

Eliminating Barriers to Affordable Housing

By: Sam Vankevich | August 12, 2019

It is no secret that President Trump has sought to reduce the [size and scope](#) of regulations overall. Thus far, the administration has [found it difficult](#) to successfully reduce rules already on the books, but it has certainly [slowed the growth](#) of new regulations compared to previous administrations. [Executive Order \(EO\) 13878](#) is one of the administration's most recent attempts to reduce regulations—with the goal of making housing more affordable, especially for low-income families.

This commentary specifies the main regulatory barriers discussed in the EO and provides details of how it intends to address these barriers in order to improve access to affordable housing.

A Vision for More Affordable Housing

EO 13878, titled “Establishing a White House Council on Eliminating Regulatory Barriers to Affordable Housing,” creates a council whose members include seven Cabinet secretaries, with the Secretary of Housing and Urban Development as chairman. The council will work with local, tribal, state, and federal government officials, as well as home builders, renters, real estate professionals, and other relevant private-sector stakeholders, to find specific regulations that unnecessarily raise housing costs. Then it will identify the most effective and efficient ways to reduce those regulations, with a goal of making housing more affordable.

The [regulations](#) that “artificially raise the cost of housing development and help to cause the lack of housing supply,” which this council is tasked with identifying, include density limitations, height restrictions, parking requirements, cumbersome building codes, and strict zoning rules. After soliciting feedback, the council will submit to the president updated reports on the best ways to reduce overly burdensome regulations.

The EO [notes](#) that “the Federal Government invested more than \$46 billion in rental assistance programs for low-income families” in 2018, alongside “additional housing support through the tax code ... [for] developers of low-income housing.” Although these programs do benefit low-income households, the EO argues that a more sustainable approach to affordable housing is to reduce unnecessary rules. The council will also provide new quantified data on the effect that regulatory barriers have on housing development which the public and private researchers will be able to use to help make further reforms.

In brief...

Executive Order 13878 creates a council tasked with reducing regulations to make housing more affordable. The multi-agency council will work with all levels of government, and private sector stakeholders to collect information and propose reforms before its termination date of Jan. 21, 2021.

Laggard Wages, Accelerated Rent

Although recent [statistics](#) show that homelessness in the U.S. is decreasing, that does not mean that housing is getting more affordable. According to the [Federal Reserve](#), home prices have been rising faster than wages since bottoming out in 2012. This high rate of household spending leaves low-income families with very few resources to cover other basic necessities. The EO notes that nearly a [third](#) of U.S. households are cost-burdened – spending more than [30 percent](#) of income in rent or mortgage payments – and that over 18 million households spend more than 50 percent of their income on housing.

According to the [American Planning Association](#), excessively burdensome zoning laws and regulations restrict the development of multifamily housing structures such as condos and apartments. This can reduce the supply of housing units, and lead to higher prices. This outcome is perhaps most evident in cities like [San Francisco](#), where housing regulations are among the most stringent in the country.

A study conducted by the National Association of Home Builders and the National Multifamily Housing Council claims that more than [30%](#) of multifamily housing development costs result from regulations imposed by all levels of government, as [Figure 2](#) from the study shows.

Figure 2: Government Regulation as a Share of Multifamily Development Costs

| Type of Cost | Lower Quartile | Average | Upper Quartile |
|---|----------------|--------------|----------------|
| Cost of applying for zoning approval | 1.1% | 4.0% | 5.3% |
| Interest costs on refundable fees charged when site work begins | 0.0% | 0.2% | 0.2% |
| Other (non-refundable) fees charged when site work begins | 1.9% | 4.2% | 5.5% |
| Development requirements that go beyond the ordinary | 1.1% | 5.9% | 8.4% |
| Land dedicated to the government or otherwise left unbuilt | 0.0% | 2.1% | 3.3% |
| Fees charged when building construction is authorized | 1.1% | 3.9% | 5.4% |
| Cost of complying with affordability mandates (e.g., inclusionary zoning) | 0.0% | 1.7% | 2.6% |
| Cost increases from changes to building codes over the past 10 years | 5.2% | 7.0% | 7.1% |
| Cost of complying with OSHA requirements | 1.3% | 2.3% | 2.3% |
| Pure cost of delay (i.e., even if regulation imposed no other type of cost) | 0.1% | 0.7% | 1.2% |
| TOTAL ESTIMATED REGULATION AS A SHARE OF DEVELOPMENT COSTS | 21.7% | 32.1% | 42.6% |

Conclusion

For EO 13878 to achieve its stated goal of making housing more affordable, federal, state, and local government officials and private sector leaders will need to cooperate with the council to find relevant information and the best regulatory reform actions to take. Then it would be up to the discretion of the relevant authorities to follow through with subsequent rulemaking.

Regulation often generates partisan conflict in Washington, but members of both parties have expressed concern about regulations and legislation that increase the cost of housing. For example, California’s [Senate Bill 50](#), proposed by Democratic State Senator Scott Wiener, aims to streamline zoning rules to help resolve the San Francisco housing crisis. Housing affordability affects people from all backgrounds; perhaps Democrats and Republicans will be able to find common ground on this issue to do what’s best for everyone living in the US.