



November 30, 2022

The Honorable Maxine Waters  
Chairwoman  
Committee on Financial Services  
United States House of Representatives  
Washington, DC 20515

The Honorable Patrick McHenry  
Ranking Member  
Committee on Financial Services  
United States House of Representatives  
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry:

The undersigned national associations represent for-profit and non-profit owners, operators, developers, lenders and property managers and housing cooperatives involved in the provision of rental housing, both affordable and conventional. We appreciate the Committee's continued focus on housing affordability challenges facing American families and thank you for holding a hearing entitled "Boom and Bust: The Need for Bold Investments in Fair and Affordable Housing to Combat Inflation." We write to offer our industries' perspectives on efforts needed to promote workable and sustainable policies to address our nation's housing challenges.

**The Housing Affordability and Supply Challenges & Upward Pressure on Rents**

There is no doubt that America is facing a housing affordability crisis. Challenges are different from city to city and state to state, but facts are facts. For decades, America has witnessed the escalating challenge created by demographic shifts, flawed public policy decisions and economic factors culminating in the inability of families to rent, buy, or maintain stable, affordable and safe homes. Today, in more and more communities, many hard-working Americans are unable to rent homes due to skyrocketing costs driven by a lack of supply, barriers to development and regulatory burdens. Families are increasingly spending more than 30 percent of their incomes on housing costs or are priced out of their communities altogether. This is not sustainable. Wage stagnation, onerous regulatory hurdles, and, above all, housing supply not keeping up with demand have led the nation to this juncture.

Recent [research](#) from the National Multifamily Housing Council (NMHC) and the National Apartment Association (NAA) found that the U.S. needs to build 4.3 million apartment homes by 2035 to meet both future demand and an existing shortfall of 600,000 units<sup>i</sup>. That shortage means there are too many people competing for not enough apartments, which drives prices up. The rent increases seen in many areas of the U.S. in late 2021/early 2022 coincided with record low apartment vacancy rates (i.e., the number of empty and available apartments).

Yet, economic uncertainty fueled, in part, by high inflation has softened demand for apartments in recent months and has led to an increase in vacancies and an accompanying decrease in rents in some markets. NMHC's October Quarterly Survey of Apartment Market Conditions showed softening in the apartment market, with two thirds of respondents indicating markets were looser than three months ago<sup>ii</sup>. This reinforces other datapoints showing evidence of softening demand,

including from CoStar’s report of a 30-basis point increase in the national apartment vacancy rate in 3Q 2022 alongside a decrease in asking rents over the past quarter<sup>iii</sup>.

Yet the lull in demand for rental housing is only temporary. CoStar has forecasted that apartment demand is expected to rebound with improved economic confidence, which means we need to keep building new housing despite this temporary lull if we want to avoid large rent increases in the future.

To ensure that supply is built, however, we need to avoid the lure of “quick fixes” such as rent control or rent stabilization laws that do nothing to address the underlying supply shortage. Too often, these solutions eventually harm the very people they are trying to help by discouraging new housing construction and limiting the financial resources owners have to maintain existing housing. Costs continue to rise for property owners as well—according to the National Apartment Association and Institute of Real Estate Management’s most recent Income/Expense IQ report, expenses for utilities as well as property taxes and insurance rose in 2021<sup>iv</sup>.

### **Barriers to Development Are Harming Supply and Driving Up Prices**

Federal, state, and local policymakers also must play a role. Regulatory, administrative, and political obstacles at all levels of government prevent us from delivering the housing our country so desperately needs. Yet, even in communities that want new rental housing development, our industry faces numerous barriers that can drive up costs or halt development altogether. NIMBYism and antiquated, discriminatory land use policies coupled with onerous local requirements (like building code provisions that have nothing to do with health or safety, land or infrastructure donation requirements and ill-fitting transportation and parking mandates) add to project costs and, ultimately, the rents American families pay. These costs and barriers can account for 40.6 percent of multifamily development costs further impacting affordability – according to research released by NMHC and the National Association of Home Builders<sup>v</sup>.

This research illustrates how unnecessary and duplicative regulation can negatively impact developing housing that is affordable. Although smart regulations can play an important role in ensuring the health and well-being of the American public, the NMHC-NAHB research found that many regulations can go far beyond those important goals and impose costly mandates on developers that drive housing costs higher.

Easing regulations could go a long way to address the housing affordability challenges faced by communities across the nation, especially at a time of high inflation and other cost of living challenges. To that end, we urge the Committee to redouble its efforts to incentivize states and localities to:

- Reduce barriers to housing production and rehabilitation;
- Streamline and fast track the entitlement and approval process;
- Provide density bonuses and other incentives for developers to include workforce units in their properties;
- Enable “by-right” zoning and create more fully entitled parcels;
- Defer taxes and other fees for a set period of time;
- Lower construction costs by contributing underutilized buildings and raw land; and
- Encourage higher density development near jobs and transportation.

### **Administration’s Housing Action Plan**

We applaud the Biden Administration for recognizing the nation’s critical shortage of affordable housing and developing the Housing Supply Action Plan, a comprehensive package of regulatory and legislative measures to address the supply demand imbalance.

We urge the Committee to work with the Administration to implement provisions in the Housing Action Plan that aim to address the myriad challenges to the development of new housing, such as:

- Reward jurisdictions that have reformed zoning and land-use policies with higher scores in certain federal grant processes, for the first time at scale.
- Deploy new financing mechanisms to build and preserve more housing where financing gaps currently exist.
- Expand and improve existing forms of federal financing, including for affordable multifamily development and preservation.
- Work with the private sector to address supply chain challenges and improve building techniques.

### **Critical Need for Section 8 Reform and Increased Funding**

As COVID-19 has taught us, the most valuable short-term policy solution to the housing affordability crisis is rental assistance. The Section 8 Housing Choice Voucher (HCV) program has long served as America's primary method for aiding 2.1 million low-income households with rental assistance and has helped millions of Americans find homes in communities near good schools, jobs, and transportation services. Critical reforms to the program are urgently needed to expand private industry participation and improve housing opportunity for millions of American families.

Section 8 has enormous untapped potential to help address our nation's affordable housing needs. Unfortunately, the program has also been plagued with a flawed and inconsistent funding system that has undermined private-sector confidence in the program. The program's potential success is also limited by too many inefficient and duplicative requirements, which discourage private housing providers from accepting vouchers.

Despite previous Congressional and Administrative attempts at improving the program, it remains overly burdensome. Our groups, once again, call on the Committee and Congress to pass the bipartisan and bicameral Choice in Affordable Housing Act, introduced by Housing, Community Development, and Insurance Subcommittee Chairman Emmanuel Cleaver II (D-MO) and Congressman John Katko (R-NY), which aims to implement common-sense reforms. The legislation empowers PHAs to offer incentive payments for housing providers that operate in areas of opportunity; creates security deposit assistance to cover repairs and damages and to help participants better manage their risk; enables PHAs to hire "landlord liaisons" to improve communication and finally, would importantly streamline the costly and time-consuming property inspection process. While more can certainly be done to reform the Section 8 program, the Choice in Affordable Housing Act is a critical step for Congress to take to expand housing options to American families in need of housing that is affordable.

### **Sustaining Funding for Federal Housing Support & Affordability Programs**

Alongside inadequate funding and bureaucratic barriers in the Section 8 HCV program, for too many years, federal funding for the other primary housing programs serving low-income households has been virtually flat or declining. This has translated into waiting lists for support that can last years, pushes too many Americans into substandard housing that only exacerbates housing and racial inequities, and harms the economic potential of individuals and their overall communities.

For decades, our groups have advocated for increased funding for multiple critical programs that focus on housing affordability, (in addition to the Section 8 HCV program), such as Project Based Rental Assistance (PBRA), Rental Assistance Demonstration (RAD), Homelessness Programs, HOME, and Community Development Block Grants (CDGB), the Housing Trust Fund, FHA Multifamily Programs, Rural Housing Programs, and others.

Programs like Section 8 and PBRA allow low-income families to rent market rate housing, taking advantage of the broad offering of privately-owned and operated properties in a given market. Programs like HOME, CDBG, FHA Multifamily and Rural Housing programs allow developers to address financing shortfalls often associated with affordable housing properties and stimulate meaningful development and preservation activity as a result. Homelessness Assistance Programs provide funding to serve individuals and families across the nation who are affected by homelessness, while Section 811 and 202 programs provide assistance for elderly and persons with disabilities. These programs, in totality, are some of the most effective and proven means to increase housing supply across the nation, assist our most vulnerable families find stable housing and are worthy of bipartisan Congressional support.

## **Conclusion**

We applaud the Committee's efforts to explore solutions to the nation's most significant housing challenges. Policymakers at every level of government have a role to play in removing obstacles to housing production, easing costs and creating a supportive environment for the providers of apartment homes. Across all markets, the supply of multifamily rental housing at a variety of price points will play a vital role in promoting economic growth, encouraging household stability for all American families. Using a combination of incentive-based programs, streamlined regulatory burdens and innovative solutions, we stand ready to work with Congress and the Administration to address the housing affordability challenges faced by communities across the nation.

Sincerely,

CCIM Institute  
Council for Affordable and Rural Housing  
Institute of Real Estate Management  
Manufactured Housing Institute  
Mortgage Bankers Association  
National Affordable Housing Management Association  
National Apartment Association  
National Association of Home Builders  
National Association of Housing Cooperatives  
National Association of REALTORS®  
National Leased Housing Association  
National Multifamily Housing Council

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<sup>i</sup> <https://www.weareapartments.org/>

<sup>ii</sup> <https://www.nmhc.org/research-insight/quarterly-survey/2022/nmhc-quarterly-survey-of-apartment-conditions-october-2022/>

<sup>iii</sup> <https://www.costargroup.com/costar-news/details/apartments.com-publishes-q3-2022-rent-growth-report>

<sup>iv</sup> <https://www.naahq.org/income-expense-iq>

<sup>v</sup> <https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics-plus/special-studies/2022/special-study-regulation-40-percent-of-the-cost-of-multifamily-development-june-2022.pdf>