

RECOMMENDATIONS OF THE 2022 HOUSING SUPPLY AND AFFORDABILITY PAG

PAG Purpose: Members of several different PPCC committees have expressed an interest in working collaboratively on pressing housing supply and affordability issues. NAR hosted a roundtable with the leaders of several committees in San Diego in 2021, to start brainstorming ways for our committees to enhance NAR advocacy strategies that will result in viable solutions to our housing supply crisis. The participants agreed that we should form a PPCC workgroup to continue the conversations into 2022, specifically to tackle issues related to: large investors buying or building single family home communities for rentals, zoning/land use issues, and, building supply/labor shortage issues.

Background: The Housing Supply and Affordability PAG met four times throughout the year via Zoom to discuss public policy solutions to break down barriers blocking access to homeownership, with a specific focus on three primary issues plaguing the market including large investors purchasing homes for sale to turn into rentals, zoning and land use obstacles, and building supply and labor shortages.

The following recommendations are intended to direct NAR to provide more education and awareness internally and externally of this ongoing work to increase influence, as well as develop new resources and policies to effectuate change. By greatly enhancing collaboration at the state and local level – where adoption and implementation of most of the recommendations will be realized – NAR can successfully tackle affordability and inventory challenges.

RECOMMENDATION # 1 - INTERNAL ENGAGEMENT

That NAR enhance national awareness of housing supply and affordability issues and solutions for members throughout the year. Increasing national recognition of NAR’s leadership on these matters will help educate members about these efforts and promote replication of various policies to improve markets and consumer access nationwide. Such activities should include but not be limited to:

- **An annual roundtable on these issues with federal, state, and local policy experts at NAR NXT;**
- **A track of education sessions at the Legislative and/or NAR NXT conferences on these issues;**
- **Increasing and innovating new marketing for NAR’s new and existing toolkits and resources on these issues, such as including “That’s Where We R” into the “That’s Who We R” messaging;**
- **Incorporating NAR’s resources and toolkits at sponsored events with state and local associations.**

Rationale: The general membership would greatly benefit from understanding the federal, state, and local landscape of advocacy efforts impacting housing supply limitations and affordability concerns and that these issues will likely be with us for years. By enhancing the prominence of these issues at the various conferences, through state and local events, online, and through NAR messaging, awareness of successful policies will spread, and implementation will grow in more areas to break down supply and affordability barriers.

RECOMMENDATION # 2 - EXTERNAL ENGAGEMENT

That NAR increase and diversify its external engagement with new and existing industry, consumer, technology, environmental partners, and public sector organizations to advance solutions addressing housing supply and affordability barriers through activities including, but not limited to:

- **Collaborating with, sponsoring, or joining new organizations aligned with NAR’s policy goals, including but not limited to consumer groups, fintech companies, and associations outside the real estate industry;**
- **Use existing Housing Opportunities grants to encourage vocational awareness and financial wellness at school career fairs.**

Rationale: By enhancing external engagement with new partners, NAR can increase its influence for change. Such groups could include, but not be limited to, consumer groups advocating for environmental improvements, businesses innovating new building materials, manufactured housing organizations and companies, and fintech organizations advancing financing solutions for rehabilitation projects.

RECOMMENDATION #3 – POLICES TO REDUCE HOUSING COSTS AND INCREASE SUPPLY

That NAR Public Policy Committees be directed to explore, develop, and enhance specific policies and resources to reduce housing costs and increase supply such as Down Payment Assistance programs, property tax exemptions, planning and zoning reform, permit cost reduction and expediting, rent control laws, and expanding homeownership voucher programs at the state and local levels.

Rationale: With NAR supporting specific policies and resources aimed at reducing housing costs and increasing supply, as well as promoting federal efforts to facilitate analogous reforms, change may be advanced at the state and local level. There are various programs and options already being evaluated by the Public Policy Committees and Federal policy makers. With specific policy and new resources to advocate on behalf of those initiatives more strongly, there may be faster adoption at the state and local level that could directly impact affordability and inventory.

RECOMMENDATION #4 – LARGE INVESTOR PURCHASES OF RESIDENTIAL HOMES FOR RENTALS

That NAR Research monitor the impact of institutional investor purchases of residential homes on housing supply to inform policy advocacy efforts.

Rationale: With new data on what types of corporate entities are purchasing properties, where they are purchasing and for how much, whether the properties are returning to the market or becoming rentals and at what prices, and the impact of these purchases on first-time home buyers, NAR's advocacy efforts will be strengthened and better justify policy solutions to increase inventory for more consumers.

RECOMMENDATION #5 – LARGE INVESTOR PURCHASES OF RESIDENTIAL HOMES FOR RENTALS

That NAR's Federal Taxation Committee be directed to explore and develop specific policies to address large institutional investors' purchases of available inventory of single-family homes for sale.

Rationale: To enhance NAR's existing policy that already supports tax incentives to encourage investors to sell rental homes to first-time or first-generation homebuyers who would occupy them, additional policy should be considered that would also ease the volume of the largest investor purchases of homes for rentals, which are highly concentrated in areas with minority families.

These large institutional landlords are typically purchasing starter-home-type residential properties with borrowed funds for which they can deduct the full cost of interest without limit. Under the current tax law, however, owner-occupants are limited in how much interest they can deduct. By exploring policy that would limit the interest deduction for very large investors, and as a result, slow such purchases, there may be more available inventory for traditional owner-occupant buyers, including Black, Hispanic, and other families of color, and other young families, who are today facing unprecedented difficulties in acquiring their first home. Further, the Committee should also explore policy allowing the affected investors to carry forward suspended deductions to instead be utilized if the property is sold to an occupant of a rental home.

RECOMMENDATION #6 – ZONING & LAND USE INITIATIVES

That NAR's Public Policy Committees explore and recommend more extensive outreach to educate state/local associations and REALTOR® spokespersons, including but not limited to, improving online resources and in person education opportunities, on policies impacting inventory and affordability.

In addition, NAR should develop a toolkit to help state and local associations advocate for policies that reduce housing costs and increase supply, including specific examples of successful changes such as zoning reforms, why changes need to take place, and resources on how to make such changes.

Rationale: To increase awareness of specific successful policies to reduce housing costs and increase supply, NAR should develop a toolkit of existing resources such as grant support, success stories, and research, in addition to new resources such as legislative and regulatory analysis, to drive the conversation

with state and local policy makers. The toolkit should be updated on a semi-annual basis to reflect the latest developments and successes in this area.

RECOMMENDATION #7 – BUILDING SUPPLY & LABOR SHORTAGES

That NAR’s Business Issues Policy Committee be directed to develop policy to support construction industry apprenticeships and workforce development programs in order to increase the number of workers building homes across the country.

Rationale: With specific policy in support of homebuilding apprenticeships and workforce development programs, NAR can encourage new partnerships such as with the Department of Veterans Affairs and the Department of Labor to fast-track veterans with military occupational specialties related to the construction industry to allow for shorter apprenticeship programs and/or direct specialization as journeymen to increase homebuilding. Additionally, such new policy would allow for stronger advocacy for adoption and broader dissemination of successful state and local apprenticeship programs that could be replicated in other areas.

RECOMMENDATION #8 - BUILDING SUPPLY & LABOR SHORTAGES

That NAR’s Land Use, Property Rights and Environment Committee be directed to research and develop policy to support innovation of building materials and methods of production to increase the ability to generate housing inventory across the country.

Rationale: With specific policy to weigh in on the debate regarding building materials, including access to lumber, NAR can be a stronger advocate for increasing housing supply.

FOLLOW UP AND NEXT STEPS FOR PAG RECOMMENDATIONS

If the final recommendations of the PAG are approved by the NAR President and Leadership Team, they will go into effect in 2023 to be implemented by the new Public Policy Committees and NAR staff. Recommendations around the new research and creation of the “zoning toolkit” will go into effect immediately in order to start development and use of such resources to advance advocacy efforts on housing supply and affordability as early as possible. Additionally, the Federal Tax Committee would like to begin immediate development of policy as directed for consideration at NAR NXT in November 2022.

PAG MEMBERS

John Anderson (MN), PAG Chair, Chair of Public Policy Coordinating Committee
Bernice Helman (IN), PAG Vice Chair, Vice Chair of Public Policy Coordinating Committee
Donna Smith (SC), Public and Federal Issues Liaison
AJ Frye (OH), Commercial & Industry Specialties Liaison
Terence Sullivan (WA), Chair, Business Issues Policy Committee
Sid Pugh (AL), Vice-Chair, Business Issues Policy Committee
Randy Scheidt (IN), Chair, Commercial Federal Policy Committee
Andrea Frymire (OK), Vice-Chair, Commercial Federal Policy Committee
Anthony LaMacchia (MA), Chair, Conventional Financing & Policy Committee
Jeff Phillips (CA), Vice-Chair, Conventional Financing & Policy Committee
Jennifer Stevenson (NY), Chair, Fair Housing Policy Committee
Jay Mitchell (VA), Vice-Chair, Fair Housing Policy Committee
Paula “PJ” Johnsen (CA), Chair, Federal Financing & Housing Policy Committee
James Martin (TX), Vice-Chair, Federal Financing & Housing Policy Committee
Nathan James “Jim” Bell (TX), Federal Taxation Committee
Erin Stumpf (CA), Vice-Chair, Federal Taxation Committee
Paul Yorkis (MA), Chair, Housing Opportunity Committee
Lester Sanders (KY), Vice-Chair, Housing Opportunity Committee
Craig Foley (MA), Chair, Land Use, Property Rights and Environment Committee

Devon Viehman (WY), Vice-Chair, Land Use, Property Rights and Environment Committee
Cole Cannon (OH), Chair, State & Local Issues Policy Committee
Eugene Szpeinski (MI), Vice-Chair, State & Local Issues Policy Committee
Tyrone Adams (CO), AE, Colorado Association of REALTORS®
Jessica Coates (MD), AE, Howard County Association of Realtor
Kama Burton (CA), Member At-Large
Teresa Pitt (NC), Member At-Large
Melanie Barker (CA), Member At-Large
Christie DeSanctis (DC), Staff Executive