TESTIMONY BY
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ON BEHALF OF THE
NATIONAL MULTIFAMILY HOUSING COUNCIL
AND THE
NATIONAL APARTMENT ASSOCIATION

BEFORE THE
HOUSE COMMITTEE ON FINANCIAL SERVICES
HOUSING AND INSURANCE SUBCOMMITTEE

FOR A HEARING ENTITLED
SUSTAINABLE HOUSING FINANCE: PRIVATE SECTOR PERSPECTIVES ON HOUSING FINANCE REFORM, PART II

NOVEMBER 2, 2017

Chairman Duffy, Ranking Member Cleaver, esteemed members of the Subcommittee, it is my privilege to appear before you today to speak on behalf of the multifamily industry, the National Multifamily Housing Council, and the National Apartment Association regarding housing finance for apartment communities. My name is Bob DeWitt, and I am the President and CEO of GID Investment Advisers. Founded in 1960, we are a privately-held, vertically-integrated, diversified real estate operating company that develops, owns and manages a portfolio of existing and under-development properties valued in excess of $13 billion. We have offices in Boston, New York, San Francisco, Washington, Atlanta, Denver and Orange County. GID owns and manages 110 properties in 16 states and employs over 650 real estate professionals.

For more than 25 years, the National Multifamily Housing Council (NMHC) and the National Apartment Association (NAA) have partnered to provide a single voice for America's apartment industry. Our combined memberships are engaged in all aspects of the apartment industry, including ownership, development, management and finance. NMHC represents the principal officers of the apartment industry's largest and most prominent firms. As a federation of more than 160 state and local affiliates, NAA encompasses over 73,000 members representing nearly 9 million apartment homes globally.

I appreciate the opportunity to be here today to present the multifamily industry's perspective on the role of the Government Sponsored Enterprises (Enterprises), Fannie Mae, Freddie Mac, and the Federal Housing Administration (FHA) and specifically how the meaningful differences between the multifamily market and single-family market require very different solutions in the context of housing finance reform. I will also discuss why we believe there will be a continued need for federal involvement in the multifamily sector in a reformed housing finance structure.

Before I do that, however, allow me to describe some key aspects of the apartment market and how changing demographics will demand a continued flow of capital into this sector if we are to meet the nation's current and future housing needs.

The apartment sector is a competitive and robust industry that helps nearly 39 million people live in homes that are right for them. We help build vibrant communities by offering housing choice, supporting local small businesses, creating millions of jobs and contributing to the fabric of communities across the country. And we are an increasingly important sector in the housing industry.

State of the Multifamily Market

We are experiencing fundamental shifts in our housing dynamics, as more people are moving away from buying houses and choosing to rent apartments. More than one in three

Americans rent, and 19 million of those households are building their lives in apartments[1]. In the past five years, an average of 600,000 new renter households was formed every year. This increased apartment demand creates a critical need for 4.6 million new apartments at all price points by 2030 according to a new study conducted by Hoyt Advisory Services and commissioned by the National Multifamily Housing Council (NMHC) and the National Apartment Association (NAA)[2]**.** To meet that demand, we will need to build an average of at least 325,000 new apartments every year; yet, on average, just 244,000 apartments were delivered from 2012 through 2016[3].

The apartment industry is a capital-intensive industry. Capital sustains and grows the multifamily industry; therefore, it is critical to get housing finance reform right to provide consistent access to capital across geographies, markets, and product types if we are to meet the current and future demand for rental housing in America.

Rental Housing – The Supply-Demand Imbalance

Housing affordability is a significant challenge facing many Americans today who are seeking to rent an apartment. The number of households renting their homes stands at an all-time high, thus placing significant pressure on the apartment industry to meet the demand. This is making it challenging for millions of families nationwide to find quality rental housing that is affordable at their income level. For many families, the shortage of rental housing that is affordable creates significant hurdles that make it even more difficult to pay for basic necessities like food and transportation. Ultimately, this also impacts their future financial success.

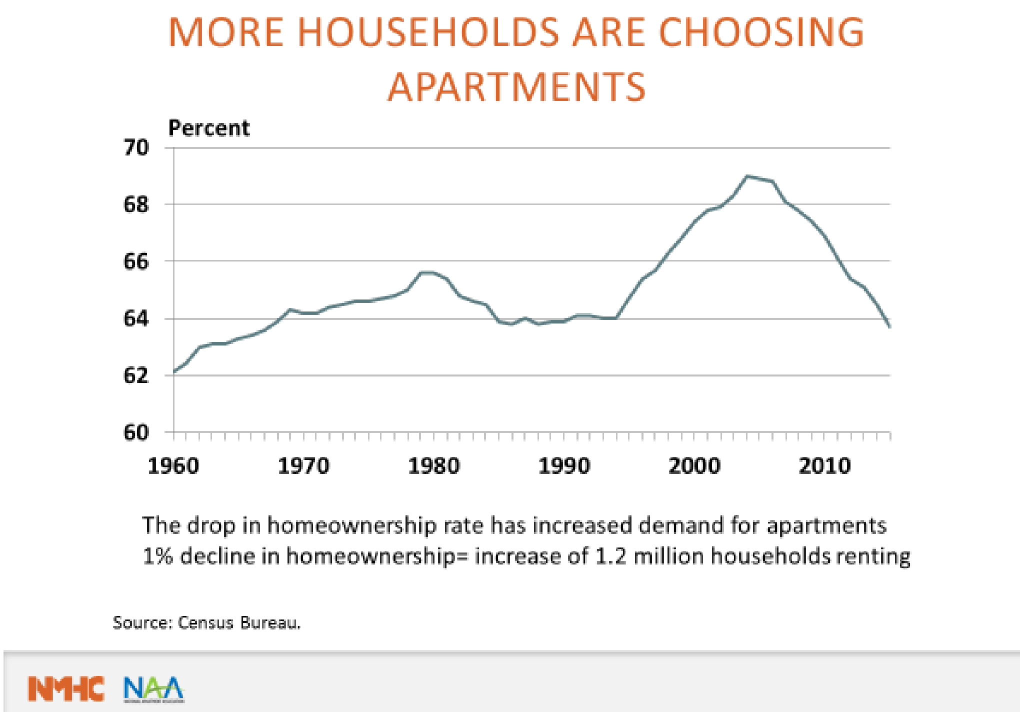
This issue is not unique to lower income households and, in fact, is encroaching on the financial wellbeing of households earning up to 120 percent of area median income as this Committee learned in testimony by NMHC and NAA on March 22, 2016. Affordability is an issue impacting the very fabric of communities nationwide, including teachers, firefighters, nurses and police officers.

According to Harvard's Joint Center for Housing Studies[4], in 2015 more than one in four renter households – approximately 11.1 million – paid more than half of their income for rental housing. Setting aside that real (inflation adjusted) incomes in the U.S. are only slightly above their 2000 levels– clearly the key factor driving the affordability crisis – housing industry leaders agree that promoting construction, preservation and rehabilitation are three of the vital ways to meet the surging demand for apartment homes.

[1] U.S. Census Bureau, 2016 American Community Survey 1-Year Estimates.
[2] Hoyt Advisory Services; NMHC/NAA
[3] U.S. Census Bureau, New Residential Construction.
[4] Harvard Joint Center for Housing Studies, "The State of the Nation's Housing 2017", Appendix Tables.

Rental Housing – Changing Housing Dynamics

America is experiencing fundamental shifts in our housing dynamics, as more people are choosing apartments. More than 75 million people between 18 and 34 years old are entering the housing market, primarily as renters. However, renting is not just for the younger generations anymore. Increasingly, Baby Boomers and other empty nesters are trading single-family houses for the convenience of rental apartments. In fact, more than half of the net increase in renter households over the past decade came from the 45-plus demographic cohort[5].



The western U.S. as well as states such as Texas, Florida and North Carolina are expected to have the greatest need for new apartment housing through 2030, although all states will need more apartment housing moving forward. Across all markets, the supply of multifamily housing at a variety of price points will play a role in promoting economic growth, attracting and retaining talent, and encouraging household stability for all American families.

[5] NMHC tabulations of 2016 Current Population Survey, Annual Social & Economic Supplement, U.S. Census Bureau.

There will also be a growing need for renovations and improvements on existing apartment buildings, which will provide a boost in jobs (and the economy) nationwide. Hoyt's research found that 51 percent of the apartment stock was built before 1980, which translates into 11.7 million units that could need rehabilitation or renovation by 2030.

As I have publicly stated previously, the growing demand for apartments – combined with the need to renovate thousands of apartment buildings across the country – will make a significant and positive impact on our nation's economy for years to come. For frame of reference, apartments and their 39 million residents contribute $1.3 trillion to the national economy annually[6]. As the industry continues to grow, so will this tremendous economic contribution.

While many factors influence the apartment industry's health and ability to meet the nation's growing demand for rental housing, the availability of consistently reliable and competitively priced capital is the most essential.

Multifamily Performance: A Success Story

September marks nine years since the federal government placed Fannie Mae and Freddie Mac (the Enterprises), critical providers of capital for the housing industry, in conservatorship. Importantly, conservatorship was conceived as a temporary solution, an interim fix to prevent economic Armageddon while a more lasting prescription for the nation's housing finance system could be determined.

The bursting of the single-family housing bubble exposed serious flaws in our nation's housing finance system. Yet, those shortcomings were confined to the single-family residential sector. Unfortunately, the losses experienced in their single-family divisions have overshadowed the strong mortgage financing and credit performance of the multifamily programs. The multifamily programs of the Enterprises were not part of the meltdown, and have generated over $31 billion in net profits since the two firms were placed into conservatorship[7]. It is important to note that the multifamily divisions' profitability at the Enterprises has not come at the expense of market discipline, quality underwriting, or taxpayer exposure. Since 2008, both Enterprises have sustained industry leading loan performance with delinquencies well below 1 percent through a generationally disruptive market downturn, and this in spite of the fact that the Enterprises did not retreat from the market when nearly all other debt sources exited.

[6] NMHC and NAA, "The Trillion Dollar Apartment Industry"

[7] Fannie Mae 10-K, Freddie Mac 10-K

Now in the tenth year of conservatorship of the Enterprises, the need to address the current status of conservatorship is vitally important. Today, when reforming a system as complicated as housing finance, policy makers should not ignore the lessons of the crisis. I encourage you to instead begin your efforts with a strong cornerstone. We believe the multifamily system of the Enterprises can, and should, serve as a model for reform, having operated with distinction during the great financial crisis. A reform effort built on this strong foundation will ensure liquidity, stability, and affordability in the housing market—especially for multifamily, which has been a growth engine for the housing market during the economic recovery.

These positive performance metrics are as a result of the GSE multifamily programs' adherence to prudent underwriting standards, sound credit policy, effective third-party assessment procedures, conservative loan portfolio management, and, most importantly, risk-sharing and risk-retention strategies that place private capital at risk ahead of taxpayers.

As originally designed and subsequently proven during the housing crisis, the Enterprises' multifamily programs serve a critical public policy role balanced with excellent loan performance. Even during normal economic times, private capital alone cannot fully meet the industry's financing demands.

Principles of Multifamily Housing Finance Reform

Many factors influence the apartment industry's health and its ability to meet the nation's growing demand for rental housing, but the availability of consistently reliable and competitively priced capital is absolutely essential.

NMHC and NAA urge the Committee to recognize the unique needs of the multifamily industry. We believe the goals of a reformed housing finance system should be to:

- Maintain an explicit, appropriately priced and paid-for federal guarantee for multifamily-backed mortgage securities available in all markets at all times;
- Recognize the inherent differences of the multifamily business from the single-family business;
- Promote private market competition;
- Protect taxpayers by keeping the concept of the Enterprises' multifamily first-loss risk sharing models;
- Retain the successful components of the existing multifamily programs in whatever succeeds them;
- Avoid market disruptions during the transition to a new finance system.

These core set of principles for housing finance reform provide a solid foundation as the Committee addresses the multifamily industry.

Maintain an Explicit Federal Guarantee

Given the market failure of the private sector to meet the apartment industry's broad capital needs, an explicit federal guarantee for multifamily-backed mortgage securities should be available in all markets at all times. A private-only housing finance system would result in an abundance of capital for high-end properties in top-tier markets but leave secondary and tertiary markets like Madison, Wisconsin, or Jefferson City, Missouri, underserved.

Any federal credit facility should be available to the entire apartment sector and not be restricted to specific housing types or renter populations. Moreover, it would be impossible to turn on and off a government-backed facility without seriously jeopardizing capital flows. The benefit of any Federal guarantee should only accrue to the investors of multifamily mortgage-backed securities; it should not apply to the underlying multifamily mortgages or the entities issuing the securities. Borrowers should pay for this credit-enhancement guarantee in the form of an appropriately priced credit enhancement fee that actuarially insures taxpayers against future losses. The pricing of this guarantee should reflect its underlying value to the industry and the risks it presents to the taxpayers. This guarantee is the single most important determinant of liquidity in the marketplace -- without it, liquidity becomes unavailable during recessions and periods of capital markets disruption. The industry can bear the cost paid for this liquidity, but it cannot survive without constant access to liquidity.

Fannie Mae and Freddie Mac have served as the cornerstone of the multifamily housing finance system, successfully attracting private capital to the sector. Unlike any other single source of capital, they offer long-term debt for the entire range of apartment properties (market-rate workforce housing and subsidized properties, large properties, small properties, etc.), and they are active in all markets (primary, secondary and tertiary) during all economic conditions.

When credit markets have been impaired for reasons that have nothing to do with multifamily property operating performance, the federally-backed secondary market has ensured the continued flow of capital to apartments.

For example, when private capital left the housing finance market in 2008, the apartment industry relied almost exclusively on Fannie Mae, Freddie Mac and FHA/Ginnie Mae for capital. Between 2008 and 2010, the GSEs provided $94 billion in mortgage debt to the apartment industry. Without the critical backstop provided by the Enterprises, thousands of otherwise performing multifamily mortgages would have gone into default because there were no private capital sources willing to refinance maturing loans. This could have meant disruption to millions of renter households. The GSEs served a similar role during the 1997-1998 Russian financial crisis and in the post-9/11 recession of 2001.

This is pointed out in an effort to highlight how large a chasm private capital would have to fill and to emphasize the public policy mission the existing system has served, ensuring liquidity and avoiding widespread adverse effects for the millions who rent.

Recognize Differences Between Multifamily and Single-Family Businesses

A one-size-fits-all solution will not work. The two sectors operate differently, have divergent performance records and require distinct reform solutions. The capital sources for multifamily are not as wide or as deep as those financing single-family, and the loans themselves are not as easily commoditized.

The GSEs' multifamily programs adhere to a business model that includes prudent underwriting standards; sound credit policy; effective third-party assessment procedures; risk-sharing and risk-retention strategies; effective loan portfolio management; and standardized mortgage documentation and execution.

Moreover, the financing process; mortgage instruments; legal framework; loan terms and requirements; origination; secondary market investors; underlying assets; business expertise; and systems are all separate and unique from single-family home mortgage activities.

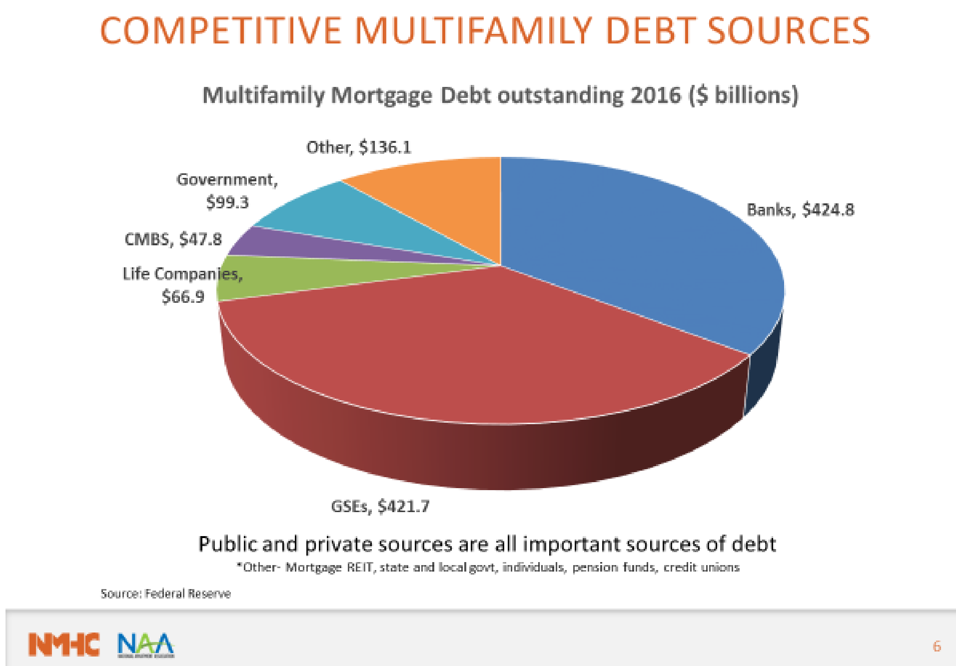
We strongly recommend that any reform measure include a separate multifamily title. This separate title should not only address the successors to the GSEs' multifamily programs, but also how the transition to that new system will be handled.

Promote Private Sector Competition

We share the collective desire to have a marketplace where private capital dominates, and that's been the case in the multifamily markets. Private capital has always been an integral part of the multifamily housing finance system. In fact, the apartment industry relies on many private capital sources to meet its financing needs, including banks, life insurance companies, the commercial mortgage-backed securities market, and, to a lesser extent, pension funds and private mortgage companies.

However, even during healthy times, the private market has been unwilling or unable to meet the totality of the rental housing industry's capital needs. For example, banks are limited by capital requirements and have rarely been a source of long-term financing. Life insurance companies typically make up less than 10 percent of the market, lend primarily to newer and high-end properties, and enter and exit the multifamily market based on their investment needs. And a stricter regulatory environment post–financial crisis has kept the private-label commercial mortgage-backed securities market from returning to previous volumes.

Historically, the apartment industry has relied on a variety of capital sources, each with its own focus, strengths and limitations, to meet its borrowing needs. These capital sources together have provided the apartment sector with debt– reaching as high as $269 billion in 2016[8] – to develop, refinance, purchase, renovate and preserve apartment properties.



Commercial Banks: Short-Term Financing for Smaller, Local Borrowers

Commercial banks and thrifts generally serve as a source of credit for many borrowers to finance construction, acquisitions and ownership. They typically provide floating rate or short-term fixed rate debt, and often their willingness to extend this credit is based on the availability of permanent take-out financing offered by the GSEs.

The banks currently hold 36 percent ($424.8 billion) of outstanding multifamily mortgage debt.[9] Between 1990 and 2016, they provided 33 percent ($297.5 billion) of the total net increase in mortgage debt[10]. They provided limited amounts of capital to the industry during the financial crisis but have taken a much more active role in lending

[8] Mortgage Bankers Association
[9] US. Federal Reserve, "Mortgage Debt Outstanding 4Q2016".
[10] US. Federal Reserve, "Mortgage Debt Outstanding 4Q2016".

since. Banks face constraints on maintaining the recent level of activity due to higher risk-based capital requirements, and new Basel accounting standards, which impose meaningful limits on the ability of banks to provide capital to commercial real estate. During 2016 the multifamily market saw meaningful pullback by depositories, especially in construction lending, due to regulatory and credit concerns.

Life Insurance Companies: Target High-Quality Properties, Capital Allocations Change with the Market

Life insurance companies tend to restrict their lending to a handful of primary markets and to high-quality, newer construction apartment properties. They do not generally finance affordable apartments, and their loan terms typically do not extend beyond 10 years. Importantly, they enter and exit the multifamily market based on their investment needs and economic conditions. On average, they generally provide 10 percent or less of the annual capital needed by the multifamily industry, but that number has gone as low as 3 percent. They currently hold 6 percent ($66.9 billion) of outstanding multifamily mortgage debt. Between 1990 and 2016, they accounted for 4 percent ($36.1 billion) of the net increase in multifamily mortgage debt.

FHA\GNMA: Reliable Capital Source but Limited Mortgage Products and Capacity Issues

Some have suggested that **the Federal Housing Administration (FHA)** could step in and fill the liquidity provided by Fannie Mae and Freddie Mac. This solution is unrealistic. FHA serves a very different market from Fannie Mae and Freddie Mac, focusing on construction lending and affordable rental properties not served by other sources of capital.

FHA offers high-leverage, long-term mortgages with 35-year terms and 80-83 percent loan-to-value ratio for the construction, substantial rehabilitation, acquisition and refinancing of apartments. The loans FHA offers are frequently used for construction lending and the financing of affordable apartments. Ginnie Mae securitizes FHA loans and offers them with a full government guarantee.

After the 2008 financial collapse, they became a vital source of construction capital and permanent financing for apartments, and now FHA/Ginnie Mae currently holds 8 percent ($99.3 billion) of outstanding multifamily mortgage debt. Between 1990 and 2016, they accounted for 10.0 percent ($87.2 billion) of the total net increase in mortgage debt.

Capacity issues, long processing times and statutory loan limit requirements prevent FHA from serving a larger share of the multifamily market.

CMBS/Conduits: Volatile Capital Source

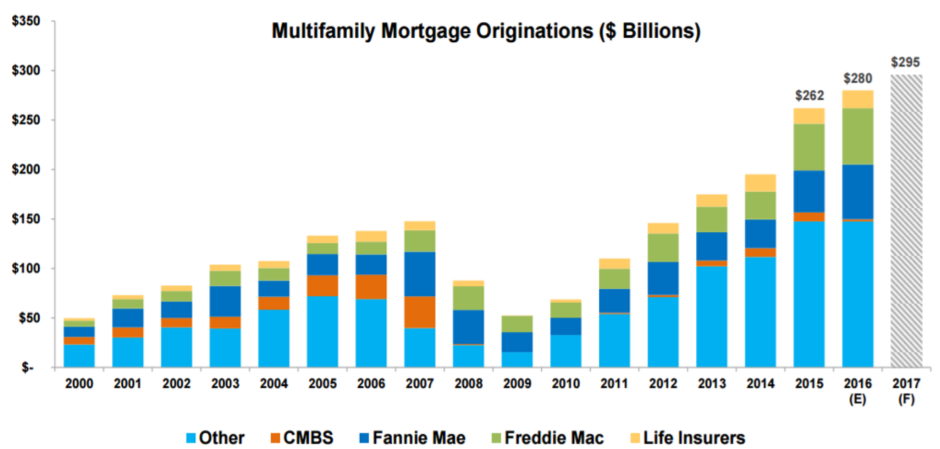
The CMBS market did not become a material source of capital to the apartment industry until the mid-1990s, peaking at 16.5 percent of the market, $21.4 billion, in the housing bubble year of 2007.

The CMBS market completely shut down after the 2008 crisis. Today, the CMBS market is showing some signs of recovery; however, regulatory changes imposed by financial regulatory reform legislation will mean that it will probably not return to its pre-bubble levels of lending.

The CMBS market now holds 4 percent ($51.1 billion) of the outstanding multifamily mortgage debt, however, it is no longer a major source of debt for the apartment industry and this share is expected to continue to shrink.

It must be noted that in 2012 the GSEs each produced a report commissioned by the Federal Housing Finance Agency (FHFA) that estimated the potential consequences to the apartment sector of eliminating the federal guarantee[11]. According to that research, which was undertaken by the GSEs and independent third-party experts, interest rates would rise, and debt financing capital would fall by 10 percent to 20 percent. That could result in a 27 percent drop in apartment supply, which could, in turn, cause rising rents to increase nationwide and significant spikes in tertiary geographic markets.

HISTORIC MULTIFAMILY DEBT SOURCES



Sources: Freddie Mac 10-Ks, 10-Qs, FHFA Report to Congress, and Freddie Mac's internal reports, Fannie Mae 10-Ks, 10-Qs, FHFA Report to Congress, and Fannie Mae's Multifamily Monthly New Business Volumes, (ACLI), Wells Fargo Securities, LLC, Intex Solutions, Inc., Mortgage Bankers Association and Freddie Mac internal research

[11] https://www.fhfa.gov/PolicyProgramsResearch/Policy/Documents/FNMMF2012ScorecardResponse.pdf
https://www.fhfa.gov/PolicyProgramsResearch/Policy/Documents/FREReport_MF_MarketAnalysis.pdf

Protect Taxpayers by Continuing Risk Sharing & Private Capital Participation

Each Enterprise utilizes its own risk-sharing models that protect it from losses and places private capital sources in the first loss position. These models worked effectively through the economic downturn in protecting taxpayers from footing the bill to pay for credit losses. As further proof of the proper alignment of interest the credit losses experienced by the Enterprises multifamily programs were much less than compared to the losses experienced by the other sources of capital to the multifamily industry.

Not only have the GSEs' multifamily programs operated in a fiscally sound manner, they have done so while offering a full range of mortgage products to meet the unique needs of the multifamily borrower and serve the broad array of property types. This includes conventional market rental housing, workforce rental housing and targeted affordable housing (e.g., project-based Section 8, state and local government subsidized and Low-Income Housing Tax Credit (LIHTC) properties).

In short, the GSEs' multifamily models hit the mark. They have attracted enormous amounts of private capital; helped finance millions of units of market-rate workforce housing without direct federal appropriations; sustained liquidity in all economic climates; and ensured safety and soundness of their loans and securities. As a result of the liquidity provided by the GSEs, the United States has the best and most stable rental housing sector in the world.

Retain Successful Components of Multifamily Programs in Future System

The multifamily programs serve as a model for any successor system for housing finance reform. Replacing and starting a new business model for the multifamily businesses would only serve to disrupt the capital flow to the apartment industry. Preservation of the Enterprises technology, processes, and personnel must be a guiding principle as the Committee evaluates a new housing finance system.

Avoid Market Disruptions During Transition

To avoid market disruption, it is critical that policymakers clearly define the government's role in a reformed system and the timeline for transition. Without that certainty, private capital providers are likely to limit their exposure to the market, which could cause a serious capital shortfall to rental housing. In addition, as has been the case since the GSEs were placed into conservatorship in 2008, it is vital to continue to retain many of the resources and capacity of the existing Enterprises. The two GSEs have extensive personnel and technological expertise, as well as established third-party relationships with lenders, mortgage servicers, appraisers, engineers and other service providers, which are critical to a well-functioning secondary market.

Multifamily Federal Housing Administration (FHA) Programs

FHA Multifamily is best known for offering an alternative source of construction debt to developers that supplements bank and other private construction capital sources. It also serves borrowers with long-term investment goals to serve low and middle-income families as the only capital provider to offer 35-40-year loan terms. FHA lending is essential to borrowers in secondary and tertiary markets, borrowers with smaller balance sheets, new development entities, affordable housing developers and non-profit firms, all of which are often overlooked or underserved by private capital providers.

In normal capital markets, FHA plays a limited, but important, role in the rental housing sector. During the recent great financial crisis, however, FHA became virtually the only source of apartment construction capital. Today, as banks have pulled back from construction lending, FHA has once again stepped into fill this void.

FHA's Multifamily Programs have continually generated a net profit, and have met all losses associated with the financial crisis with reserves generated by premiums paid through the loan insurance program structure. Because premiums have consistently reflected the risk associated with the underlying loans, and because underwriting requirements have remained strong within the program, FHA's Multifamily Programs are able to operate as self-funded, fully covered lines of business at HUD. A few programs struggled during the real estate downturn; however, any losses have been covered by the capital cushion the multifamily programs collectively generate.

It is important to the apartment industry that FHA continues to be a credible and reliable source of construction and mortgage debt. FHA not only insures mortgages, but it also builds capacity in the market, providing developers with an effective source of construction and long-term mortgage capital. The FHA Multifamily Programs provide a material and important source of capital for underserved segments of the rental market, and do so while maintaining consistently high loan performance standards. NMHC/NAA encourage Congress to continue the FHA's Multifamily Programs.

Addressing the Nation's Housing Affordability Crisis

Policymakers are understandably still struggling to determine the degree to which an ongoing federal role in the rental finance system should be connected with the pressing need to address the nation's affordable housing shortage. We begin by noting that multifamily housing is inherently affordable housing. Therefore, the mere extension of a government role to ensure liquidity to the multifamily sector is, by definition, supporting workforce and affordable housing.

It is tempting to believe that more can be done to address affordability through housing finance reform, namely through imposing limitations on federal guarantees or other mandated benchmarks. We caution policymakers not to overreach, however, as such well-intended moves, if overly prescriptive, could have adverse consequences.

To begin with, one way the GSEs have been able to produce such a stellar performance record in multifamily is by being able to build a balanced book of business where lower-risk, higher-end properties enabled them to take on riskier, deeply targeted affordable housing properties, such as Section 8 and Low-Income Housing Tax Credit properties.

Just as critical, the GSEs' multifamily programs have been able, through their broad platforms, to provide capital for projects located in markets that do not meet the credit or return standards required by many private capital debt providers.

Not only does a broad multifamily lending platform help the GSEs and any successor entities manage risk, but it also ensures that there is a sufficient supply of liquidity in severe market downturns. For instance, in the most recent financial crisis, even firms and properties that would normally be well served by private capital found themselves with no options.

If the successor entities to Fannie Mae and Freddie Mac are more limited in what markets or properties they can serve, they will be unable to fill the critical public policy mission they have historically served. Failure to ensure sufficient liquidity for all types of apartments will have a spillover effect that could be disastrous for America's renters.

Nevertheless, we understand the need to tackle housing finance reform and affordability in the same debate. NMHC/NAA look forward to working with Congress on developing workable solutions to this vital policy issue.

Conclusion

As this Committee continues its important work of assessing and crafting a reformed housing finance model, Congress must understand that a one-size-fits all approach will not work. The meaningful differences between the single family and multifamily sectors, both in how they operate and how they have performed, requires different solutions to avoid putting at risk the nearly 39 million Americans who rely on the apartment industry for their housing.

Not only are the sectors very different in how they operate, they also have much different performance records. It should come as no surprise that the multifamily programs have generated more than $31 billion in net profits for the federal government since they were placed in conservatorship. We encourage you to study the design and performance of the multifamily businesses at both GSEs during the great financial crisis and today, and visit with stakeholders in each of your communities to best understand the critical, stabilizing role of the GSEs in all markets, at all times. We strongly urge Congress to retain the successful elements of the multifamily programs in whatever replaces them. Lastly, it is essential that a reformed housing finance system retain a federal backstop for multifamily.

The multifamily Enterprise programs met the mark, even during the great financial crisis and can serve as a model for a continued federal guarantee for rental housing in a reformed housing finance model. Housing our diverse nation means having a vibrant rental market alongside an ownership market to promote stronger communities.

OUR VISION FOR 2030

Build 4.6 Million New Apartments to Meet Demand and Control the Cost of Housing

We Are Apartments

In communities across the country, apartments work — helping people live in a home that's right for them.

NAA NATIONAL APARTMENT ASSOCIATION

NMHC NATIONAL MULTIFAMILY HOUSING COUNCIL

Vision 2030

NATIONAL MULTIFAMILY HOUSING COUNCIL
& NATIONAL APARTMENT ASSOCIATION

Introduction

The number of families renting their homes stands at an all-time high, placing significant pressure on the apartment housing industry to meet their needs. The ever-growing demand is making it challenging for millions of families nationwide to find quality rental housing they can afford at their income levels.

For many families, the shortage of affordable rental housing creates significant hurdles that ultimately hamper future financial success. And the problem won't go away on its own. Unless public and private sector leaders take bold, innovative action today and in the years to come, the affordable housing crisis will become even more desperate.

America needs to build more than 4.6 million new apartment[*] homes at a variety of price points by 2030, according to new research from Hoyt Advisory Services (HAS), commissioned by the National Multifamily Housing Council (NMHC) and the National Apartment Association (NAA).

The projection of 4.6 million is low, based on estimated demand by new apartment households through 2030. Not included in the number are the supply-demand imbalances that currently exist in some markets, where households are unable to find an apartment at a rent affordable to them. Possibly underestimated are older existing apartments — as many as 11.7 million — that could need renovation by 2030.[1]

* **Throughout this document, apartments are defined as rental apartments in buildings with five or more units.**

Unless we get started today, we'll be short millions of apartments by 2030.

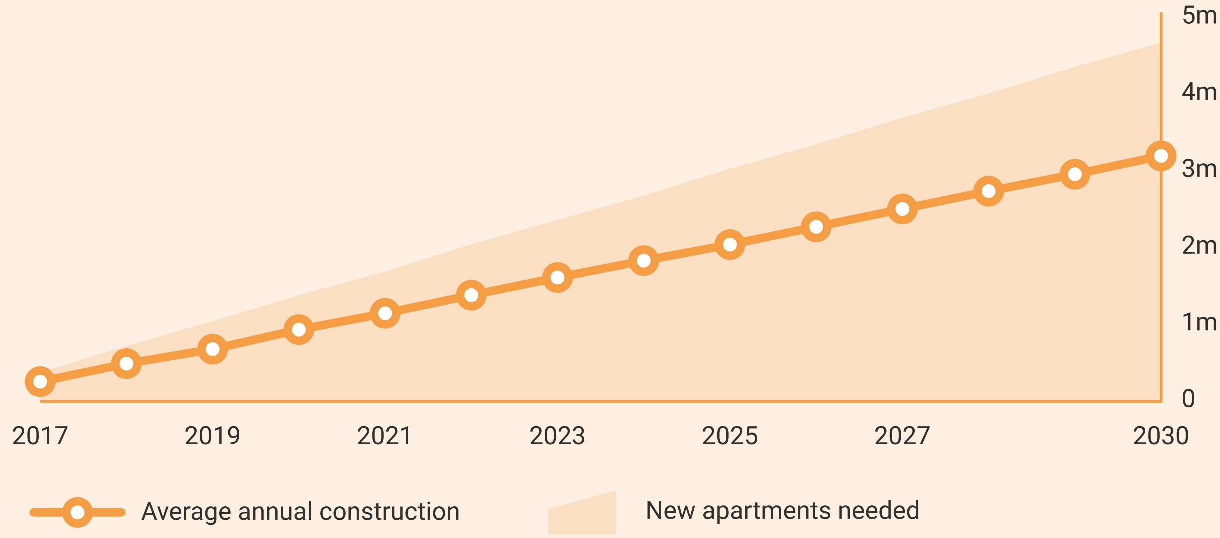
Meeting projected demand means building more than 325,000 new apartment homes each year on average — a number the industry has not been able to hit for decades. From 2012 through 2016, the apartment industry built, on average, only 244,000 new apartment homes per year.[2] The last time the industry built more than 325,000 in a single year was 1989.[3] That history suggests that reaching and maintaining needed growth in new apartments will require a revamp of how we build apartments. It will also require courageous steps by policymakers at the federal, state and local levels who are willing to implement inventive policy ideas, provide incentives and reduce impediments to building apartments that meet demand across all income levels.

The cost to build and operate apartments has increased as barriers to development have worsened over recent decades, exacerbating housing affordability. For many families, the shortage of low and moderately priced housing makes it difficult to pay for basic necessities such as food and transportation, or to save for the future. Housing affordability is not just an issue for low-income families. It is increasingly affecting middle-income families who earn too much to qualify for a subsidy, but not enough to pay market-rate housing costs.

Ultimately, if these issues are left unaddressed, states and cities risk losing workers and driving down economic activity as families seek more balanced housing markets elsewhere. After all, apartments and their residents contribute more than $3.5 billion to the economy every day — about $1.3 trillion each year.[4]

Apartments and their residents contribute more than $3.5 billion to the economy every day.

Demand for apartments is projected to grow substantially by 2030.



UNPRECEDENTED DEMAND FOR APARTMENTS

The number of renters has reached an all-time high, with nearly 39 million people in the United States — that is almost 1 in 8 — calling apartments home.[5] They are singles, couples and families. They come from all generations and economic backgrounds.

Annual growth in renter households exceeded 800,000 on average since 2010 – and almost as much as 1.2 million, by some measures.[6] Meanwhile, apartment vacancy rates as measured by MPF Research fell or remained the same for seven straight years from 2009 to 2016.

HAS's research shows demand for apartments is projected to grow substantially by 2030. If current policies and population trends continue, many communities will have difficulty meeting demand, an outcome that will make affordability challenges significantly greater and stunt economic growth.

RISING HOUSING COSTS

Millions of people are paying far more than they can afford on all types of housing. They include young adults just starting out in their careers, workers who have not seen a wage increase in years, and even some of our nation's most valued public servants: teachers, firefighters and police officers.

A standard benchmark for housing affordability is that households pay less than 30 percent of their earnings on their rent or mortgage. Since 1985, the share of apartment renters paying at least 30 percent of their income for housing costs (rent and utilities) has increased from 42 percent to now more than half (55 percent).[7] More than one in four (29 percent) spend at least half their income on housing costs, a sign that their housing costs are a significant financial burden.[8]

As housing costs, to rent or to own, have gone up in many parts of the country, student debt and healthcare costs have also spiked, while incomes have stagnated.

While increasing supply is a long-term solution, communities that have made the investment in rental housing stock are starting to see rents moderate. In recognition of this, municipalities are beginning to work with local leaders, developers and citizens to make affordable housing a priority by first recognizing the obstacles to apartment construction and comprehensively looking at ways to minimize steps or processes that artificially increase the cost of housing. This includes everything from creative financing with capital partners and direct municipal investment, to mitigating actions that influence the soft cost of building such as onerous zoning, permitting, taxes, fees and the overall carrying cost of extended approval times — which can increase the total cost of housing by 25 percent to 40 percent.

It is time to take action across the country, in ways that are tailored to the needs of each community. The apartment industry stands ready to work with urban, suburban and rural communities in every region to meet the housing demands of Americans across all income levels.

We can bridge the gap between the cost of building and operating apartments and the amount of rent lower-income and middle-class households can afford.

Policymakers at all levels of government must recognize that addressing local housing needs requires a partnership between government and the private sector. The federal government can ensure sufficient funding of housing programs, enact a pro-housing tax policy and reform regulations that unnecessarily increase housing costs.

State and local governments have a toolbox of approaches they can take to address the apartment shortage and help reduce the cost of housing. They can:

- **Adopt local public policies and programs that harness the power of the private sector to make housing affordability more feasible.**
- **Increase public-private partnerships.**
- **Leverage state-level authority to overcome obstacles to apartment construction.**
- **Collaborate with business and community leaders to champion apartments.**

1

Changing Housing Dynamics Drive Apartment Demand

The country is in the midst of an unprecedented rise in renting. Since the current upswing began in 2010, the number of renter households has increased by an average of more than 800,000 annually – almost as much as 1.2 million a year, by some measures.[9]

Renting an apartment offers many advantages to working- and middle-class Americans. Apartment residents say they appreciate mortgage-free living, the ability to follow work opportunities across town or across the nation, and amenities that fit their lifestyles.

These choices drive economic growth. Apartments and their residents contribute more than $3.5 billion to the economy every day — about $1.3 trillion each year.[10] That impact could be even greater if more apartments were built to meet the needs of households at all income levels.

DEMOGRAPHIC SHIFTS

According to HAS research, three major demographic shifts will continue to have a strong impact on the demand for rental housing: The rise of young adults, the aging of the baby boomers, and immigration's increasing contribution to population growth.

At more than 75 million strong, young adults ages 18 to 34 — the age group most likely to rent – have become the largest generational demographic group in the U.S.[11] Their sheer numbers, as well as long-term and short-term social and economic trends that affect them, are having a profound impact on demand for apartments.

Historically, Americans have bought their first houses around the same time they get married. But people are getting married later. Today, both women and men get married for the first time five years later, on average, than they did in 1980.[12] A recent Census Bureau report found that in the 1970s, 80 percent were married by the time they were 45 years old; in 2016, 80 percent hadn't been married until they were 45 years old. Their homeownership rate is slightly lower, too. Only 35 percent own homes, compared to 41 percent of young adults in 1981, according to the U.S. Census Bureau.

These trends suggest more young adults are renting than did previous generations at the same stage in life. But high unemployment rates of the past 10 years, just now ticking down for young adults, as well as the growing burden of student debt, have kept many from forming their own households. Nearly a third (31.5 percent) of young adults live at home with their parents, a statistic that suggests pent-up demand for housing options that match their stage in life.[13]

There has also been a dramatic change in the number of households with children, the kinds of households that have typically driven demand for single-family houses. In 1960, 44 percent of all households in the U.S. were married couples with children. Today, such families make up only 19 percent of households.[14]

More and more, renting is not just for the younger generations. Once the nation's largest demographic group, baby boomers (those born between 1946 and 1964) now number 73 million people.[15] Over half (58.6 percent) of the net increase in renter households from 2006 to 2016 came from boomer households.[16]

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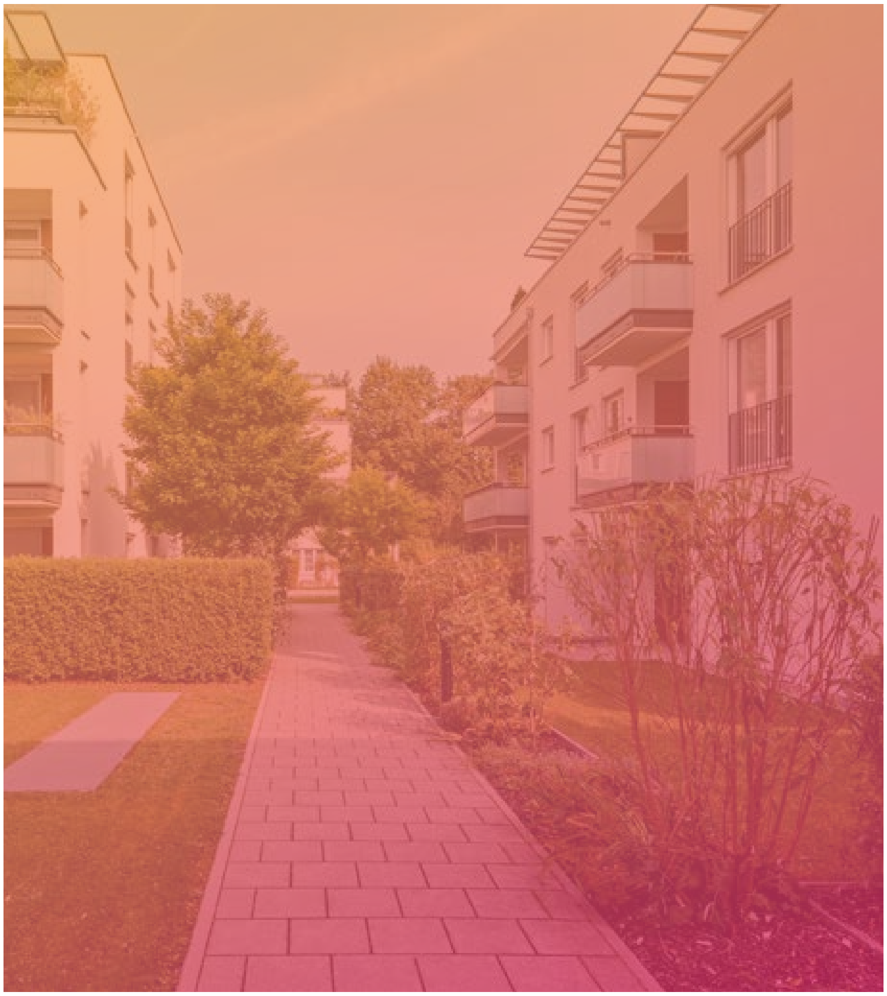
Immigration is also a driver of demand for apartment homes, and may become even more of an influence if it eclipses natural population growth over the next decade and a half, as estimated by HAS researchers. That is because immigrants are more likely to rent, and more likely to rent longer.[17] In states with slow-growing populations, like Michigan, West Virginia and Maine, immigration has in recent years accounted for a bigger chunk of population growth than in faster-growing states.

According to HAS research, Hispanic households alone will account for more than half (55 percent) of all U.S. population growth through 2030.



INCOME STAGNATION

America's affordable rental housing shortage is more than just a housing problem. Underlying the shortage is an income problem. As rental housing has gotten more expensive to build and operate, other economic factors have suppressed household income growth, making it harder for people to pay for housing.

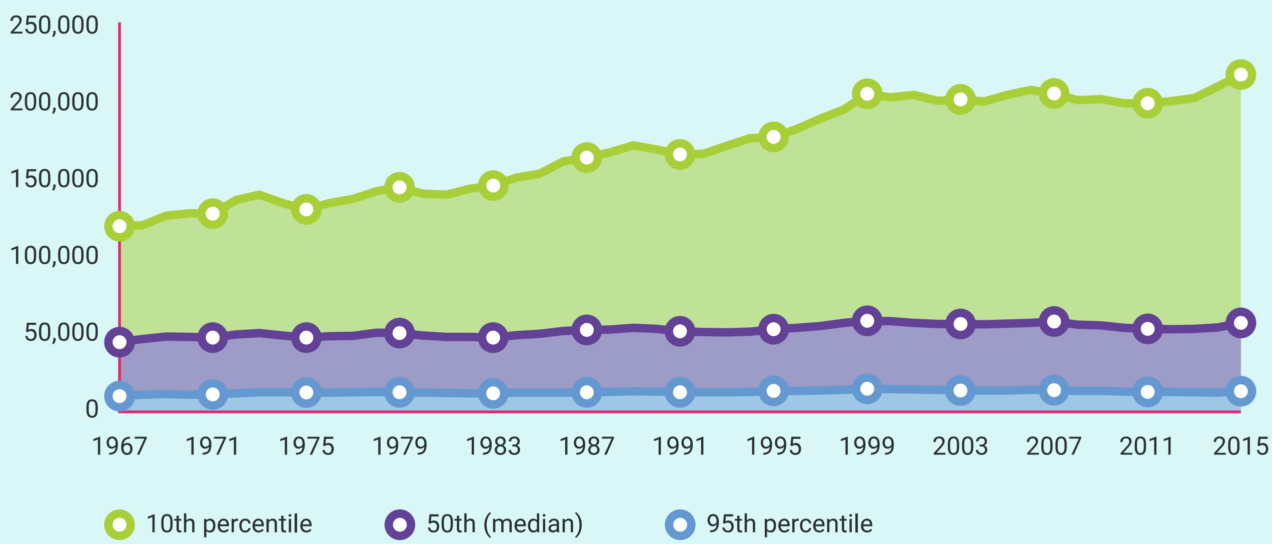
In 2015 dollars, the median income of an apartment household has fallen by $3,000 since 1985.[18] Since 2001, renters' real median incomes have fallen 9 percent. Nearly a third (31 percent) of renters earn less than $20,000, according to HAS research.

As a result, in many areas where demand is strongest, even if, hypothetically, developers agreed to take no profit when building new apartments, the cost would still exceed what people can afford to pay.

HAS researchers also found the proportion of renters living under the poverty line is highest in Mississippi and West Virginia, but it is also high in states such as Kentucky, Ohio, New Mexico, Arkansas and Alabama. Stagnating renter incomes leads to households that are increasingly rent burdened.

Stagnating renter incomes lead to households that are increasingly rent burdened.

Income Levels Flat for Households Near or Below the Median Level



2

Why We Can't Just Build More

Recent history — specifically the lingering effects of the Great Recession — has complicated the apartment industry's ability to meet rising demand. The collapse of U.S. financial markets in 2008 virtually shut down new apartment construction for a number of years.

According to HAS, we need to build on average at least 325,000 apartments a year to meet demand. The nation hit a low of completing 129,900 new apartments in multifamily buildings of five or more units in 2011 and has only now begun to reach 300,000 a year[19].

Still, the current rate of growth hasn't been enough to meet current demand and make up for the shortfall in the years following the recession.

The challenge is delivering more units each year and over a sustained period of time. But steep barriers keep the apartment industry from being able to do that. And there's a strong connection between the difficulty of building and affordability. HAS research found that rents tend to be particularly high in cities with the greatest barriers to new development.

The 5 most difficult metro regions in which to build apartments

1 Honolulu

EASE OF ADDING SUPPLY RANK: **19.5**

82% OF RENTS ARE $1K+

49.9% OF RENTERS PAY 35%+ OF THEIR INCOME ON RENT

2 Boston

EASE OF ADDING SUPPLY RANK: **13.1**

69.2% OF RENTS ARE $1K+

40.0% OF RENTERS PAY 35%+ OF THEIR INCOME ON RENT

3 Baltimore

EASE OF ADDING SUPPLY RANK: **11.9**

65.5% OF RENTS ARE $1K+

40.7% OF RENTERS PAY 35%+ OF THEIR INCOME ON RENT

4 Miami

EASE OF ADDING SUPPLY RANK: **9.3**

68.1% OF RENTS ARE $1K+

54.2% OF RENTERS PAY 35%+ OF THEIR INCOME ON RENT

5 Memphis

EASE OF ADDING SUPPLY RANK: **8.7**

31.6% OF RENTS ARE $1K+

41.8% OF RENTERS PAY 35%+ OF THEIR INCOME ON RENT

Over the last three decades, regulatory barriers to apartment construction have increased significantly

COST, TIME AND REGULATORY BARRIERS

For many reasons, building apartments has become costlier and more time-consuming than necessary. Over the last three decades, regulatory barriers to apartment construction have increased significantly, most notably at the local level.

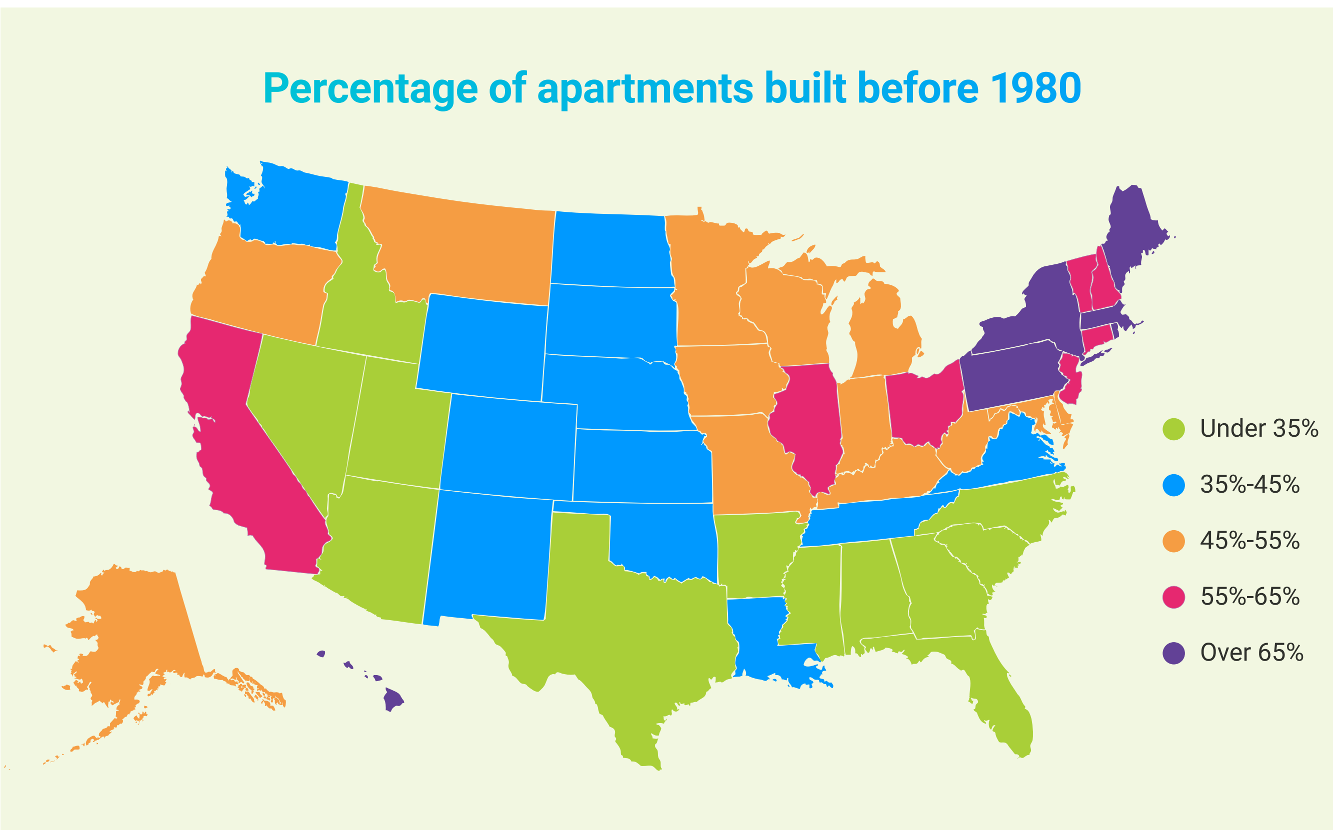
Outdated zoning laws, unnecessary land use restrictions, arbitrary permitting requirements, inflated parking requirements, environmental site assessments, and more, discourage housing construction and raise the cost of those properties that do get built.

Developers navigate many steps to get projects approved. The whole process can take two to 10 years and require an upfront investment of $1 million or more before a project breaks ground.

There are also financial factors pushing housing costs up. Land, labor and construction costs have all been rising significantly in recent years. In many areas, there is limited land zoned for apartments or just little undeveloped land. Competition for what land is available drives the cost up, too. Labor costs have increased well above inflation because of a shortage of skilled workers. Following the economic downturn, many workers left the construction industry and have yet to return.

Finally, localities impose a variety of fees on new housing, including impact fees, inspection fees and property taxes. Inclusionary zoning mandates and rent control further discourage housing investment.

These time and cost burdens lead to fewer apartment homes being built, which further squeeze already tight rental markets. Apartments that do get built tend to have higher rents to cover the high cost of development.



"NOT IN MY BACKYARD"

In many communities — even ones with a deep gap between supply and demand — residents often say, "Not in my backyard" to new apartments, an attitude known as NIMBYism. Their opposition is often fueled by misperceptions about renters and the impacts of apartments on traffic, property values, school overcrowding and community character.

Even though these perceptions are largely false, NIMBYism persists and keeps apartments from being built where they are needed most and at prices many people can afford. Even when building proceeds, NIMBY opposition to apartments can add additional time and expense to an already long and costly process.

Lost Apartments

Adding to the apartment shortage is the fact that every year, the nation loses between 75,000 and 125,000 apartment units to obsolescence and other factors.[20] Most lost units are likely at the lower end of the market, disproportionately hurting the affordable supply that exists.

This situation is likely to worsen going forward since more than half (51 percent) of the nation's apartment stock was built before 1980, and without resources dedicated to support rehabilitation efforts, more stock will continue to leave the available pool.[21] Rehabilitation and preservation are vital to maintaining the stock of apartments that are affordable to the broad middle class.

3

Policy Recommendations

If government and private developers come together to take action, we can build 4.6 million apartments by 2030 to meet demand and control the cost of housing. Solutions that help supply meet demand and reduce the cost of developing apartments are out there but need to be more broadly adopted across the country.

There are things states and localities can do to **meaningfully reduce the cost** of producing housing.

Unfortunately, the current regulatory framework, whether intentional or not, has limited the amount of housing being built and increased the cost of what is produced. States and localities are now struggling to address this serious threat to their economic vitality. They must balance the dwindling resources they have for housing with the need to "do something" to meet growing demand. Fortunately, there is much they can do outside of their budgets to make it easier for the private sector to build more housing and to help reduce the cost of the housing that is produced.

Most importantly, they can reduce barriers to apartment construction. Land-use restrictions, zoning restrictions, parking requirements, slow permitting, and much more, add significantly to the cost of construction. Many of these rules and processes are well-meaning, but collectively they serve as real barriers to housing production. Even worse, some laws are specifically designed to prevent apartment construction, usually in response to NIMBY opposition.

In the following pages we present a toolbox of approaches states and localities can take to address the apartment shortage and help reduce the cost of housing.

1

Adopt local public policies and programs that harness the power of the private sector to make housing affordability more feasible.

The most common barriers to apartment construction are enacted at the local level, which means local governments have a lot of levers they can pull to create healthy housing markets. They also have no-cost resources they can bring to the table to reduce the cost of housing production. They can do the following:

ESTABLISH "BY-RIGHT" HOUSING DEVELOPMENT

Most developments go through a discretionary review process such as public hearings or legislative review by the local land use authority or board of zoning appeals. Public review is certainly important, but it's often duplicative, arbitrary and inefficient. Reviews also increase the cost of housing by slowing down its production or even preventing it from being built.

"By right" development allows projects, both new construction and rehabs of existing properties, to be approved by local administrators without discretionary reviews as long as they comply with current zoning rules and community development plans. Municipalities retain control and can deliver the housing the community has already decided it wants, while loosening restrictions that keep new apartments from being built.

In addition to establishing "by right" rules, municipalities can also relax restrictions related to density, building height, unit size and parking minimums. All of these require developers to seek waivers, variances or rezoning, which trigger the review process.

This strategy for expanding the supply of affordable rentals, has been gaining traction across the country. Fairfax, Virginia, has implemented by-right development and flexible zoning in seven districts where they want to encourage housing construction.

States can also play a role. Massachusetts, for example, provides incentives to municipalities that allow by-right development. These development incentives have cut in half the nine years it otherwise takes to develop a property.

EXPEDITE APPROVAL FOR AFFORDABLY PRICED APARTMENTS

Lengthy permitting processes add cost, time and uncertainty to housing construction. Fast-tracking review and permitting of housing that includes affordable units is a no-cost way for local jurisdictions to expand their supply.

Several cities are embracing this approach. San Diego's "Expedite Program" fast tracks permit processing for affordable housing and sustainable building projects with an initial business review that takes just five days.

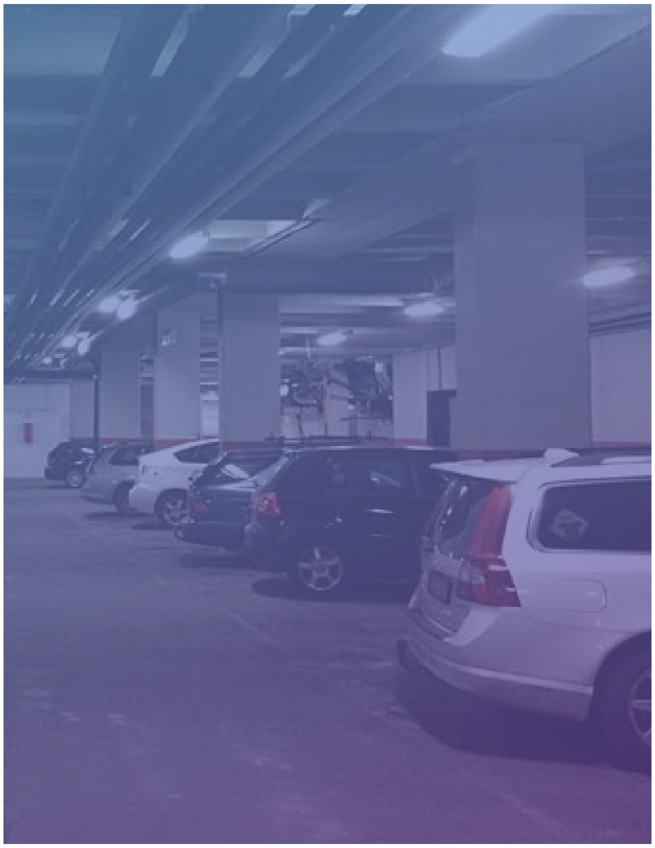
Austin's S.M.A.R.T. Housing program gives affordable housing builders an expedited development review, and it waives development fees. Since 2005, more than 4,900 apartments have been built through the initiative.[22]

REDUCE PARKING REQUIREMENTS

Parking requirements are one of the biggest costs for a development, particularly in urban environments, ranging from $5,000 per spot for surface parking to $60,000 for underground parking.[23] The Urban Land Institute found that parking minimums were the number one barrier to building affordable rentals.[24]

Many cities can significantly reduce or even eliminate parking requirements, particularly in transit-oriented or urban infill development. This approach will become increasingly valuable as ride-sharing increases and automated vehicles become adopted, dramatically reducing parking demand.

In 2012, Seattle voted to reduce parking requirements by 50 percent in some neighborhoods and to eliminate them completely in downtown areas readily served by transit. Other cities such as Denver, Minneapolis, Boston, San Francisco and New York are revising parking requirements to reduce the cost of housing. In 2015, California enacted a law overriding local parking requirements for all transit-adjacent housing developments that include affordable housing units.



ESTABLISH DENSITY BONUSES TO ENCOURAGE DEVELOPMENT OF AFFORDABLE HOUSING

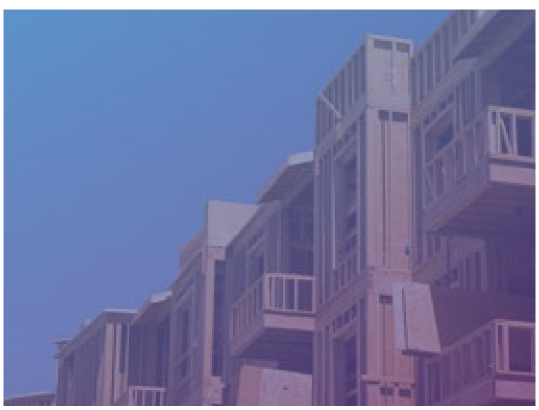
Density bonuses make building affordable housing more cost-effective for developers. In return for including a certain number of affordable units in a building, the developer is allowed to build more market-rate apartments than are normally allowed.

Fairfax, Virginia, and Denver both allow for taller buildings near transit centers if they include affordable units. Massachusetts also provides incentives to local governments that adopt zoning laws encouraging denser development near transit.

ADOPT SEPARATE REHABILITATION BUILDING CODES

Maintaining the stock of older apartments — which tend to have lower rents — and improving them so they remain habitable is essential to ensuring affordability across the income spectrum. But because many jurisdictions require developers to bring a building up to the current building code when they want to substantially rehab it, upgrading properties is often prohibitively expensive.

Localities can overcome this by adopting separate building codes for rehabilitation projects that balance the need to ensure safety and structural integrity, but don't sacrifice affordability. They can also offer tax abatement, for properties that include affordable housing, when property taxes rise because of improvements.



CREATE AN EFFICIENT PUBLIC ENGAGEMENT PROCESS

New developments benefit from community input. But the public engagement process can also result in NIMBY opposition that creates long delays, and even lawsuits, that increase construction costs. There is no single model that works to strike a balance, but localities should examine their process to ensure it's not one-sided and doesn't create uncertainty.

The Reality of Rent Control

Some lawmakers are revisiting rent control as a strategy to control housing costs. New efforts are underway in California, Illinois and Washington to challenge and ultimately change decades-old state laws and best practices restricting and/or prohibiting rent control in local jurisdictions.

To some, rent control would seem a fast and easy fix — a local jurisdiction sets limits on how much property owners and managers can raise rents on residents, theoretically making units more affordable. But it's not the panacea some lawmakers seem to think it is.

Economists on both sides of the political spectrum agree that rent control is not effective policy. Forbes Magazine calls it one of the 10 worst economic ideas of the 20th century: "Here we have a policy initiative that has done huge damage to cities around the globe. It is very hard today to find an economist supporting rent control."

While the laws' intent is positive, research shows that the real impact of rent control policy is a decline in property maintenance, stifled development activity, shrinking affordability and a chronic undersupply of rental homes. Rent control also encourages owners to convert buildings from residential to non-residential use.

Without profitability as an incentive, investment capital is directed to other markets and maintenance on existing properties is deferred. Subsequently, the affordable housing shortage is exacerbated.

Policymakers at all levels of government can provide incentives and share risk with the private sector to produce the necessary units at price points households can afford. They can do the following:

LEVERAGE UNDERUTILIZED LAND

Federal, state and local governments should prioritize affordable housing when disposing of public land. Land accounts for approximately 10 to 25 percent of an apartment project's cost, and even more in high-cost areas.[25] Developers also often struggle to find developable land in urban areas. Yet many localities own underused or abandoned land that could be used for affordable housing. Under-utilized buildings, which can be renovated, are another resource.

Making good use of these lands and buildings requires strong public-private partnerships. The private sector contributes the investment dollars and expertise, and the locality provides the land and helps facilitate a streamlined approval process. In the end, such partnerships produce affordable apartments while also boosting economic development.

Land banks — government-created nonprofit corporations that manage and repurpose tax-delinquent and vacant properties — are another option. More than 140 land banks have already been created across the country.

USE PROPERTY TAX ABATEMENTS

Tax incentives and abatements are another way to spur development. While they do reduce public revenues, they are often more politically palatable than direct subsidies. The Seattle Multifamily Tax Exemption (MFTE) program gives a 12-year tax exemption to new apartments that include a certain percentage of affordable units. By 2018, more than 200 properties are expected to participate.[26]

In 2017, New York passed a program that gives 35-year property-tax exemptions to apartment developments of at least 300 units in certain areas if 25 to 30 percent of units are set aside for low- to moderate-income renters. The program is expected to generate 2,500 units a year.[27]

Philadelphia abates 100 percent of the value of residential building improvements for up to 30 months during the construction phase. Oregon offers tax abatement to affordable housing as well as vacant land intended to be developed into affordable housing.

WAIVE FEES FOR PROPERTIES THAT INCLUDE AFFORDABLE UNITS

Housing developers often pay significant fees to expand public infrastructure or to support the creation of city amenities such as schools and parks. Because fees add to the cost of housing, many jurisdictions waive impact fees for properties that include affordable units.

3

Leverage state-level authority to overcome obstacles to apartment construction.

Forward-thinking states recognize that their economies suffer from a lack of housing supply. They are taking action to enact laws that override local zoning restrictions that inhibit apartment construction, whether intentionally or not.

Massachusetts, for example, has an “Anti-Snob Zoning Law” (Chapter 40 B Comprehensive Permit Law) that allows developers to build with more density than local zoning laws allow if the proposed apartment property has a certain percentage of affordable units and the community has an affordable housing shortage. Since it was enacted in 1969, more than 42,000 rental units have been built.[28]

Rhode Island approved the “Expedited Permitting for Affordable Housing” Act that sets strict approval deadlines for permitting agencies if a development is large enough to increase the amount of affordable housing in their communities.

States can also make some state financing contingent on a locality meeting a minimum affordable housing threshold or adopting policies that support housing production.

Forward-thinking states recognize that their economies suffer from a lack of housing supply.

Leveling the Playing Field for Renters

People choose to live in apartments for many reasons, and their choice should not limit their ability to enjoy financial security. We should promote policies that give people flexibility to build wealth without owning real estate and through incentivized savings. We should also adopt public policies that promote affordability in all housing.

4

Collaborate with business and community leaders to champion apartments.

Local communities are stronger and more vibrant when there is a mix of rental and owned housing. Without a diversity of housing options to meet a variety of lifestyle needs and price points, local economies are held back. We need local leaders in government and business to work together to bring a range of housing types to their communities by crafting creative solutions to ease existing hurdles.

One of the best ways to accomplish this is to make the connection between a sufficient supply of housing and a community's economic health and economic development. Insufficient housing causes workers to leave an area or lose productivity because of long commutes. Companies relocate or stagnate when they cannot hire the workers they need because their employees can't find housing.

In other words, ensuring a community has enough housing isn't just the concern of those who struggle to find housing. It's an important issue for everyone in the community whose employer might move to another market where housing is more readily available. Several areas have successfully made that connection and have generated political support for regulatory changes or even vocal support for specific projects.

Local employers can be a powerful force against NIMBY opponents. For example, the Silicon Valley Manufacturing Group recognized that a housing shortage was affecting their members, so they formed a Housing Action Coalition. The group goes to planning commissions and city councils to actively support smart growth developments. They also help educate lawmakers about the importance of affordable housing. They say their intervention works 98 out of 99 times and has resulted in 26,000 new homes in 18 Silicon Valley towns.

Federal Solutions

It's not up to states and localities alone to ensure that people have access to housing that fits their needs. The U.S. Congress can take the following steps:

- **Enact a pro-development tax policy that incentivizes investment in rental housing.**
- **Support housing finance reform that preserves the multifamily mortgage liquidity provided by the Government Sponsored Enterprises.**
- **Support funding for the FHA Multifamily Programs, which are an important source of capital supporting apartment construction and redevelopment.**
- **Expand the Low-Income Housing Tax Credit.**
- **Create a Middle-Income Housing Tax Credit.**
- **Increase funding for subsidy programs that address housing affordability such as the Section 8 Housing Choice Voucher Programs, Project-Based Rental Assistance, Rental Assistance Demonstration, HOME and Community Development Block Grants.**
- **Reform overly burdensome regulations that contribute to making housing less economically feasible to develop and operate.**

What's good for renters is good for everyone.

CONCLUSION

In 2030, today's fifth-grader may be renting her first apartment. Her grandmother may be downsizing into apartment living, too. A city lot that sat vacant for decades or a long-neglected suburban downtown may now be a vibrant place to live, eat and work because local leaders had a vision for revitalization that included apartments.

Every American should be able to choose to live in a place that fits his or her stage of life and budget and to choose the community in which he or she wants to live. To make that vision a reality, we must build more apartments at all price points. Building 4.6 million apartments by 2030 will go a long way toward meeting the demand for apartments, stabilizing rents and helping to boost the U.S. economy.

With the right mix of policies and strong partnerships between local governments and independent developers, we can bridge the gap between the cost of building and operating apartments and the amount of rent lower-income and middle-class households can afford. It helps that a growing number of people in communities from San Francisco to Boulder, Colorado, to New York are already recognizing the value of moving from "Not in my backyard" to "Yes, in my backyard."

They are seeing that it is not only renters who benefit when communities build more apartments. Communities benefit, too. When people are able to affordably live where they work, the volume of traffic is reduced. When a community has a diverse housing stock, it can attract a diverse population of people with different incomes, skillsets and professions. And apartments can help the tax base and boost the local economy through mixed-use development that revitalizes communities and creates jobs.

What's good for renters is good for everyone. It's time to take action to ensure every household at every income level has an affordable place to call home.

Resources

There are a number of resources policymakers can consult to inform their efforts to address the affordable housing shortage. These are just a few.

CALCULATORS

- Urban Institute/National Housing Conference's Cost of Affordable Housing Calculator. Interactive tool that shows why affordable housing deals don't pencil out.
- U.C. Berkeley Terner Center for Innovation's Development Calculator. Estimates the probability that a given development project will be built, given a particular set of policies and economic conditions.
- U.C. Berkeley Terner Center for Innovation's How Much Housing Will Be Built? Policy Gauge Calculator. Using four example cities, shows how local policies impact total potential housing production.

TOOLKITS AND OTHER RESOURCES

- ULI's "Bending the Cost Curve-Solutions to Expand the Supply of Affordable Rentals"
- Washington Area Housing Partnership's "Toolkit for Affordable Housing Development"
- Obama White House's "Housing and Development Toolkit"
- McKinsey Global Institute's "Toolkit to Close California's Housing Gap: 3.5 Million Homes by 2025"
- Mortgage Bankers Association's "Affordable Rental Housing and Public Policy"
- California's Legislative Analyst's Office's "Considering Changes to Streamline Local Housing Approvals"
- ULI's "The Economics of Inclusionary Development"
- The Family Housing Fund's "The Space Between: Realities and Possibilities in Preserving Unsubsidized Affordable Rental Housing"
- HUD's "Regulatory Barriers Clearinghouse"
- ULI's "Developing Housing for the Workforce: A Toolkit"
- ULI's "Workforce Housing: Innovative Strategies and Best Practices"

Footnotes

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WeAreApartments.org

NATIONAL MULTIFAMILY HOUSING COUNCIL

NATIONAL APARTMENT ASSOCIATION