

SNAPSHOT

Increasing the Housing Supply by Reducing Costs and Barriers

The nationwide shortage of rental and owner-occupied properties is [1.5 million units](#), and [the pace of construction](#) is not keeping up with demand. This [inadequate housing supply](#) creates higher prices for [renters](#) and [homebuyers](#) alike.

A complex mix of factors is hampering improvement efforts. High interest rates and inflation are prompting [homeowners to stay where they are](#), contributing to low [vacancy rates](#). [Rising materials costs](#), [lengthy permitting processes](#) and [restrictive zoning regulations](#) are also significant cost drivers.

To meet the demand for more housing, legislatures are revising zoning regulations, streamlining administrative processes and [incentivizing construction of more housing](#).

Five Things to Know About Barriers to Housing Supply

- 1** **Zoning restrictions often prohibit housing types other than single-family homes.** Prohibiting apartment buildings, townhouses, manufactured housing and [light-touch density housing](#), such as accessory dwelling units or duplexes, can limit supply, keep prices high and reduce homeownership opportunities.
- 2** **Lengthy permitting processes can increase costs and slow construction.** On average, it takes [nearly 18 months](#) to build an apartment building. In a [survey of developers](#), 97% reported construction delays, and 83% of those developers said the delays were due to permitting issues.
- 3** **Some construction standards and building codes are necessary for health and safety, but some may be outdated or impose unnecessary requirements that drive up costs.** Prohibiting prefabricated materials, requiring certain façade treatments and disallowing certain roofing products are common requirements that increase the cost of construction.
- 4** **Minimum parking requirements can significantly increase building costs and reduce the number of housing units that can be constructed.** Structured or underground parking can cost [\\$25,000 to \\$65,000 per space in urban areas](#).
- 5** **High construction costs, including labor and materials, affect supply and affordability.** [Tax abatements](#) and [low-income housing tax credits](#) help stimulate housing supply by offsetting development costs.



Five Ways to Overcome Housing Supply Barriers



Update zoning regulations to permit more density and housing types to increase the overall supply of housing for renters and homebuyers.

■ **Montana** ([SB 382](#), 2023) enacted a comprehensive land-use planning act that offers a menu of housing initiatives municipalities must select from to increase housing supply and reduce housing costs. Examples include permitting more density and legalizing accessory dwelling units.

■ **Washington** ([HB 1110](#), 2023) requires cities to increase [middle housing](#) and permit more density in areas zoned for residential properties. Requirements vary by population size.



Streamline permitting processes to expedite construction and reduce costs associated with delays.

■ **Maine** ([HP 1244](#), 2022) created a comprehensive permitting process that allows for a single application to be submitted for the construction of affordable housing.

■ **Texas** ([HB 14](#), 2023) requires jurisdictions to act within 15 days of receiving development application documents. If localities fail to act in time, landowners are permitted to work with a licensed third party to complete permitting and inspection processes.



Revise building codes to increase flexibility in construction and reduce costs while still ensuring safety.

■ **Louisiana** ([SB 183](#), 2023) created an income tax deduction for taxpayers who voluntarily retrofit residential structures and bring them into compliance with the [State Uniform Construction Code](#). Taxpayers claiming a deduction are also eligible to receive a grant through the [Louisiana Fortify Homes Program](#).

■ **Virginia** ([HB 368](#), 2024) requires the state's Board of Housing and Community Development to study whether it can safely allow one staircase for four- to six-story buildings, which would enable those buildings to fit on smaller lots and carry lower construction costs.



Eliminate or reduce parking requirements to allow for more housing units and encourage construction.

■ **Oregon** ([HB 4063](#), 2024) prohibits municipalities from requiring that driveways, vehicle access, parking or minimum street frontage be included in development applications.

■ **Utah** ([SB 84](#), 2023) requires housing and transit reinvestment zone proposals to include plans for how to improve efficiencies in parking and transportation.



Expand tax credits and tax exemptions to offset development costs and incentivize the construction of housing for low- and moderate-income families.

■ **Florida** ([SB 102](#), 2023) allocated over \$200 million to its [State Apartment Incentive Loan program](#) to provide low-interest loans to affordable housing developers. The legislation also increased the total amount of tax credits available for affordable housing to \$25 million annually.

■ **Guam** ([B 348](#), 2022) created an affordable housing assistance fund and authorized tax incentives for eligible businesses that construct a minimum number of affordable housing units.