



We are destroying housing affordability one regulation at a time

Since 2011, the cost of complying with government regulation has reached 24.3 percent according to the National Association of Home Builders (NAHB). More alarming, the cost of regulation has increased by 29.8 percent since 2011.

As a result, compliance with regulations adds \$67,424 to the cost of a new home in Greater Greenville.

The source of those regulations fall in two places:

1. Regulatory costs during development of the building lot (60 percent)
2. Regulatory costs during construction of the home (40 percent)

According to NAHB's study, which was released in 2016, the increase in the cost of regulatory compliance is rising more than twice as fast as the average American's ability to pay for it.

Some examples of regulatory costs that impact the cost of a new home in Greater Greenville include:

1. Building permit fees, which amount to more than \$1,000 per home in some areas
2. Business license taxes, which add another \$1,000 per house for a modestly-priced home
3. Tap, capacity, new account, and other impact fees charged by water and sewer utilities, which amount to more than \$5,000 per home
4. Stormwater permits fees, which also require expensive engineering expertise, exceed \$1,000 per acre of disturbed land
5. Lengthy review processes, which add expense in the form of business carrying and interest expenses
6. New building code requirements, like arc-fault circuit interrupters, which became a requirement in the building code in 2016 and adds about \$300 per home

As a result, the estimated cost to purchase a newly-constructed home in Greater Greenville has risen from \$232,000 in 2008 to \$271,000 in 2014. In addition, according to U.S. Census data, the share of new homes sold for less than \$200,000 in the South has decreased from 90 percent in 2005 to 10 percent in 2014.

The Priced-Out Effect

Using another study from NAHB, the Priced-Out Effect, we can estimate the number of families that have been priced out of purchasing a new home by the cost of compliance with regulation in Greater Greenville. According to the Priced-Out Effect study, 521 Greenville-area families are priced out of purchasing a new home by a \$1,000 increase in the price of a new home.

Therefore, the cost of regulation on a new home has priced out 35,115 families from purchasing a new home, just in Greater Greenville. The increase in regulation in the last five years has priced out more than 15,000 families. These are families that must rent, move to more distant counties where

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housing is more affordable, or worse, require government housing assistance when they otherwise may be able to realize the American Dream of Homeownership.

The Economic Impact

The consequence of this increase in regulatory compliance cost does not just impact families, it impacts our economy. Because these families are unable to purchase a new home, fewer new homes are built.

We estimate that since 2011 alone, demand for new housing each year has been reduced by at least 300 homes in Greenville County, about a 10 percent decrease in demand. The result is approximately 700 fewer jobs in home building, \$50 million in lost wages and income to families, and \$5 million in lost tax revenue to governments.

Solutions

Solutions to affordable housing, particularly at price points that meet the needs of families with the greatest need, are complex and challenging. Housing affordability is not a new problem. What is new is the pace at which gentrification is occurring, and the rapid increase in the cost of complying with government regulation.

Addressing affordability is a multi-step process. But it is solved with participation from both the public and the private sector. It is also solved both by addressing housing supply, as well as housing demand.

Supply

It is our contention that on the supply side, these methods are a must for consideration:

1. Review and amend or eliminate over-zealous and unnecessary regulations. The National Association of Home Builders has identified three for immediate consideration in just one agency, the EPA:
 - a. Clarify the scope of the Clean Water Act. Currently the act's scope has become muddled to the point that it is unclear whether or not the act has jurisdiction of water on a property. As a result, all properties are generally submitted for "jurisdictional determination," an expensive and time-consuming process.
 - b. Streamline the stormwater permit process. The process has become extraordinarily expensive and complicated, with an emphasis on documentation that does not result in any improvement to water quality. As a result, development expenses now exceed the cost of the land in most cases.
 - c. Amend and clarify the Lead Paint Rule. After six years the EPA still does not have a reliable test for the presence of lead. As a result, all properties built before 1978 must be subject to expensive remediation procedures. Property owners should be able to opt out of some of these procedures when young children are not present.
2. Allocate greater governmental resources not just for government-owned and maintained housing units, but to support private-sector housing to bring prices, whether for purchase or rent, lower to meet the needs of families only marginally in need of support.
3. Target areas for increased density for housing and match those properties with other financial support to meet the needs of families with greater need.

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Demand

It is our contention that housing affordability is not solely solved on the supply side. We must also consider how family income is increased so that they may meet their own needs. Methods that must be considered include:

1. A coordinated workforce development program that trains people for better-paying jobs. What is needed most is strong leadership that brings together all of the diverse and numerous groups that are engaged in this topic, and to gather input from employers regarding the skills they need most for the jobs that they need to fill.
2. A diverse transportation program that gets workers from where they live to where they work. Light rail and similar programs are exciting, but expensive and impractical for an area like Greenville. Our current bus system is inefficient and time consuming to use. What is needed is smaller-capacity vehicles, with a greater diversity of routes, that take people more quickly from where they are to where they want to go.

Our greatest concern is the blizzard of regulation of housing that has occurred in the last decade. It has added 30 percent to the cost of complying with regulation when building a new home. As a result, a quarter of the cost of constructing a new home is compliance with government regulation.

The acceleration of gentrification of our neighborhoods and the increase in regulation are directly linked. It has created downward pressure on our existing housing stock and made it difficult for the home building industry to meet housing demand with a product that the customer can afford to buy.

To quote President Ronald Reagan, “government is not the solution to our problem, government is the problem.”

While well intentioned, regulations are putting the American Dream of homeownership out of the reach of families in Greater Greenville. The solution to our affordable housing problem can be found in a thorough review of government regulation and its impact on housing affordability, followed by an aggressive rewrite, and in some cases repeal, of government regulation of home building.