Housing Underproduction™ in the U.S. 2023

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Housing Underproduction in the U.S. 2023

For the first time in nearly a decade, housing availability increased in the top 25 major metropolitan areas. On its surface, this seems like positive news for owners and renters. Instead, it tells the story of a deepening crisis resulting from a century of exclusionary housing policy and set off nearly a decade ago by major demographic shifts, a historic economic recession, and chronic housing underproduction.

Accelerating this trend, the global COVID-19 pandemic enabled thousands of Americans, abruptly freed from the need to go into their offices every day, to abandon high-cost urban centers in favor of walkable suburbs, small towns, and rural communities. Between 2019 and 2021, massive new household formation and shifting demand for lower-cost suburbs led to an 11% spike in the housing deficit of non-urban America, officially moving the center of housing underproduction away from large coastal cities to, quite literally, everywhere else.

By looking closely at migration magnets – U.S. counties that grew at a significantly faster rate during the pandemic than the three years prior – this report aims to analyze the evolving geography of housing need and its disproportionate effects on certain sectors of the workforce, pervasive economic inequities, and on businesses trying to survive in unprecedented circumstances.

National Housing Underproduction

2012
1.65 Million

2019
3.79 Million

2021
3.89 Million

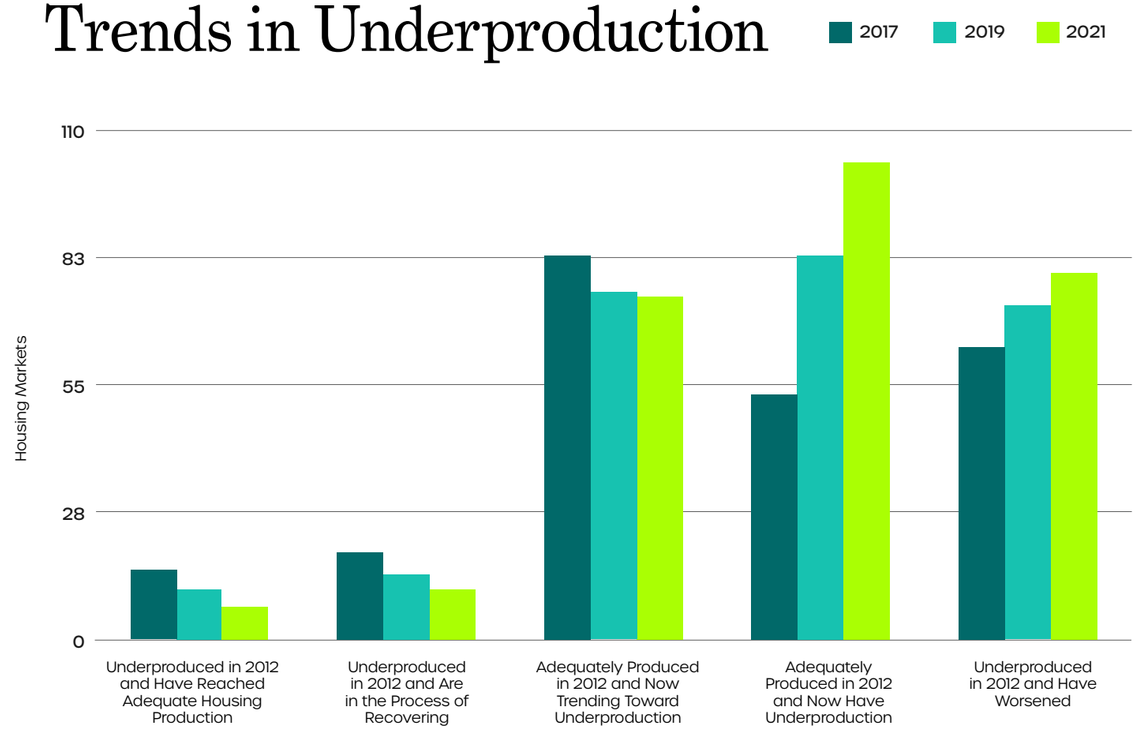
Metro Areas Experiencing Underproduction

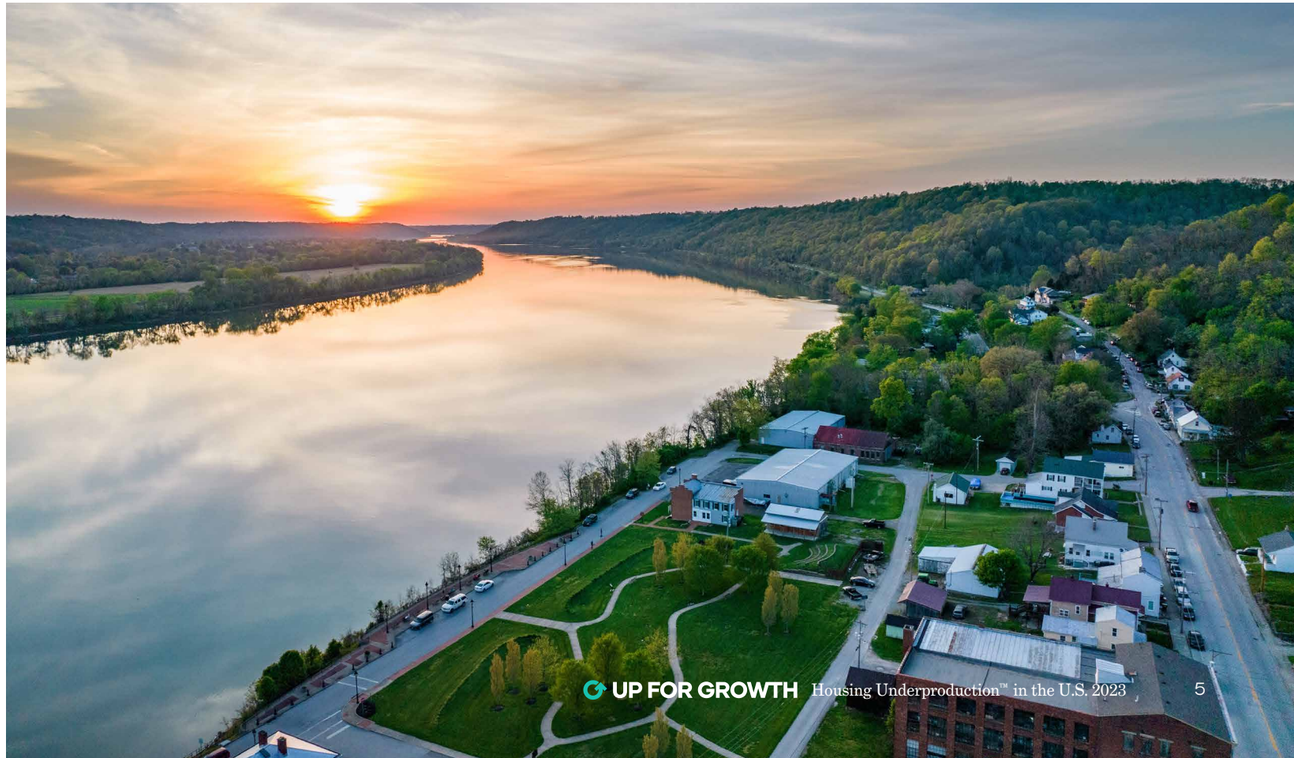
2012	2019	2021
100	169	193

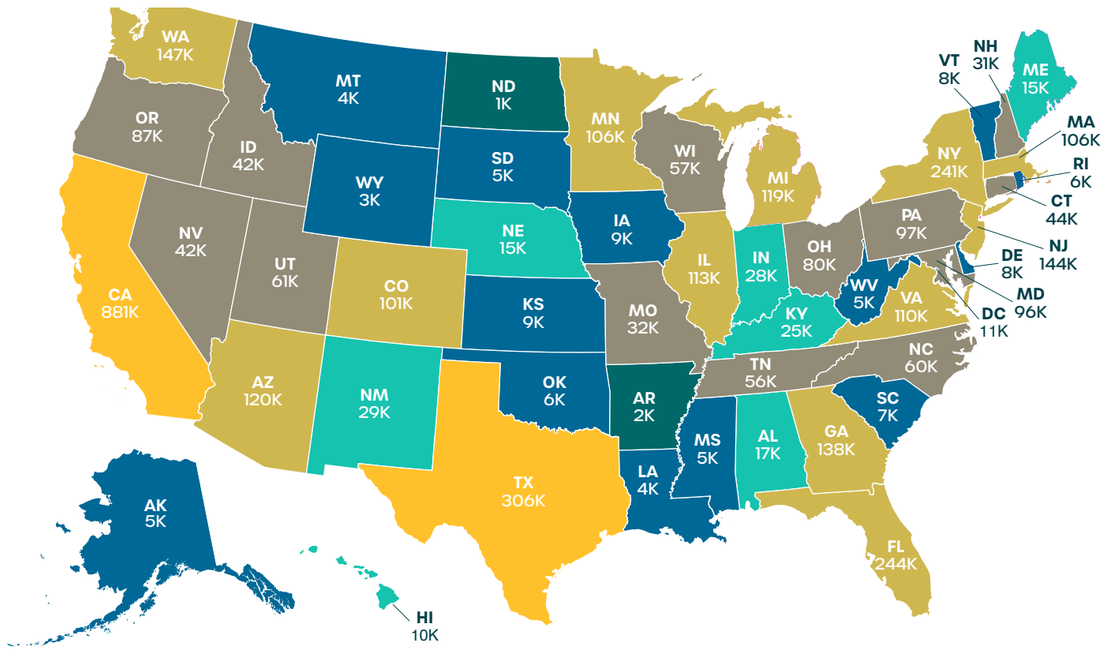
Housing Underproduction Worsened from 2019–2021

83% (256) of all markets are worsening.

Trends in Underproduction







UNITS OF UNDERPRODUCTION, 2021

1,000 | 3,000 | 10,000 | 30,000 | 100,000 | 300,000

Metropolitan Markets

Between the Years 2012 and 2021

79 markets that had underproduction in 2012 have worsened

25.6% of total | up from **72** in 2019

103 markets that adequately produced in 2012 now have underproduction

33.3% of total | up from **83** in 2019

74 markets that adequately produced in 2012 are now trending toward underproduction

23.9% of total | down from **75** in 2019

7 markets that had underproduction in 2012 have reached adequate housing production

2.3% of total | down from **11** in 2019

11 markets that had underproduction in 2012 are in the process of recovering

3.6% of total | down from **14** in 2019

35 markets that adequately produced in 2012 have continued to meet or exceed housing needs through 2019

11.3% of total | down from **54** in 2019

What to Expect in this Report

In addition to advancing a new housing underproduction estimate, this report aims to explain how a series of policy choices starting as far back as the 1920s helped shape the housing crisis we are experiencing today. We uncover lessons the response to the first housing supply crisis in the 1940s can teach us about how we should – and should not – respond to today's supply crisis.

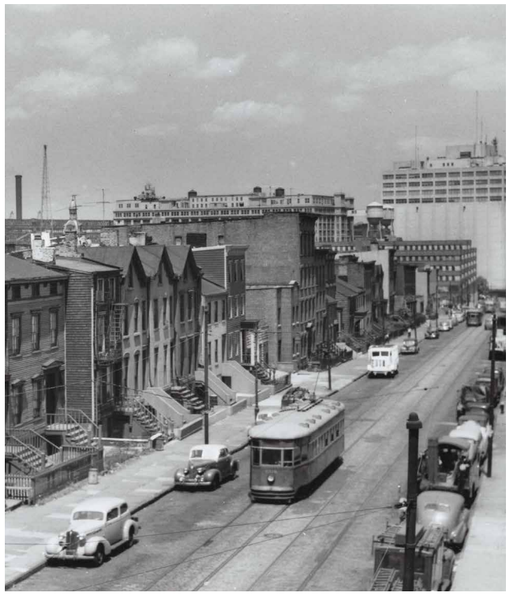
We will explore how the spread of housing underproduction to the suburbs, small towns, and rural areas of the nation poses new, more difficult problems than when it was isolated to urban centers, and we will hear directly from experts on the front lines of education, health care, and the service sector about challenges posed by the spreading crisis.

It is our hope that this report will deliver essential lessons into the hands of advocates and policymakers, and that with the benefit of hindsight, we can deploy tools and knowledge to turn Housing Underproduction into housing opportunity for all.

A Brief History of Housing Underproduction

In the face of unprecedented housing demand, why is America building fewer homes than ever?

To answer this question, it is essential to understand how economic, social, and policy forces converged throughout history to shape housing supply and demand.



LEGEND

Green	Housing Policy Milestone
Yellow	Housing Market Milestone
Gray	U.S. Economic Milestone
	Suburban Population
	City Population

(Nicoladies & Wiese, 2016)

American Urbanization and an Era of Housing Abundance (1820 – 1929)

From the early 19th century through the 1920s, the American Industrial Revolution transformed the nation from an agrarian society into a majority urban one (Taeuber, 1941). Advances in transportation in the 1870s led to the growth of streetcar suburbs beyond the urban core (Hayden, 2004). These streetcar suburbs provided an alternative to overcrowded city centers, drawing long-standing residents and opening space for waves of immigrants from Eastern and Southern Europe seeking opportunities in American cities (Boehm & Corey, 2014).

By 1920, over half of the U.S. population lived in urban areas (Census History Staff, 2022). Fueled by economic opportunities, cities like Chicago and San Francisco became targets for migration (Schleicher, 2017). With the exception of a brief housing shortage and early experiments with rent control following World War I (Fogelson, 2013), limited regulation supported abundant housing construction. Rapidly growing cities were able to house throngs of newcomers, creating widespread economic opportunities and boosting the young nation's economic productivity (Fischel, 2016).

With so many Americans living in close proximity to one another, new challenges arose. Pollution, poor sanitation, and unsafe living conditions in downtown business districts were common (Riis, 1890). Social tensions also began to surface, in part a reflection of the global rise of nationalist and racist ideologies (Higham, 2002). Many white and upper-class individuals, uncomfortable with the increasing diversity and density of the city, sought refuge from these burgeoning urban centers. Around this time, the enactment of the first racial zoning ordinances (Pietila, 2011) signaled the beginning of what would eventually be called "white flight" (Shertzer & Walsh, 2018). Although race-based zoning ordinances were ruled unconstitutional, they were soon replaced with use-based zoning codes often deployed to similar effect.

The Great Depression and the First Period of Housing Underproduction (1929 – 1948)

On October 29, 1929, Black Tuesday ushered in the Great Depression. Its far-reaching impacts included a significant downturn in the housing market. By 1933, home values had fallen 35% (Davies, 1958), more than 250,000 people had lost their homes to foreclosure, renters fell behind and faced eviction (Fishback et al., 2013), and construction of residential property fell 95% (Glabb & Brown, 1967).

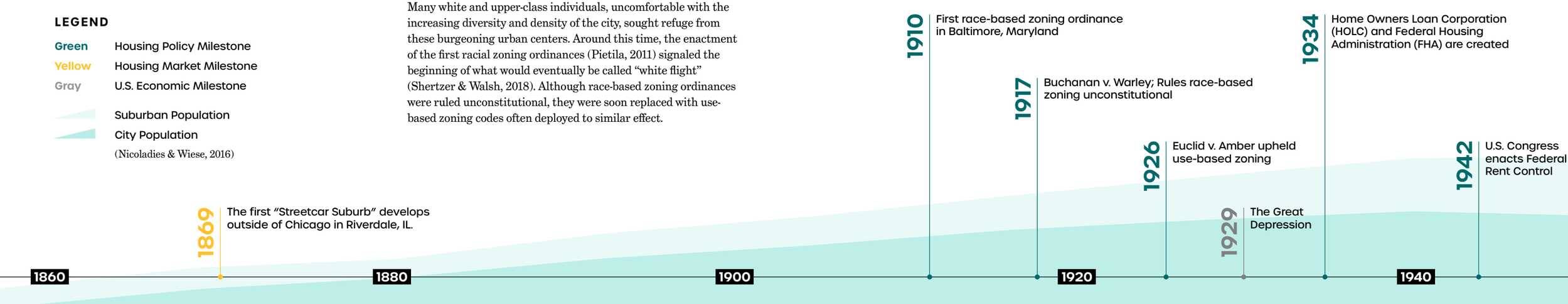
In response to the housing crisis, Franklin D. Roosevelt's New Deal aimed to stabilize the market through key programs like the Federal Housing Administration (FHA) and the Home Owners' Loan Corporation (HOLC). While these agencies helped steady the housing market, they also institutionalized the practice of redlining, which led to the racial segregation of communities (Rothstein, 2017). The federal government also aggressively encouraged exclusionary zoning through a series of requirements and incentives (Toll, 1969). Just as the New Deal policies began to take effect, the nation's focus pivoted to World War II. Most non-essential construction, including residential projects, was halted, and rent control was introduced through the Emergency Price Control Act of 1942, a measure to prevent price gouging during a period of constrained supply.

From the 1930s onward, America settled into a prolonged period of housing underproduction (Newcomb & Kyle, 1947). Fueled by war-related job growth and then by the demobilization of 16 million troops and the subsequent baby boom, America's urban population grew four times faster than it had during the previous decade (Boehm & Corey, 2015).

This population boom, coupled with slow residential construction during the economic downturn of the 1930s, caused housing to become both scarce and expensive. Housing vacancies in April 1940 stood at a little under 5%, plunging to a mere 1.4% by November 1945 (von Hoffman, 2012). By 1946, six million people were living with relatives due to housing scarcity (Palen, 1994).

A Note on Rent Control

Nobel Prize winning economist Milton Friedman noted in 1946 that World War II-era rent control carried significant social costs, including deterioration in the quality of rental housing and the disincentive to build new rental homes (Friedman & Stigler, 1946). Resulting disinvestment in inner city rental housing set the stage for urban renewal and blight removal in the 1950s.



Suburbanization and Slow Growth (1948 – 1990)

In anticipation of the end of World War II, the Urban Land Institute, an authoritative voice in land use and real estate, predicted an "almost limitless demand for new housing in post-war America" (1942). Propelled by a mix of federal and local policies, this prediction manifested in the form of suburban sprawl. Exclusionary zoning laws from the 1920s made building near existing urban centers difficult, and the Federal-Aid Highway Act of 1956 incentivized suburban growth through federally subsidized infrastructure.

Developers like William Levitt capitalized on this by mass-producing single-detached homes primarily in what had been rural areas. These ventures were facilitated by federal mortgage financing that came with conditions that perpetuated racial segregation by enforcing a whites-only requirement (Rothstein, 2017). Within a few years, these new suburban developments closed the housing gap but only benefited an exclusively white demographic (Palen, 1994).

As these suburban communities matured, restrictive zoning policies gained traction, with California pioneering the slow-growth movement in the 1960s. This approach, which limited housing construction even as populations grew, was subsequently adopted by other cities across the U.S. (Morrow, 2013). The rise of the environmental protection movement in the 1960s and 70s offered NIMBY activists tools for opposing development (Frieden, 1979). Legislation like the National Environmental Policy Act (NEPA), intended to protect natural resources, also empowered local resistance against housing projects, making new development more difficult.

Economic Expansion and Return to Cities (1990 – 2008)

As America entered the 1990s, the economy was in a state of unprecedented stability, often referred to as the Great Moderation (Hakkio, 2013). This economic calm was accompanied by significant societal and financial shifts. The 1970s and 1980s brought a sharp and steady decline in household size (Nelson, 2013), and by the 1990s, the popular appeal of city life was growing (Leinberger, 2009). The tech and finance sectors flourished, and a growing consumer preference for urban convenience, coupled with increasing awareness of the repercussions of suburbanization, prompted a significant return to city-life. Yet, renewed urban demand collided with housing constraints created by earlier downzoning efforts.

Amid this backdrop, remnants of the 1980s savings and loans crisis lingered. The U.S. Congress had created the Resolution Trust Corporation (RTC), which introduced innovative financial instruments to resolve the assets of failed savings and loans associations. One such tool was the commercial mortgage-backed security (CMBS), wherein Wall Street and the RTC repackaged non-performing loans into securities for investors (Mandzy, 2017).

The CMBS market quickly exploded in prominence, providing an influx of credit and liquidity. By the early 2000s, the CMBS market overtook life companies as the second largest category of commercial real estate lending (Chandan, 2012). The growing market share of CMBS lenders offering very aggressive terms also led banks and life companies to loosen their underwriting standards and mortgage terms in order to remain competitive (Wilcox, 2012). Housing supply limitations, coupled with intense demand, drove up home prices. Loose lending standards and risky financial speculation created a housing bubble that would soon burst.

In 2008, the inevitable happened. Capital markets, straining to capture red-hot demand for housing, imploded, plunging the nation into the Great Recession (Federal Deposit Insurance Corporation, 2018). Financial instability and a return to tighter mortgage lending standards led many to continue to rent rather than buy (Fry & Brown, 2016), further straining urban rental markets. Housing production came to a standstill, and millennials—America's largest living generation—became the first generation unable to buy a home at the age their parents did (Both, 2023).

The Great Recession and the Second Period of Housing Underproduction (2008 – Present)

The repercussions of the Great Recession persist. Even fifteen years later, the U.S. has not matched pre-recession housing starts. Around 2015, many millennials started families. Household formation spiked, and driven by the pursuit of affordability and space, millennials looked to settle in suburbs and small towns.

A Note on Rent Control

In 2016, in response to skyrocketing rental prices, calls for rent control began to spread like wildfire. If today's rent control measures pass, we could expect to see owners remove their properties from the rental market, disinvestment in existing rental properties, and a decrease in production of new housing.

A legacy of exclusionary zoning practices, restrictive land-use codes, and discriminatory housing policies has made it very difficult for builders to meet Americans' changing housing needs and preferences.

There are glimmers of hope. In 2019, Minneapolis, Minnesota eliminated single-detached zoning, a move that has encouraged other cities to rethink their own artificial barriers to housing. Cities from Portland, Oregon to Charlotte, North Carolina are legalizing ADUs (accessory dwelling units), duplexes, triplexes, and other forms of multi-family housing in areas previously restricted to single-detached homes. The YIMBY (Yes In My Backyard) and Parking Reform movements have gained momentum, helping raise public awareness of the many negative effects of artificial barriers to housing.

Image provided by Vessel Technologies, Inc.

Solving America's First Period of Underproduction

THE GOOD

- **New Funding Sources:** New financing tools like the 20-year mortgage stimulated the housing market and made homeownership more accessible.
- **New Building Types:** The use of smaller, site-built and manufactured homes quickly met the demand for affordable housing.
- **Construction Innovation:** Assembly-line building processes increased the speed and efficiency of home construction.
- **Infrastructure Investment:** Significant public investments in the federal highway system and utility network created capacity for rapid housing production.

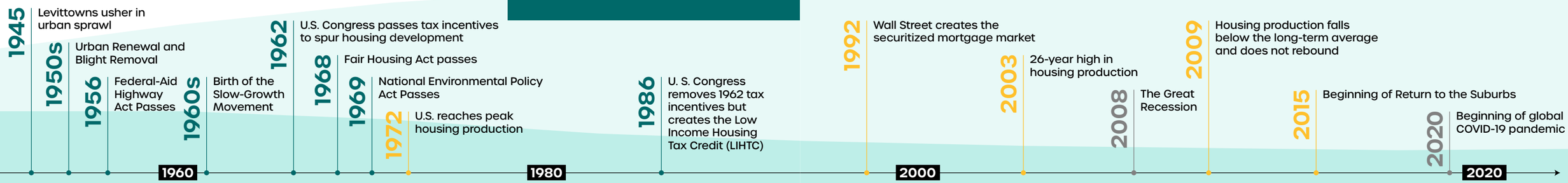
THE BAD

- **Redlining:** The Home Owners' Loan Corporation (HOLC) and the Federal Housing Administration (FHA) established policies and practices of redlining that systematically excluded Americans from homeownership opportunities based on race and ethnicity (Rothstein, 2017).
- **Exclusionary Benefits:** The Veterans Administration's mortgage program, created by the GI Bill, was only made available to white veterans.
- **Unsustainable Design:** Zoning restrictions, baked into 1950s-era suburban subdivision design, create a tax revenue shortfall which limits the ability of jurisdictions to cover the ongoing costs of infrastructure maintenance (Mahron, 2012).
- **Subsidizing Sprawl:** Federal investments encouraged urban sprawl, intensifying environmental and social issues (Duany et al., 2000).

Using A Better Foundation™ to Address Housing Underproduction

- **New Funding Sources:** Develop financing systems to support the production and ownership of a broader array of housing types for more Americans.
- **New Building Types:** Design new housing typologies and incentivize the production of medium- and higher-density developments.
- **Construction Innovation:** Adopt modern construction means and methods that streamline delivery timing, reduce delivery costs, and lower carbon emissions.
- **Infrastructure Investment:** Focus public investments on community infrastructure, particularly that which enables more housing in high-opportunity neighborhoods with walkability, transportation, jobs, and community assets.
- **Remove Regulatory Barriers:** Eliminate exclusionary zoning and other barriers that artificially limit housing production.

Taken together, these policies can increase affordability while also increasing housing equity, ensuring superior economic and fiscal outcomes, and advancing climate policy objectives.



Drivers and Trends

Not since the beginning of suburbanization in the early 20th century have household formation patterns shifted as dramatically as they have since March 2020. Although the United States produced more housing units in 2020 than in 2019, it was insufficient to meet demand, and production was misaligned with quickly shifting preferences for where people wanted to live.

TRENDS 2019 – 2021

Housing underproduction is getting worse.

Nationally, housing underproduction increased by nearly 3% to 3.9 million missing homes.

It is spreading geographically.

The number of counties across the U.S. experiencing underproduction increased 32%.

It is shifting from urban areas to suburbs and small towns.

Driven by population loss, housing availability increased 0.3% in urban America.

Housing underproduction increased by 4.5% in the suburbs, spurred by high levels of household formation.

Due to a sudden and dramatic drop in unit delivery, housing underproduction increased by 47.8% in small towns.

Production is not able to be responsive.

Only 1 new home was delivered for every 1.76 new households formed in the U.S. over the same period.

Housing Underproduction =

[Households + Missing Households] × 1.05 (1+ Target Vacancy Rate) − [Total Housing Units − 2nd and Vacation Homes − Uninhabitable Units]

TARGET NUMBER OF HOUSING UNITS

UNITS THAT ARE RENTER OR OWNER OCCUPIED

A Pew Research Center poll published 21 months into the global COVID-19 pandemic showed that the preference to live in a city dropped among U.S. adults **from 25% in 2018 to 20%**. Meanwhile, the desire to live in the suburbs rose **from 42% to 46%**, with the preference for rural communities remaining consistent with pre-pandemic levels.

(PARKER ET AL., 2021)

What Happened?

We looked at the share of household formation and housing unit production relative to place, type, and cost tier to understand how trends shifted over time.

New households spiked in some places, but not everywhere.

Over the reporting period, missing households emerged as the primary mover of housing underproduction. Household formation, low in 2013, jumped to historic highs between 2019–2022. In 2021, wages were up, and unemployment was down. Personal health choices, stimulus checks, and the pause in student loan repayments increased disposable income, releasing pent-up demand to form new households (McCue, 2023).

- About 2.2 million new households formed each year, nearly doubling in pace from 2017–2019.
- The majority of household formation occurred in U.S. suburbs (58.7%), up 5.5 percentage points from the long-term trend.
- Household formation in small towns across the U.S. increased by 91.6%.
- Driven by diminishing demand and dramatic inventory boosts, the household formation share in urban America declined. Diminishing demand for rural living accounts for a significant drop in the share of rural household formation.
- Urban counties experienced a 3.1% decline in their share of total household formation across the country between 2019 and 2021, and rural communities experienced a 3.3% decline in their share of national household formation.

Meanwhile...

Suburban communities boomed, and small towns grew.

- The share of household formation in suburban counties moved from a long-term average of 53.3% to 58.7% in 2020 and 2021.
- Small towns saw a 0.9% increase in the share of household formation, generating 485,000 new households in 2020 and 2021.

While housing production improved nationally, it was not fast enough or in the right places to meet rising demand.

- Urban areas saw housing completions increase by 11% but experienced a 3.1% drop in the share of households formed.
- While production increased 56.9% in the suburbs, it was not enough to meet the demand driven by a 104.8% increase in suburban household formation.
- In small towns, housing formation nearly doubled, but delivery of units was at about 10% of years prior.

National Takeaways

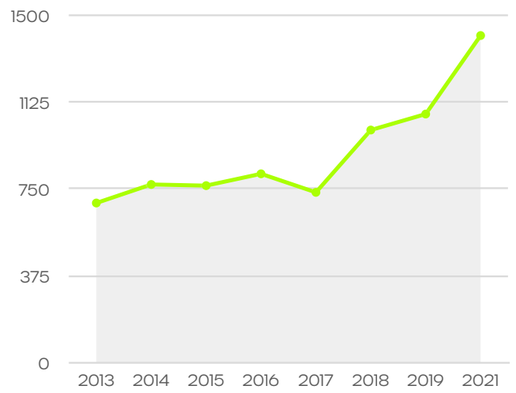
Is America's dream of affordable and attainable housing dying in the very places we once thought it was most alive?

Now that we understand why housing underproduction is spreading from urban centers to walkable suburbs, small towns, and rural communities, it is imperative to assess how these places experience underproduction differently and to consider that any successful response must account for a more nuanced set of challenges.

Like urban centers, more areas of the country are experiencing the widespread effects of housing unavailability. General unaffordability is increasing, deep-seated inequities are persisting, and communities are at risk of lasting economic stagnation. The problems themselves are not new. Urban areas have been experiencing these issues for half a century.

It is reasonable to expect similar effects as underproduction spreads out of cities and into the rest of the country. Suburbs, small towns, and rural areas are often less equipped to solve

U.S. Counties Experiencing Housing Underproduction



housing deficits than large American cities. They may operate with more fragile economic structures, have less access to capital, and face even more exclusionary barriers than their urban counterparts. When you add rising NIMBY attitudes to these systemic challenges, building enough of the right types of housing becomes extremely difficult.

Yet, history shows us the way out of this crisis. What is needed is construction innovation, equitable investment in infrastructure, and the removal of barriers that prevent growth, despite NIMBY opposition.

To help illustrate the changing geography of housing need, we examined cities and towns we call **Migration Magnets**. Migration Magnets are U.S. counties with a population at or exceeding 10,000 that grew significantly faster than their pre-pandemic growth rates and experienced rates of housing underproduction in excess of 2% of their total housing stock. Up for Growth identified 81 counties that fit this criteria. See glossary for additional detail.

Housing underproduction is spreading.

From 2019 to 2021, the number of U.S. counties experiencing housing underproduction increased by nearly one-third.

Nationally, we have seen the effects of housing underproduction fester.

Eroding Purchasing Power

Average rent increased by approximately

16.5%

over a two-year period, while median wage growth lagged behind at around **9.7%**

Apartment List, 2023
U.S. Bureau of Labor Statistics, 2023a

The median existing home price soared to

$350,700

in December 2021, up from **$274,500** in December 2019, representing an increase of **27.8%** over a two-year period

National Association of REALTORS®, 2023a

From 2019–2021, cost-burdened renter households spiked to a record

21.6 million

These households struggle to afford basics like **food and healthcare**

Airgood-Obrycki, 2023
Kushel et al., 2006

Worsening Racial Inequity

In 2021, the gap between **Black and white homeownership** widened to its largest in a decade, with

44%

of Black Americans owning homes compared to **72.7%** of white Americans

National Association of REALTORS®, 2023b

Approximately

53%

of BIPOC renter households were cost-burdened in 2021 compared to **46%** of white renter households

U.S. Census Bureau, 2021

Locked out of high-opportunity neighborhoods by exclusionary zoning, Black children are

2.17x

less likely than white children to earn more money than their parents by the time they turn 30

Isaacs, 2007
Rouse et al., 2021

Diminished Economic Dynamism

Economists Hsieh and Moretti estimate that the **shortage of housing** in high-productivity job centers costs the U.S. economy about

$1.6 trillion

a year in lost wages and productivity

Florida, 2015a

Decreasing affordability

significantly diminishes

the financial advantages traditionally associated with relocating to **higher-wage areas**

Ganong & Shoag, 2017

Housing's contribution to inflation has increased from **47%** of total inflation as of December 2019 to

68%

of total inflation as of August 2023

U.S. Bureau of Labor Statistics, 2023b

How the Spread of America's Housing Crisis Hurts Families

by Richard D. Kahlenberg

America's housing crisis is metastasizing. Overly burdensome and exclusionary zoning and land use policies limit the ability of builders to create the kinds of housing people want, where they want it. These laws create a shortage of housing that artificially increases home prices. Restrictive laws feed economic and racial segregation of neighborhoods and schools, consigning working-class and low-wage-earning Americans, many of whom are people of color, to neighborhoods with fewer good schools and other amenities. Exclusionary policies that limit housing production make America less equal and life more difficult for millions of people (Kahlenberg, 2023a).

For decades, the quintessential exclusive residential areas, where zoning laws drive up prices, have been located on the east and west coasts of the United States (Schuetz, 2022). However, the rise of remote work for many white-collar professionals has spread the problems of housing scarcity and unaffordability, with their economic residential segregation, to additional parts of the country, from Montana to Idaho to Colorado.

Migration magnets like Lamar, Georgia, and Teton, Idaho, have seen an influx of knowledge economy workers competing for scarce housing, bidding up prices and sending some long-time residents elsewhere searching for affordable rents. Many residents understandably blame the newcomers, but that is not the real problem. On the contrary, when new residents bring resources into a community, everyone can benefit if there is enough housing to go around. A recent Federal Reserve Bank of Philadelphia study found that "long-term residents and children who are able to stay in gentrifying neighborhoods benefit as opportunity moves to them and poverty declines" (Brummet & Reed, 2019; Cashin, 2021). An influx of affluent students in the public schools can boost academic achievement. Overall incomes in a community increase as a rising tide lifts all boats (Sharkey, 2013).

The real problem is not gentrification but displacement. Displacement does not have to occur; in many places, it doesn't. Studies often find displacement rates in gentrifying communities at one percent or less (Florida, 2015b; Freeman, 2016). It is only when housing production is constrained (usually by restrictive zoning and land use requirements) that gentrification leads to widespread displacement.

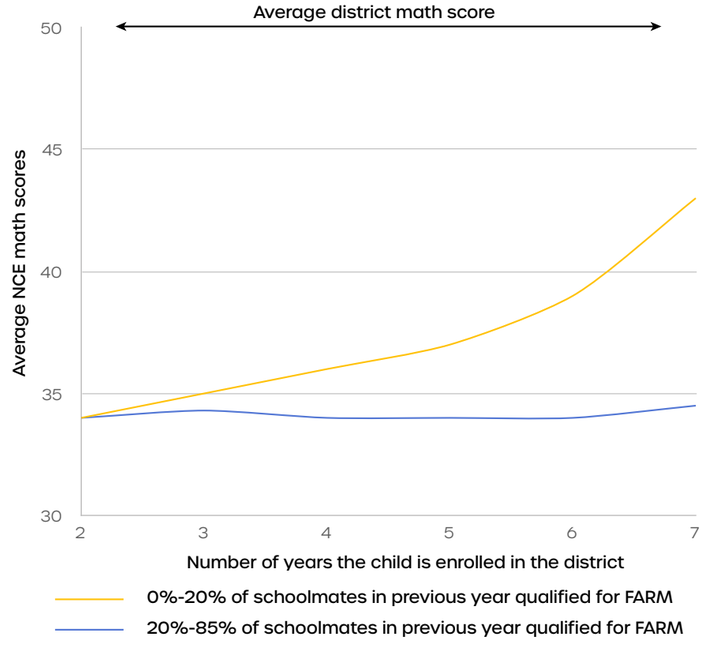
When not enough housing is built, long-term residents can be negatively affected in various ways. In my new book, *Excluded: How Snob Zoning, NIMBYism and Class Bias Build the Walls We Don't See*, I examine how state-sponsored bans on multifamily housing, minimum lot size requirements, and other land use constraints harm educational opportunities, burden families, and damage the environment.

In the case of migration magnets, if long-term residents are forced to move to housing that is further away from jobs to find homes that are affordable, their children may have to attend higher-poverty schools. Having to leave a mixed-income school for one with higher poverty rates impedes opportunity, especially for students from families earning lower wages.

Who a student attends school with matters a lot to their academic achievement. In 2010, Heather Schwartz of the RAND Corporation examined two interventions that could help kids from families earning lower incomes in Montgomery County, Maryland. In one, the school board spent $2,000 extra per pupil in higher-poverty schools for important investments like reduced class sizes in the early grades. The other was the County's long-standing inclusionary zoning policy, under which families with lower earnings have a chance to live in more affluent neighborhoods, with their children attending the local public schools. Schwartz found that what the housing authority did was far more effective in raising achievement than what the school board provided. Over time, the lower-income students attending school in lower-poverty neighborhoods cut the math gap with middle-class students in half and the reading gap by one-third, while the school board's intervention saw no such improvement. In that sense, housing policy is school policy (Schwartz, 2010). (See Figure 1).

FIGURE 1

Effect of Low-Poverty Schools on Public Housing Children's Math Scores



"...when new residents bring resources into a community, everyone can benefit if there is enough housing to go around."

Adults also suffer when strict zoning forbids housing that is close to their places of work. Long commutes impose a severe hardship on these workers. Long-distance commuters have more headaches and backaches, higher blood pressure, and more sleep disturbances. They also have less time to spend with friends and family or doing hobbies (Schaefer, 2005). All of this increases the likelihood of divorce (Stewart, 2021). Long commutes also produce more greenhouse gasses, damaging the planet for everyone. Scientists estimate that transportation accounts for 29% of greenhouse gas emissions in the United States, the largest single contributor (U.S. Environmental Protection Agency, 2021).

The economic and often racial segregation resulting from exclusionary practices also makes U.S. democracy less cohesive and more polarized. When people of different backgrounds end up living apart, they can more easily demonize one another as political enemies. By contrast, when those with different views have a chance to converse as neighbors—about sports or their kids or pets—they are more likely to see one another's humanity (Dottle, 2019; Engle, 2021).

A particularly blatant unfairness arises when restrictive zoning that bars multifamily housing means that workers earning lower wages can provide services in a community but can't afford to live there, a phenomenon that is also spreading. Consider the suburbs of Scarsdale and Port Chester, New York, located just eight miles from one another. The overwhelming majority of Scarsdale's land is zoned exclusively for single-family homes, while just 0.2% of its lots have structures classified as two- or three-family homes or apartments. Port Chester, by contrast, allows multifamily housing on about half its land. Port Chester is home to many Hispanic immigrants who earn lower wages taking care of lawns and providing childcare in more affluent communities like Scarsdale. Yet, because the government restricts what can be built in Scarsdale, workers can't afford to live there or send their children to its high-achieving schools (Kahlenberg, 2023b).

With the spread of migration magnets, this problem is growing in places that have not in the past experienced it. In Idaho Spring, Colorado, for example, as remote workers flood the area, the average home price, $340,000 in 2019, has spiked 66%. Because not enough housing is being built to accommodate newcomers, workers earning lower wages are being displaced. Statewide, half of Colorado renters allocate more than 30% of their income to housing (Smith, 2023).

The good news is that the spreading housing crisis is also leading, at least in some cases, to the enactment of housing reforms. In 2023, for example, Montana passed important zoning reforms in response to increasing home prices. Republican State Senator Daniel Zolnikov noted, "People are living in campers in Bozeman in negative 20-degree weather. People are trying to squeeze three kids into one bedroom to make their two-bedroom work." The State's Governor, Greg Gianforte, created a bipartisan task force to make recommendations on how to ease price increases. In May 2023, he signed legislation to legalize accessory dwelling units and require all municipalities to devise plans to streamline zoning. "The fear is that in 25 years, we're going to have a California-style housing crisis," said Kendall Cotton of the Frontier Institute (Relman, 2023). That is something all American communities need to take steps to avoid.

AUTHOR BIO

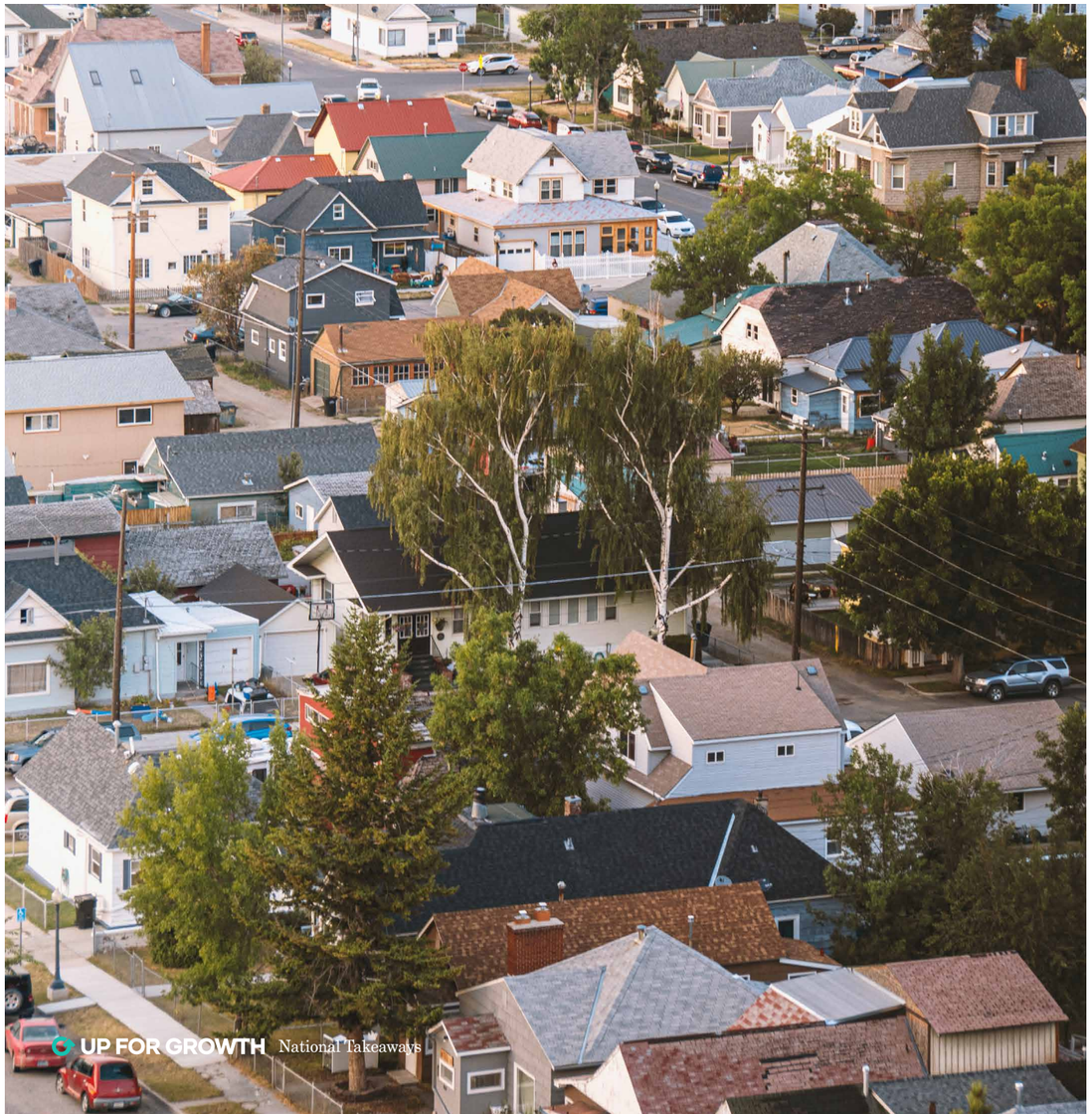
Richard D. Kahlenberg

Richard D. Kahlenberg is an education and housing policy consultant, a senior fellow at the Progressive Policy Institute, and a nonresident scholar at Georgetown University's McCourt School of Public Policy. The author or editor of 18 books, his latest is entitled *Excluded: How Snob Zoning, NIMBYism and Class Bias Build the Walls We Don't See* (Public Affairs Books, 2023). He has written about housing policy for the New York Times, Wall Street Journal, Atlantic, and Slate and testified before the U.S. Congress on zoning reform. He is a graduate of Harvard College and Harvard Law School.

The Role of the Private Sector in Addressing Housing Underproduction

by Heather Higginbottom

Co-Head of Global Philanthropy and Head of Policy and Research for Corporate Responsibility, JPMorgan Chase



The acute shortage of affordable homes in a growing number of places across the country is a significant impediment to shared prosperity. Housing affordability is a concern for government and community leaders and must also be a priority for the private sector. A housing market that meets the needs of workers and families is a foundation for inclusive economic development, financial stability, and wealth-building opportunities.

Many private sector leaders understand the critical intersection between a talented workforce and the availability of quality, affordable, opportunity-connected housing. Workers choose jobs based on the opportunity, location, length and mode of commute, and pay relative to the cost of living. Today, however, many workers struggle to find employment opportunities that enable them to meet their housing needs. In their 2023 Out of Reach report, the National Low Income Housing Coalition found that the cost of renting a one- or two-bedroom apartment exceeds median wages across the country, sometimes by a wide margin. The report also found that the shortage of affordable rental units disproportionately impacts women and Black and Hispanic workers.

While we have seen progress in some places in recent years, headwinds persist. Elevated inflation, which has contributed to the recent surge in housing costs, has impacted individuals' purchasing power. JPMorgan Chase Institute research shows declining real cash balances across all income levels and racial groups since the COVID-19 pandemic, reaching a three-year low in March 2023 (Wheat & Deadman, 2023). Higher interest rates, aimed at reigning in rising prices, further threaten the affordability of homes for purchase and curtail financing for new development.

Given the scale and complexity of this challenge, we believe the private sector must partner with government and nonprofit organizations to design, implement, and scale collaborative, cross-sector solutions to housing underproduction, affordability, and equity. Three actions stand out. First, firms should consider the full range of business practices and assets that can be leveraged for housing development and access. Second, business intelligence should inform housing policy design and drive attention and action. And finally, businesses should support community-led initiatives for improving housing options for working families.

The private sector is diverse in business size and structure, workforce employed, customers and communities served, and products and services offered. Companies can leverage their unique assets for housing development and access. As a large financial institution, for example, JPMorgan Chase announced in 2022 a 5-year, $30 billion commitment, of which $14 billion was allocated toward financing the creation and preservation of 100,000 multifamily rental housing units in underserved communities. We have already surpassed that goal. At the end of 2022, our Commercial Term Lending Affordable Housing Preservation program provided $18 billion in lending to incentivize the preservation of 169,000 units, funded an incremental $3.8 billion

of construction and rehabilitation of 7,500 affordable housing units for low- and moderate-income households, and expanded Low-Income Housing Tax Credit (LIHTC) investments by an incremental $1.18 billion.

Other organizations will have different resources, expertise, and influence, each of which they can use to help increase access to housing that the U.S. workforce can better afford. Hospitals, for example, can help close the financing gap for affordable housing. Aligned with community health objectives and tailored to employee needs, hospitals can donate land, enhance credit or provide direct loans to lower financing costs, and contribute staff time or grant funds to support the capacity of community-based organizations working to develop accessible housing (Reynolds et al., 2019). JPMorgan Chase is working to help broaden the housing finance ecosystem by providing financing to health systems and other anchor institutions, mission-oriented impact funds, real estate investors, and private corporations to develop new housing with rents attainable to a broader income range than traditional affordable or market-rate housing.

The expertise and knowledge of the business community can help inform policy and drive action. For example, JPMorgan Chase PolicyCenter's research on the manufactured housing ecosphere and insights from community partners informed our recommendation to modernize home manufacturing and implement policies that could elevate manufactured housing as a viable homeownership pathway (2023). Based on the firm's experience financing affordable housing through successful public programs like LIHTC, JPMorgan Chase identified the need for expanded public funding and regulatory reform to increase the supply of high-quality, affordable homes for purchase and rent. We support the proposal to create a new federal Neighborhood Homes Tax Credit to help homeowners renovate single-detached homes in low- to moderate-income neighborhoods and the removal of state and local barriers to affordable housing production in opportunity-connected communities, including restrictive zoning and land use policies (JPMorgan Chase PolicyCenter).

Across the nation, community-led initiatives are working to improve housing availability for millions of working families. By working with businesses that can provide financial support, lend the expertise of their employees, or elevate promising and impactful projects and initiatives, these organizations can focus on housing underproduction, unavailability, and inequity. Testing and scaling a wide range of models that meet the needs of different communities will be important to make incremental but meaningful progress in combatting underproduction.

For example, our firm granted funds to Genesis LA and other community partners to leverage pro-housing policies like California's SB 9 to develop new models of homeownership and increase the number of units built on lots previously zoned for single-detached homes. We also provided funds to the nonprofit developer Come Dream Come Build to pilot a volumetric modular construction model to lower costs and increase access to homeownership in Rio Grande Valley, Texas, with plans to scale in other states.

Beyond grant funding, we provide impact-focused equity investments in promising market solutions, such as a mixed-income housing fund managed by MSquared, a woman-owned real estate development and fund management company dedicated to creating mixed-income, mixed-use projects in fast-growing and increasingly unaffordable metropolitan regions, addressing a critical market gap.

Tackling the challenge of housing underproduction may seem daunting. Policies and practices implemented over decades have played a part in structural undersupply that will take many years to resolve, even with maximal effort. These policies have also contributed to residential segregation, linking housing availability with intertwined challenges of educational, economic, and environmental equity.

We believe this daunting challenge can be met with policymakers, community leaders, and the private sector joining together to advance change. Working collaboratively across sectors, we can address the structural barriers that keep many residents from being able to put down roots, call a neighborhood home, and plan for the future.

AUTHOR BIO

Heather Higginbottom

Heather Higginbottom is Co-Head of Global Philanthropy and Head of Policy & Research for Corporate Responsibility. She oversees the JPMorgan Chase Institute and PolicyCenter, which together champion evidence-based policy that advances inclusive economic opportunity through distinctive research and cross-sector engagement.

Prior to joining JPMorgan Chase, Higginbottom served as Chief Operating Officer of CARE USA, and Deputy Secretary of State for Management & Resources for the United States State Department from 2013–2017. In the White House, she served as Deputy Director of the Office of Management and Budget and as Deputy Assistant to the President and Deputy Director of the Domestic Policy Council.

"A housing market that meets the needs of workers and families is a foundation for inclusive economic development, financial stability, and wealth-building opportunities. "

REALTORS® Are Tackling Supply Challenges to Bring Down Barriers for Would-Be Home Buyers

REALTORS®, members of the National Association of REALTORS® (NAR), are on the front lines of the housing supply crisis. Low inventory, high prices, and, more recently, rising interest rates have dramatically cut into buyers' spending power. Soaring rents and other factors have made it difficult for many people to save or qualify for their first home. Housing affordability has reached historic lows, according to NAR data. As of April 2023, only 23% of listings were affordable to households earning the median income of $75,000 or lower.

"Buyers have faced a trifecta: historically low housing inventory, home prices that have risen for over a decade, and higher interest rates today than a year ago,"

says Jessica Lautz, NAR's deputy chief economist and vice president of research.

"The share of first-time buyers has dropped to a 41-year low, the divide between Black and White homeowners has grown to the widest point in a decade, and the share of single women entering has declined."

In response, REALTORS® have mobilized to address housing supply challenges at all levels of government.

In Blount County, Tenn., a zoning proposal before the County Council would have placed severe new restrictions on housing development, increasing minimum lot sizes and eliminating planned unit and cluster development. The Knoxville Area Association of REALTORS® organized to defeat the proposal, mobilizing members to fill the hearing room on the day of the vote with dozens of people wearing REALTOR® blue.

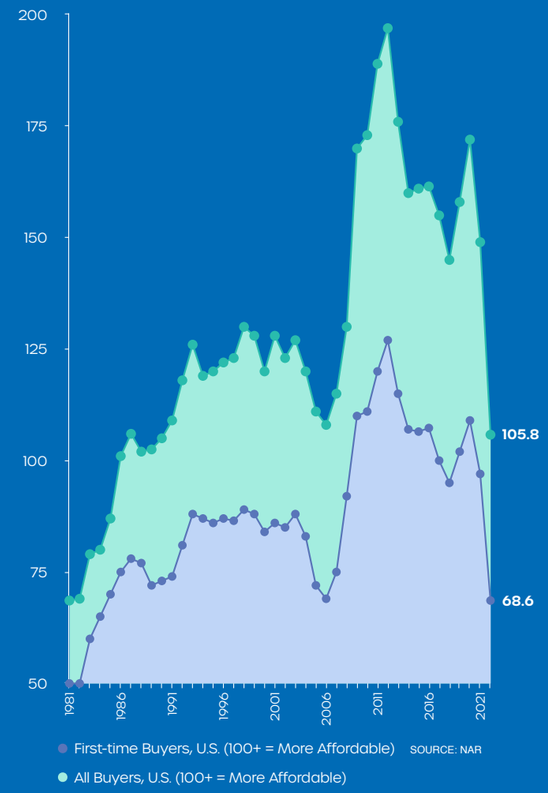
"Overly restrictive zoning regulations are perhaps the single largest barrier to affordable housing both in East Tennessee and throughout the United States,"

says Hancen Sale, government affairs and policy director with the Knoxville association.

"Since most zoning decisions occur at the county and municipal level, local REALTOR® associations are on the front lines of this debate, and we have the opportunity to vocally champion the cause of housing affordability."

With a housing shortage larger than the national average, the Spokane Association of REALTORS® leveraged an NAR grant to fund a study by the Counselors of Real Estate, an NAR affiliate. The result: an 89-page report with a road map of proven solutions for the city of Spokane, addressing everything from in-fill development to leadership and staffing of the municipal planning department.

The association worked with the city on adoption of a pilot zoning change that would allow duplexes and townhouses in all residential neighborhoods, plus triplexes and fourplexes near commercial zones and transit lines. The city's planning director said the initiative aims to increase density while matching the look and feel of a neighborhood. "The Counselors' report gave us instant credibility and helped us offer answers," says Tom Clark, 2020 president of Spokane REALTORS®.



While most of the action on housing supply is at the local and state level, federal policy also has a role to play. NAR has advocated for federal innovations focused on the tax code, such as increasing the amount of capital gains a homeowner can exclude on the sale of a principal residence and annually adjusting it for inflation, which would incentivize more owners to sell. NAR also supports offering tax credits to attract private investment for rehabilitating owner-occupied homes in areas where it is more expensive to rehabilitate than appraisal values will support.

The housing shortage facing the nation demands a once-in-a-generation response. REALTORS® are working at every level of government to advocate for bold action to improve accessibility, availability, and affordability in America's housing stock.

Housing Underproduction in the Suburbs

Between 2015 and 2019, housing underproduction in the suburbs increased by 16% annually, compared to 9% in urban centers. Nationally, the suburbs hold a disproportionate 48.7% (1.9M) of total housing underproduction. Despite a surge in suburban household formation, new home construction has not kept pace. For every 100 new suburban households formed in the reporting period, only 67 new homes were delivered, indicating a deep mismatch between the housing stock available and the demand for housing in fast-growing suburbs.

To create a more balanced housing market, American suburbs must build enough housing to cover their deficit and then more to keep up with growing demand. Yet, in most suburbs, NIMBYism is proving effective at preserving exclusionary zoning and burdensome regulatory restrictions. Keeping up with housing demand is nearly impossible.

Why is it hard to meet housing needs in the suburbs?

Exclusionary Zoning and Artificial Barriers

Seventy-five percent of all residential land in American cities is exclusively zoned for single-detached housing (Badger, 2019). Adding to this, more affordable products like multi-family properties, duplexes, and accessory dwelling units are often outlawed or subject to additional regulatory burdens that make them less likely to be built. As a result, private developers can often only make a project profitable by building single-detached or luxury products that are too expensive for most members of the community.

When communities cannot easily build enough of the types of homes its citizens can afford, it sets off a chain reaction of inflationary pressures that make daily essentials like groceries and childcare more expensive as well. Workers in these lower-earning sectors, burdened by high housing costs, may demand higher wages, leading businesses to pass increased labor costs to consumers, effectively raising the prices of goods and services across the board. Renters earning lower incomes may find themselves unable to absorb even marginal increases in the cost of living, leading them to seek more affordable housing elsewhere.

Homeowners, on the other hand, can enjoy rising property values in a skyrocketing market. They are often able to absorb cost of living increases without having to seek new housing options. **Essentially, homeowners are incentivized to fortify the market against products aimed at making it more affordable.**

NIMBYism and Opportunity Hoarding

Structural barriers, such as single-detatched zoning, and artificial barriers have been in place since the 1930s in many places across the nation, and NIMBYism has proven highly effective at ensuring they remain. Local community members, most often disproportionately white, older, and more likely to be homeowners, express resistance to new multifamily or affordable units, citing concerns about property values and the specter of nuisance (Demsas, 2022). These community members often spend excess time, energy, and money preventing others from accessing the benefits that come from living in a high-opportunity neighborhood.

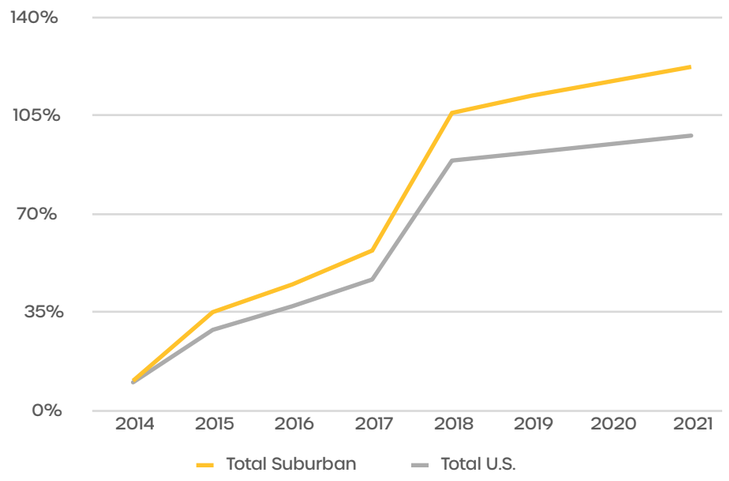
According to a 2019 survey of over 800 developers, investment firms, and property managers from across the country, the most common barrier to new building is NIMBY complaints.

In 2021, the value of existing residential real estate grew by $6.9 trillion and largely accrued to homeowners. (Cortrite, 2022). That same year, rental cost burdening reached 49%, its highest percentage in twenty years (Whitney, 2023).

Forty percent of developers stated that it is fairly or extremely difficult to build new multifamily housing (Hoyt et al., 2021). NIMBYism also has a significant downstream effect on racial equity in communities. The Shriver Poverty Law Center highlights that individuals and families of color disproportionately need affordable housing (Walz, 2018). As a result, NIMBY opposition to new affordable development disproportionately blocks access to high-opportunity neighborhoods to some Americans based on race or ethnicity.

It is very difficult to quantify the number of projects that never reach fruition due to NIMBY opposition. Often, projects die before application because of the mere threat of it. But, it is easy to surmise that, across the country, NIMBY opposition is responsible for an astonishing number of projects never getting built.

Cumulative Growth in Suburban versus National Housing Underproduction



St. Lucie County, Florida

In St. Lucie County Florida, a wealthy enclave on the east coast of southern Florida, housing affordability for the workforce is a central issue. In 2021, residents insisted that the County Commission reject a proposal that aimed to build 324 rental units, claiming the new development did not suit the neighborhood character. While some local business leaders cited deep concerns about lack of workforce housing, they faced vitriol from community members (Rodrigue, 2021). The property has since become a luxury hotel.

Today in St. Lucie, a lifeguard shortage has forced officials to reduce visiting hours at local pools and beaches (Lopez, 2023), and an affordable housing project offering six affordable units received 420 applicants (C. Hewitt, personal communication, July 19, 2023). With little to no new rental housing coming to market, affluent residents of the county who moved there to enjoy the natural coastline and many benefits of coastal living, are now less able to enjoy those amenities.

Union County, Ohio

A suburb of Columbus, Union County, Ohio is facing rising housing costs and a lack of affordable housing. However, new development is expensive. A novel new subdivision of for-rent homes proposed in the county seat of Maryville has received significant public pushback. If approved, each new housing unit will be valued at $400,000 and would rent for $2,000-$2,500 per month. High land prices, labor costs, and artificial barriers have forced prices so high that it catalyzes local opposition to new development.

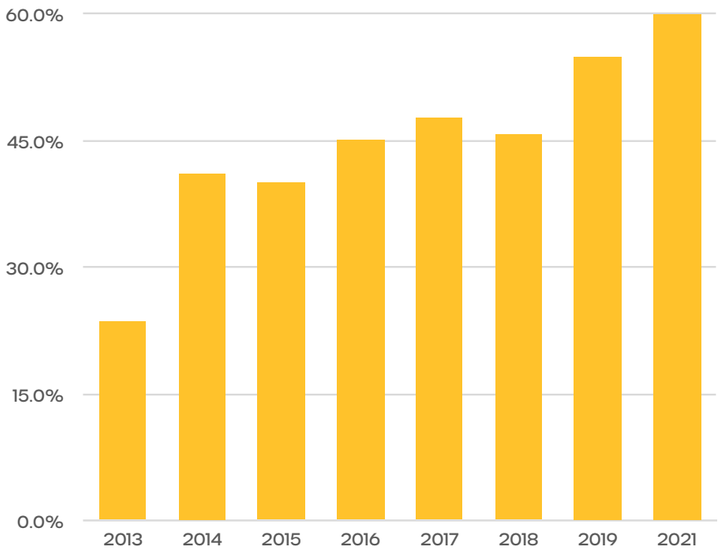
Kaufman County, Texas

In Kaufman County, Texas, a suburb of Dallas-Fort Worth, an influx of new residents in search of affordability has caused housing prices to spike, making housing unattainable for essential workers, including teachers. According to a 2019 State of Texas Analysis of Impediments to Fair Housing Choice, NIMBYism is one of the most significant impediments to new development in the eastern Texas region. These NIMBY complaints and actions have real consequences in Kaufman, with school teachers in such short supply, many of them work multiple positions as bus drivers and substitutes. The teacher shortage led the county school district to shorten its school weeks from five days to four (Daniels, 2023).

Solving Housing Underproduction in Suburban America

- **New Funding Sources:** Create and enhance property tax exemption and abatement tools to finance increased mixed-income and mixed-use residential development in suburban centers. Increase subsidies to boost the production of new affordable housing.
- **New Building Types:** Relax zoning, height, and parking rules to allow more multi-family and Missing Middle housing options to better meet housing demand.
- **Construction Innovation:** Streamline permitting to reduce the cost to deliver, and liberalize building codes to enable the industry to execute on more innovative construction methods to ramp up the scale of production in suburban communities.
- **Infrastructure Investment:** Strategically invest in upgrading transportation and utility infrastructure, public schools, and community resources to support more compact development patterns in high-opportunity suburban neighborhoods.

Percent of Sububan Counties Experiencing Housing Underproduction



Lack of Affordable Housing Is Exacerbating the Shortage of Public Educators Across the Country, Particularly in the Suburbs

By Randi Weingarten
PRESIDENT, AMERICAN FEDERATION OF TEACHERS

The last several years have been particularly challenging for public school teachers and support staff. Stagnant wages, COVID-19 disruptions, inadequate funding, book bans, court decisions limiting the teaching of literature and history, and politicized attacks on both the profession and vulnerable students have taken a severe toll on educators, students, and families.

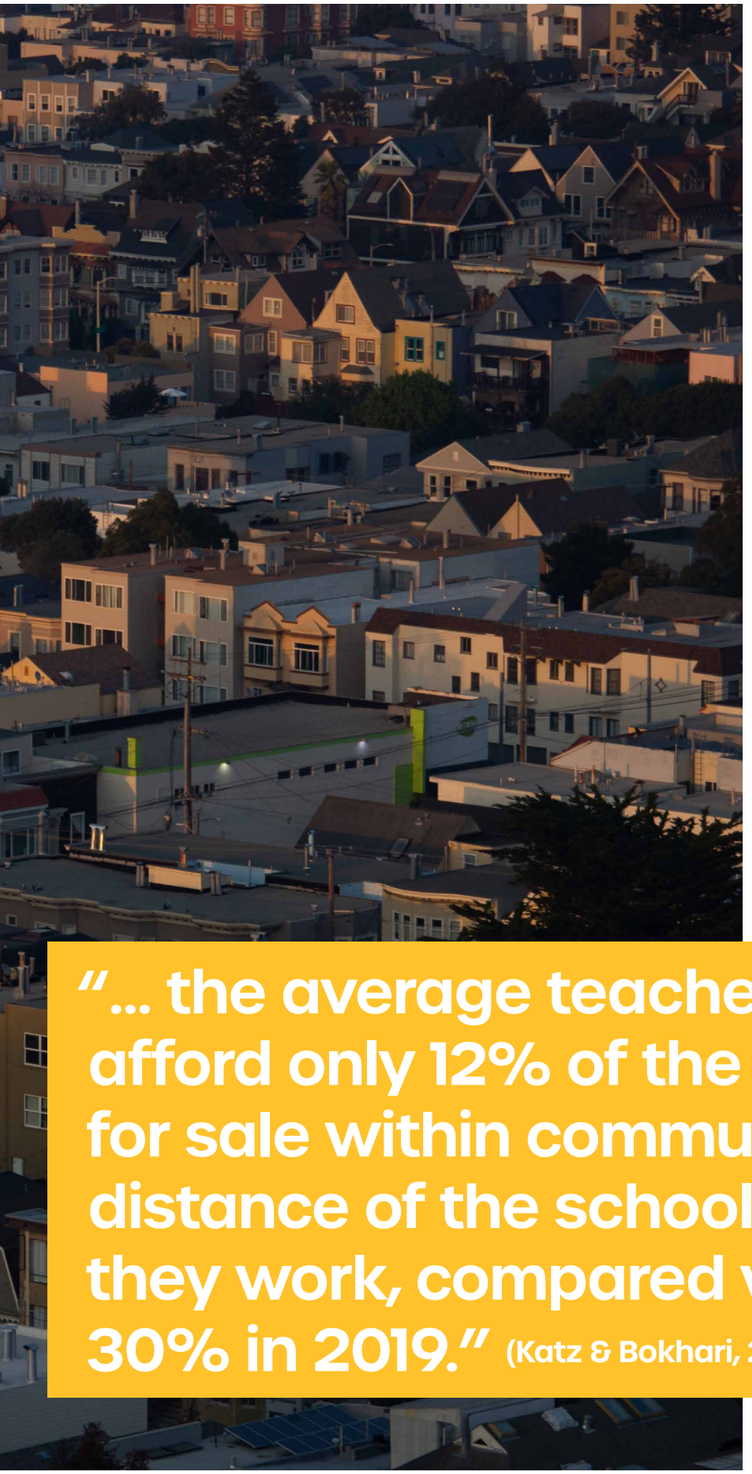
Educators across the country are leaving the profession, a profound loss not only for the teachers who love teaching and for their students but also for the nation's communities. School districts nationwide—in urban, suburban and rural areas—are grappling with teacher shortages that began long before the pandemic and that continue, in many places, to worsen (Jones, 2023).

The combination of low wages, ongoing student debt, and a rising cost of living means educators often cannot afford home ownership or live in the communities in which they work. According to a new report from Redfin, the average teacher can afford only 12% of the homes for sale within commuting distance of the school where they work, compared with 30% in 2019 (Katz & Bokhari, 2023). In some cities, the Redfin analysis shows, there are no affordable units within a 20-minute commute to their school. Rentals are hard to come by, too. The average teacher can afford about 25% of rentals within 20 minutes of their workplace, and with so many others in the community also looking for affordable housing, the competition for those units is strong.

This issue is being faced across the country, but suburban counties are facing unique, changing dynamics. From 2010 to 2021, housing starts in the suburbs did not keep up with demand. In 2021, 36.2% of all suburban counties experienced underproduction. And while housing production increased 56.9% in the suburbs in the aftermath of the pandemic, there was a 104.8% increase in suburban household formation.

In places without affordable housing in the vicinity of schools, it feels like a Sisyphean task to recruit and retain educators. Teachers want to be part of the community where they teach, to arrive earlier in the morning and leave later in the afternoon, to meet with students and parents, and to support after-school activities. They want to participate in community activities during the weekend and feel fully integrated into the neighborhood. That's not possible if they can't find housing nearby.

Communities, municipalities, unions, and school districts are working toward creative solutions to recruit and retain teachers in their areas. Extremely expensive San Francisco recently agreed to build two reasonably priced housing developments for educators—apartments for rent and condominiums for purchase. Shirley Chisholm Village, also in the Bay Area, is an affordable housing project aimed at providing housing for educators.



> "... the average teacher can afford only 12% of the homes for sale within commuting distance of the school where they work, compared with 30% in 2019." (Katz & Bokhari, 2023)

Cities aren't the only places where unique projects and partnerships are addressing the lack of affordable housing that is a barrier to teacher recruitment and retention. McDowell County, a rural area in West Virginia's Appalachian country, was experiencing a severe lack of modern housing. The county had fallen into a disastrous downward economic spiral 60 years ago after nearly all the coal companies doing business there pulled up stakes.

One of the most persistent problems plaguing the county has been ongoing teacher vacancies in the schools. Over the past several decades, substitutes and uncertified teachers have regularly filled in at chronically understaffed schools. It's not that people don't want to teach in McDowell; they do. But there is a dire lack of modern housing in the county. Old, abandoned apartment buildings are uninhabitable, low-lying flood zones make new development impossible, and mountainous terrain requires difficult and long commutes from neighboring counties. Attracting and keeping teachers requires a new way of thinking.

In 2011, the American Federation of Teachers (AFT) and its Reconnecting McDowell partnership of private corporations, public agencies, lawmakers, nonprofits, foundations, labor organizations, parents, and community leaders worked to put in place sustainable improvements for students, teachers, families, and the community. They financed and constructed Renaissance Village in Welch, W.Va., on a site where there had been two long-abandoned businesses. The structure became the county's first multistory apartment building in over 50 years, with modern, affordable rentals for teachers and other professionals. It opened in June 2022 and is now fully occupied.

The impact on local educators was tremendous. Terri Kennedy and her husband, Tim, for example, had been living and working in schools in neighboring Wyoming County and wanted to move to McDowell. Renaissance Village made it possible.

"I have roots in McDowell and taught there for nine years before COVID-19, commuting from Wyoming County. But I started thinking I really needed to go back home," Terri said. "There's a lot of trauma in McDowell, and we see a lot of behavior issues. I realized I really needed to go back and be where I'm supposed to be." Terri and Tim moved to McDowell last year, and both work at one of the two county high schools. She is a special education teacher, and he is the principal. "The only way it worked was because of Renaissance Village. This is the only affordable, nice place to live around here for teachers. We just love it. We wanted the community to know we're buying into the community, we're there for them—full force—and we want the families of our students to see us in the community." Terri says the couple pays $800 a month for a modern, fully equipped two-bedroom apartment.

Tim says he uses Renaissance Village as a selling point to recruit teachers. Some have come from as far away as North Carolina to work at Mount View High School.

Around the country, districts are coming up with other ideas to ease the housing problem. The Pinellas County School District in Florida is converting a shuttered vocational school into 225 residential units, with about half being affordably priced for teachers. In Baltimore, city officials are considering a proposal for the sale of an abandoned middle school property to be converted into a teachers' village, with 37 apartments for teachers and school staff. Elsewhere around the country, excess school land is being used for teacher housing.

Teachers need affordable housing in the communities where they teach. High-quality education is imperative to American democracy and recruiting and retaining good teachers is required to make that possible. Teachers want and need to be part of the communities in which they teach. Though teachers' villages serve that purpose beautifully, it is not a scalable solution to the problem of insufficient affordable housing. We need high-level policy changes to tackle the problem in a more satisfactory way. Without available and affordable housing, we will lose wonderful teachers and their essential connection to their students and their communities.

AUTHOR BIO

Randi Weingarten

Randi Weingarten is president of the 1.7-million-member American Federation of Teachers (AFT), AFL-CIO, which represents teachers, paraprofessionals and school-related personnel, higher education faculty and staff, early childhood educators, nurses and other health care professionals, and local, state, and federal government employees. Prior to her election as AFT president in 2008, Weingarten served for 11 years as president of the United Federation of Teachers, AFT Local 2, representing approximately 200,000 educators in the New York City public school system, as well as home childcare providers and other workers in health, law, and education.

Weingarten holds degrees from Cornell University's School of Industrial and Labor Relations and the Cardozo School of Law. She is an active member of the Democratic National Committee and numerous professional, civic, and philanthropic organizations.

Addressing Housing Shortages in Central Ohio: A Multi-Faceted Approach to Accommodate Economic Growth

By Mark Barbash

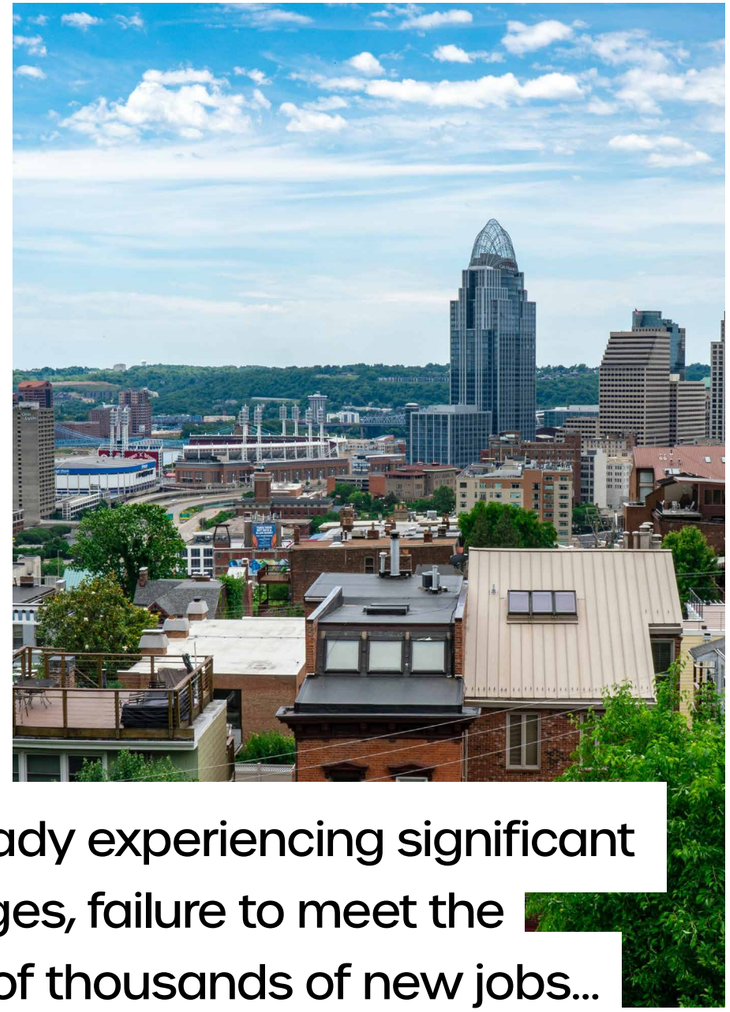
DIRECTOR, OHIO ECONOMIC DEVELOPMENT INSTITUTE

Central Ohio is not unfamiliar with rapid increases in housing demand stemming from economic growth and job creation. Erin Prosser, Assistant Director of Housing Strategies for the City of Columbus, recently told NPR that Columbus, historically an affordable housing market, experienced a surge in population between 2010 and 2020, largely due to a strong focus on job creation coming out of the 2008 recession, a time when very little new construction had taken place (Vugrincic, 2023). The region now faces a similar challenge, with suburban counties generally becoming 2.2% more underproduced between 2019 and 2021 and mid-high-cost counties like Franklin County, which contains a majority of Columbus, seeing underproduction increase by 9.8%.

Intel's recent announcement they will be building a chip fabrication facility in Licking County, integral to the nation's economic security and the biggest private sector investment in the state's history, has made addressing housing underproduction urgent again. In a region already experiencing significant housing shortages, failure to meet the housing needs of thousands of new jobs from both Intel and its suppliers could threaten job growth in the area. "Without the housing product, it can easily stifle the workforce needs of Intel and others," Jamie Green, a planning consultant for the Licking County Framework, told USA Today (Welsh-Huggins, 2022).

A housing needs assessment produced by the Building Industry Association (BIA) of Central Ohio determined that the area needed to double its current 8,000 annual housing production to meet current and future needs (2002), a number arrived at before factoring in the new Intel fab. Affordable housing is at the center of the issue. BIA found that the increase in median home sale prices has far outpaced the median household income growth, noting this trend will "further exacerbate affordability housing challenges in the Columbus region and will limit the Columbus market from realizing job growth projections" (BIA, 2022).

Through comprehensive planning initiatives, zoning code revisions, innovative community projects, and a robust ecosystem of resources for those needing affordable housing, Central Ohio is taking a multi-faceted approach to respond to this urgent issue.



"In a region already experiencing significant housing shortages, failure to meet the housing needs of thousands of new jobs... could threaten job growth in the area."

Mid-Ohio Regional Planning Commission Regional Housing Study (2020)

In response to their projection that Central Ohio would grow to more than 3 million people by 2050 (Mid-Ohio Regional Planning Commission [MORPC], 2015), the Mid-Ohio Regional Planning Commission (MORPC) produced a pivotal Regional Housing Strategy in 2020. Supported by an Advisory Board of regional stakeholders and funded by a consortium of 26 partners (including all the region's cities), the study analyzed housing trends, population growth projections, and economic forecasts to comprehensively understand the housing needs across Central Ohio (MORPC, 2020).

The Strategy quantified 13 regional housing submarkets throughout the region for analysis and characterized each based on economic conditions, demographics, and challenges and

opportunities for future investment. It identified barriers, such as land use processes and standards, higher costs of residential development, regulatory costs, and NIMBY sentiments. More than 150 possible actions were identified that were relevant to each of the housing submarkets, and the Strategy now serves as a foundation for informed decision-making by policymakers and stakeholders as they work toward new initiatives and solutions.

Framework Planning in Licking County in Response to Intel's Microchip Fab

Intel's announcement they would build a $20 billion microchip fabrication facility in Central Ohio triggered both excitement and fear around the growth that will come from the investment. More than 7,000 new jobs are projected for the building of the facility, with Intel projecting they'll need 3,000 high-tech, high-wage workers once the plant is operational. In addition, hundreds of jobs will be created as Intel suppliers move into the area and service businesses expand to serve a larger customer base. The impact on the region will be immense, both economically and socially. While it will be felt throughout Central Ohio, the center point is Licking County. Wanting to intentionally prepare for Intel's investment, leaders from each community in the county collaborated to develop a Framework Planning initiative.

Led by the Thomas J. Evans Foundation and supported by experienced urban planning firm Planning Next, the 15 local jurisdictions in the county are working together to plan for impacts on land use, housing, education, and transportation. By identifying areas for housing development, ensuring transportation infrastructure, and preserving green spaces, Licking County is proactively shaping its future while avoiding housing imbalances that often accompany rapid job creation.

Columbus's *Zone In* Initiative

The City of Columbus, recognizing the importance of revisiting its zoning code to align with the changing housing landscape, launched The Zone In initiative in November 2022 to facilitate housing production and diversity. Establishing an Advisory Committee and working directly with community stakeholders, the City engaged in extensive citizen outreach and education, helping create buy-in to changes to existing code that hadn't seen a makeover since the 1950s. According to the Zone In website, the region needs to double the number of units built each year, and without updating zoning codes, the City's commitment to equitable opportunities for all its residents cannot be achieved.

By eliminating outdated restrictions, promoting mixed-use developments, and simplifying permitting processes, Columbus aims to attract a broader range of housing investment that caters to various income levels. This forward-thinking approach addresses the immediate housing shortage and positions the city for sustainable growth.

Infill Housing Development by Central Ohio Community Improvement Corporation

Central Ohio Community Improvement Corporation (COCIC) is playing a vital role in mitigating the housing crisis through innovative infill housing development. A land bank and land trust serving Franklin County, Ohio, COCIC identifies underutilized spaces within urban areas and transforms them into affordable housing located near job centers and public amenities. Their work includes getting site control of tax-delinquent properties, demolition when appropriate, partnership with private investors and developers, and obtaining loan and development grants.

This approach optimizes existing resources, fosters community engagement, revitalizes neighborhoods, and provides housing solutions in areas where new construction might be challenging. A study by the Greater Ohio Policy Center found that COCIC's efforts resulted in the demolition of more than 3,300 blighted properties and produced 347 units of affordable housing (2022).

Conclusion

Central Ohio's response to the underproduction of housing units in the face of remarkable economic growth and job creation exemplifies the region's commitment to tackling the difficult path to sustainable and affordable development. Its multidimensional approach and understanding of the importance of strategic planning, collaborative initiatives, and adaptive policies are working to ensure that accessible housing options keep pace with the region's economic prosperity, which can serve as a model for other areas around the country facing similar challenges.

AUTHOR BIO

Mark Barbash

Mark Barbash is the Founder and Director of the Ohio Economic Development Institute—the training program for the Ohio Economic Development Association—and an instructor at the Ohio State University John Glenn College of Public Affairs, where he was recognized as the Outstanding Undergraduate Instructor in 2023. His economic development career includes being Chief Economic Development Officer for the State of Ohio, Director of Development for the City of Columbus, and Vice-President of the National Development Council. Barbash has served on the Board of Directors for the International Economic Development Council among other associations. As a nationally recognized economic developer and economic development trainer, he has taught for the National Development Council, the International Economic Development Council, the U.S. Small Business Administration, NASA, the Economic Development Institute, and multiple state-level courses. A recipient of the Fellow Member designation from the International Economic Development Council and SBA's Small Business Finance Advocate, he has had leadership roles in finance and development for the city of Columbus, the State of Ohio, and private-sector organizations.

Housing Underproduction in Small Towns

From 2020–2021, household formation in small towns across the U.S. spiked by 300,000, while at the same time, new housing construction dropped 13.2% from long-term trends. Affordability is one of the attractions of living in small towns, but lack of infrastructure and limited access to labor and supplies can add significant expense to new development. Furthermore, household wages in small-town markets tend to be too low to cover these added costs, and many new projects are deemed infeasible before they even begin.

Why is it hard to meet housing needs in small towns?

Lack of Existing Infrastructure

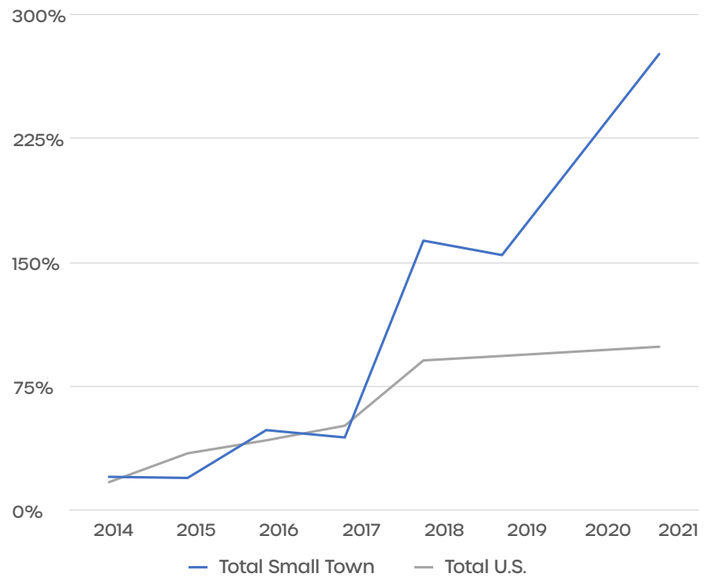
To grow, municipalities must choose between investing in developments increasingly far from the city center or densifying existing neighborhoods. Both strategies require updating roads, energy utilities, water pipes, and even fire hydrants (Herriges, 2021). The financial constraints of a smaller tax base often mean that without outside support or investment, even minor improvements are cost-prohibitive. Moreover, when these communities do receive outside funding, the tax base can be insufficient to maintain upgrades or repair any issues that inevitably arise (Marohn, 2021). Unsurprisingly, small towns are hesitant to engage in large, costly infrastructure projects when there is uncertainty about the ability to pay for or manage them.

Labor and Supply Limitations

Nationally, the construction industry faces a labor shortage of roughly 650,000 workers. In all types of communities, construction firms and development teams have difficulty attracting and retaining talent due to an aging and retiring workforce, a lack of investment in recruitment and training programs, and construction delays (LaRocco & Goldberg, 2023). In small towns, with an even smaller labor pool and a lack of affordable housing to attract potential employees, labor shortages can make or break a new development project.

Furthermore, due in part to disruptions caused by the COVID-19 pandemic, building material prices are around 25% higher than they would have been by equivalence in 2020 (Obando, 2022). The combination of labor and materials costs often means that projects, especially ones geared at affordability, never make it out of the feasibility assessment.

Cumulative Growth in Small Town versus National Housing Underproduction



Teton County, Idaho

Its abundance of outdoor recreation opportunities and proximity to ultra-expensive Jackson Hole, Wyoming have caused Teton County, Idaho's population to boom. However, limited access to supplies and rising labor costs limit the financial feasibility of new workforce housing projects. Residents of Teton County would need an income 300% above the Area Median to afford a home in the county. Even in the most affordable parts of the county, renter households would need to earn $70,000 annually. Without support from state funding, subsidies, and other bonuses, housing the workforce is extremely difficult. With nearly half of renters in Teton already reporting cost burdening, the people who keep the town's businesses running face a real threat of displacement (D. Self, Personal Communication, July 12, 2023).

Fremont, Idaho

Located on its eastern border, a portion of Fremont, Idaho, is occupied by Yellowstone National Park. Its proximity to the park has made it an attractive destination for people who enjoy the outdoors, but buildable land is limited. As a result, home prices have appreciated 12.1% since 2015, and 22% of renters are cost-burdened (Regional Economic Development for Eastern Idaho, 2022). Rising home prices are not a deterrent to wealthy people who want to enjoy the beauty and amenities of this community, but lower earning residents are being forced to look elsewhere for housing that is affordable.

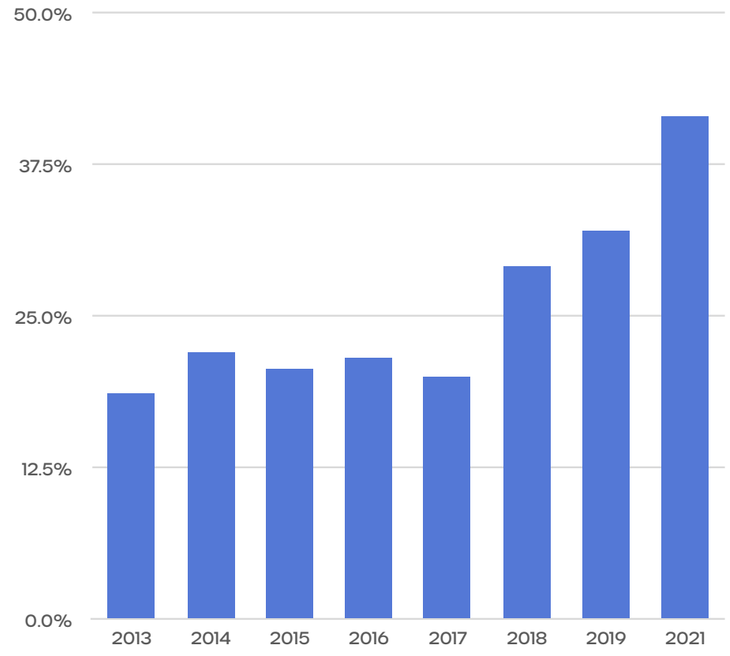
San Juan, New Mexico

Over the next two years, San Juan, New Mexico is expected to welcome 200 new workers to decommission a coal-fired power plant, but it lacks a concrete plan to house them. As the community grapples with the challenge, there is concern that workers will have to commute from other towns, raising the overall cost of the project, as out-of-town labor will likely require higher compensation.

Solving Housing Underproduction in Small Town America

- **New Funding Sources:** Enhance government subsidies to incentivize building where developer interest is low and consider local land trusts to maintain affordable housing stock.
- **New Building Types:** Update zoning to allow a broader range of units like duplexes and triplexes and gently increase density in desirable, walkable urban areas.
- **Construction Innovation:** Lower costs through modular building and other efficient techniques, catering to the specific needs and resources of small-town communities.
- **Infrastructure Investment:** Focus transportation and community infrastructure investment to support compact "main street" community development. Shift emphasis from auto vehicle capacity to prioritizing walkability to encourage compact growth.

Percent of Small Town Counties Experiencing Housing Underproduction



How Housing Underproduction and Escalating Housing Costs Offset Wage Gains and Employee Benefits: A Pocono Mountain Case Study

by Justin Genzlinger

CEO, SETTLERS HOSPITALITY AND SETTLERS HOLDINGS

In my position as CEO of Settlers Hospitality and Settlers Holdings, a boutique multi-concept hospitality group operating in the Poconos, I have seen first-hand the consequences related to the lack of affordable workforce housing in the region. Many of the current challenges in the workforce housing market can be traced back to events set in motion by the COVID-19 pandemic, including shifts in remote work trends, altered migration patterns, changes in demand for housing in rural areas, and the concurrent growth in popularity of the short-term rental market, all of which have significantly impacted housing availability and affordability in the Pocono Mountains.

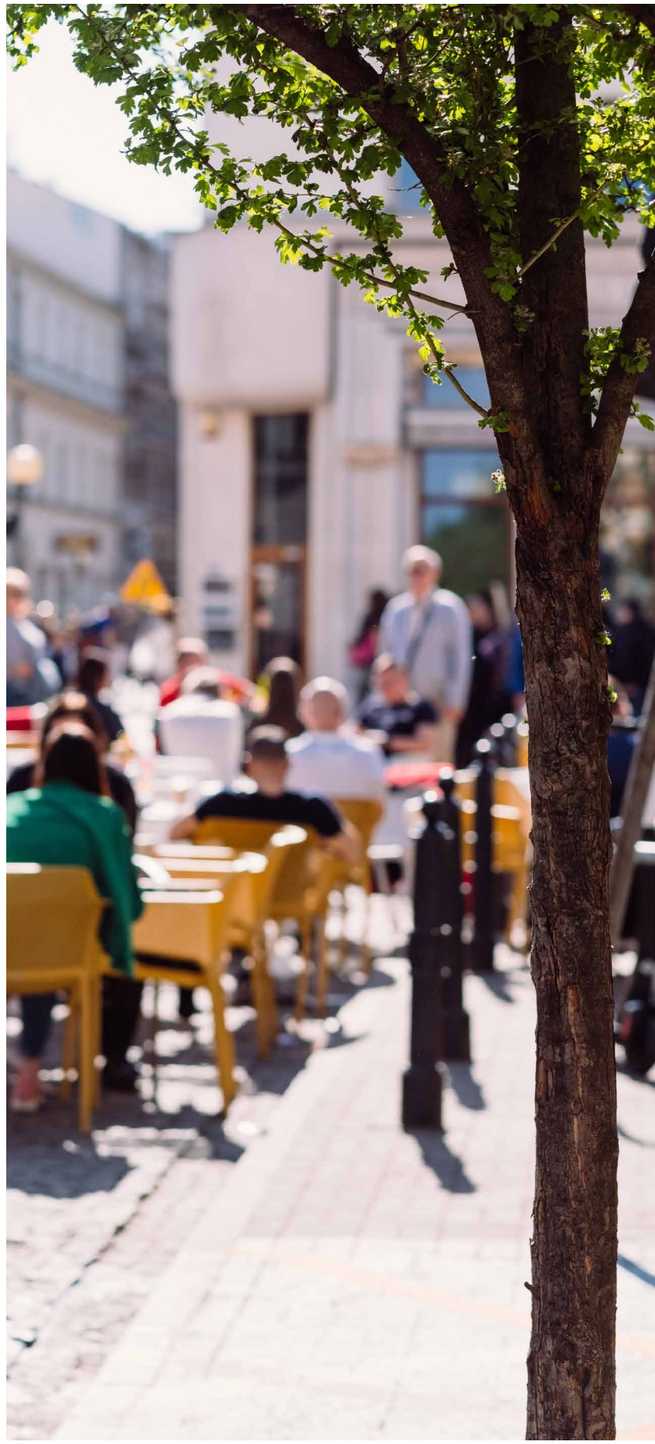
Background

During the COVID-19 pandemic, the hospitality industry grappled with a series of devastating challenges, including widespread closures during lockdowns that necessitated furloughs of the workforce. Between March 2020 and September 2020, nationwide data showed that there were over 32,000 permanent business closures in the restaurant and lodging sector (Yelp, 2020). Once allowed to reopen, surviving restaurants faced limitations on seating, adapting to outdoor dining, and maintaining social distancing measures, all of which placed pressure on both revenues and the ability to maintain staffing. The global supply chain crisis and a drastic increase in the cost of goods disrupted business, and the industry experienced a significant exodus of employees due to the "Great Resignation."

The Pocono Mountains region, a rural destination known for outdoor recreation opportunities, is within a three-hour drive of two major metropolitan markets: New York City and Philadelphia, making it an appealing place for urban dwellers to buy a second or new permanent home, working from home or becoming extreme commuters. As a result, real estate values skyrocketed 28.4% year-over-year and brought the inventory of homes to an all-time low (Realtor.com). The dramatic rise in real estate value and competition for housing has been catastrophic for the workforce, which has been virtually shut out of the market.

Settlers Hospitality's Response to Economic Change in the Region

Settlers Hospitality has grown its labor force by 40% over the last three years, becoming the largest staff in company history. We were the first company in the Pocono Mountains to raise its base wage to $15 an hour. We also invested in our workforce by providing pay raises across the board to all staff, which increased payroll by 40%. Even with these wage increases, our employees struggle to make ends meet due to the rapidly rising cost of living, particularly the high cost of housing. In direct response, our company



> “The dramatic rise in real estate value and competition for housing has been virtually shut out of the market. ”

established Settlers Cares Foundation, a nonprofit dedicated to addressing critical needs among workers who experience unforeseen hardships like illness, injury, or disaster. We also introduced additional benefits and team building to keep morale high.

To address the housing crisis, Settlers Hospitality has secured nearly 50 housing units for seasonal and full-time staff. Currently, 10% of our workers reside in company-owned housing. The investment has put further pressure on our operating expenses while depleting capital. Coming out of the pandemic, our only option to cover increased expenditures was to raise consumer prices. But today’s uncertain economic climate leaves consumers resistant to absorb further increases in hotel and restaurant pricing.

Workforce Housing in the Pocono Mountains

The median home value in the Pocono Mountains is estimated to be just over $280,000 (Zillow), while the median per capita income is slightly less than $30,000 annually (U.S. Census Bureau).

Increased population has stimulated business in the region, but the lack of affordable housing has created a dearth of available workers to staff the service industry. Previously, an entry-level position, such as a dishwasher, earned $9 an hour. Settlers Hospitality’s current hiring policy pays $15 an hour for those jobs. However, wage earners now need to pay $1,400 in monthly rent for a place that was $800 monthly prior to 2020. Any salary increase is quickly absorbed by the cost of living, resulting in no net gains for the average worker.

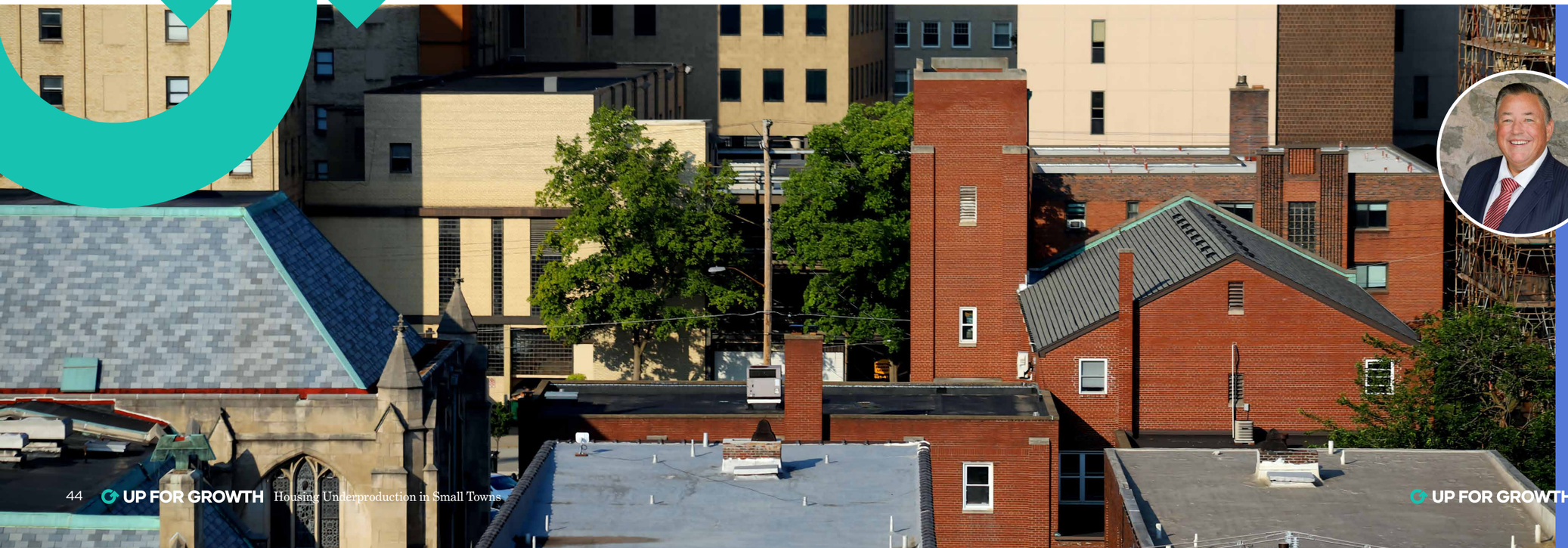
While it’s clear the area needs additional workforce housing to accommodate demand, attempts at multifamily or multi-unit developments have been rendered unattractive by a lack of infrastructure, the highest interest rates in 21 years, and the high cost of building materials. Housing absolutely must be built, but it is unrealistic to think that quickly adding housing to the free market on its own is the solution to lower the cost of workforce housing.

Public Policy & Workforce Housing

While the demand for housing is increasing in the Pocono Mountains, the supply remains stagnant. People earning high and middle-high incomes can adequately navigate the free market, buying or renting homes where they can work remotely or commute to their jobs in New York City or Philadelphia. Families earning low wages might qualify for affordable housing programs, though homes are not always available. The hardest hit may well be middle-income earners, like those in the hospitality industry. They can neither afford to buy into private markets nor are they eligible for any current public/private programs to bridge the gap. Today, employees in the service industry in the Pocono Mountains are faced with the dilemma of changing vocations out of the sector or relocating outside the area and commuting to work. This brings added transportation expenses that many of them cannot afford, as many working-class individuals continue to have no discretionary income due to the high cost of living in their communities.

Conclusion

To resolve the housing crisis in the Pocono Mountains, current affordable housing programs need to be widened to include the working class or public/private partnership opportunities established with that segment in mind. Our long-term recommendation is for the government to invest in infrastructure that will address the shortage of affordable workforce housing. However, there is an immediate need for additional public/private partnerships that incentivize developers to undertake housing projects focused on the workforce. Tourism is the leading economy in the Pocono Mountains. A substantial workforce to support that industry is an invaluable resource. We seek a resolution that will enable our team to be able to live and play in the place where they work. Their current situation leaves them woefully caught between making too much money for government aid and not making enough to secure a good quality of life. We urgently need to work on this complex and recalcitrant problem to ensure more people make it central to their political goals.



AUTHOR BIO

Justin Genzlinger

Justin Genzlinger is the CEO of Settlers Hospitality and Settlers Holdings. He began his career in mortgage banking and finance at Arthur Andersen after he graduated from Lehigh University with a BS in Accounting. He worked with Fannie Mae and Freddie Mac and was a featured speaker at MBA National Conferences. Returning to his roots in the Pocono Mountains in 2015, he consolidated his family’s businesses to form Settlers Hospitality and Settlers Holdings. He serves on the boards of organizations like HHA, PMVB, and PRLA, and in 2022, he founded Settlers Cares Foundation to aid hospitality workers in crisis.

Bend, Oregon: Housing Unaffordability Jeopardizes Economic Vitality

by Katy Brooks

CEO, BEND CHAMBER OF COMMERCE

There is much to love about Bend, Oregon: Maybe too much.

Skirted by the Cascade Mountain Range to the west and the high desert to the east, Bend is a gorgeous place to explore trails, ride hundreds of miles of mountain bike paths, ski, paddle or float on the Deschutes River or a mountain lake, and to enjoy nature.

Bend is also ranked the fifth best-performing small city in the U.S. by the Milken Institute (Switek et al., 2023), not bad for a former sleepy lumber mill town. It enjoys a surprisingly robust and diverse economy, attracting biopharmacy, technology, outdoor product companies, tourism-related businesses, and other industries to Oregon's high desert.

Bend's amenities and economic vibrancy sound irresistible until you try to find a place to live. Bend has grown from a town of about 25,000 people in 1990 to more than 105,000 today, with expected population growth to 156,000 by 2045.

This growth has put tremendous strain on the city and its residents, and affordable housing is at the top of the list of its challenges.

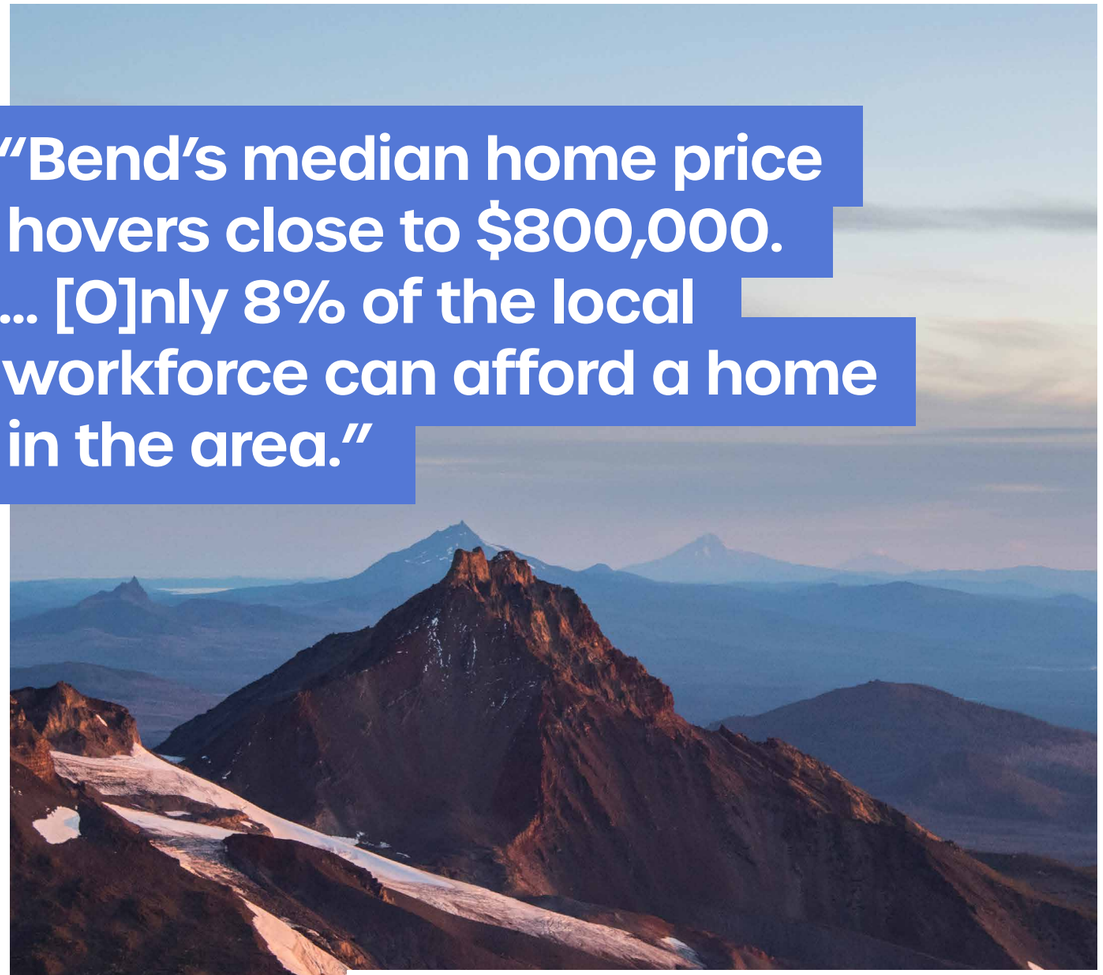
Bend may be the Milken Institute's number five in economic performance among small cities, but it is ranked 179th out of 203 in the number of households with affordable housing costs (Switek et al., 2023). Bend's median home price hovers close to $800,000, while the area median household income (AMI) is about $74,000. This puts housing, particularly home ownership, so far out of reach for most people that only 8% of the local workforce can afford a home in the area.

In polling conducted as part of the Bend Chamber of Commerce Workforce Housing Initiative, 78% of Bend residents surveyed said the city was growing too fast, and 67% knew someone who had to leave Bend or couldn't move to the area due to the unaffordability of housing, both for purchase and rent (2021). Most Bend residents acknowledge the need to densify housing to accommodate its population growth but are concerned about how denser development will impact living in a small mountain city. The housing situation in Bend has led to a labor shortage with far-reaching impacts. The growing deficit of teachers, firefighters, restaurant staff, public employees, health care workers, and others who can't afford to live in Bend threatens the delivery of needed services and the quality of life that makes Bend desirable.

From an employer's standpoint, the lack of affordable housing in the Bend area has become a determining factor in whether their business thrives or withers. Of regional employers responding to a recent Chamber poll, 91% said the high cost of housing limits their growth and strains their existing workforce (Bend Chamber of Commerce, 2022).

To attract and retain employees, 43% of employers reported that they've considered subsidizing housing costs by offering land for residential development, buying rental units for their workforce, or offering mortgage and down payment assistance. They have increased wages and created flexible work schedules, allowed their employees to work remotely from other states where the cost of living is lower, offered relocation bonuses, loaned company vehicles for transportation, and provided annual memberships to community-supported agriculture (CSA) programs.

Even with these efforts, the high cost of housing continues to dampen the recruitment and retention of workers. Two-thirds of employers reported that the inability to hire had decreased



“Bend’s median home price hovers close to $800,000. … [O]nly 8% of the local workforce can afford a home in the area.”

Negatives: Housing & Traffic

Regardless of whether you think Bend is growing too fast or about right, what would you say is the one, biggest problem as a result of Bend’s recent growth?

		Party		
	Overall	Dem	Indy	GOP
Rising housing costs	37%	35	35	38
Traffic and congestion	30%	21	29	41
Rising economic inequality	14%	19	10	10
Labor and workforce problems and shortages	8%	10	10	6
Lack of affordable childcare	4%	6	6	0

BEND CHAMBER

their revenues, with almost a quarter of businesses experiencing losses greater than 10%. Small businesses are particularly hard hit. Furthermore, since decreased business revenue translates directly into less tax revenue, the City and County experience greater pressure in funding needed infrastructure and services that provide the community with a high quality of life.

As dire as Bend’s housing situation is, there are signs of hope. The City has deployed various tools to lower building costs and incentivize lower- to mid-income construction. For years, the City has had a development fee that helps pay for affordable housing projects. More recently, they created a system development charge exemption for developments that make housing available to residents earning 80% of AMI or lower, and they have annexed urban reserve land on which to build affordable homes. Parking minimums have been eliminated to decrease building costs, as well. Bend’s building code now allows higher-density development in residential zones. The City also passed a nonprofit and multi-unit property tax exemption recently and streamlined permitting for accessory dwelling units to build inventory on existing properties.

The Oregon state legislature is also working on the issue of housing. Oregon Governor Tina Kotek set a goal at the beginning of this year’s session of building 36,000 housing units annually. To that end, new legislation injected $2.5 billion into Oregon Housing & Community Services to address the growing population of unhoused individuals and the lack of affordable housing inventory. It included nearly $10 million to help build attainable bridge financing for permits and other pre-development costs to lower the overall cost of a home. The legislature also invested $7.5 million for down payment assistance for people without the means to accumulate enough cash for a down payment. Another bill will provide $20 million to develop alternative homeownership models, including co-ops and community land trusts.

The private sector is also stepping up efforts to increase housing inventory. In collaboration with RootedHomes, a community land trust that builds affordable housing on deed-restricted property, the Bend Chamber of Commerce and other private sector businesses invested in an employer-subsidized housing pilot. The pilot demonstrated that employers could support a path to homeownership for their employees by subsidizing the construction of cottage homes, which effectively lowered the cost to purchase from $500,000 to about $190,000.

RootedHomes offered a lottery system to area employers that were willing to contribute to closing costs and that had employees who were first-time home buyers, earned less than 80% of AMI, and had worked in Bend for at least one year. The pilot was so successful that another 50 homes will be similarly sold in collaboration with employers in the coming year.

Other pilot projects in Bend include shared equity models, on-site childcare, cottage clusters, and different types of creative development. Deschutes County, which includes Bend and several other cities, appropriated $1 million to fund an incentive program for builders to offer homes priced to be attainable to residents earning 80–120% of AMI.

Bend cannot remain in the top ten of the Milken Institute’s best-performing small cities if it can’t climb out of the bottom of the list for housing affordability. The gains in employment and wage growth cannot be sustained without affordable housing for the workforce, particularly in the tourism, service, and hospitality sectors. The very quality of life that makes Bend so desirable will begin to erode without the housing needed to maintain its character. Moving the needle on housing affordability in Bend—and communities like it across the country—requires intentionality, creativity, commitment, and the openness to use available tools, policies, and models to build housing for a sustained, diverse, and healthy economy now and well into the future.

AUTHOR BIO

Katy Brooks

Katy Brooks is the CEO of the Bend Chamber of Commerce. With more than 25 years of experience in public affairs, economic development, and government relations, she brings both a public- and private-sector perspective to her work. As the leader of the Bend Chamber, Brooks supports businesses and their employees by identifying and providing solutions to barriers to success. Her recent initiatives include addressing a lack of affordable housing, workforce shortages, infrastructure development, childcare services for workers, economic development, and other issues directly affecting businesses in Central Oregon.

Housing Underproduction in Rural America

Despite continuous population loss in rural communities, housing underproduction has quadrupled since 2013. Moreover, housing in rural communities is aging. Federal disinvestment and the challenges that come with building in rural areas combine to make the cost of new development too high to justify. Increasingly, it seems reinvestment in an aging housing stock and expanding infrastructure may be the best solutions to meeting housing needs. But federal investment is key to helping rural communities thrive.

Why is it hard to meet housing needs in rural areas?

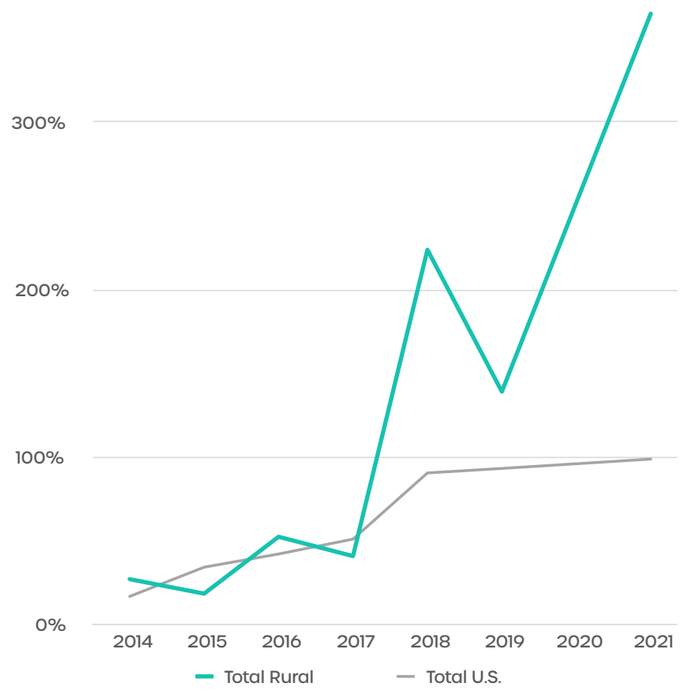
Federal Disinvestment

To meet housing needs, rural areas must physically preserve homes that are already available and preserve the affordability of the housing that currently exists. America's aging rural properties are phasing out of subsidized programs that help stabilize the housing supply. With a loss of 22,000 units in rural areas in the last five years, the gap in affordable housing is widening at an alarming rate (Kemper, 2023). Because developments in rural areas face both financial and logistical challenges related to labor costs and availability, new buildings are expensive and difficult.

The United States Department of Agriculture (USDA) administers a loan program that is hugely instrumental in helping rural areas preserve affordability. The USDA's 515 Loans are direct, competitive mortgage loans made to provide affordable multifamily rental housing for very low-, low-, and moderate-income families, seniors, and people with disabilities. Primarily a direct housing mortgage program, 515 funds may also be used to buy and improve land and to provide necessary facilities such as water and waste disposal systems. A staggering 87% of U.S. counties have at least one section 515 property, and many rely on these properties to provide affordable housing. According to the United States Department of Agriculture (USDA), it will cost $5.6 billion in funds to preserve homes in USDA communities, significantly less than is currently available (2016).

The Department of Housing and Urban Development (HUD) administers another program designed to help communities provide decent housing, a suitable living environment, and expanded economic opportunities, principally for low- and moderate-income individuals and families. The Community Development Block Grants (CDBG) that many rural communities use to help fund a variety of projects has lost 75% of its value relative to 1974 because CDBG funding is not pegged to inflation (Harris et al., 2023).

Cumulative Growth in Rural versus National Housing Underproduction



Nantucket, Massachusetts

In Nantucket, Massachusetts, new household formation went from below zero to 4.3% per year following the onset of the pandemic. There, median home prices have skyrocketed, doubling from $1.5 million in 2019 to an astonishing $3.36 million in 2023. Residents need an income 477% above Area Median to afford a home in the county. Low wage earners and essential workers, including teachers, are effectively locked out. Nantucket Public Schools are short thirty teachers. Significant government subsidies to create or preserve affordable housing are among the most plausible ways to provide affordable housing in Nantucket (T. Holland, personal communication, July 19, 2023).

Wayne County, Pennsylvania

In Wayne County, Pennsylvania, in the heart of the Poconos, an influx of newcomers, largely from New York, drove median home sale prices up 47% in just two years (Wayne County, 2022). Like many rural communities, the housing stock across the county is aging. More than half of all homes in the county were built before 1980, and an increasing number of homes are in disrepair or have other issues that prevent safe occupancy (Wayne County, 2023). To address the lack of housing development capacity, non-traditional stakeholders are leaning in. The Pocono Mountains Visitors Bureau recently partnered with Pocono Mountains United Way to create a new position with the express purpose of recruiting developers into the county (C. Barrett, personal communication, September 8, 2023).

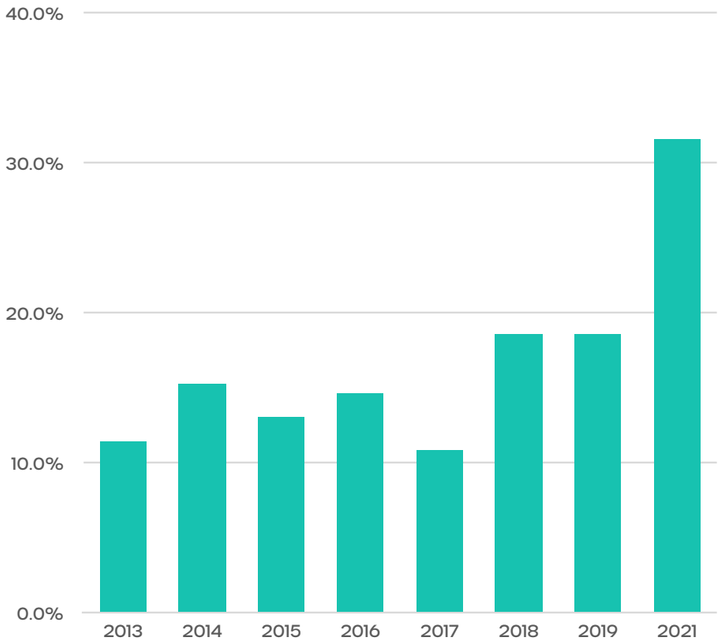
Butte County, South Dakota

In Butte County, South Dakota, state and federal funding are the only means of new development. However, even subsidized projects, like the Governor's Houses program, founded in 1996 to help fill the gap of affordable housing in more rural communities, are strained. Due to Butte's lack of access to affordable labor, building supplies, and capital, there is a three year delay on all new housing orders. The program sells affordable properties at prices between $70,000–$80,000. That price does not cover the lot or flooring, appliances, or building permits, so hopeful homeowners need to spend around $300,000 in total to actually build the unit. The cost of supplies and appliances drive up the cost of these units, with the Butte County Commission saying they are no longer an affordable alternative (Heidelberger, 2023).

Solving Housing Underproduction in Rural America

- **New Funding Sources:** Increase federal funding for rural housing including the USDA Section 515 program. At the state and regional level, provide grants for low- and moderate-income housing production and preservation.
- **New Building Types:** Modernize zoning, land-use regulations, and building codes to enable more economical housing typologies.
- **Construction Innovation:** Invest in factory-built and manufactured housing to scale production quickly and create job opportunities in rural communities along major transportation corridors.
- **Infrastructure Investment:** Target federal investments in compact neighborhood design and infrastructure to support walkable, livable communities across America's rural areas.

Percent of Rural Counties Experiencing Housing Underproduction

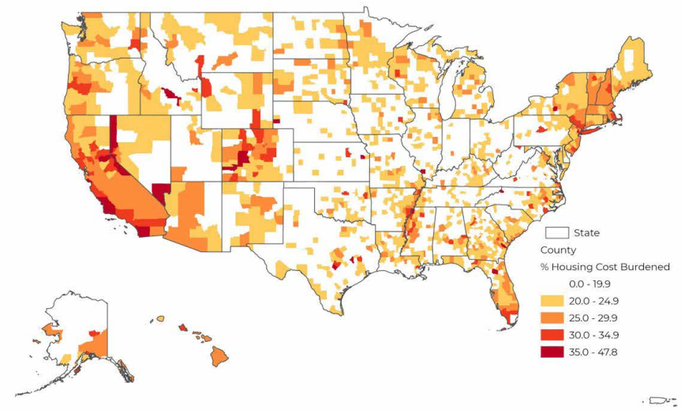


Rural Housing Supply: The Role of USDA Multifamily Preservation

by Jonathan Harwitz
DIRECTOR OF PUBLIC POLICY,
HOUSING ASSISTANCE COUNCIL

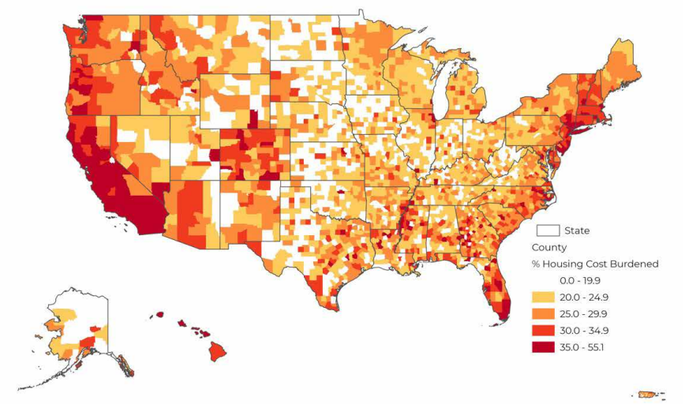
by Samantha Booth
GOVERNMENT RELATIONS MANAGER,
HOUSING ASSISTANCE COUNCIL

Housing Affordability, 1980



Source: Housing Assistance Council Tabulations of Census Bureau's 1980 Census of Population and Housing.

Housing Affordability, 2021



Source: Housing Assistance Council Tabulations of Census Bureau's 2017-2021 American Community Survey .

The people of rural America reside in approximately one-quarter of the United States' homes and occupy 97% of our nation's landmass. There is immense diversity among our small towns and rural places. Yet, a set of community and market conditions and federal policy challenges also tie this vast landscape together.

With the continuing outmigration of working-age residents, rural communities contain larger shares of older residents. Racial and ethnic diversity is also increasing in rural America, as it is throughout the country. A more senior, less mobile, yet more diverse rural population will require housing options and solutions currently unavailable in many rural communities nationwide. Indeed, as the maps to the left dramatically illustrate, over the past four decades, housing affordability has long since ceased to be a predominantly urban and suburban problem.

Rental Housing Is Essential to Healthy Communities, but Options Are Often Limited and Expensive for Rural Renters

While homeownership is often seen as synonymous with the American Dream, rental housing is also essential because many households cannot or choose not to own a home. Some of the most economically vulnerable rural residents rent their homes. Yet far too many live with rental costs they cannot afford, physically inadequate homes, or overcrowding. At the same time, the supply of affordable rural rentals is shrinking.

About 28% of rural households (and the same proportion of suburban residents) rent their homes, compared to just over half (52%) in urban places. In keeping with the less dense nature of rural areas, rural renters are likely to live in much smaller buildings or manufactured homes than their urban and suburban counterparts.

Housing costs are a significant problem for rural renters, as they are for urban and suburban residents. More than 45% of renters in rural America (over 2.5 million households) pay more than 30% of their income for rent and utilities, and nearly half of those (1.2 million) pay more than 50% of their income for shelter. Cost-burden rates are even higher in rural census tracts where the majority of the population is Black or Hispanic. In Black-majority rural census tracts, 55% of renters pay more than 30% of income for housing, as do 47% of renters in Hispanic-majority tracts.

Rental options are essential for housing local workforces and priming local community economies. If employees can't find affordable housing, employers can't hire them. The Housing Assistance Council (HAC) has seen this dynamic in countless rural places nationwide. Both big corporate employers and small local businesses face this mounting challenge, and more urgently, so do the people who work for them.

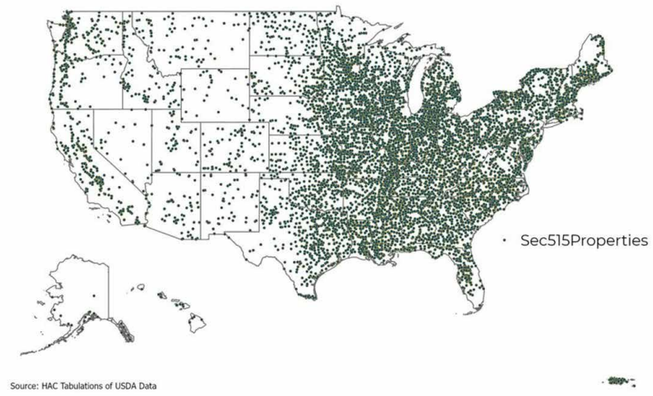
Unfortunately, just as in America's cities and suburbs, the scope and severity of housing cost burdens across rural America are associated with increased homelessness. The 2022 annual point-in-time count funded by the Department of Housing and Urban Development and conducted by local Continuums of Care (CoC) (comprised of housing and service providers to people experiencing homelessness) showed a 1% increase in homelessness nationwide between 2020 and 2022, with predominately rural CoCs experiencing a rise of 6% (de Sousa et al., 2022).

The USDA Section 515 Preservation Crisis and its Impact on Rural Rental Stock

The USDA's Rural Housing Service (RHS), authorized under Title V of the Housing Act of 1949, administers a suite of housing programs explicitly targeted to residents of rural communities. These programs span the spectrum from multifamily rental to single-detached homeownership to capacity building and community facilities. While all the RHS programs are critically important, the preservation crisis in the USDA multifamily portfolio is our focus for this piece.

Rental properties financed by USDA Section 515 loans are an essential source of rental housing in many rural communities. Since the program's inception in 1963, Section 515 Rural Rental Housing (RRH) loans have

USDA SECTION 515 MULTIFAMILY HOUSING PROPERTIES, June, 2021



Source: HAC Tabulations of USDA Data

financed nearly 28,000 rental properties containing over 533,000 affordable apartment homes across rural America. Of these, just under 400,000 affordable apartments remain in USDA's current Section 515 RRH Housing portfolio, with at least one USDA Section 515 property in 87% of all U.S. counties. The map on the previous page shows the distribution of these properties throughout the country.

Section 515 rental units house an economically vulnerable population. Two-thirds are occupied by seniors, people with disabilities, and tenants with average annual incomes of only $13,600. No new construction of Section 515 properties has been financed since 2012, and because most of these properties are several decades old, their original mortgages are reaching the end of their terms. The graph below shows HAC's projected loss of Section 515 properties over time, with the first peak in property exits expected in 2027.

The Housing Assistance Council recently determined that from 2016 through mid-2021, maturing mortgages removed these properties from USDA's Section 515 portfolio slightly more slowly than previously predicted (Feinberg, 2022). However, more properties than expected left the program for reasons unrelated to mortgage maturity. HAC identified 921 Section 515 properties that left the portfolio between 2016 and July 2021, nearly three times more than the USDA had projected for maturing mortgages alone during the five-year period. The properties lost during this period are shown in the map on page 57.

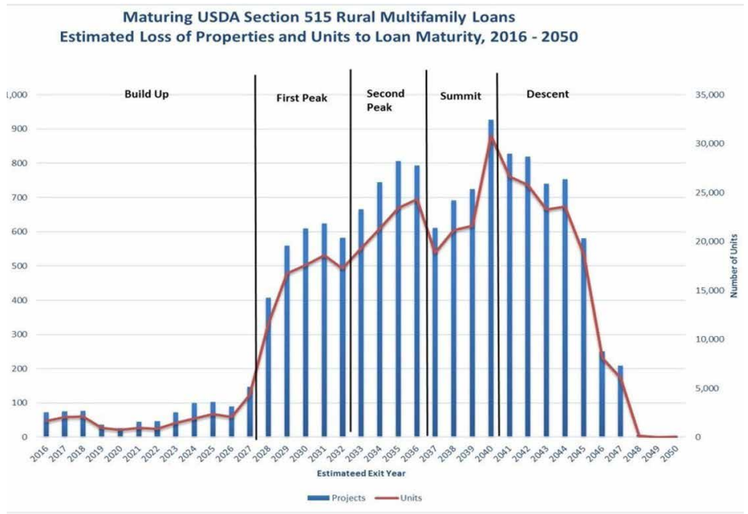
The residual impacts of this trend are exponential. Once the USDA mortgage has ended, the property owner is generally no longer subject to government oversight or regulations on the use of their property (unless the project has other subsidies still in place), the federal government is no longer paying to support that housing, any remaining or replacement financing has a higher interest rate than the USDA loan, the tenants are no longer eligible for USDA Rental Assistance, and in some instances, the homes may no longer be affordable for their tenants.

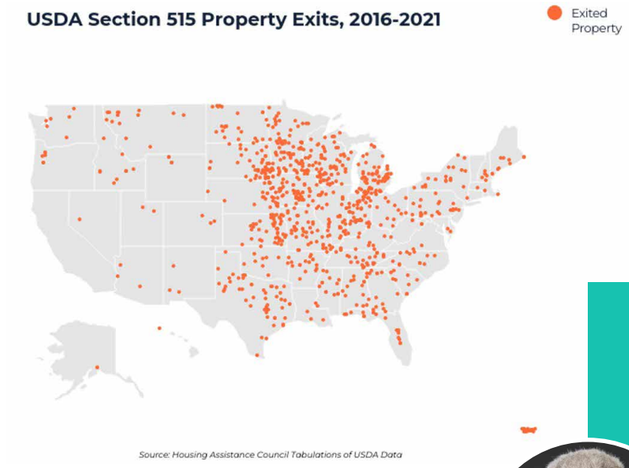
Preservation and Production Solutions

Effectively preserving the Section 515 portfolio will take significant public and private commitment, particularly federal investment. The USDA predicts that the cost to preserve 80% of the current portfolio over the next 30 years will be more than $30 billion. Members of Congress are beginning to take real, bipartisan action to provide the USDA with the tools needed to preserve this critical stock of rental housing, most significantly with the Rural Housing Service Reform Act (S. 1389) and the Strategy and Investment in Rural Housing Preservation Act (S. 1490).

More generally, some baseline parameters should be taken into account when considering how to increase the supply of affordable rural rental housing effectively. In partnership with the Urban Institute, HAC's research suggests core strategies for improving affordable rental housing production across rural communities (Scally et al., 2018).

- Increase public-sector resources for producing new affordable rental housing in rural America.
- Set priorities and preferences and incentivize development projects in rural communities with the most severe needs.
- Minimize risk and attract private-sector investment by using innovative strategies.
- Improve the capacity of federal agencies to mobilize and coordinate funding to rural communities.
- Improve developer capacity in underserved rural places and provide incentives.
- Promote more flexible building types for rental housing in rural communities.
- Establish, maintain, and provide access to national and statewide databases of existing market analyses in diverse types of rural markets.
- Encourage proactive local planning for rental housing development, prioritizing areas where local infrastructure and services already exist.





"If employees can't find affordable housing, employers can't hire them."

Conclusion

Both the preservation of existing housing and the production of new homes are needed for a healthy rural rental ecosystem. Rural America faces the loss of almost 400,000 affordable rental homes in the next several decades, compounding the already dire lack of affordable rental supply in these communities. These properties are largely worthy of preservation and are important resources for the communities in which they are located.

AUTHOR BIOS

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Jonathan Harwitz is the Director of Public Policy at the Housing Assistance Council (HAC). Prior to joining HAC, he was the Director of Housing Community Development and Insurance Policy for the House Financial Services Committee. He also served as Managing Director of Federal Policy and Government Affairs at the Low-Income Investment Fund, a large national Community Development Financial Institution. Earlier in his career, Harwitz served as Deputy Chief of Staff for the U.S. Department of Housing and Urban Development; Counsel to the Housing and Community Opportunity Subcommittee of the House Financial Services Committee; Professional Staff to the Housing and Transportation Subcommittee of the Senate Appropriations Committee; and in various policy-related positions at the Corporation for Supportive Housing. Prior to entering the field of federal policy, he clerked for two federal District Court judges and was a lawyer in private practice.

Samantha Booth

Samatha Booth is the Government Relations Manager at the Housing Assistance Council (HAC). Prior to joining HAC, she was the Policy Director at the Community Development Bankers Association. She also spent five years working as a legislative staffer for Members from Montana and North Dakota in the U.S. Senate. Prior to her time in federal policy, she worked in journalism.

Unaffordable Housing Strains the U.S. Health Care System

by Bruce Whitfield
CEO, LIVINGSTON HEALTHCARE

The COVID-19 pandemic changed communities across the U.S. in myriad ways. One of these was the migration of people no longer tied to an office from urban centers to beautiful and rural locations like Park County, Montana, where they could enjoy the big sky, the Yellowstone River, and the Gallatin Mountain Range, all while being driving distance away from Bozeman, one of the fastest growing areas in Montana. As the Chief Executive Officer of Livingstone HealthCare (LHC), a 25-bed critical access hospital in Livingston, I've watched these changes firsthand and felt their impacts on health care delivery in the area, most notably through a dramatic increase in the cost of living. With a shortage of health care workers already in full swing at the start of the pandemic, things have reached a critical point. Housing unavailability and unaffordability have become the primary barriers to recruiting and retaining the staff necessary to provide the community access to the robust, high-quality health care it needs.

Park County, which adequately produced homes in 2012, now experiences underproduction, contributing to skyrocketing home prices for both purchase and rent. Single-family median sales prices rose in Park County from $282,753 in December 2019 to $425,250 in June 2021 and $587,500 in August 2023 (Redfin, 2023). Increased demand is a significant driver. Livingston is only 25 miles from Bozeman, where the median price of a single-family home is approaching $900,000. Many homeowners across the region took advantage of high real estate values and sold their rental properties, the new owners now living in those homes full-time. With the loss of this supply, what is available has seen steep price increases.
The average cost of a rental property in July 2020 was $1,275 per month across all types, and by June 2021, the cost had increased 23% to $1,565 per month (Park County Housing Coalition, 2021).

A lack of affordable housing is one of the main drivers of the staffing crisis in health care. The median annual wages for health care support workers, such as home health and personal care aides, medical and nursing assistants, medical transcriptionists and more, were $35,000 or less in May 2021, lower than the median annual wage for all occupations (U.S. Bureau of Labor Statistics, 2022). Even higher-paid medical professionals, such as registered nurses, physician assistants, and even some physicians, are being priced out of the market.

According to the National Association of Realtors Housing Affordability Index, the qualifying income needed to buy a median-priced existing single-family home was $91,384 in May 2023, up from $49,680 in 2020. When looking only at the western United States, the qualifying income needed rises to $155,568. Given the cost

of housing, both for rent and purchase, many hospital staff cannot afford to live near their place of work. Even more urgently, the ability of hospitals and other health care facilities to recruit health care staff is critically undermined.

While shortages were already common throughout the country before the coronavirus outbreak, the pandemic pushed it to a crisis point, where it remains. In December 2022, there were 1.9 million sector job openings across the country; in 2021, the average was 1.6 million; in 2020 and 2019, 1.1 million (Brill & Seiter, 2023).

Rather than reducing services, many hospitals have been forced to hire temporary workers from out of the area at a cost that is often 2–3 times what a permanent position would be. Many traveling health care providers live in RVs in hospital parking lots, as no housing is available in the community (Gooch, 2022). Nationwide, hospital demand for contract labor increased more than 500% in the fall of 2021 compared to 2019 (Condon, 2022). LHC had a negative operating margin for the year ending June 30, 2023, with labor expenses as the most significant contributor to this loss. We are not alone. Hospitals nationwide are struggling, some even closing, as they try to recover from the twin issues of ballooning labor expenses during the pandemic and barriers to recruiting and retaining nurses and other health care professionals.

A recent McKinsey & Company report projected that by 2025, there will be a deficit of between 200,000 and 450,000 registered nurses to provide the direct patient care needed in communities nation-wide (Berlin et al., 2023). In addition, Mercer projects that over the next five years, the U.S. will face a shortage of over 3 million lower-wage health care workers (Bateman et al., 2021). This approaching crisis has multiple causes, such as a health care workforce that includes many reaching retirement age, education programs that are financially out of reach for many, stagnant pay, pandemic-related burnout, and a shortage of homes near the workplace. It is critical that affordable housing be available to attract workers to the nation's rural hospitals and health care clinics, without whom care delivery will be impossible.

Recently, Bill McBride, Executive Director of the National Governor's Association, wrote a letter to Congress urging action on the national shortage of health care workers, calling out affordable housing as a critical need. The federal government could take steps to support the supply of health care workers, he wrote, by "making housing for health care workers more affordable, especially in high-cost metropolitan areas and high-cost rural areas" (2023). Yet, housing supply problems are not quickly solved in rural areas, as a limited construction workforce creates delays and bottlenecks, a barrier that often leads to potential projects never breaking ground. Custom builders in Livingston are telling potential buyers there is a two-year waiting period before they can break ground on a custom home, and the same challenge applies to multifamily developments. Recruiting construction professionals to the area without adequate housing for their families is equally challenging as in other sectors like hospitality, service, and health care.

"Housing unavailability and unaffordability have become the primary barriers to recruiting and retaining the staff necessary to provide the community access to the robust, high-quality health care it needs."

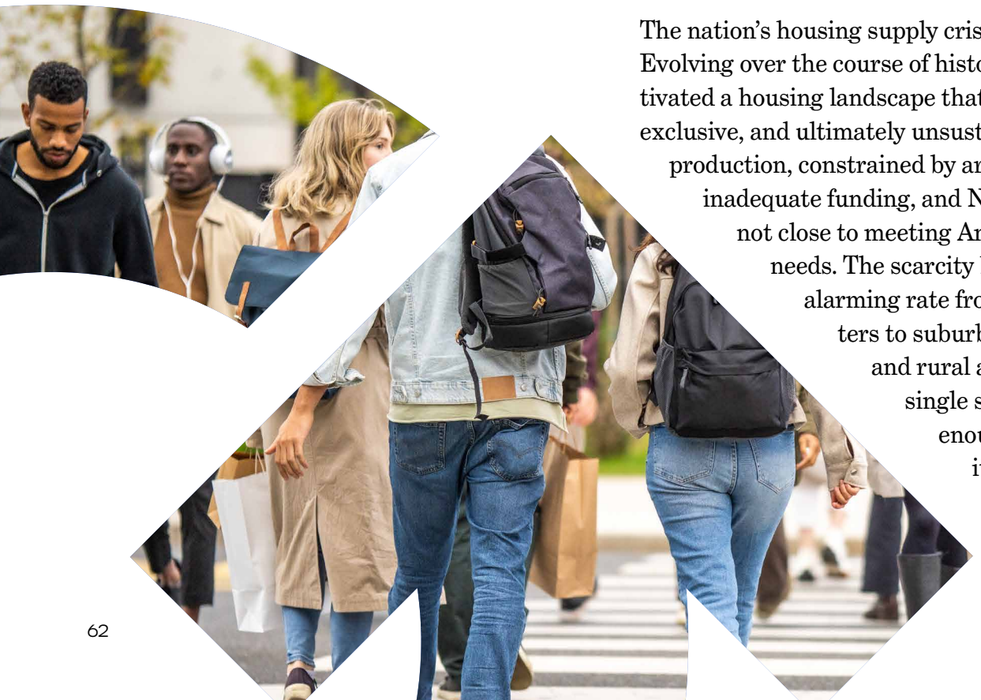
LHC is fortunate to have purchased 100 acres adjacent to the hospital campus for future expansion. In different circumstances, we would use this property to grow existing and new health services our community needs, but now we must think in new ways about our future. We are partnering with a developer to build affordable residential housing for our health care workforce. Not every hospital has the option of such an intervention, though LHC is far from the only health care system taking this step. While not a solution to the problems of unaffordable and unavailable housing for workers who do not make the high wages needed in today's economy to purchase or rent a home, we need to be willing to explore unexpected solutions while policymakers continue to make leeway on removing the barriers to affordable housing.

AUTHOR BIO

Bruce Whitfield

Bruce Whitfield is the Chief Executive Officer for Livingston HealthCare in Livingston, Montana. He has over 30 years of health care experience. He has worked for several health systems in Montana, including as Chief Executive Officer of Logan Health, Cabinet Peaks Medical Center in Libby, and President of the Outreach Network based out of Kalispell. He has held positions with Providence Health and Services and Sisters of Charity of Leavenworth Health System. Whitfield has a Master of Business Administration from the University of Montana and is a Fellow of the American College of Healthcare Executives and a Certified Public Accountant.

Conclusion



The nation's housing supply crisis has deep roots. Evolving over the course of history, we have cultivated a housing landscape that is inaccessible, exclusive, and ultimately unsustainable. Housing production, constrained by artificial barriers, inadequate funding, and NIMBYism, is not close to meeting America's housing needs. The scarcity has spread at an alarming rate from urban centers to suburbs, small towns, and rural areas. Not a single state is providing enough housing for its citizens, and the nation is poorer, less diverse, and less dynamic than it could be if everyone who wanted it had access to affordable shelter in high-opportunity areas.

There are some shining examples of progress being made to address the crisis. In Grand Rapids, Michigan, a series of zoning reforms implemented in 2008 appear to be resulting in a robust increase in housing production (Bipartisan Policy Center, 2003). Montana's state legislature passed five pro-housing bills in 2023. Dubbed the 'Montana Miracle,' these bills require local zoning reforms and provide infrastructure and technical assistance funding to communities to build more compact and livable communities.

And in Florida, the state legislature passed the Live Local Act, banning localities from implementing rent control. They are providing historic funding levels for workforce housing and by-right permissions for residential in high-opportunity neighborhoods across the state.

Policymakers must make the straightforward but difficult choice to prioritize new funding sources that allow for diverse housing types, to invest in construction innovations, and to bolster infrastructure funding despite the risks posed by NIMBY opposition. Only then will we slow the pace of housing underproduction and, over time, begin to repair it.

Housing Underproduction by Metropolitan Area

Rank	Region	UNDERPRODUCTION		Annual Percent Change in Median Rent (2012-2021)	Share of Renter Households who are Cost Burdened	Annual Percent Change in Median Home Value (2012-2021)	Black-White Home-ownership Gap
		Total (2021)	As a Share of Total Housing Stock (2021)				
1	New York-Newark-Jersey City, NY-NJ-PA	339,267	4.3%	3.6%	50.8%	3.7%	31 pp
2	Los Angeles-Long Beach-Anaheim, CA	332,275	7.1%	5.0%	55.1%	8.3%	25 pp
3	Riverside-San Bernardino-Ontario, CA	160,841	10.7%	4.7%	55.0%	12.4%	25 pp
4	Washington-Arlington-Alexandria, DC-VA-MD-WV	132,066	5.7%	2.6%	46.0%	3.9%	20 pp
5	Chicago-Naperville-Elgin, IL-IN-WI	120,383	3.1%	3.4%	46.0%	4.0%	33 pp
6	Miami-Fort Lauderdale-Pompano Beach, FL	117,570	4.8%	4.3%	59.6%	11.8%	24 pp
7	Dallas-Fort Worth-Arlington, TX	109,721	3.7%	5.4%	49.7%	10.8%	30 pp
8	Atlanta-Sandy Springs-Alpharetta, GA	105,261	4.6%	5.3%	50.3%	9.6%	25 pp
9	Phoenix-Mesa-Chandler, AZ	95,323	4.9%	5.3%	49.0%	15.5%	33 pp
10	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	79,694	3.1%	3.3%	47.8%	3.1%	25 pp
11	Seattle-Tacoma-Bellevue, WA	77,001	4.6%	6.7%	46.8%	13.0%	31 pp
12	Minneapolis-St. Paul-Bloomington, MN-WI	76,447	5.6%	4.4%	46.7%	6.9%	46 pp
13	Detroit-Warren-Dearborn, MI	72,287	3.9%	3.3%	46.1%	10.0%	33 pp
14	San Francisco-Oakland-Berkeley, CA	66,793	3.6%	6.0%	47.9%	9.7%	28 pp
15	Boston-Cambridge-Newton, MA-NH	66,337	3.8%	5.3%	48.3%	6.3%	31 pp
16	Houston-The Woodlands-Sugar Land, TX	61,971	2.2%	4.0%	49.1%	8.7%	30 pp
17	San Diego-Chula Vista-Carlsbad, CA	60,989	5.0%	5.8%	55.1%	9.7%	33 pp
18	Portland-Vancouver-Hillsboro, OR-WA	53,743	5.5%	6.1%	49.4%	10.4%	21 pp
19	Denver-Aurora-Lakewood, CO	49,581	4.4%	7.4%	51.1%	12.3%	29 pp
20	Sacramento-Roseville-Folsom, CA	46,604	5.1%	5.8%	52.3%	11.7%	34 pp
21	San Jose-Sunnyvale-Santa Clara, CA	36,404	5.3%	6.4%	42.8%	10.9%	40 pp
22	Oxnard-Thousand Oaks-Ventura, CA	36,161	12.5%	4.6%	53.5%	7.5%	14 pp
23	Austin-Round Rock-Georgetown, TX	34,655	3.7%	5.1%	46.3%	11.9%	23 pp
24	Baltimore-Columbia-Towson, MD	33,683	2.9%	3.1%	50.6%	3.3%	31 pp
25	Las Vegas-Henderson-Paradise, NV	32,833	3.6%	4.0%	54.6%	16.9%	32 pp
26	Orlando-Kissimmee-Sanford, FL	28,913	3.1%	5.0%	56.8%	12.4%	24 pp
27	Cincinnati, OH-KY-IN	25,119	2.9%	3.1%	42.2%	4.8%	38 pp
28	Charlotte-Concord-Gastonia, NC-SC	24,495	2.4%	4.9%	45.8%	8.2%	29 pp
29	Salt Lake City, UT	24,094	5.5%	5.2%	47.2%	11.2%	49 pp
30	Tampa-St. Petersburg-Clearwater, FL	22,853	1.6%	4.9%	53.7%	12.4%	28 pp
31	Bridgeport-Stamford-Norwalk, CT	21,520	5.7%	3.3%	52.5%	1.8%	32 pp
32	Columbus, OH	20,223	2.3%	4.0%	40.4%	6.9%	37 pp
33	Stockton, CA	19,957	7.9%	5.6%	49.1%	15.6%	20 pp
34	McAllen-Edinburg-Mission, TX	19,777	6.8%	3.6%	43.2%	3.8%	41 pp
35	San Antonio-New Braunfels, TX	19,303	2.1%	4.3%	48.1%	8.5%	22 pp
36	Fresno, CA	18,770	5.6%	4.0%	48.6%	10.1%	33 pp
37	El Paso, TX	17,114	5.4%	2.7%	47.6%	3.4%	16 pp
38	Albuquerque, NM	16,478	4.3%	2.6%	46.3%	4.5%	28 pp
39	Raleigh-Cary, NC	15,151	2.7%	4.9%	47.4%	7.8%	29 pp
40	Virginia Beach-Norfolk-Newport News, VA-NC	14,996	2.1%	2.0%	51.0%	2.5%	29 pp
41	Nashville-Davidson-Murfreesboro-Franklin, TN	14,886	2.1%	5.8%	47.7%	11.1%	28 pp
42	Boise City, ID	14,685	5.6%	6.4%	43.4%	19.8%	17 pp
43	Grand Rapids-Kentwood, MI	14,579	3.9%	4.5%	44.5%	10.6%	46 pp
44	Bakersfield, CA	14,320	4.8%	2.9%	53.3%	9.8%	38 pp
45	Allentown-Bethlehem-Easton, PA-NJ	13,788	3.9%	3.0%	48.2%	3.3%	42 pp
46	Provo-Orem, UT	13,772	6.9%	5.2%	44.2%	13.5%	38 pp
47	Ogden-Clearfield, UT	13,651	6.3%	4.4%	44.3%	12.0%	31 pp
48	Port St. Lucie, FL	13,584	6.4%	4.1%	58.6%	12.5%	27 pp
49	Richmond, VA	13,110	2.7%	3.1%	50.3%	4.9%	24 pp
50	Colorado Springs, CO	13,025	4.3%	7.0%	53.1%	9.4%	18 pp
51	Memphis, TN-MS-AR	12,996	2.7%	2.7%	48.5%	6.9%	32 pp
52	Kansas City, MO-KS	12,796	1.5%	3.7%	41.4%	6.5%	31 pp
53	New Haven-Milford, CT	12,137	3.3%	2.2%	49.2%	1.8%	34 pp
54	Deltona-Daytona Beach-Ormond Beach, FL	11,852	3.9%	3.8%	52.3%	10.8%	28 pp
55	Cleveland-Elyria, OH	11,790	1.2%	2.6%	42.7%	3.6%	38 pp
56	Lakeland-Winter Haven, FL	11,736	4.0%	3.6%	47.2%	13.3%	31 pp
57	Poughkeepsie-Newburgh-Middletown, NY	11,608	4.3%	2.9%	51.0%	2.8%	19 pp
58	Vallejo, CA	11,577	7.1%	5.7%	56.8%	14.6%	25 pp
59	Visalia, CA	11,410	7.6%	3.4%	47.0%	8.7%	43 pp
60	Salem, OR	11,087	8.5%	5.5%	47.2%	10.1%	1 pp
61	Milwaukee-Waukesha, WI	10,734	1.6%	2.6%	43.8%	4.2%	40 pp

Rank	Region	UNDERPRODUCTION		Annual Percent Change in Median Rent (2012-2021)	Share of Renter Households who are Cost Burdened	Annual Percent Change in Median Home Value (2012-2021)	Black-White Home-ownership Gap
		Total (2021)	As a Share of Total Housing Stock (2021)				
62	Portland-South Portland, ME	10,560	4.2%	3.9%	43.2%	6.0%	61 pp
63	Modesto, CA	10,547	5.8%	4.6%	51.2%	16.5%	6 pp
64	St. Louis, MO-IL	10,177	0.9%	2.5%	41.9%	4.3%	35 pp
65	Urban Honolulu, HI	10,176	2.8%	N/A	54.8%	N/A	25 pp
66	Brownsville-Harlingen, TX	9,991	6.8%	3.4%	42.2%	4.1%	45 pp
67	Salinas, CA	9,868	8.3%	5.5%	55.3%	12.7%	36 pp
68	Spokane-Spokane Valley, WA	9,369	4.1%	4.3%	48.4%	11.2%	9 pp
69	Laredo, TX	9,334	10.9%	2.5%	46.5%	5.0%	52 pp
70	Palm Bay-Melbourne-Titusville, FL	9,165	3.4%	4.1%	51.9%	12.7%	20 pp
71	Tucson, AZ	8,772	1.9%	3.2%	46.7%	7.8%	27 pp
72	Olympia-Lacey-Tumwater, WA	8,618	7.1%	5.5%	52.4%	9.0%	17 pp
73	Omaha-Council Bluffs, NE-IA	8,452	2.6%	3.3%	46.9%	6.6%	37 pp
74	Providence-Warwick, RI-MA	8,241	1.3%	3.3%	46.6%	5.3%	35 pp
75	Manchester-Nashua, NH	7,815	5.1%	4.0%	42.3%	5.4%	31 pp
76	Gainesville, GA	7,643	9.9%	3.4%	50.6%	9.4%	37 pp
77	Yakima, WA	7,541	8.3%	2.3%	34.5%	7.2%	59 pp
78	Santa Rosa-Petaluma, CA	7,417	3.8%	5.8%	53.9%	9.9%	43 pp
79	Worcester, MA-CT	7,413	2.1%	3.4%	46.2%	4.6%	39 pp
80	Cape Coral-Fort Myers, FL	7,154	2.1%	5.2%	52.7%	12.0%	30 pp
81	Merced, CA	7,053	7.9%	4.3%	47.5%	16.7%	31 pp
82	Reno, NV	6,988	3.4%	6.1%	45.9%	17.5%	42 pp
83	Medford, OR	6,958	7.3%	4.0%	47.1%	9.4%	-29 pp
84	Knoxville, TN	6,655	2.1%	3.4%	41.5%	5.3%	25 pp
85	Eugene-Springfield, OR	6,565	4.0%	4.2%	51.5%	8.6%	14 pp
86	Fort Collins, CO	6,517	4.2%	5.7%	51.5%	11.1%	26 pp
87	Trenton-Princeton, NJ	6,084	4.1%	2.6%	47.3%	1.6%	31 pp
88	Springfield, MA	5,781	2.0%	3.5%	47.4%	3.5%	26 pp
89	Santa Maria-Santa Barbara, CA	5,697	3.6%	N/A	56.8%	N/A	48 pp
90	Ocala, FL	5,632	3.3%	4.3%	41.0%	7.9%	15 pp
91	Reading, PA	5,612	3.3%	2.9%	50.3%	3.6%	40 pp
92	Hartford-East Hartford-Middletown, CT	5,539	1.1%	3.3%	49.4%	1.6%	31 pp
93	Springfield, MO	5,522	2.9%	2.4%	40.7%	5.5%	39 pp
94	Prescott Valley-Prescott, AZ	5,470	4.7%	N/A	45.6%	N/A	-20 pp

Rank	Region	UNDERPRODUCTION		Annual Percent Change in Median Rent (2012-2021)	Share of Renter Households who are Cost Burdened	Annual Percent Change in Median Home Value (2012-2021)	Black-White Home-ownership Gap
		Total (2021)	As a Share of Total Housing Stock (2021)				
95	Louisville/Jefferson County, KY-IN	5,430	1.0%	3.8%	44.8%	5.5%	35 pp
96	Lancaster, PA	5,173	2.4%	3.3%	40.5%	4.0%	30 pp
97	Greeley, CO	5,104	6.2%	5.4%	51.1%	12.7%	39 pp
98	Huntsville, AL	4,666	2.3%	4.1%	40.3%	5.9%	18 pp
99	Kennewick-Richland, WA	4,619	4.8%	4.3%	42.6%	10.2%	45 pp
100	Burlington-South Burlington, VT	4,545	4.8%	5.9%	49.7%	4.4%	31 pp
101	Bend, OR	4,542	5.2%	9.1%	47.5%	14.6%	26 pp
102	Akron, OH	4,343	1.4%	1.8%	43.6%	4.2%	38 pp
103	Madera, CA	4,251	8.8%	2.5%	53.2%	11.8%	-21 pp
104	Madison, WI	4,184	1.7%	4.0%	43.4%	5.4%	44 pp
105	York-Hanover, PA	4,081	2.2%	3.4%	48.9%	3.2%	34 pp
106	Janesville-Beloit, WI	4,029	5.8%	2.7%	38.6%	5.5%	40 pp
107	Bremerton-Silverdale-Port Orchard, WA	4,018	3.6%	5.2%	49.8%	9.5%	40 pp
108	Harrisburg-Carlisle, PA	3,983	1.6%	3.4%	41.8%	3.2%	37 pp
109	Birmingham-Hoover, AL	3,808	0.8%	3.1%	48.9%	5.2%	25 pp
110	Green Bay, WI	3,777	3.3%	2.6%	40.3%	4.9%	71 pp
111	Yuba City, CA	3,698	5.9%	3.7%	50.1%	13.0%	25 pp
112	Santa Cruz-Watsonville, CA	3,579	3.5%	3.7%	48.7%	7.7%	7 pp
113	Wenatchee, WA	3,508	7.2%	5.4%	34.6%	9.5%	-33 pp
114	Des Moines-West Des Moines, IA	3,454	1.4%	2.8%	42.2%	5.0%	33 pp
115	Bellingham, WA	3,296	3.4%	5.9%	50.4%	10.9%	-14 pp
116	Hickory-Lenoir-Morganton, NC	3,139	2.6%	2.4%	33.0%	5.5%	27 pp
117	Decatur, AL	3,135	4.6%	1.6%	32.5%	4.7%	14 pp
118	Las Cruces, NM	2,993	3.4%	0.7%	47.4%	4.5%	43 pp
119	Homosassa Springs, FL	2,968	4.0%	N/A	45.2%	N/A	54 pp
120	Jacksonville, FL	2,874	0.4%	4.0%	51.8%	10.0%	24 pp
121	Pueblo, CO	2,825	4.1%	2.0%	45.5%	10.3%	-4 pp
122	Indianapolis-Carmel-Anderson, IN	2,823	0.3%	3.1%	43.7%	5.9%	37 pp
123	Greensboro-High Point, NC	2,788	0.9%	3.7%	46.2%	3.9%	30 pp
124	Coeur d'Alene, ID	2,683	3.8%	4.7%	55.9%	16.7%	-24 pp
125	Racine, WI	2,625	3.2%	2.6%	42.8%	4.0%	55 pp
126	East Stroudsburg, PA	2,548	3.5%	N/A	61.5%	N/A	9 pp
127	Monroe, MI	2,521	3.8%	1.2%	43.2%	6.7%	32 pp

Rank	Region	UNDERPRODUCTION		Annual Percent Change in Median Rent (2012-2021)	Share of Renter Households who are Cost Burdened	Annual Percent Change in Median Home Value (2012-2021)	Black-White Home-ownership Gap
		Total (2021)	As a Share of Total Housing Stock (2021)				
128	Napa, CA	2,485	4.7%	5.1%	55.7%	9.9%	39 pp
129	Atlantic City-Hammonton, NJ	2,484	2.2%	1.9%	49.8%	1.3%	35 pp
130	Rochester, NY	2,429	0.6%	2.8%	49.5%	3.5%	37 pp
131	Eau Claire, WI	2,363	3.5%	2.4%	40.0%	5.6%	-6 pp
132	Idaho Falls, ID	2,310	5.1%	4.3%	34.1%	12.4%	76 pp
133	Sheboygan, WI	2,186	4.3%	2.2%	34.4%	4.0%	74 pp
134	Buffalo-Cheektowaga, NY	2,160	0.4%	3.1%	49.1%	6.2%	37 pp
135	San Luis Obispo-Paso Robles, CA	2,144	1.9%	5.0%	53.9%	7.7%	25 pp
136	Appleton, WI	2,128	2.7%	2.7%	34.8%	5.1%	73 pp
137	Sioux Falls, SD	1,981	2.3%	2.7%	35.2%	7.3%	51 pp
138	North Port-Sarasota-Bradenton, FL	1,943	0.5%	5.1%	51.5%	11.5%	30 pp
139	Farmington, NM	1,920	5.3%	2.0%	36.0%	0.7%	-7 pp
140	Tulsa, OK	1,895	0.5%	2.7%	40.9%	5.0%	33 pp
141	Athens-Clarke County, GA	1,868	3.3%	3.9%	52.3%	7.0%	9 pp
142	Chattanooga, TN-GA	1,839	1.1%	3.9%	43.7%	6.7%	33 pp
143	St. Cloud, MN	1,652	2.6%	3.0%	49.0%	4.8%	73 pp
144	Spartanburg, SC	1,627	1.2%	3.6%	43.1%	7.6%	34 pp
145	Barnstable Town, MA	1,610	2.5%	5.0%	52.9%	4.3%	33 pp
146	Dover, DE	1,503	2.0%	2.9%	51.9%	4.1%	26 pp
147	Lewiston-Auburn, ME	1,498	3.0%	2.8%	42.1%	4.9%	52 pp
148	Chambersburg-Waynesboro, PA	1,428	2.6%	N/A	40.1%	N/A	47 pp
149	Lincoln, NE	1,396	1.0%	3.5%	45.9%	6.6%	31 pp
150	Canton-Massillon, OH	1,390	0.8%	2.1%	42.4%	4.1%	22 pp
151	Toledo, OH	1,364	0.5%	3.0%	39.4%	4.0%	34 pp
152	Harrisonburg, VA	1,341	2.5%	0.5%	50.7%	4.0%	67 pp
153	Flagstaff, AZ	1,335	2.3%	3.7%	53.7%	9.3%	27 pp
154	Peoria, IL	1,333	0.9%	2.4%	43.7%	0.6%	49 pp
155	Hagerstown-Martinsburg, MD-WV	1,205	1.9%	2.4%	48.9%	3.9%	40 pp
156	Ann Arbor, MI	1,182	0.8%	3.7%	52.5%	8.3%	21 pp
157	Owensboro, KY	1,087	2.2%	2.1%	39.2%	5.2%	19 pp
158	Erie, PA	1,045	0.9%	2.2%	44.7%	3.5%	37 pp
159	Wausau-Weston, WI	1,028	1.7%	1.1%	45.0%	3.0%	-11 pp
160	Fort Wayne, IN	1,002	0.6%	3.9%	44.4%	5.6%	40 pp

Rank	Region	UNDERPRODUCTION		Annual Percent Change in Median Rent (2012-2021)	Share of Renter Households who are Cost Burdened	Annual Percent Change in Median Home Value (2012-2021)	Black-White Home-ownership Gap
		Total (2021)	As a Share of Total Housing Stock (2021)				
161	Naples-Marco Island, FL	974	0.5%	5.1%	58.9%	8.7%	26 pp
162	Oshkosh-Neenah, WI	943	1.2%	2.9%	34.2%	3.3%	42 pp
163	Jackson, TN	902	1.8%	2.3%	39.6%	5.1%	37 pp
164	El Centro, CA	890	1.6%	2.9%	46.6%	9.6%	22 pp
165	Fort Smith, AR-OK	850	1.0%	2.2%	35.8%	4.7%	44 pp
166	St. George, UT	800	1.1%	3.7%	56.4%	15.9%	-26 pp
167	Vineland-Bridgeton, NJ	784	1.9%	2.0%	52.6%	2.1%	26 pp
168	Fargo, ND-MN	757	0.9%	2.4%	41.1%	6.0%	36 pp
169	Dalton, GA	754	1.9%	3.5%	34.7%	5.9%	-1 pp
170	Grand Junction, CO	726	1.2%	2.1%	45.4%	7.6%	72 pp
171	Jackson, MI	685	1.0%	2.8%	45.4%	7.2%	50 pp
172	Lexington-Fayette, KY	670	0.5%	3.6%	44.8%	4.9%	26 pp
173	Boulder, CO	661	1.3%	6.3%	54.1%	8.9%	52 pp
174	Rochester, MN	632	0.9%	4.4%	46.3%	6.7%	51 pp
175	Clarksville, TN-KY	610	0.6%	3.0%	43.2%	6.3%	21 pp
176	Lebanon, PA	543	0.9%	2.6%	34.4%	3.5%	-25 pp
177	Montgomery, AL	535	0.3%	2.3%	48.4%	3.2%	26 pp
178	Norwich-New London, CT	529	0.4%	2.8%	45.2%	1.8%	42 pp
179	Ithaca, NY	495	1.1%	3.4%	57.8%	5.5%	-41 pp
180	Tuscaloosa, AL	371	0.4%	3.7%	46.5%	3.3%	32 pp
181	Odessa, TX	354	0.5%	3.7%	43.2%	9.4%	14 pp
182	Winston-Salem, NC	334	0.1%	2.8%	42.9%	3.5%	27 pp
183	Yuma, AZ	310	0.4%	0.8%	47.1%	6.2%	63 pp
184	Springfield, OH	284	0.5%	0.9%	35.0%	4.7%	35 pp
185	Johnson City, TN	273	0.5%	2.4%	40.0%	4.9%	14 pp
186	Niles, MI	183	0.3%	3.0%	48.5%	5.4%	42 pp
187	Midland, TX	181	0.3%	0.9%	39.4%	9.5%	18 pp
188	Ames, IA	171	0.3%	2.3%	46.2%	3.2%	69 pp
189	Joplin, MO	107	0.1%	4.7%	40.6%	5.2%	61 pp
190	Kalamazoo-Portage, MI	97	0.1%	3.7%	47.0%	6.4%	31 pp
191	Santa Fe, NM	71	0.1%	3.6%	48.1%	3.8%	61 pp
192	Michigan City-La Porte, IN	41	0.1%	4.1%	36.3%	4.2%	23 pp
193	La Crosse-Onalaska, WI-MN	33	0.1%	3.7%	44.6%	4.3%	17 pp

Glossary

A Better Foundation™. Up for Growth's applied policy framework that uses local context to create more homes in areas with high economic mobility, access to jobs, and existing infrastructure. It prioritizes housing that can be built and distributed in ways that elevate housing choice and affordability.

ADU. An acronym for accessory dwelling unit, a self-contained residential unit that is located on the same property as a primary residential structure.

Area Median Income (AMI). Calculated on an annual basis by the Department of Housing and Urban Development and defined as the midpoint of a specified area's income distribution, with half the population earning above and half earning below the amount.

Baby Boomers. People in the demographic cohort that includes those born between 1946 and 1964. The term is often shortened to "boomers."

Census Tract. A small statistical subdivision of a county with an average population of 4,000 individuals. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation and analysis of statistical data.

Commercial Mortgage-Backed Securities (CMBS). Fixed-income investment products that are backed by mortgages on commercial properties rather than residential real estate.

Cost-Burdened. An individual or family spending more than 30% of their income on housing costs.

Density. The number of developed units in a specific area of land. Residential density, for example, is typically measured by dwelling units per acre (du/ac) or alternatively, as the ratio of building footprint to the size of the site, known as Floor Area Ratio (FAR).

Displacement. The involuntary relocation of current residents or businesses from their neighborhoods, often resulting from gentrification. Moving to more affordable neighborhoods often means access to fewer resources for economic advancement and lower quality of life for residents.

Exclusionary Zoning. A residential zoning plan in which requirements (e.g., minimum lot and/or house size) have the effect of excluding lower-income residents.

Extreme Commuter. Any individual who travels more than 90 minutes one-way to work on a regular basis, as defined by the U.S. Census Bureau. Other terms include super commuter.

Gentrification. The process by which communities that have undergone disinvestment and experienced economic decline see a reversal, reinvestment, and the in-migration of a higher income population.

Gen Z. The demographic cohort coined Generation Z, defined as those born between the mid-to-late 1990s and the early 2010s.

Great Depression. The worldwide economic downturn that began in 1929 and lasted until about 1939.

Great Moderation. Beginning in the early-1980s, a period of macroeconomic stability following the volatility of the inflationary 1970s.

Great Recession. A common term for the steep decline in economic activity in the United States from December 2007 to June 2009 and the global recession in 2009.

Great Resignation. An economic trend beginning in early 2021 during the COVID-19 pandemic in which high numbers of employees voluntarily resigned from their jobs.

High Density. Residential development at the highest end of the density distribution, these are buildings that are typically more than five stories and constructed as podium or high-rise buildings.

High-Opportunity Neighborhoods. Places that are rich in jobs, transportation, infrastructure, and community assets.

Housing Availability. Measurement of the change in the shortage of housing units from one year to the next, relative to the total number of housing units available in the initial year. This metric offers a nuanced understanding of shifts in housing scarcity over a given time period and is useful for academic analysis and policy-making.

Housing Underproduction. Occurs when communities fall short of meeting housing needs. Up for Growth calculates underproduction as the difference between total housing need and total housing availability.

Infrastructure-Rich. Located either within one-half mile of high frequency transit station areas or within the top 20% of walkable places based on data from the U.S. Environmental Protection Agency's National Walkability Index.

Insufficient Availability. A lack of housing adequate to support a balanced housing market and absorb market fluctuations and demand preferences.

Job-Rich. An area that has a minimum of two jobs per housing unit.

Light-Touch Density. See Missing Middle.

Local Control. The legal powers of local governments (e.g., cities and counties) to create regulations. Zoning codes and other land use regulations are the most conspicuous and universal forms of local control.

Low-Income Housing Tax Credit (LIHTC). Federal tax credits allocated to state housing finance agencies that are awarded to developers to raise equity capital to build affordable housing.

Medium Density. Residential development that falls between attached small-scale development (see Missing Middle housing) and high-density development. Buildings are typically constructed using wood framing and are two to four stories in height.

Metropolitan Statistical Area (MSA). A geographic entity delineated by the Office of Management and Budget for use by federal statistical agencies. MSAs have at least one urbanized area with a population of 50,000 or more and adjacent territory that is socially and economically integrated with the core, determined by examining commuting ties.

Micropolitan Statistical Area. A geographic entity delineated by the Office of Management and Budget for use by federal statistical agencies. Micropolitan Statistical Areas have a population of at least 10,000 but less than 50,000 and include adjacent territory that is socially and economically integrated with the core, identified through commuting ties.

Migration Magnets. U.S. counties with a population at or exceeding 10,000 that grew forty basis points faster than the three years preceding the reporting period. These places also had a housing deficit greater than 2% of total housing stock and were not showing improvement.

Millennials. People in the demographic cohort known as Generation Y or Gen Y, which is usually defined as those born between around 1981 and 1996.

Missing Households. Households that may not have formed due to lack of availability and affordability, e.g. households with children over 18 years of age still living with their parents or individuals or couples living together as roommates at levels exceeding historical norms.

Missing Middle Housing. Describes a range of multifamily or clustered housing types compatible in scale with single-family and transitional neighborhoods that is intended to meet demand for walkable neighborhoods, respond to changing demographics, and provide housing at different price points.

Multifamily Housing. Housing where multiple separate housing units for residential inhabitants are contained in one building or several buildings within one complex. Units can be stacked on top of each other (top and bottom units), or next to each other (side-by-side units). Common forms are apartment buildings, cohousing projects, and condominiums, where typically the units are owned by the occupants rather than leased from a single building owner.

NIMBY / NIMBYs / NIMBYism. Used as an adjective or noun (NIMBY describing a person, NIMBYism describing a viewpoint), an acronym that stands for Not In My Back Yard, a term most often used to depict opposition to individual real estate developments or policies that would create more homes.

Opportunity Mapping. Combining data and spatial analysis to show segregation patterns and to help us see how these patterns affect access to economic opportunity, community assets, and social networks. Localities and regions have used opportunity maps to better understand the housing choices available to individuals and families from diverse backgrounds. (https://nhc.org/wp-content/uploads/2017/10/Opportunity-Mapping.pdf)

Opportunity Hoarding. Using privilege to seize finite opportunities that perpetuate further privilege.

Parking Minimums or Mandates. Regulations that require a certain number of off-street parking spaces per dwelling unit or based on square footage, creating increased costs to developers, potential homebuyers, and renters.

Redlining. A discriminatory neighborhood-level appraisal system where the government specified whether neighborhoods were "fit" for investment based on the income and race of the area residents.

Rent Control. Regulations that limit the amount that a landlord can demand for leasing a home or renewing a lease.

Rural. Nonmetropolitan counties that do not qualify as micropolitan as designated by the National Center for Health Statistics urban-rural classification scheme for counties.

Share of household formation. The proportion of new households being created within a specific demographic group, geographic area, or time frame as compared to the total number of new households formed in the broader population.

Single-Detached Housing. Housing that is a freestanding residential building —one dwelling unit— usually occupied by just one household or family. Mother-in-law or basement suites may be allowed in some places without changing the description from single-detached. Also known as single-family housing.

Slow-Growth Movement. An influential movement in which citizen-driven urban planning aimed to slow the rapid growth of communities through restrictive land use policies that lowered allowable densities in neighborhoods through minimum lot sizes, increasing parking requirements, mandating larger setbacks, etc.

Small Town. A combination of Small Metro areas (counties in Metropolitan Statistical Areas of populations fewer than 250,000) and Micropolitan areas (counties in Micropolitan Statistical Areas) as designated by the National Center for Health Statistics urban-rural classification scheme for counties.

Streetcar Suburb. A residential area shaped by the streetcar lines that were used in cities prior to the car becoming the main mode of transportation.

Suburban. A combination of Large Fringe metros (contain counties in MSAs of 1 million or more population that did not qualify as large central metro counties), and Medium metros (counties in MSAs of 250,000–999,999 population) as designated by the National Center for Health Statistics urban-rural classification scheme for counties.

Suburbanization. A population shift of people and businesses out of city centers into lower-density peripheral areas. It is often associated with the sprawl of population.

Target Vacancy Rate. Real estate markets are characterized by frictions that tend to impede the process of market clearing. In a frictionless economy, the requirement that supply equals demand implies that vacancy rates should be zero. Housing markets, in fact, are very decentralized, making it difficult at times to match a particular home with the most appropriate resident. Landlords want to lease to tenants who are most willing to pay for their space and will set rents so that not all tenants will find the lease attractive. Thus, even in equilibrium, we should expect to observe some empty space.

Uninhabitable Units. Housing units that have been vacant for more than a year that do not contain a full functioning kitchen or indoor plumbing. These units are removed from the short-term supply of housing as the renovation costs are assumed to be cost prohibitive.

Units Not Occupied by Renters or Owners. Generally, homes that are used as a second residence or vacation home. This is an important issue in many smaller towns and cities that draw tourists and recreational visitors.

Urban. Large central metro counties in MSAs of 1 million population that: 1) contain the entire population of the largest principal city of the MSAs, or 2) are completely contained within the largest principal city of the MSAs, or 3) contain at least 250,000 residents of any principal city in the MSA as designated by the National Center for Health Statistics urban-rural classification scheme for counties.

Urban downzoning. When a government agency rezones a parcel of land once previously zoned for a more intense use to a more restrictive use. In cities, this may take the form of changing the definition of cellars and basements to make building English Basements more challenging or other methods of reducing density.

Vehicle Miles Traveled (VMT). A measure used extensively in transportation planning for a variety of purposes. It measures the amount of travel for all vehicles in a geographic region over a given period, typically one year. It is calculated as the sum of the number of miles traveled by each vehicle.

Walkability. A measure developed by the EPA based on intersection density (higher intersection density is correlated with more walk trips), proximity to transit stops, diversity of employment types (strong mix of retail, office, industrial), and mix of occupied housing types.

White Flight. A large-scale migration of white people from areas that are becoming more racially and culturally diverse to regions more racially homogenous.

YIMBY. An acronym that stands for Yes In My Backyard. The term is often used to stand in stark contrast to perceived NIMBY opposition to local proposals and initiatives.

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CHAPTER 1: INTRODUCTION

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