

Trending

HUD USER Home > PD&R Edge Home > Trending

Opportunities to Increase Housing Production and Preservation



In an effort to reduce barriers that limit housing production, Utah's General Plan requirements include a moderate-income housing plan element to meet the needs of people of various income levels. Photo credit: [istockphoto.com/Jason Finn](https://www.istockphoto.com/Jason-Finn)

In this article, Pam Blumenthal and Regina Gray discuss the impact of regulatory barriers on housing affordability.

The United States needs more housing, and more varied types of housing, to meet households' needs throughout the country. Some economists estimate that one consequence of the 2008 foreclosure crisis was the slow rebound in home construction while household growth continued, resulting in underproduction of housing by more than [3 million units](#).

Although home production has recently been on the rise, [building permits](#), one indicator of new housing supply, remain below historical averages and far below the level needed to eliminate the deficit in housing.

The consequences of inadequate supply are higher housing costs for both renting and buying a home. [More than 37 million renter and owner households](#) spent more than 30 percent of their income for housing in 2019. In the years prior to the pandemic, low interest rates for mortgage loans and increasing incomes, not lower home values, had reduced owner cost burden. For renters,

increasing incomes were matched by rising rents, maintaining cost burdens despite a strong economy.



Sources: U.S. Census Bureau and U.S. Department of Housing and Urban Development

Without significant new supply, cost burdens are likely to increase as current home prices reach all-time highs, with the median home sales price reaching nearly [\\$375,000](#) by July 2021. These data emphasize the urgency of employing opportunities for increasing the supply of housing and preserving the existing housing portfolio.

The regulatory environment — federal, state, and local — that contributes to the extensive mismatch between supply and need has worsened over time. Federally sponsored commissions, task forces, and councils under both Democratic and Republican administrations have examined the effects of land use regulations on affordable housing for [more than 50 years](#). Numerous [studies](#) find land use regulations that limit the number of new units that can be built or impose significant costs on development through fees and long approval processes drive up housing costs. [Research](#) indicates higher housing costs also drive up program costs for federal assistance, reducing the funds available to serve additional households.

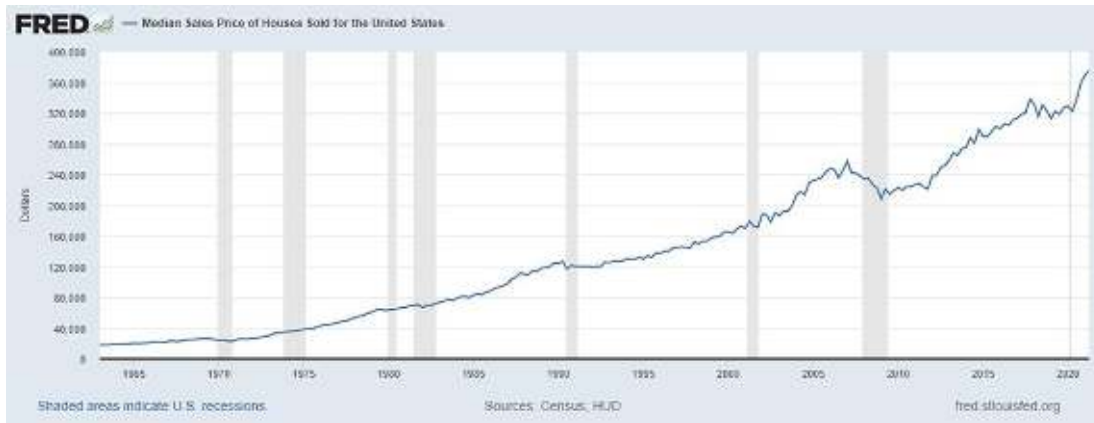
The need for quality affordable housing does not take the same form in each community; local context matters. Land costs rise when demand is strong and land use regulations limit the number of new units that can be built. Further, imposing significant costs on development through fees and long approval processes also increases housing prices. Many localities contend with both problems. In regions where population growth is slow or supply and demand are more balanced, low incomes and poor housing quality may be greater influences on housing affordability. The federal government continues to explore strategies for strengthening capacity and providing incentives for reform at the state and local levels.



Source: U.S. Census Bureau, American Community Survey Data

HUD provides formula grants to jurisdictions to support affordable housing production and preservation through community development block grants, the HOME Investment Partnerships program, the Indian Housing Block Grant Program, and other initiatives. Technical assistance helps jurisdictions more effectively use these funds to serve their residents. Low-income housing tax credits are currently the federal government's principal tool for incentivizing and subsidizing the construction and rehabilitation of affordable rental housing. Each year, the tax credit incentive supports the construction or rehabilitation of more than 100,000 affordable housing units annually, and it has supported the development of more than 3 million units since its inception. The federal government also supports the production of multifamily rental housing by insuring multifamily mortgage loans through the Federal Housing Administration and the Rural Housing Service.

HUD has [several tools](#) to assist jurisdictions seeking to increase the supply of housing in their communities affordable to households across income ranges through regulatory reform. One vehicle through which communities may share information and find regulatory reform models is the [Regulatory Barriers Clearinghouse](#). The clearinghouse is a one-stop portal that assembles and disseminates information on state and local regulations and policies affecting the creation and maintenance of affordable housing, offering useful resources to state, local, and tribal policymakers developing strategies for reducing regulatory barriers. HUD has a long history of sponsoring research on regulatory barriers. Recent research on barriers to offsite (or factory-built) construction quantifies the cost of land use regulations and its impact on consumers to understand the factors that affect where builders decide to site offsite construction projects. [Cityscape](#) recently hosted a symposium on regulatory reform and affordable housing.



Sources: U.S. Census Bureau and U.S. Department of Housing and Urban Development

[HUD published](#) a report in January 2021 that highlights actions state and local governments are taking to reduce barriers that are limiting housing production and preservation. These activities range from state tax policies and incentives to encourage local action to local zoning changes, process improvements, and community engagement reforms. These efforts are not limited to jurisdictions often in the headlines, such as Minneapolis, Minnesota; Portland, Oregon; and California; they are appearing in communities nationwide.

- [Utah](#) updated its General Plan requirements for counties and municipalities to include a moderate-income housing plan element to meet the needs of people of various income levels living, working, or desiring to live or work in the community. Among other requirements, the updated plan mandates jurisdictions adopt at least 3 of 23 recommended strategies.
- [California](#) and [Washington](#) have preempted local prohibitions on accessory dwelling units. Other jurisdictions are adopting regulations to allow duplexes, triplexes, and quadplexes to be built through by-right zoning.
- [Arkansas](#) prohibits counties from regulating residential building design elements, which include the exterior building color; the type or style of exterior cladding material; the style or materials of roof structures, roof pitches, or porches; the minimum square footage of a structure; and other architectural components.
- [Texas](#) and [North Carolina](#) require local jurisdictions to review permit applications within specified time periods, or “shot clocks,” to reduce the time for development approvals.
- In [Maricopa County](#), Arizona, municipalities formed the Regional Plan Review Group, adopting identical building codes and plan review checklists to simplify development in the region.
- In [Dover](#), New Hampshire, city officials adopted a plan for context sensitive zoning and implemented a streamlined application and review process to reduce procedural delays and complexity.
- [Boulder](#), Colorado, built a more inclusive, transparent, collaborative, and interactive community engagement strategy to develop its next-generation housing strategy, which will define community priorities for the expansion and preservation of diverse affordable housing choices.
- [Buffalo](#), New York, eliminated all parking minimums in its Unified Development Ordinance.

Additional state and local activities to increase housing production are highlighted in a June 2021 [report](#) to Congress.

Many communities want to better serve their residents by providing affordable housing options, but they lack the resources to identify or implement needed regulatory reforms. Although other jurisdictions may provide a plethora of models, determining which of those strategies may be most effective for a specific community can be challenging. It may require conducting a housing needs analysis, creating a housing policy plan, determining which regulations or processes are the chief

constraints in the market, and understanding aspects of another jurisdiction's local context to see whether the activity would be effective in the community of focus.

Once potentially effective models are identified, implementing them can be a substantial undertaking: reviewing and revising the master plan that guides development throughout the jurisdiction, zoning ordinances, subdivision ordinances, adequate public facilities ordinances, environmental regulations, and historic preservation rules, as well as coordinating with transportation and other infrastructure planning departments, require significant staff expertise and resources. Fragmentation within local government can inhibit collaboration across the many government agencies that affect housing production. Conducting effective stakeholder engagement, particularly when local stakeholders disagree on how best to proceed, is vital for developing housing policy plans and implementing necessary reforms to effect those plans. Technical assistance could help fill some of this knowledge gap, especially in places with smaller populations (under 50,000) that have limited capacity for planning, including rural counties and tribal communities.

The housing market faces the potential for significant disruption as the measures put into place during the COVID-19 pandemic to protect renters and homeowners begin to expire, making it critical that governments take action to ensure their residents are stably housed. Significant federal resources have been made available to help meet those immediate needs. The pandemic has also thrown into stark relief the need for jurisdictions to implement long-term regulatory reform to create inclusive communities with housing affordable to households with various needs and preferences.

HUD continues to explore ways to support jurisdictions in their efforts to meet the housing needs of their residents. Technical assistance, funded research, and the Regulatory Barriers Clearinghouse remain valuable resources. We anticipate additional resources will become available with the implementation of the Affirmatively Furthering Fair Housing rule, ongoing research, and funding for capacity building and technical assistance to support local jurisdictions in achieving their housing goals. In addition, a comprehensive zoning reform program, such as the one proposed in the Build Back Better Plan currently before Congress, would enhance HUD's efforts to help communities plan and implement housing policy reforms, study the impact of those reforms, and share the most effective approaches to community engagement and policy actions.

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