

Outcomes of Housing Policy Changes

Alex Horowitz, The Pew Charitable Trusts
Montana, Presentation to Governor's Housing Task Force

March 28, 2024

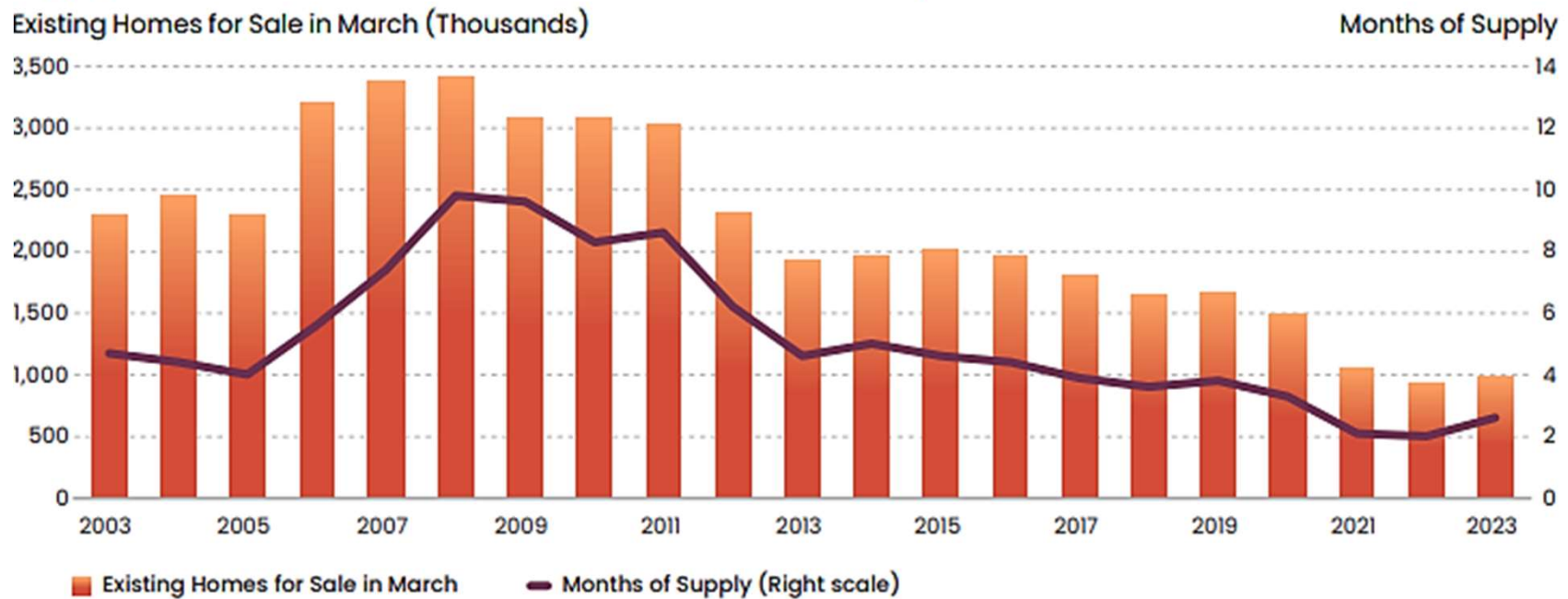
Pew

Rents Nationally Have Reached an All-Time High in the Past Year

- Half of renters are spending 30% or more of their income on rent
- One-quarter of renters are spending 50% or more of their income on rent
- Both figures have doubled since 1960
- Household size has reached an all-time low of 2.50 (2.37 in Montana, 4th-lowest)
- 62.9% of U.S. households have 1 or 2 people (68.7% in Montana, 3rd-highest)

U.S. Supply of Homes Near an All-Time Low

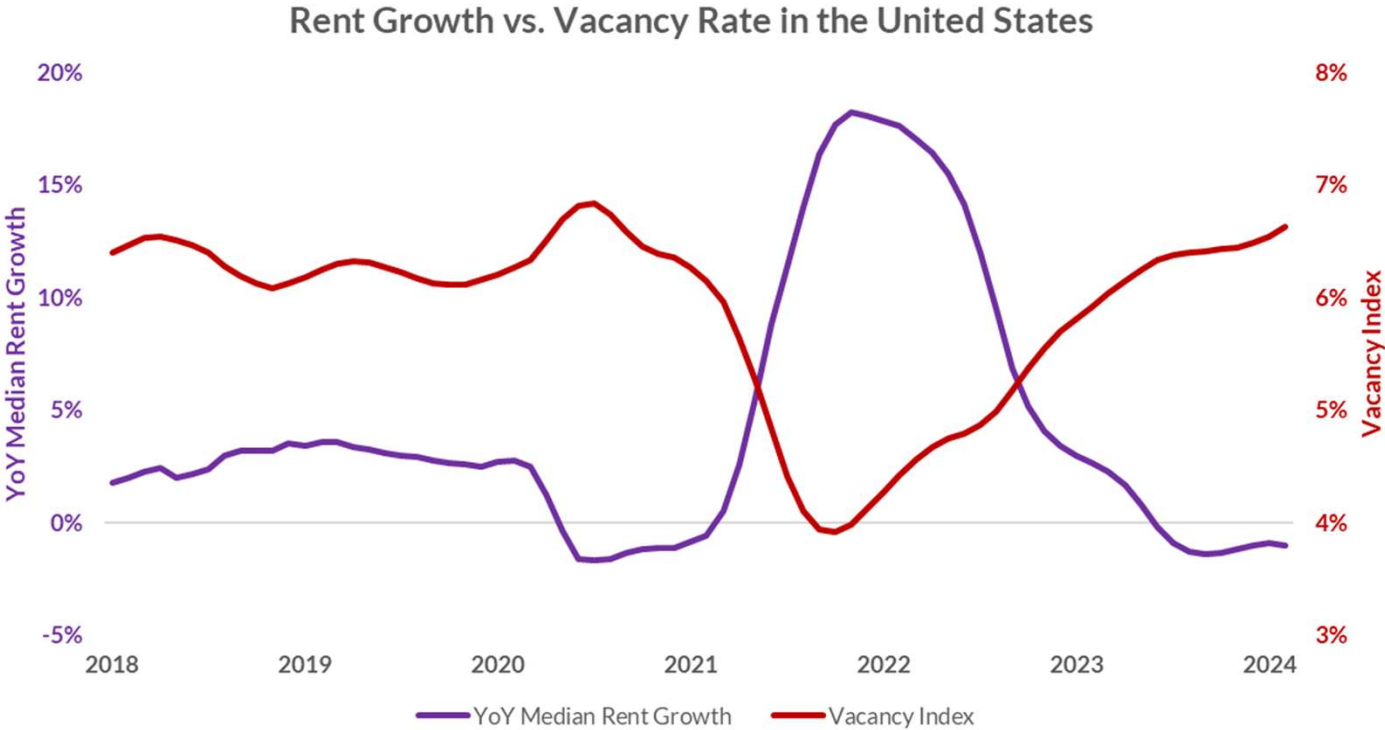
Supply of Homes for Sale Remained Near Record Lows in Early 2023



Notes: Months of supply measures how long it would take homes on the market to sell at the current rate. Six months is typically considered a balanced market.

Source: JCHS tabulations of NAR, Existing Home Sales

Rents Rise Quickly When Shortages Occur



Source: Data from Apartment List

Montana's 2023 Housing Bills Earned Acclaim



Zoning reform bills pass Montana House with bipartisan support

BOZEMAN DAILY
CHRONICLE

Guest column: A banner year for housing reform in the Legislature



Bipartisan Hope for Affordable Housing Emerges in the West



Gianforte signs Missoula lawmaker's zoning bill, slew of other housing bills

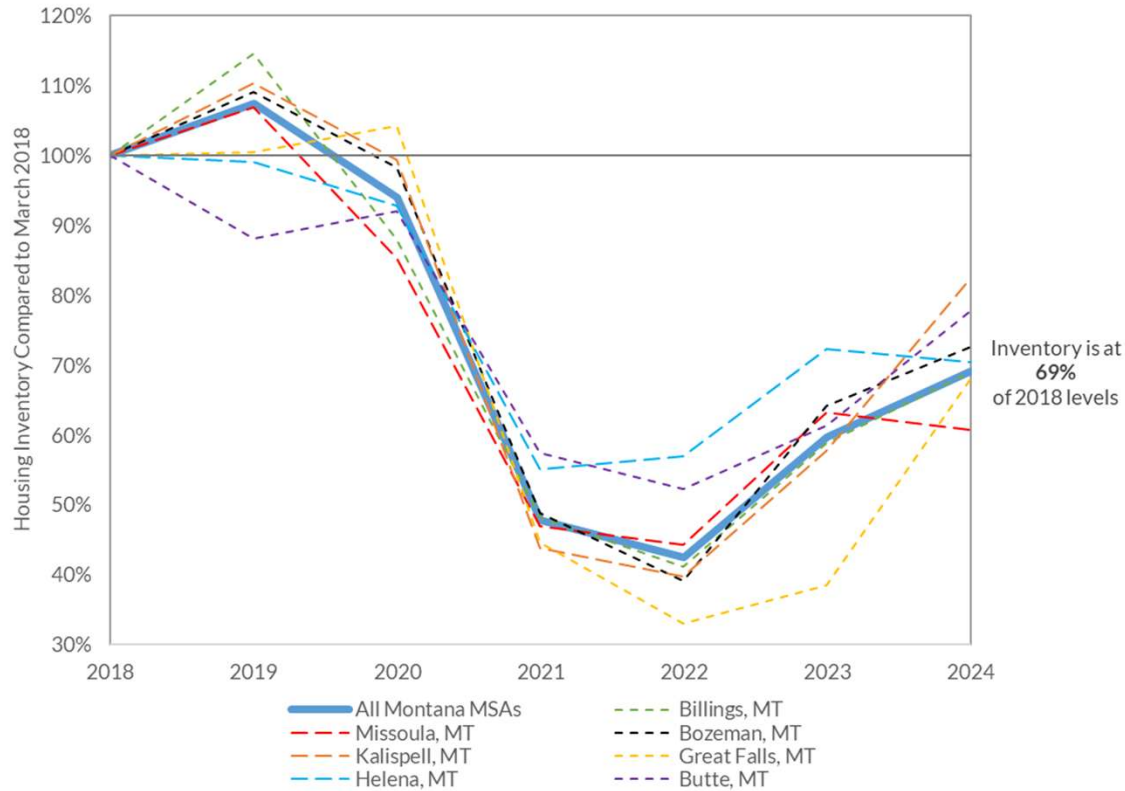


How the Bipartisan 'Montana Miracle' Confronts the Housing Crisis Head On

Montana's Stock of Available Homes Remains Low

Housing Inventory Remains Lower Today Than it Was in 2018

Percentage change in for-sale housing units compared to March 2018

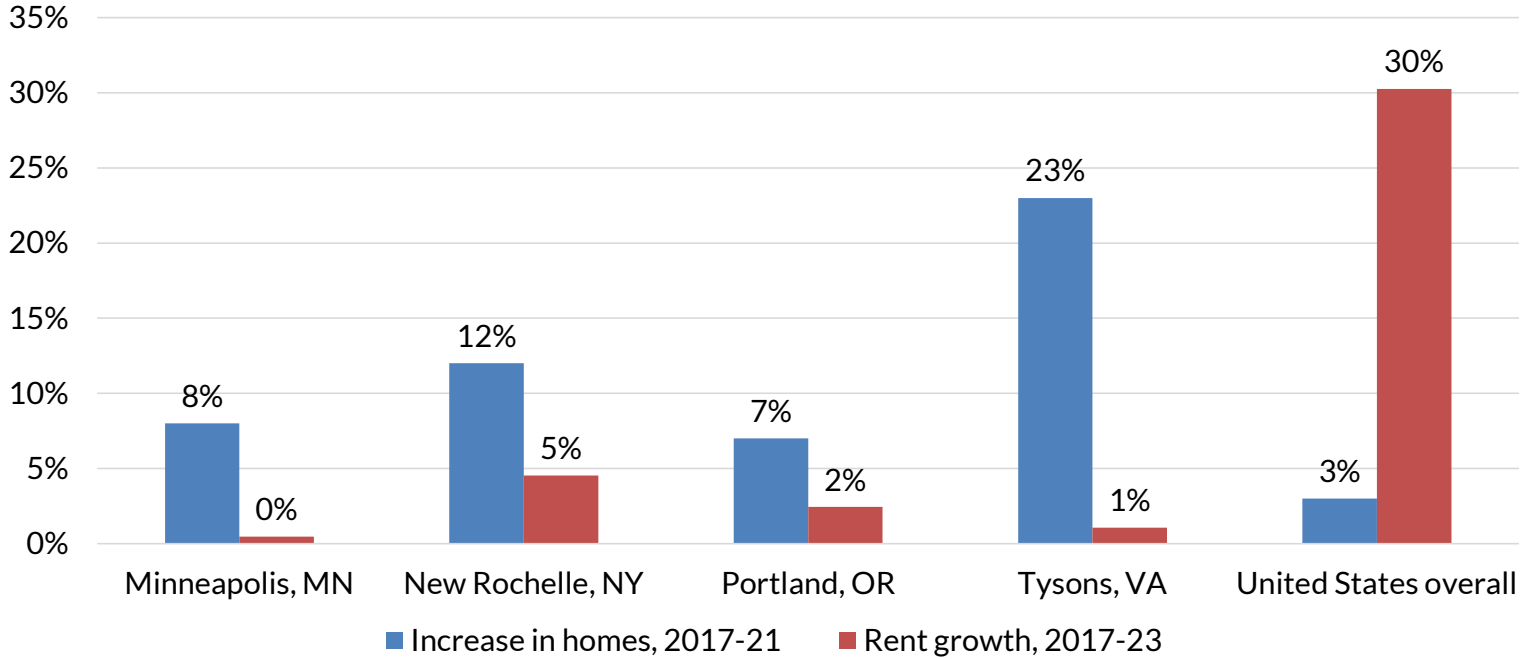


Inventory is at 69% of 2018 levels

Montana median home cost:
 Feb. 2020: \$279k
 Feb. 2024: \$448k

New Data Confirms More Supply = Lower Housing Costs

Rent Growth Is Low Where Housing Has Been Added



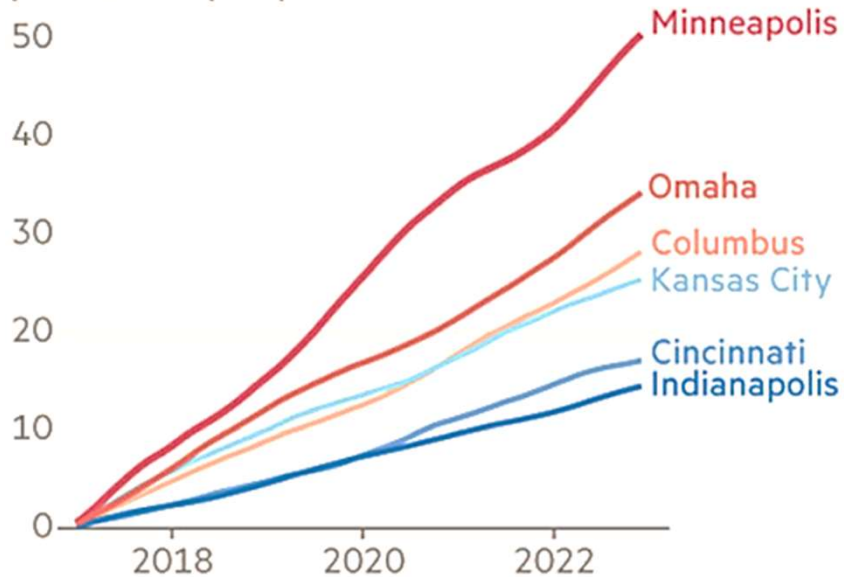
The four local jurisdictions shown added proportionally more households than the U.S. overall from 2017-21—indicating low demand was not the cause of their slow rent growth.

Source: Pew’s analysis of Apartment List rent estimate data (Jan. 2017-Jan. 2023) and U.S. Census data on housing units (2017-2021)

Minneapolis Has Built More Housing Than Other Midwestern Cities...

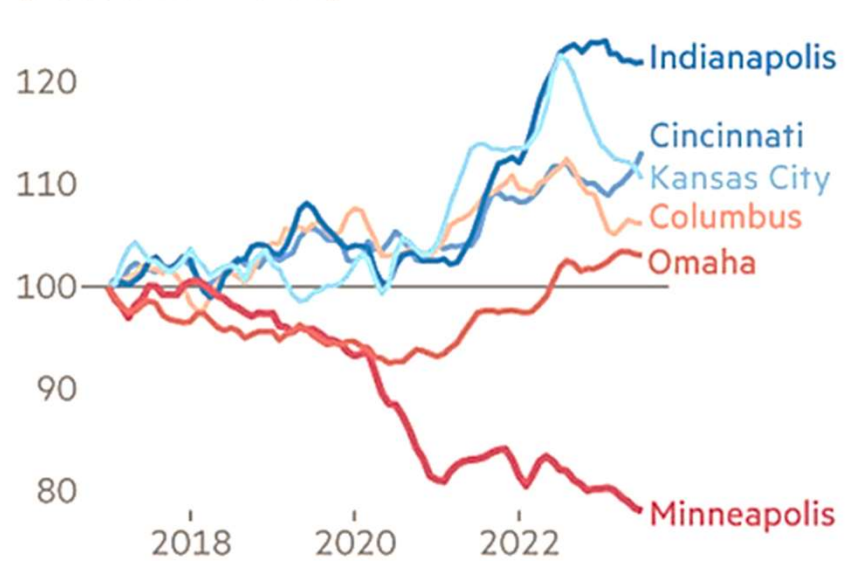
And the city is reaping the rewards as rents fall relative to inflation

Cumulative new dwelling approvals per 1,000 people



Sources: Financial Times analysis of data from State of the Cities Data Systems, Apartment List, BLS, Census Bureau

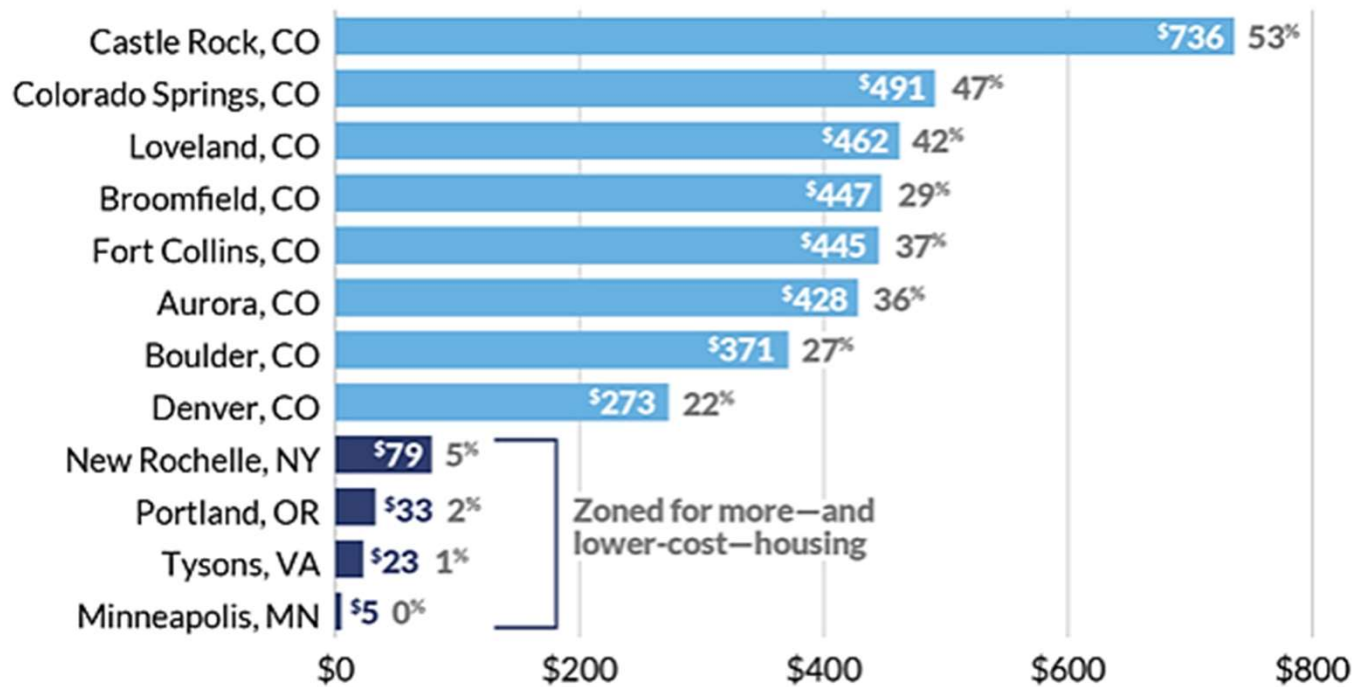
Real-terms change in median rent (Jan 2017 = 100)



*Rents deflated by average incomes

Rents Are Rising Faster in Colorado Than in Jurisdictions That Reformed Zoning

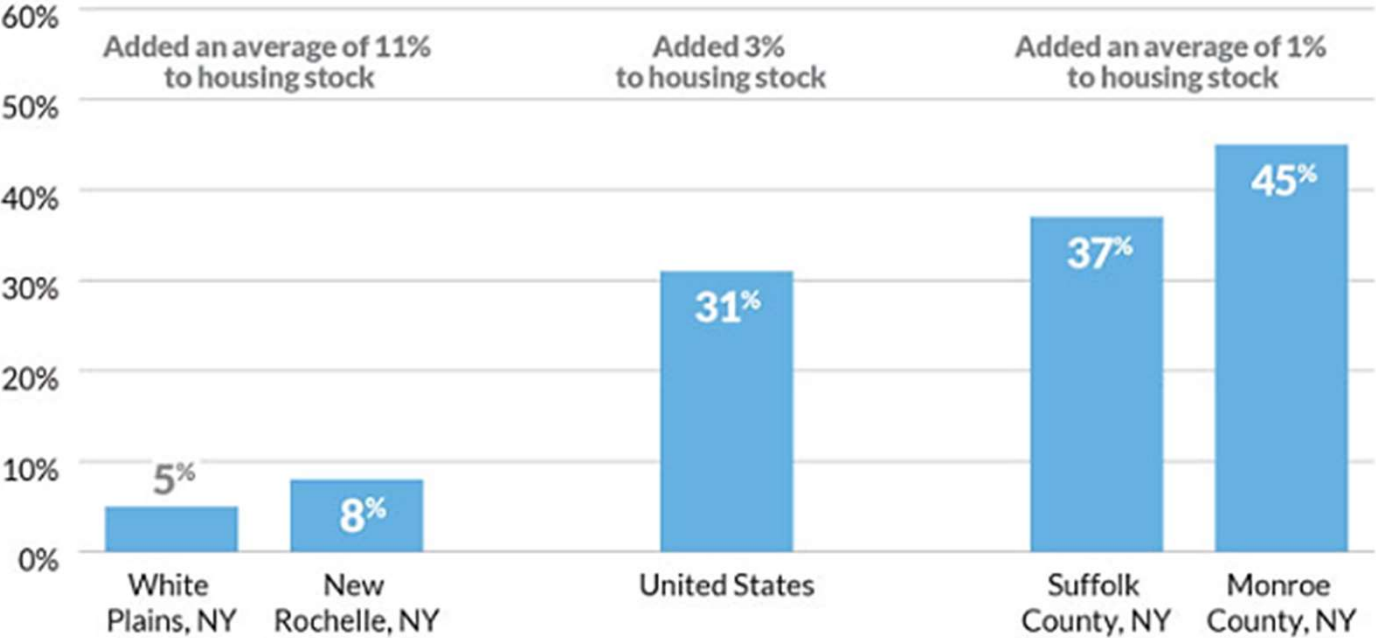
Dollar and percentage increases in median rent estimates, January 2017-January 2023



Source: Apartment List Rent Estimate data

Some New York Jurisdictions Added Housing and Kept Rent Growth Low

Growth in median rent between February 2017-February 2023



Sources: ACS Census Bureau and Apartment List Rent Estimate data

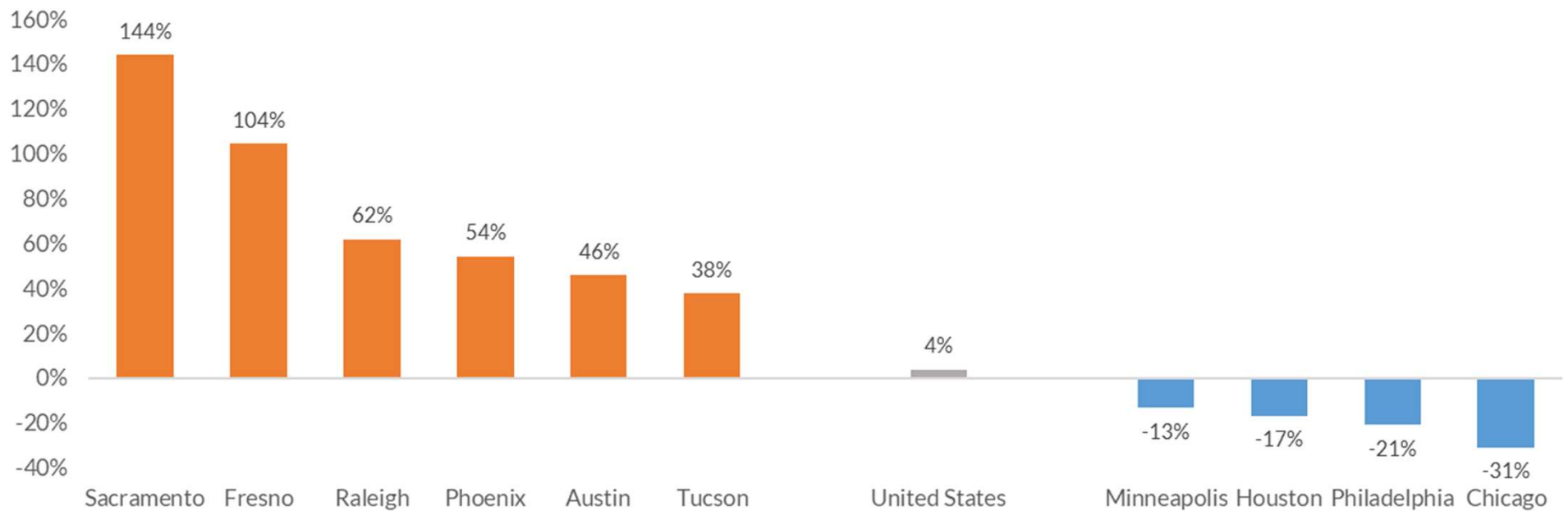
Minimum Lot Sizes Contribute to High Housing Costs

- 2021 University of Montana study found minimum lot sizes raise housing costs by forcing buyers to purchase more land than they want
- Several additional studies have confirmed this finding
- Houston reduced its minimum lot size from 5,000 sq. ft. to 1,400: 80,000 townhouses resulted
- 2,500 sq. ft. Houston townhouses affordable just above area family median income

How Housing Costs Drive Homelessness Levels

Homelessness Increased in Areas Where Rents Soared

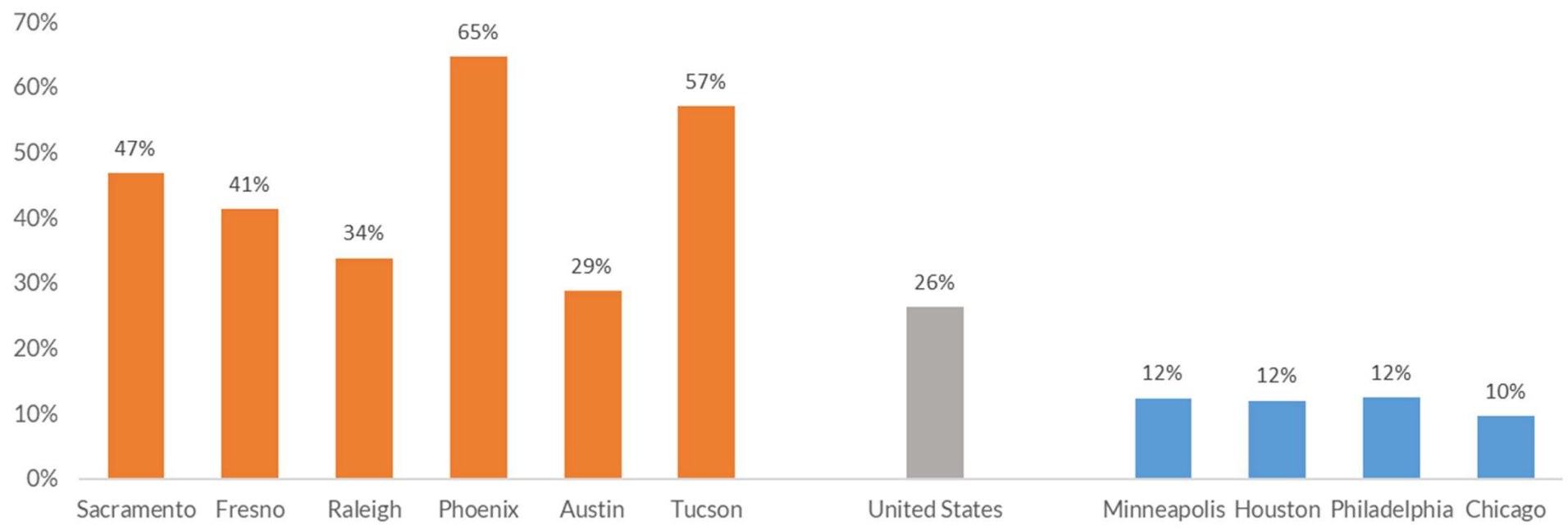
Percent change in homelessness per 10,000 residents, 2017-2022



Sources: Homelessness data come from the Department of Housing and Urban Development's Point-in-Time estimates in 2017 and 2022. Population data comes from the 2017 and 2021 American Community Survey (ACS) 1-year population estimates from the U.S. Census Bureau. Rent levels come from Apartment List's Rent Estimate data in January 2017 and January 2022, downloaded on June 15, 2023. The city names listed refer to the Continuum of Care (CoC) covering this city, which are most often the county, but sometimes cover multiple counties (Wake County for Raleigh, Maricopa County for Phoenix, Hennepin County for Minneapolis, etc.). When CoCs cover multiple counties, rent data for the largest county in the CoC was used.

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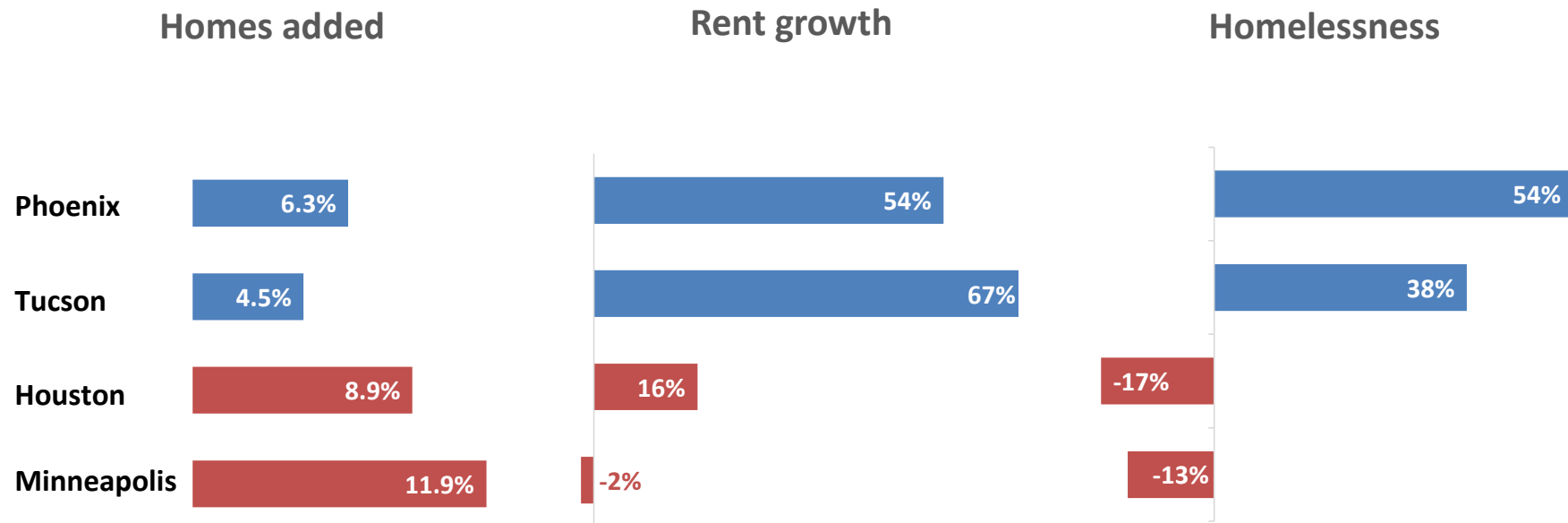
Percent change in rents, 2017-2022



Sources: Homelessness data come from the Department of Housing and Urban Development's Point-in-Time estimates in 2017 and 2022. Population data comes from the 2017 and 2021 American Community Survey (ACS) 1-year population estimates from the U.S. Census Bureau. Rent levels come from Apartment List's Rent Estimate data in January 2017 and January 2022, downloaded on June 15, 2023. The city names listed refer to the Continuum of Care (CoC) covering this city, which are most often the county, but sometimes cover multiple counties (Wake County for Raleigh, Maricopa County for Phoenix, Hennepin County for Minneapolis, etc.). When CoCs cover multiple counties, rent data for the largest county in the CoC was used.

Housing Shortages Have Pushed Up Rents, Homelessness

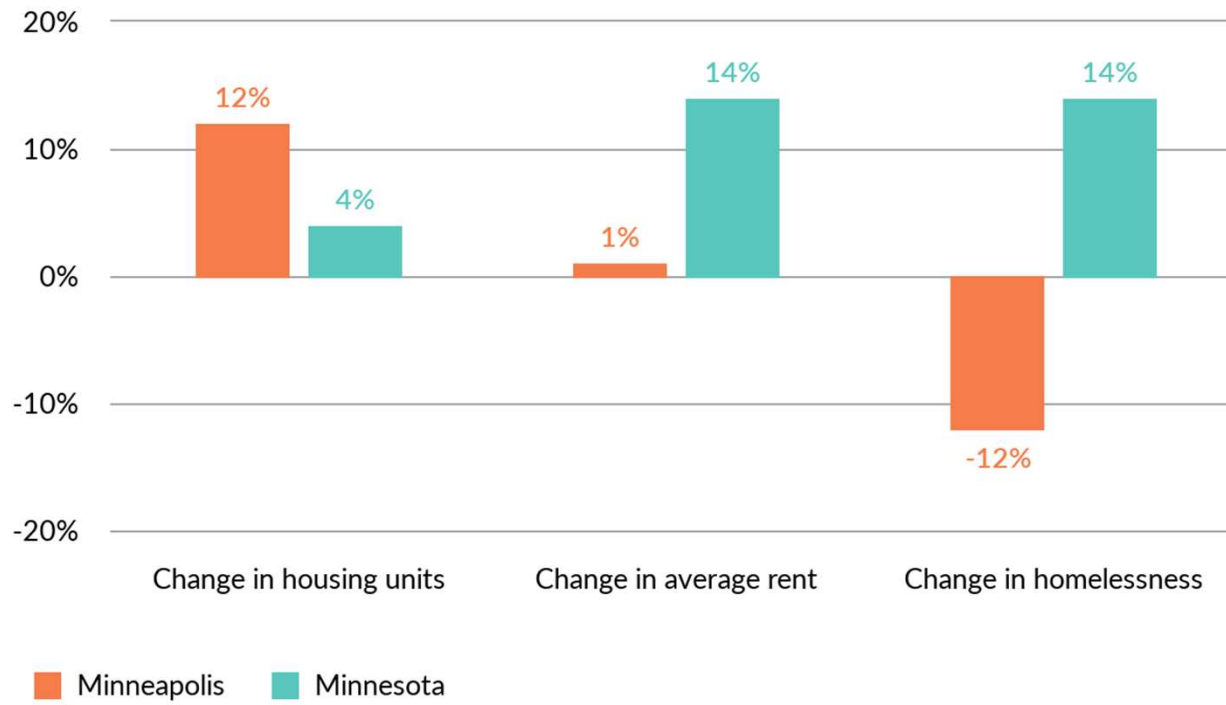
Percent change, 2017-2022 (2017-2023 for rents)



Sources: ACS Census Bureau for housing supply; Apartment List Rent Estimate data for rents; HUD Point-in-Time count data for the CoC covering the listed city for homelessness

After Zoning Reform, Minneapolis Rent Growth Slowed, Homelessness Dropped

Percent change, 2017-2022



Sources: ACS Census Bureau for housing supply; Apartment List Rent Estimate data for rents; HUD Point-in-Time count data for the CoC covering the listed jurisdiction for homelessness

How State Policymakers Have Engaged On Housing

States Ensuring Localities Allow More Housing Types

- Enabling accessory dwelling units (ADUs)
- Legalizing small multifamily in many places
- Legalizing multifamily in commercial areas
- Streamlining permit approval processes
- Building code reforms

Laws to Limit Lawsuits Against Municipalities Over Allowing Housing

- Many cities and towns have faced costly lawsuits from a small number of residents over approving individual developments, updating their comprehensive plans, or zoning for more homes
- Several states have passed laws or are considering laws to remove the grounds for these lawsuits, make the suits harder to bring, or provide legal protections for municipalities that update zoning to allow more homes

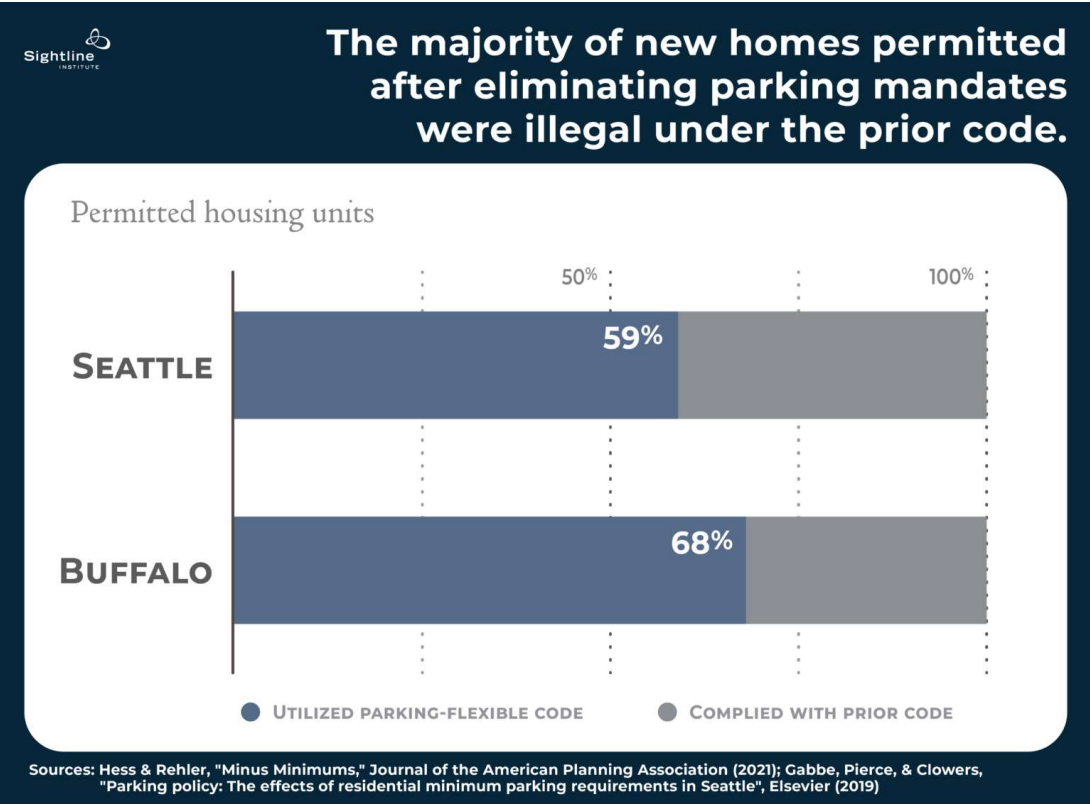
Office-to-Residential Conversions

- Office-to-apartment/condo conversions proving costly (often \$500k-\$800k/unit, with \$400/sq. ft. conversion cost common)
- Preliminary evidence: office-to-dorm/co-living conversions much less expensive, could add low-cost housing
 - High-level report: <https://fiveboro.nyc/housingpilot/>
- But often blocked by local zoning or building codes
- Pew study forthcoming (Q4 2024)

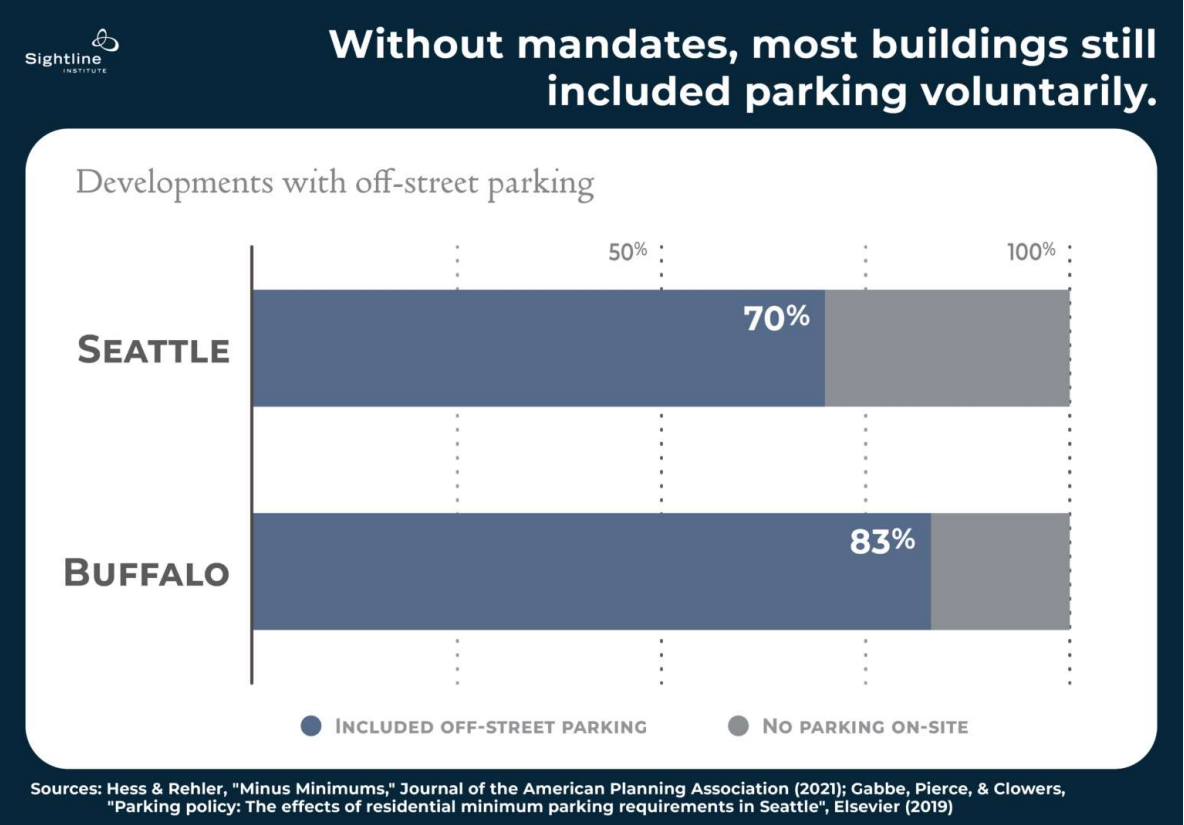
Viable Office-to-Residential Conversions Require Flexibility

- Low/no minimum unit size
- Shared bathrooms/kitchens
- Low/no parking requirements
- Window flexibility
- Mandating full residential code can render infeasible
- More likely to work as a by-right use

Increased Parking Flexibility Has Improved Housing Supply, Affordability



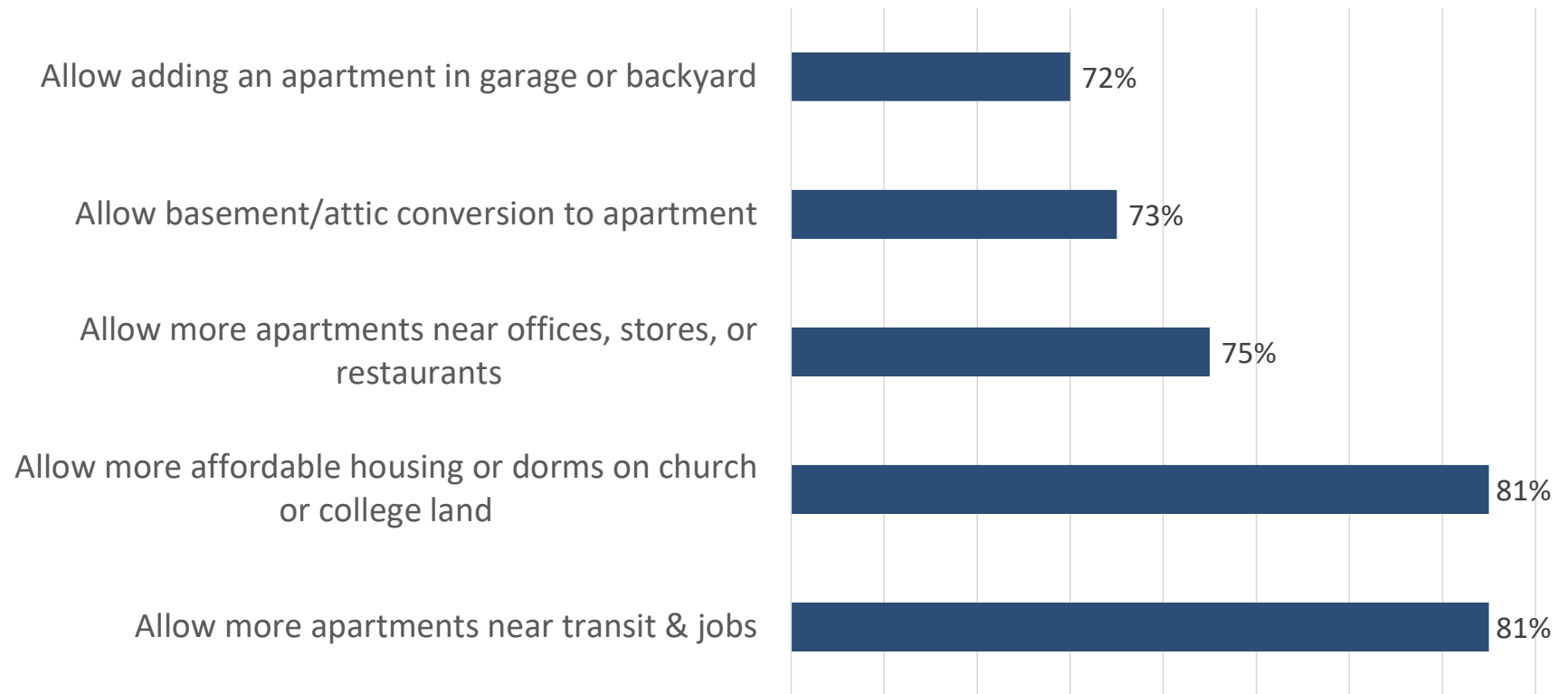
Most Housing Includes Some Off-Street Parking, Even When Optional



Building Code Reforms Enacted by States in 2023 & 2024

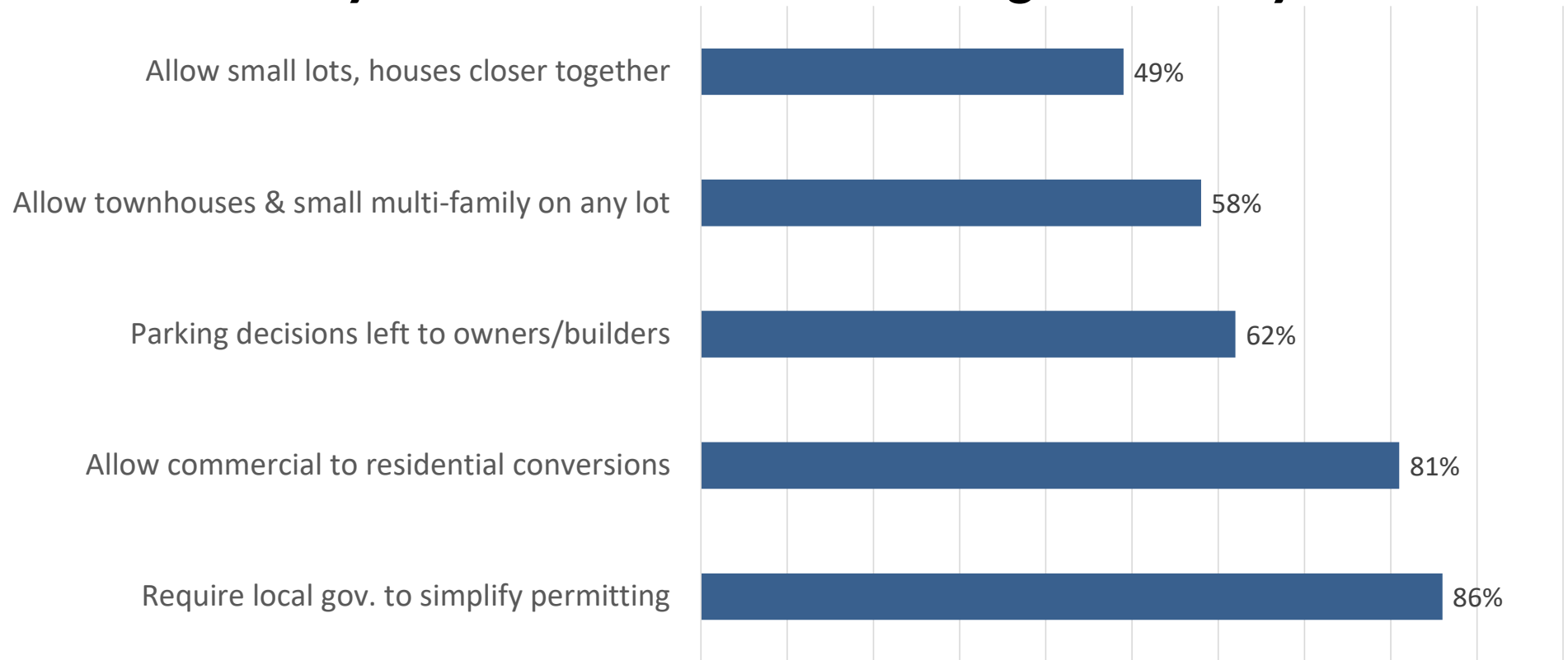
- Moving 3-4 unit buildings or 3-6 unit buildings under less-costly residential code with 1 & 2-unit homes (NC's 2023 HB488 and a study version, 2024's HB2071 in Washington)
- Instead of mandating two staircases, allowing one staircase for 4-6 story buildings (study bills) to enable them on small lots
- Legalizing micro-units/co-housing wherever multi-family housing is allowed

2023 Pew Survey: Share of Americans Favoring Each Policy



Source: <https://www.pewtrusts.org/en/research-and-analysis/articles/2023/11/30/survey-finds-large-majorities-favor-policies-to-enable-more-housing>

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