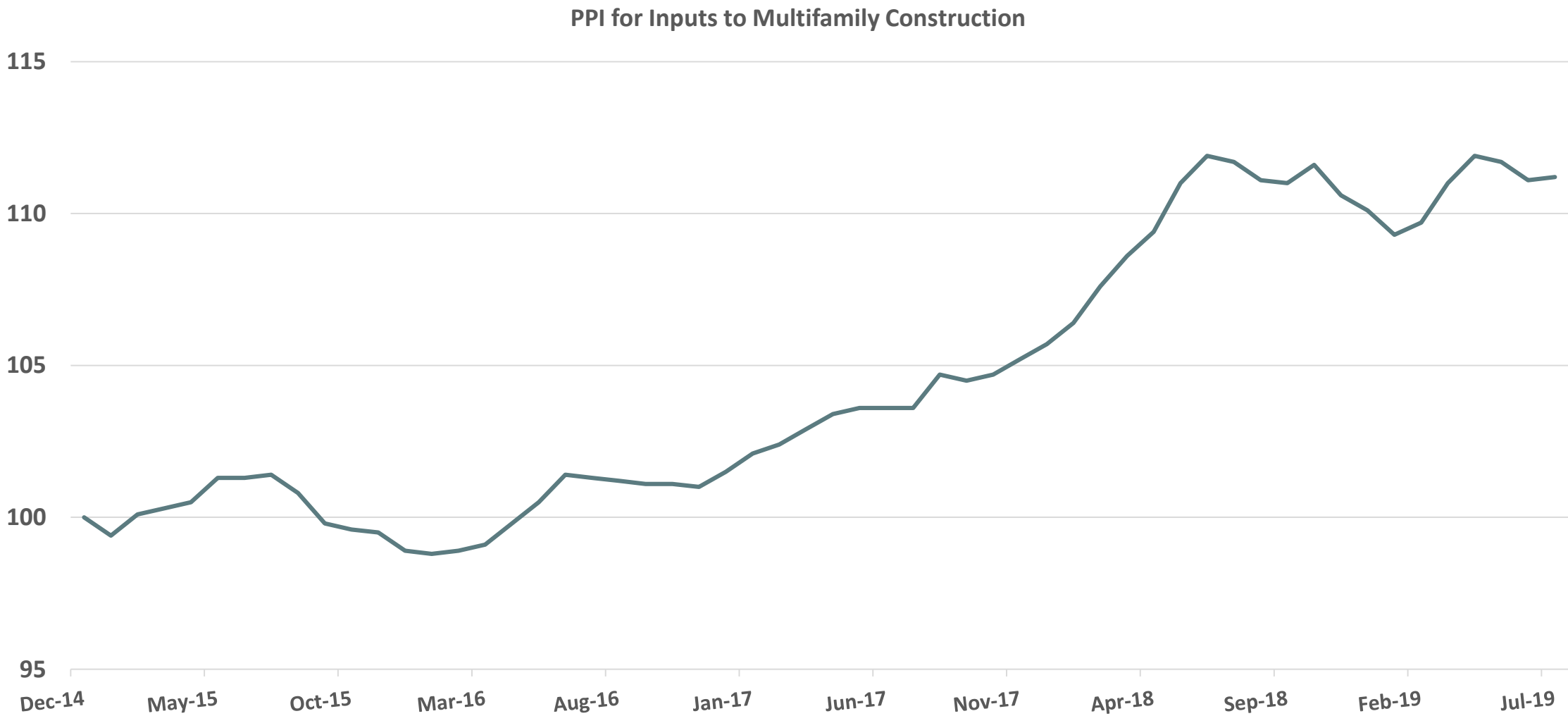
Source: Congressional Research Service, Overview of Federal Housing Assistance Programs and Policy; HUD Congressional Budget Justifications from FY2009 through FY2017; HUD Comparative Statement of New Budget Authority from 2017 and 2018.

INCOMES STAGNANT IN RECENT DECADES



Source: NMHC tabulations of Current Population Survey microdata.

CONSTRUCTION COSTS ON THE RISE



Source: U.S. Bureau of Labor Statistics

REGULATIONS ACCOUNT FOR 32.1% OF DEVELOPMENT COSTS



BACKGROUNDER | June 2018

Regulation: Over 30 Percent of the Cost of a Multifamily Development

Paul Emrath, National Association of Home Builders
Caitlin Walter, National Multifamily Housing Council

Regulation imposed by all levels of government accounts for an average of 32.1 percent of multifamily development costs, according to new research released today by the National Association of Home Builders (NAHB) and the National Multifamily Housing Council (NMHC). In fact, in a quarter of cases, that number can reach as high as 42.6 percent.

Apartment and condo development can be subject to a significant array of regulatory costs, including a broad range of fees, standards and other requirements imposed at different stages of the development and construction process. However, until now there had been no previous research done to analyze the extent of this regulation. This joint research effort surveyed NAHB and NMHC members to quantify how much regulation exists and how much it is adding to the cost of developing new multifamily properties.

Type of Cost	Share of Developers' Projects Subject to the Cost	Average Cost When Present (as a Share of Total Development Costs)
Cost of applying for zoning approval	98%	4.1%
Interest costs on refundable fees charged when site work begins	50%	0.5%
Other (non-refundable) fees charged when site work begins	93%	4.5%
Development requirements that go beyond the ordinary	95%	6.3%
Land dedicated to the government or otherwise left unbuilt	50%	4.3%
Fees charged when building construction is authorized	93%	4.2%
Cost of complying with affordability mandates (e.g., inclusionary zoning)	30%	5.7%
Cost increases from changes to building codes over the past 10 years	98%	7.2%
Cost of complying with OSHA requirements	90%	2.6%
Pure cost of delay (i.e., even if regulation imposed no other type of	98%	0.7%

ALL ELEMENTS OF THE DEVELOPMENT STACK HAVE SEEN PRICE INCREASES IN THIS CYCLE

Development Stack	% of Total Costs
Land Costs	15-20%
Soft Costs (Design, Entitlements, Permits)	15-20%
Hard Costs (Labor & Materials)	60-70%

HOW DO WE TACKLE THE AFFORDABILITY PROBLEM?

The Housing Affordability Toolkit

THE RENT REQUIRED TO SUPPORT THE CREATION OF NEW APARTMENTS IS DETERMINED BY THE COST TO DEVELOP AND OPERATE THAT HOUSING

State and local governments often establish policies and regulations that increase the costs of apartments without considering the impact those policies will have on rents and affordability in a community. On the other hand, state and local governments can also create policies and regulations that reduce development costs and increase the affordability of new rental apartments. This document describes the relationship between costs and rents and illustrates how state and local policies impact affordability.

Rental Housing: Renter

Increasingly popular lifestyle choice. With more middle-income renters choosing to rent, there is more competition for the market.

NEW
MEXICO

RENTER HOUSEHOLDS BY INCOME



Low Income: \$0-35K
Middle Income: \$35-75K
High Income: \$75K+

Affordability Challenges Spread

Housing affordability challenges have spread to middle-income and beyond the high-cost coastal cities.

Today, more than 20 million renter households - 46% of all renters - struggle to afford rent. This number has increased by more than 50% since 2000.

While housing affordability challenges inordinately impact low-income and middle-income renters, the number of middle-income renters, earning between \$35,000 and \$75,000, who are rent-burdened has increased dramatically between 2000 and 2016.

REAL MEDIAN GROSS RENT AND AFFORDABLE MONTHLY RENT FOR THE MEDIAN RENTER



32% of middle-income renters were rent-burdened in 2016, up from 16% in 2000.

Housing affordability challenges throughout the country were confined longer the case, as the struggle with real estate costs has become a national issue.

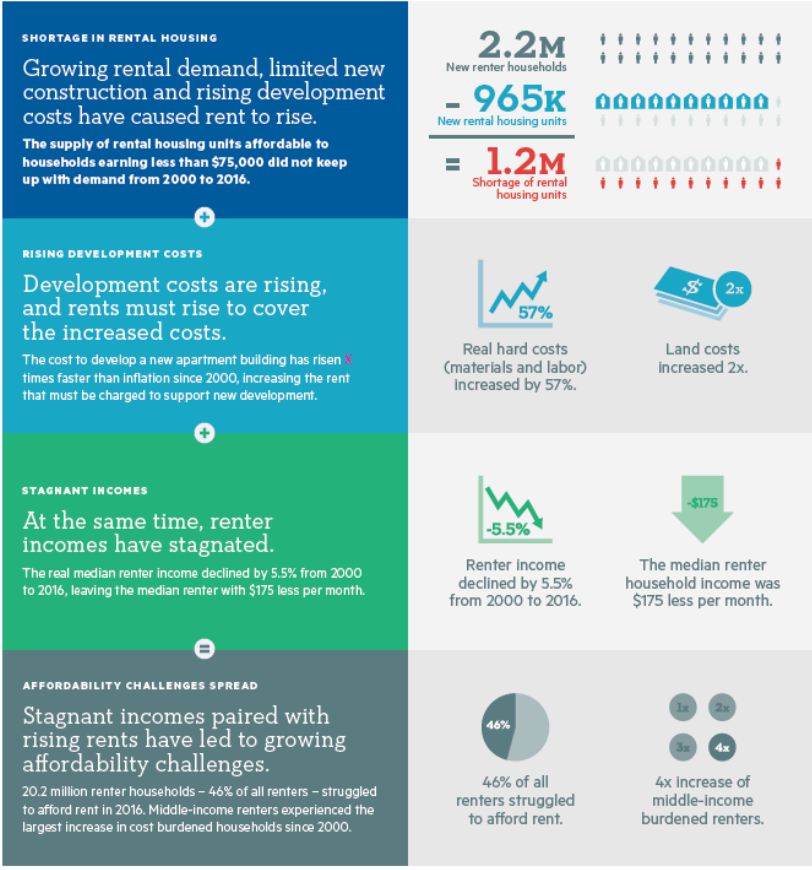
“Over the course of the study, we interviewed over 100 people who have moved, or are planning to move, out of their current homes. Many of these individuals cited the high cost of housing as a major factor in their decision to move.”
- 2017 Market Report

7 MILLION more cost-burdened households since 2000.

Visit housingtoolkit.nmhc.org

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.



The State of Housing Affordability

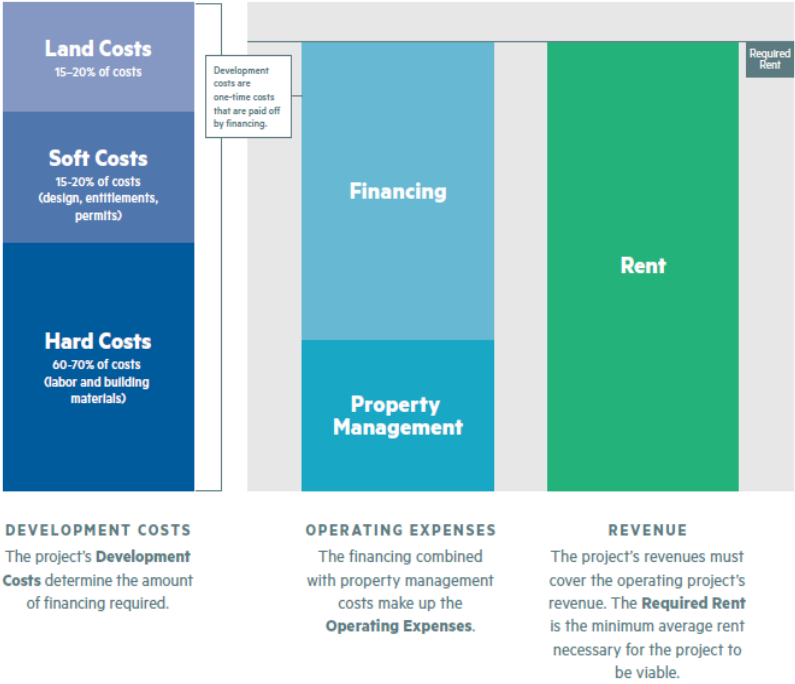
Apartment Development Framework

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

Constructing new apartments incurs development costs that are paid for with financing. The greater the development costs the more financing is needed. As the amount of financing increases (decreases) it raises (lowers) the operating cost for the apartments. As operating costs rise (fall) the required rent must rise to generate sufficient revenue to cover the higher operating expenses and maintain the apartments viability.

SIMPLIFIED APARTMENT DEVELOPMENT FRAMEWORK

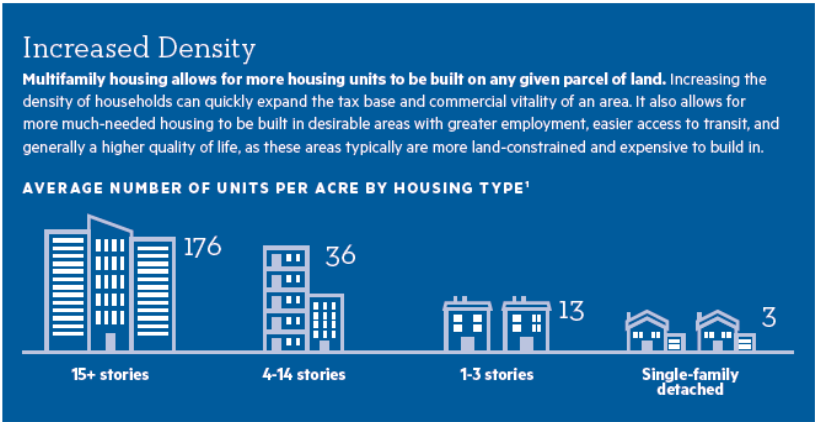
The framework below is a simplified representation of the apartment development process, illustrating the relationship between costs and rents



Housing Cost Drivers

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.



Wide Variety

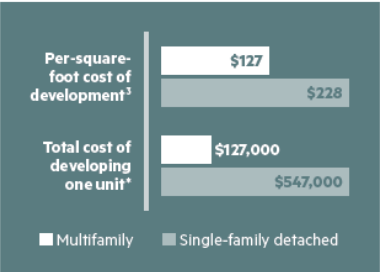
Multifamily housing serves a wide range of household types and needs. The wide range of available unit types, locations, and price points allows multifamily housing to accommodate a unique variety of household types, income levels, and lifestyle preferences.

“ 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 Studies²

Greater Efficiency

Multifamily housing is cost-effective and efficient to both 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.



Benefits of Multifamily Housing

Local Housing Policy Guide

State 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 describes 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 impossible to establish effective local housing policy without an understanding of the drivers of a market failure. Too often, localities adopt housing policies without establishing an understanding of whether they are appropriate for their market. They may also misdiagnose the cause of affordability challenges, blaming high rents on new development instead of symptomatic failures in the housing market.

Housing Affordability Tools

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.

DIRECT APPROACH

DA 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 would reduce the market rents required for new development and making make 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 requirements with incentives



3. Enable simple administration and developer participation

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.

Housing Affordability Discussion Guide

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.

\$53,800

MEDIAN HOUSEHOLD
INCOME

\$37,400

MEDIAN RENTER
HOUSEHOLD INCOME

113,800

TOTAL RENTER
HOUSEHOLDS

78,100

TOTAL MULTIFAMILY
RENTAL UNITS

DRIVERS

Greater Demand for Rental Housing

Between 2000 and 2016, the number of renter households in Atlanta has grown on net by nearly 19,000, 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 (76% since 2000) and land prices (720% since 2012) have raised the cost to develop—and the rents necessary to support—new rental housing.

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
- Inclusionary Zoning

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 2016 or 2017 due to high development costs and competition from higher-income renters.

Cities Facing Similar Challenges

Cities facing similar housing affordability challenges include:

- Houston, TX
- Irving, TX
- Columbus, OH
- Columbia, SC

Atlanta Case Study

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.

\$44,700

MEDIAN HOUSEHOLD
INCOME

\$32,000

MEDIAN RENTER
HOUSEHOLD INCOME

72,000

TOTAL RENTER
HOUSEHOLDS

29,000

TOTAL MULTIFAMILY
RENTAL UNITS

DRIVERS

Widening Gap in Renter Incomes

A majority of Pittsburgh's renter households are low-income (53% in 2016, down from 60% 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 uninhabitable.

Moderately Rising Development Costs

Hard costs have risen by 62% since 2000, slightly above the national average of 57%. Land costs have been volatile and largely fell throughout this period, reflecting the higher rates of vacant and underutilized land throughout the city.

Growing Housing Affordability Challenges for Low-Income Renters

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

Relevant tools

For more information on relevant housing tools, programs, and policies, see the following pages:

- Public Land
- Tax Abatement

IMPACTS

Rising Rents for Existing Rental Housing

Between 2000 and 2016, the real gross median rent for units built before 2000 increased by 26%, 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 low 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 4% of the units built in 2016 and 2017 were priced to be affordable to low-income renters.

Cities Facing Similar Challenges

Cities facing similar housing affordability challenges include:

- St. Louis, MO
- Kansas City, MO
- Norfolk, VA
- Indianapolis, IN

Pittsburgh Case Study


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growing
homes
together

Housing Affordability for All

Together we can fix America's housing crisis.



Over half of American renter households pay more than 30% of their income on housing costs. Federal, state and local governments must [work together to tackle the cost of housing](#) in the United States.

A RESOURCE CENTER

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growing homes together

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Legal Landscape

The state of Colorado preempts local municipalities from implementing rent control. According to Colorado legislation, "No county or municipality may enact any ordinance or resolution that would control rent on either private residential property or a private residential housing unit."

[CONTINUE PREEMPTION](#)

Rent control is an outdated concept. It benefits the very few.

[REJECT PRICE CONTROLS](#)

Lawmakers should reject price controls and, instead, pursue alternatives such as voucher-based rental assistance for those in greatest need to better address housing affordability.

Alternative Approaches

Many states have adopted programs and initiatives to tackle the affordability crisis. In Colorado, policymakers and the housing industry have made concerted efforts to address the problem. Examples include:

Capital Magnet Fund

LIVE Denver

Colorado Housing Development Grant Funds

ing ho

Latest Resources

Useful information to help address the housing affordability crisis.

CALIFORNIA ACADEMIC RESOURCE

Report: "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco"

VIEW RESOURCE

MASSACHUSETTS ACADEMIC RESOURCE

Report: "Rent Control and Housing Investment: Evidence from Deregulation in Cambridge, MA"


VIEW RESOURCE

VIEW ALL RESOURCES

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Latest News

MAINE NEWS




Tackling Affordable Housing in Bangor

The Bangor Daily News' Charles Eichacker reports on the city's affordable housing problems, and what local officials plan to do about it.

24 April 2019

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CALIFORNIA NEWS



Look for solutions for rent crisis rather than controls

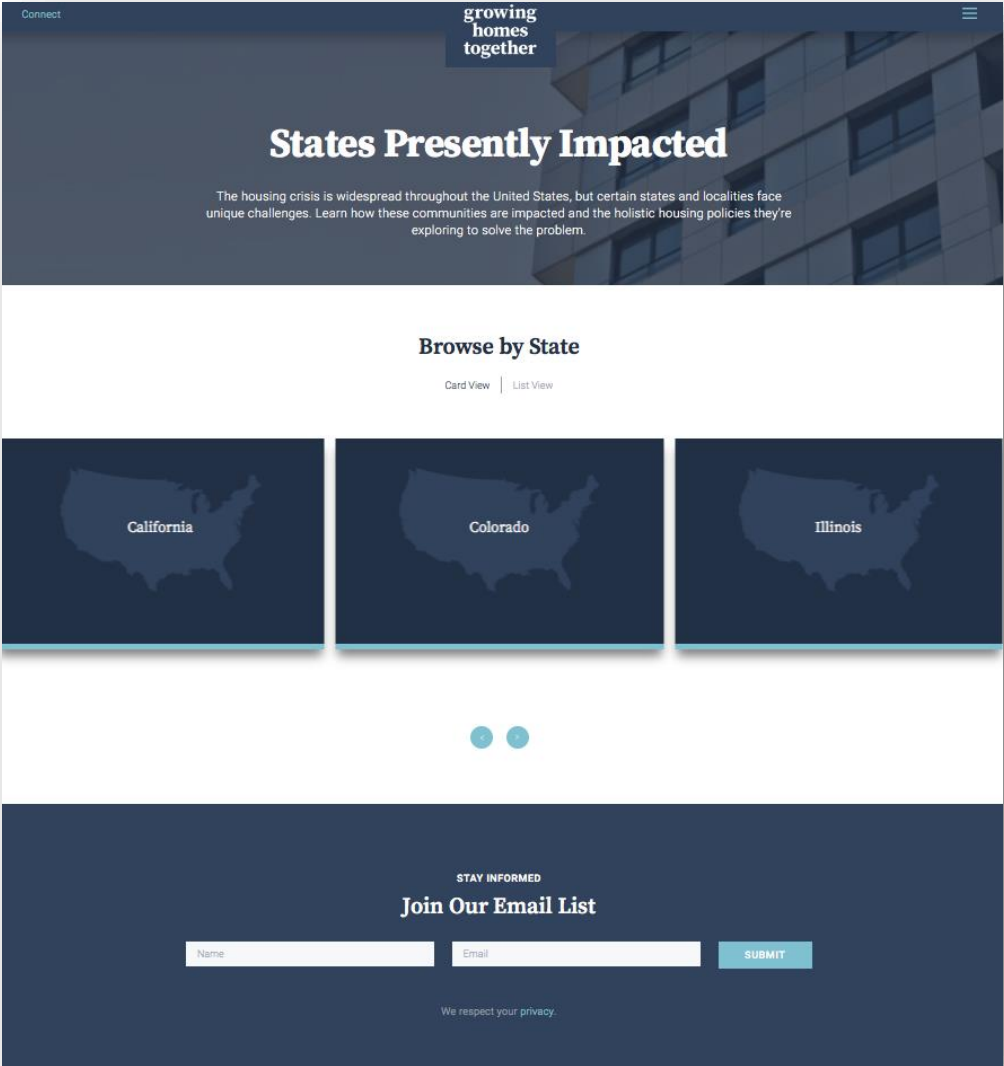
The Santa Cruz Sentinel Editorial Board addresses several bills in the Legislature that would impose rent controls in California.

24 April 2019

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A map of the United States showing the status of rent control legislation by state in 2019. The map uses four colors to categorize states: dark blue for 'Passed Rent Control in 2019', orange for 'Legislation Introduced in 2019', brown for 'Introduced Legislation in 2017 - 2018', and light blue for 'No Legislation Introduced'. States in the dark blue category include California, New York, and Washington. States in the orange category include Arizona, Colorado, Florida, Illinois, Nevada, New Jersey, and Oregon. States in the brown category include Alaska, Hawaii, Maine, Massachusetts, Minnesota, Montana, New Hampshire, Rhode Island, and Wisconsin. States in the light blue category include Alabama, Arkansas, Arizona, Idaho, Iowa, Kansas, Kentucky, Louisiana, Michigan, Missouri, Nebraska, New Mexico, North Carolina, North Dakota, Oklahoma, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, West Virginia, and Wyoming.

Category	States
Passed Rent Control in 2019	California, New York, Washington
Legislation Introduced in 2019	Arizona, Colorado, Florida, Illinois, Nevada, New Jersey, Oregon
Introduced Legislation in 2017 - 2018	Alaska, Hawaii, Maine, Massachusetts, Minnesota, Montana, New Hampshire, Rhode Island, Wisconsin
No Legislation Introduced	Alabama, Arkansas, Arizona, Idaho, Iowa, Kansas, Kentucky, Louisiana, Michigan, Missouri, Nebraska, New Mexico, North Carolina, North Dakota, Oklahoma, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, West Virginia, and Wyoming



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