Unaffordable by Design

What's Next for America's Intractable Housing Crisis

America's housing affordability crisis is not the result of market forces alone but a system designed — through decades of zoning laws, tax incentives, and mortgage policies — to protect existing homeowners and restrict new supply. This paper uncovers the data behind the crisis and explores potential solutions.

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Residential real estate in America is expensive. The median-priced single-family home in the U.S. cost $420,000 at the start of 2025. That's 37% more expensive than in January 2020, just before the start of the COVID-19 pandemic. In the same period, the median income for American workers has risen by only 17%. This is the American housing affordability crisis in a nutshell. Home prices have risen faster than incomes.

America's housing affordability crisis is not accidental but the product of decades of policy choices that structurally favor existing homeowners at the expense of future ones.

The crisis isn't new. It's a multi-decade trend that stems from the intersection of construction and regulation practices, local zoning requirements, developments in financial markets, demographics, tax laws, and environmental challenges that have systematically supported and elevated existing home values, often at the expense of future buyers.

The affordability crisis is not merely an accident of market forces, but rather a consequence of deliberate policy choices and regulatory frameworks that inadvertently (or sometimes intentionally) keep home prices elevated. In what follows, we outline the major contributing factors, assess their impacts on housing affordability, and examine some policy recommendations and progress.

In the first half of this project we look at the data. How deep is the crisis? How do we know? Which vectors are the most important levers to pull? We'll look at home prices, incomes, mortgage rates, and other market factors.

In the second half of the paper, we explore the question: Is there a solution? There is indeed some momentum for potential change. But because these policies have been layered in place for good reasons, it could be that potentially painful, significant shifts in America's commonly accepted housing policy framework are needed. Potential areas include:

- **Shifting Regulatory Control:** Housing is a national crisis, but it is controlled locally. Moving certain regulatory decisions from local jurisdictions to state or federal levels could help harmonize standards, reduce exclusionary zoning, and encourage more diverse housing types.
- **Smarter Taxes:** Many of our tax policies encourage hoarding of real estate. They create a beneficial environment for owning real estate, often where the incentive increases the longer the property is held. Alternate tax structures can incentivize more efficient land use and discourage speculation and hoarding, and therefore ease price pressures.
- **Revisiting Foreclosure and Mortgage Policies:** Foreclosure prevention measures left over from the Great Financial Crisis must balance the need for individual protection with the need to maintain an active and liquid housing market and release supply constraints.

- **Affordable New Construction:** Policies that reduce permitting delays and incentivize the development of affordable housing, including innovations in building technology, can help expand the supply without sacrificing necessary environmental and safety standards.
- **Addressing Non-Mortgage Costs:** Insurance premiums and revising property tax structures could reduce the overall cost burden on homebuyers.

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Part I: Understanding and Measuring Housing Affordability

What Makes Houses Unaffordable?

Housing affordability can be broken into four vectors:

- **Home Prices**: The cost of the asset is the base of the affordability equation. But it's far from the only variable. In fact, as we'll explore below, it's too simplistic to say that "homes are unaffordable; therefore, the price of homes has to come down." But there are ways to control the cost of the home itself, so those policy recommendations are part of the solution.
- **Incomes:** For affordability, the home price is relative to the money that the homebuyer earns. One under-discussed vector for improving affordability over time without declining home prices is that incomes rise. We'll show below how this dynamic improved affordability from 2022 through 2025.
- **Mortgage Rates**: In the post-pandemic years, mortgage rates have become the most notable variable in the affordability crisis. While falling mortgage rates would help payment affordability for many homebuyers, an important caveat here is that low rates spur buyer demand, which can drive home prices higher. It is not clear that pushing mortgage rates lower is the key to improving affordability.
- **Additional ownership costs**: Taxes and insurance are increasing in proportion to the total payments that homebuyers face in homeownership. There is growing evidence that these additional costs are leading many homeowners to sell their homes, leading to inventory gains in 2025.

To understand the depth of the crisis, it helps to view the historical context. In the 12 years from 2010 to the peak of home prices in 2022, incomes rose 51%. Home prices rose 95% in that same period. This price runup coincided with a steady and then dramatic rate of mortgage interest.

When we tackle all of these vectors, it gives us a number of ways to measure affordability. They each provide helpful context for understanding the extent of the crisis and evaluating which policy shifts will help or exacerbate the problem.

We'll start by looking at the ratio of **Home prices and incomes**. The simplest measure of housing affordability is to track the median priced home versus the median household income. This focuses the affordability question on the price of the asset, the house itself. But of course, those homes are financed with mortgages, so we need affordability metrics that include

mortgage payments. We'll also evaluate the additional costs of taxes and insurance to track their impact on affordability. Finally, we'll look at market forces of supply and demand and how this dynamic impacts affordability.

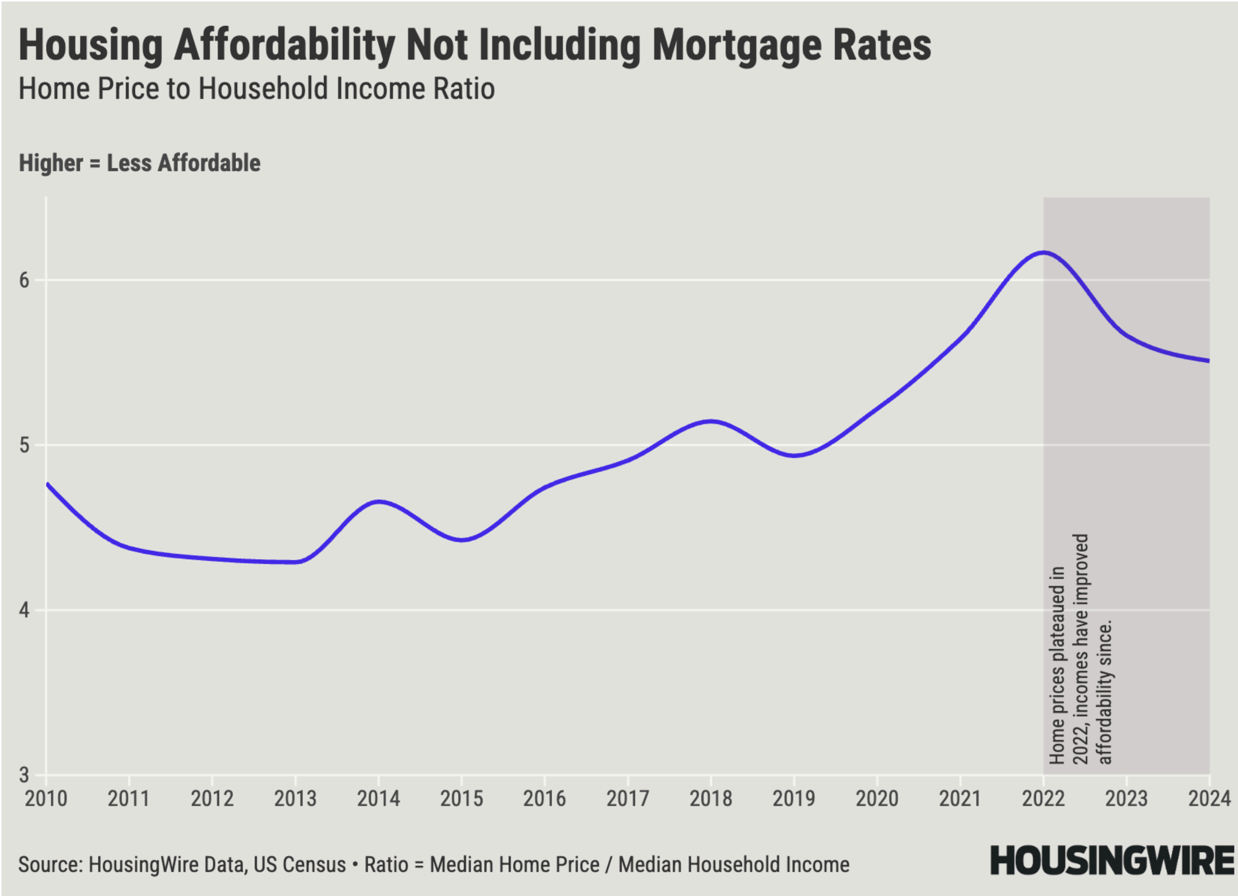
Housing Affordability Metrics

Price-to-Income Ratio

The simplest measure for affordability compares the median home price to the median household income, ignoring the cost of mortgage financing. Looking at the price of the assets versus the income of the people who might buy them gives us an excellent starting point for answering the question, "How expensive are homes now?"

In 2024, the median home price was 5.5 times the median income — a stark increase from the ratios in the decade following the burst of the housing bubble.

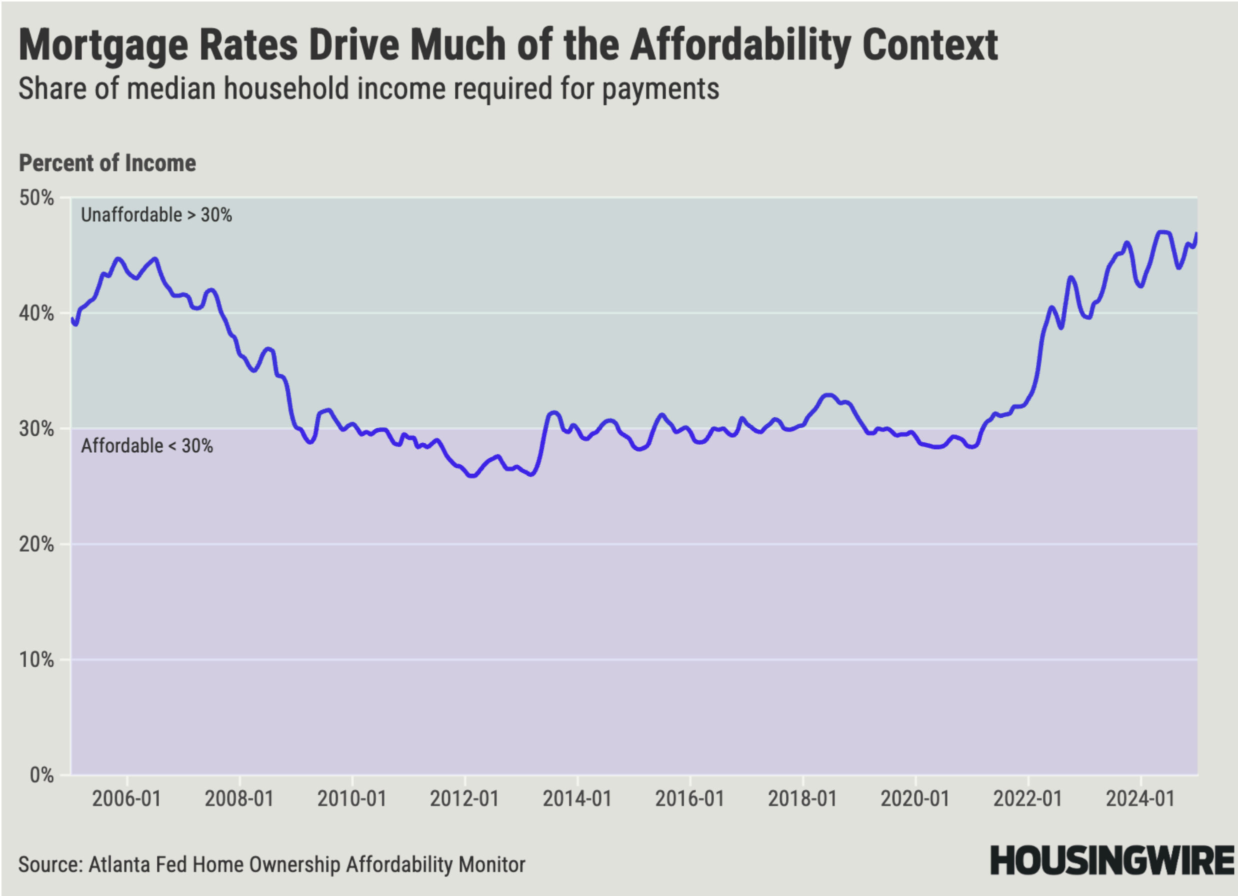
Home prices have remained roughly unchanged since July 2022, and incomes have continued to climb. Therefore, this ratio has improved in the past three years. While it still signals a market where homeownership is notably less affordable than in past decades, it illustrates that a prolonged period of flat home prices while incomes rise is one part of a solution to the affordability challenge.



Takeaway: The price-to-income ratio monitors changes in the affordability of housing as an asset. This is a fundamental view and helps isolate the impact of policy. Of course, most homebuyers in America finance their purchase with a mortgage, so a more complete affordability measure includes the cost of the home, the income of the buyer, and the cost of the financing. Mortgage rates are the most volatile variable in the affordability equation and can make dramatic differences to the average homebuyer.

Payments as a Percent of Income

For most homebuyers, the cost of the property alone is not the only factor in affordability. Most people carry mortgages, so the mortgage rate is a critical factor in making purchase decisions. A helpful rule of thumb for household ownership cost affordability is for mortgage payments to be at or below 30% of income.



By this measure, in the 2010s, homes stayed affordable because mortgage rates were declining even as home prices continued to rise. Falling interest rates masked the development of the affordability crisis, which was only visible with a price-to-income ratio. By 2022, with the spike in interest rates, homes in America were suddenly at an unaffordable level, exceeding even the peak of the housing bubble in 2006.

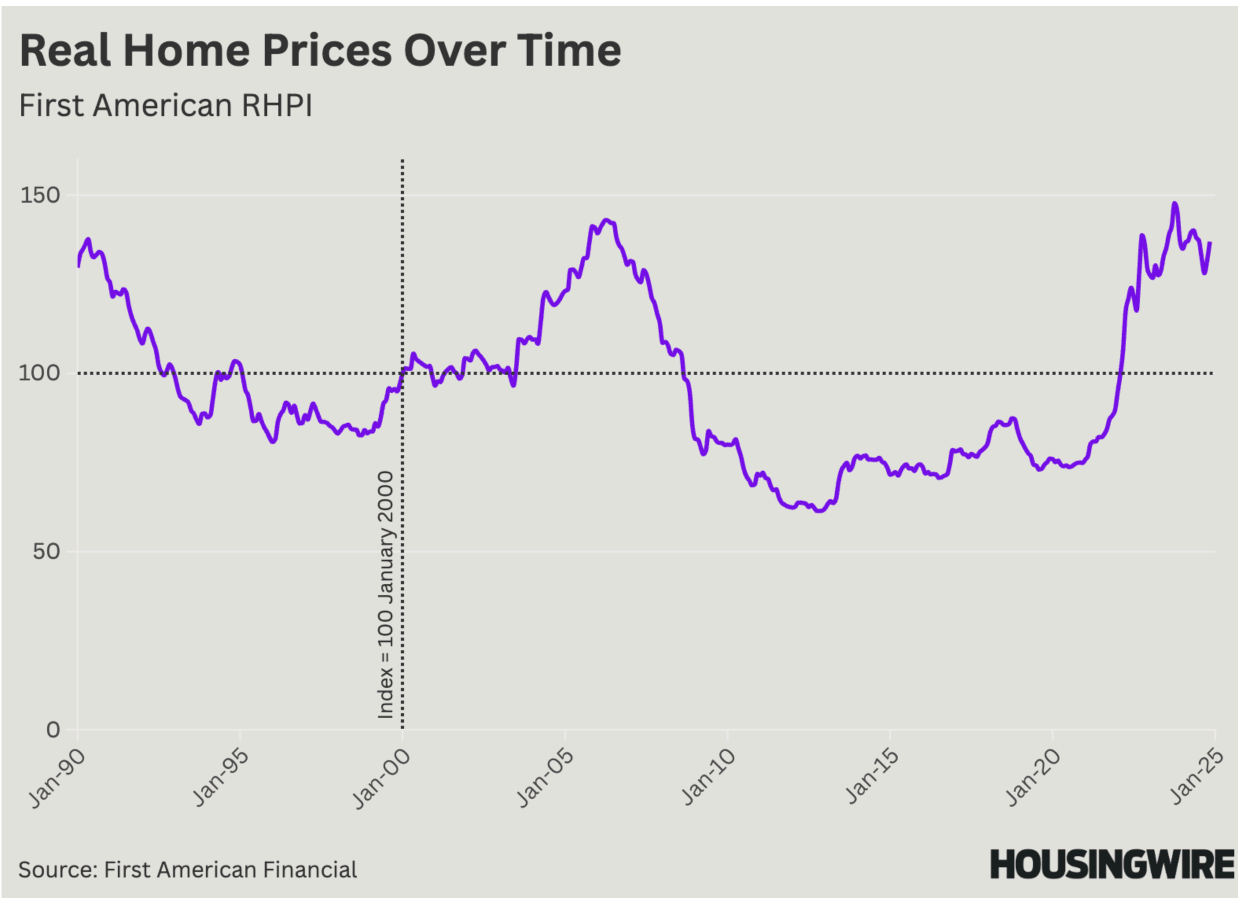
This measurement illustrates that affordability deteriorated during the pandemic boom (home prices skyrocketed as mortgage rates hit record lows). Conversely, incomes have been rising faster than home prices for three years, so affordability has actually improved in the three years since mortgage rates spiked.

Takeaway: Mortgage rates have a rapid, dramatic impact on some measures of affordability, but they may obfuscate the underlying drivers of affordability and incentivize poor housing policy decisions.

Real House Price Index (RHPI)

How do we compare these changes over time? Home prices were skyrocketing in 2021. Were they unaffordable by historical standards? By assigning an index to the data, we can observe how relatively affordable or unaffordable homes are compared to the recent past.

The economics team at First American Financial developed a "Real House Price Index," which takes into account these factors. In this view, the post-housing-bubble period from 2007 to 2010 allowed the real cost of homes to improve since prices collapsed and mortgage rates fell. In 2022, home prices skyrocketed for several years, but they stayed high even as mortgage rates climbed. Since 2023, mortgage rates have stayed elevated, home prices haven't climbed, but incomes have increased.

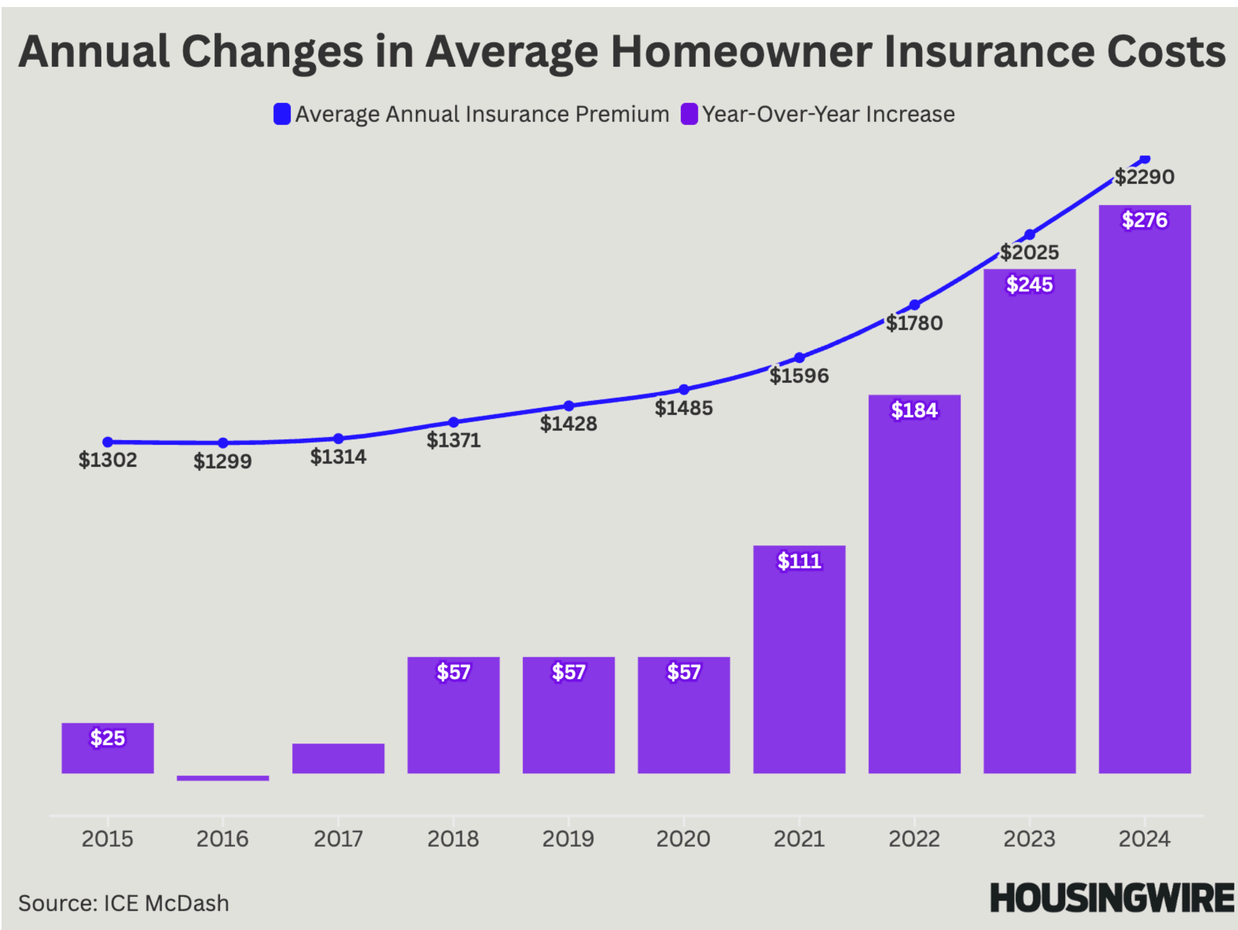


Takeaway: By the RHPI metric, homes were very affordable during the entire decade of the 2010s. It should come as no surprise that this decade saw a tremendous boom in purchase volume as well as shrinking available inventory. When homes are more affordable to hold, we hold more homes.

Other Affordability Factors

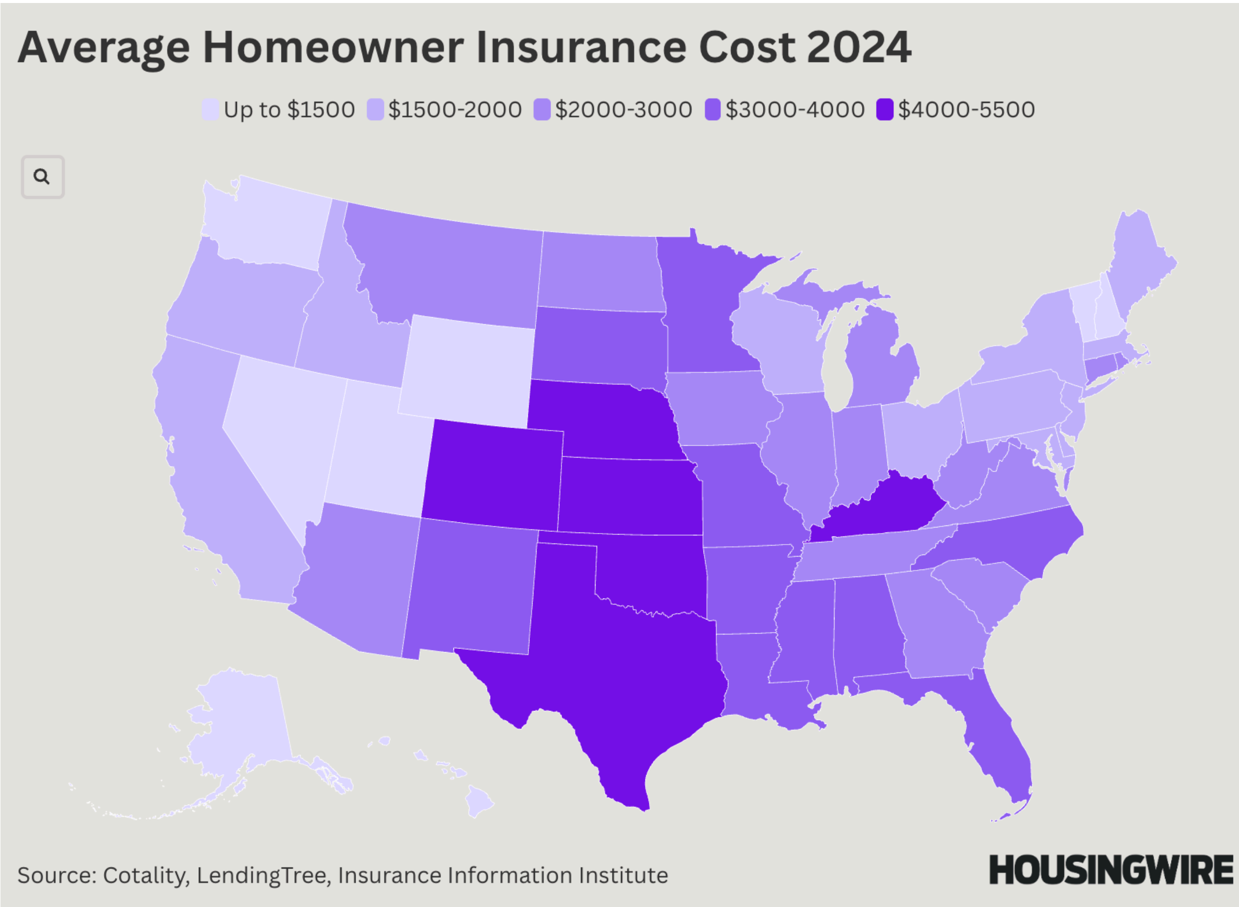
Taxes and Insurance Challenges

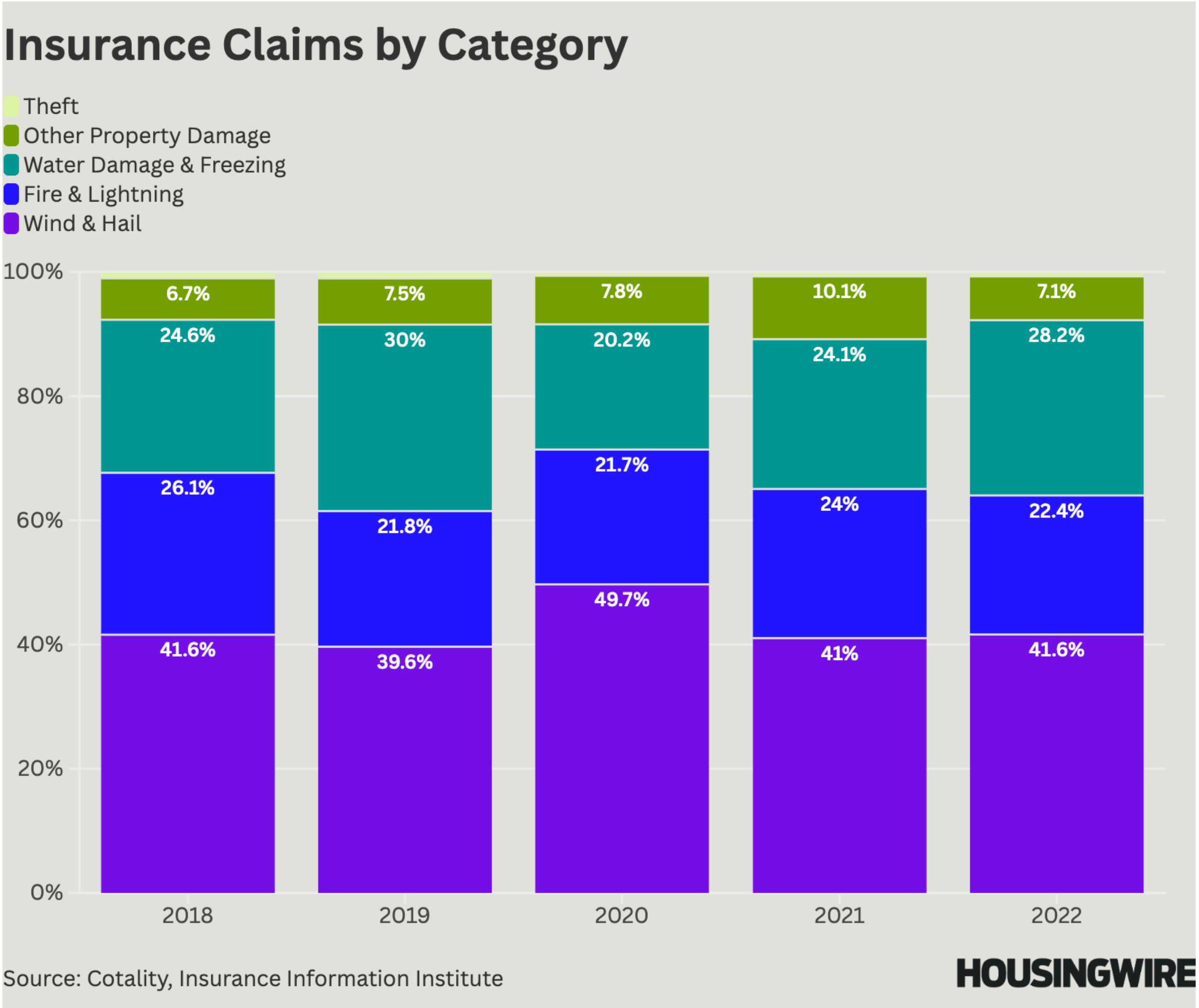
The costs of homeownership are not just about the price of the home and the mortgage interest rate. Ownership costs also include ongoing payments such as insurance and property taxes. Insurance costs have risen dramatically in recent years. According to 2024 data from ICE, the average annual property insurance premium for mortgaged single-family homes increased by a record $276 (14%) to $2,290. Over the past five years, premiums have increased by $872 (61%). In fact, insurance costs are now the fastest-growing subcomponent of monthly home payments, outpacing increases in principal, interest, and property taxes.



As the cost of taxes and insurance increases, nearly 10% of homeowners with mortgages pay more for the taxes and insurance than they do for the principal and interest on their loan. That share is up from just 2% a decade ago.

Insurance costs are highest in the Plains states from Nebraska through Texas, with wind and hail the leading cause of claims and loss.





Insurance costs are driven by the growing frequency and severity of natural disasters, with losses up 53% over the past decade. In addition, more housing units — up 30% since 2000 — are located in high-risk hurricane and fire zones, concentrating exposure. Third, according to Cotality, replacement costs have surged by 44% since the pandemic, making rebuilds more expensive.

Like many of the housing policies that contribute to the unaffordable conditions, state insurance regulations can have perverse impacts on future homeowners. Many state insurance regulators, like those in California, place caps on premiums and annual premium increases that carriers can charge. These caps are placed in the name of affordability, specifically, to keep costs low for existing homeowners. Price caps have pushed some insurers to exit high-risk markets, and the unintended consequence of these regulations has been fewer coverage options for new homeowners.

How Housing Supply Impacts Affordability

It's safe to say that Silicon Valley (the San Jose, California metro market) — with a current median list price for all the single-family homes available today at $1.75 million — is the least affordable housing market in the country. It's even more shocking when you consider the quality of the house for the money. While you might imagine a $1.75 million house to be a luxury mansion on an oversized lot in a prime location, in San Jose, $1.75 million buys a 55-year-old, 1,800 square-foot ranch house in need of upgrades.

The median income in San Jose is also high compared to the rest of the country, but not nearly high enough to allow the median household to afford a median-priced home. The median household income in Santa Clara County in 2023 was $160,000. The price-to-income ratio for the country as a whole is 5.5; in Santa Clara County, that ratio is a whopping 10. *The median home price is ten times greater than the median household income.*

How can an entire metropolitan area be so dramatically unaffordable? How is a stratospheric price-to-income ratio not an indicator of a home-price bubble — a red flag that home prices must be about to fall?

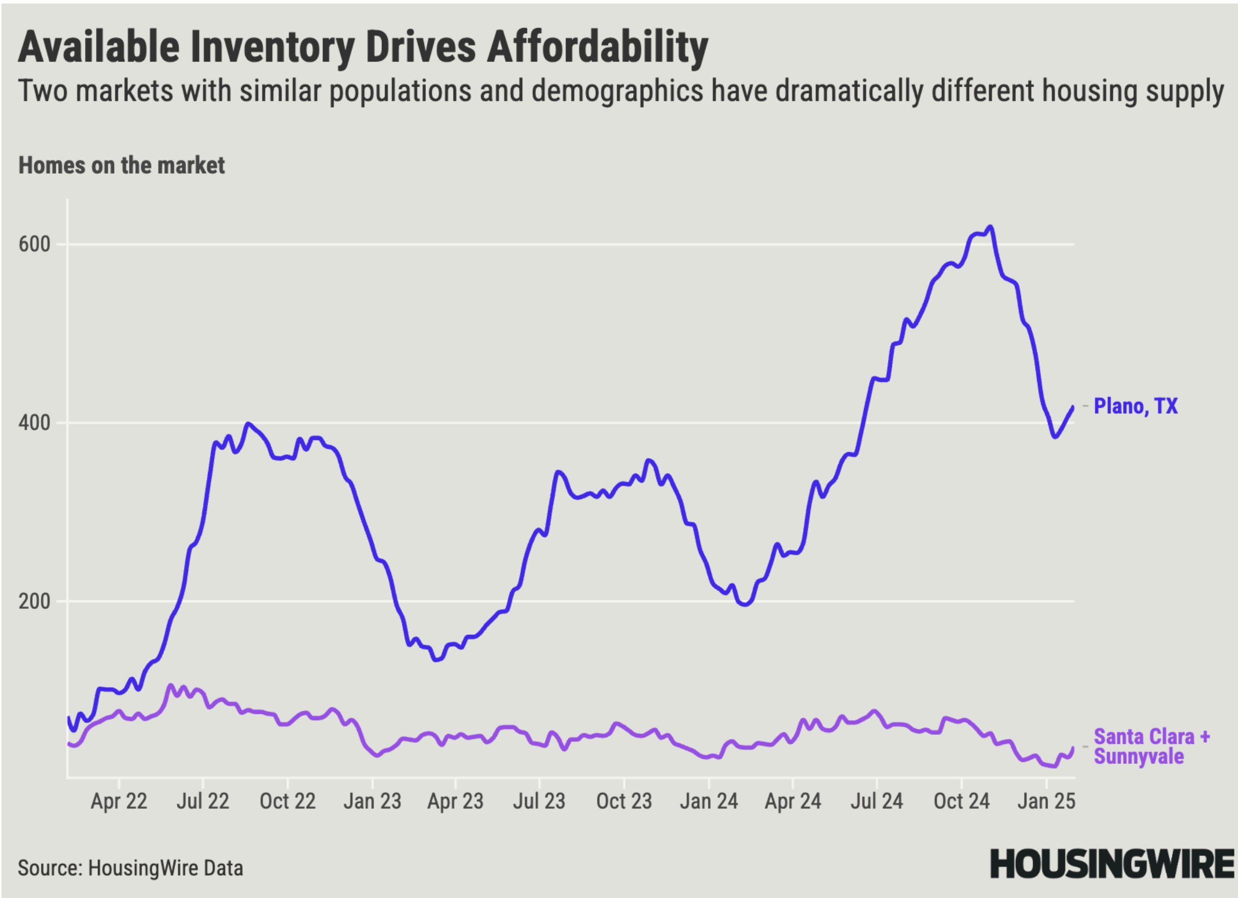
It turns out that some areas of the country have a chronic shortage of available inventory of homes for sale. When fewer homes are available for a given level of demand, the price must be higher. In the affordability metrics above, we assume that the median-priced home "should" be affordable to the median family. But what if there are dramatically fewer homes for sale? Homes will be affordable to fewer buyers because there are fewer homes to buy. This makes sense: In markets with restricted supply, prices will be higher. So in a very real sense, *housing availability* in America is a key driver of *housing affordability*.

Population per Inventory

Inventory by itself isn't enough information to determine whether homes will be affordable. The missing variable is population. We need to track the inventory available for the population. The more people who have to compete for a given listing; the more expensive the homes. The population per listing is a key driver of affordability.

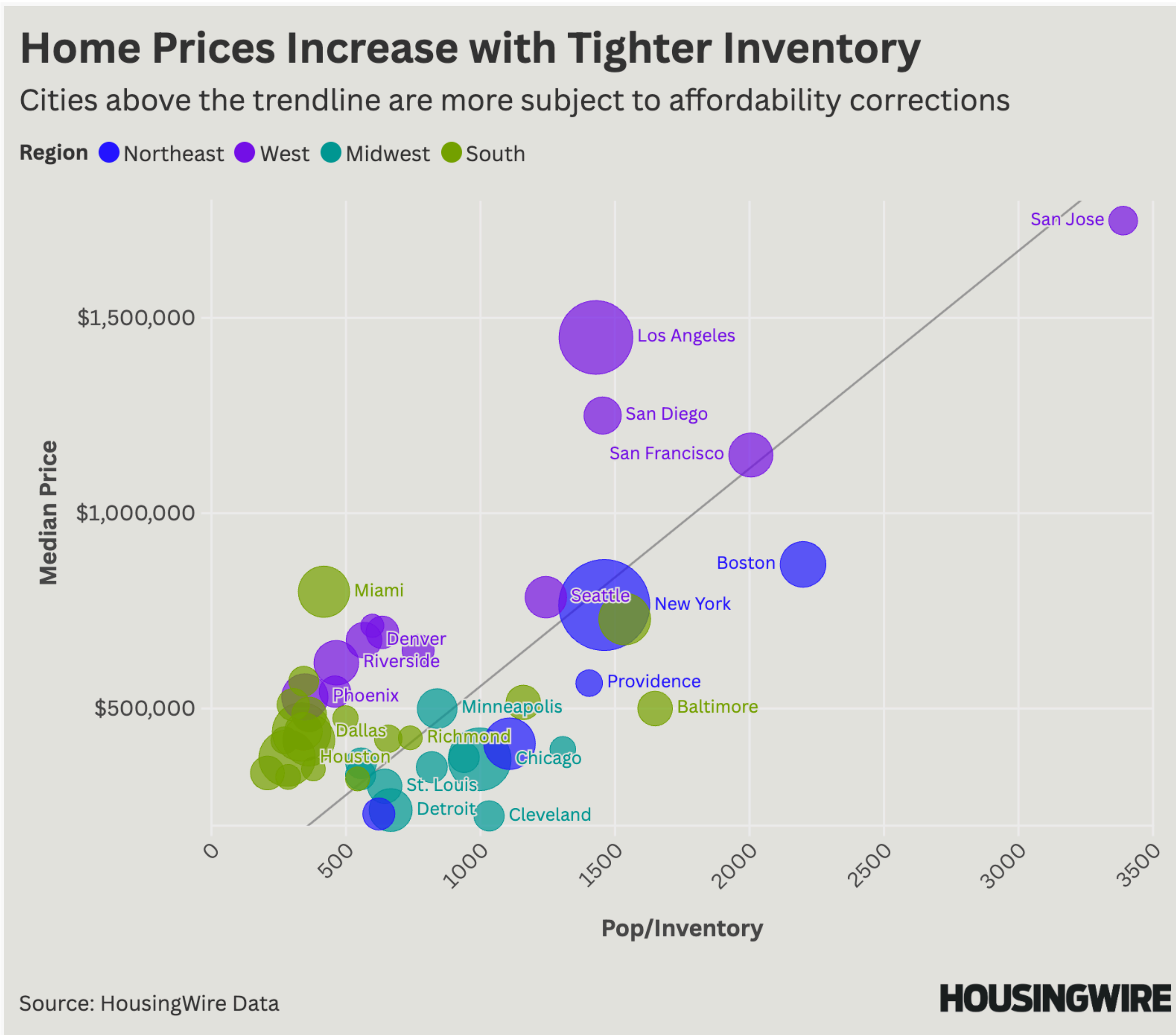
Let's look at a real-world example. Texas vs. California. As of early March 2025, there were 37 single-family homes for sale for the 280,000 people in the suburban towns of Sunnyvale and Santa Clara, California. At the same time, there were 418 homes for sale for the same population of Plano, Texas.

Silicon Valley homes are not going to be affordable for the median family in Silicon Valley. They only need to be affordable for 37 people out of 280,000. Homes in Plano need to be affordable to many more people.



We can chart the severity of the affordability crisis across the country with this population-per-inventory metric. Population per inventory uses the most recent estimates of a metropolitan market's population divided by the current active inventory of homes for sales. (In this view, we're using the inventory of single-family homes as a consistent measure of inventory across metros). For example, Plano has a population per inventory of 280,000 people and 418 homes = 670. Silicon Valley has a population per inventory of 7567, more than 10 times as many people that must compete for every listing.

The chart below shows the 45 biggest metros in the country. Along the X axis is how many people have to compete for each available home for sale, "Population per Inventory". The Y Axis is the median price. There's a clear linear relationship. The more people competing for each home, the more those homes cost.



It turns out that this view of affordability adjusted for inventory is a useful indicator of overvalued or unaffordable markets. In the above chart, of the 45 biggest metros in the country, the X axis is how many people have to compete for one listing — population per inventory. The Y axis shows the median price. There is a linear relationship. The tighter the supply of homes for the population, the more expensive the homes are.

Some cities are above the trendline. These are cities where prices have grown more unaffordable than they should be, as indicated by basic supply and demand numbers. That implies that these are more at risk for home-price corrections due to unaffordability constraints.

If a metro has lots of inventory with few people competing, yet the homes are really expensive, that tells us that they're potentially overpriced. At the left end of the chart, Miami stands out as having high prices for the number of homes available. Also notable is Nashville, which is more expensive with more inventory than Austin. Salt Lake City and Denver are more expensive than most cities relative to the available inventory.

The trendline is not an absolute threshold. It is a simple visual guide. As you go further out on the trendline, the predictive nature is fuzzier. Los Angeles is above the line, but the inventory is still quite restricted per capita, and it's hard to draw a simple conclusion that LA homes are too expensive.

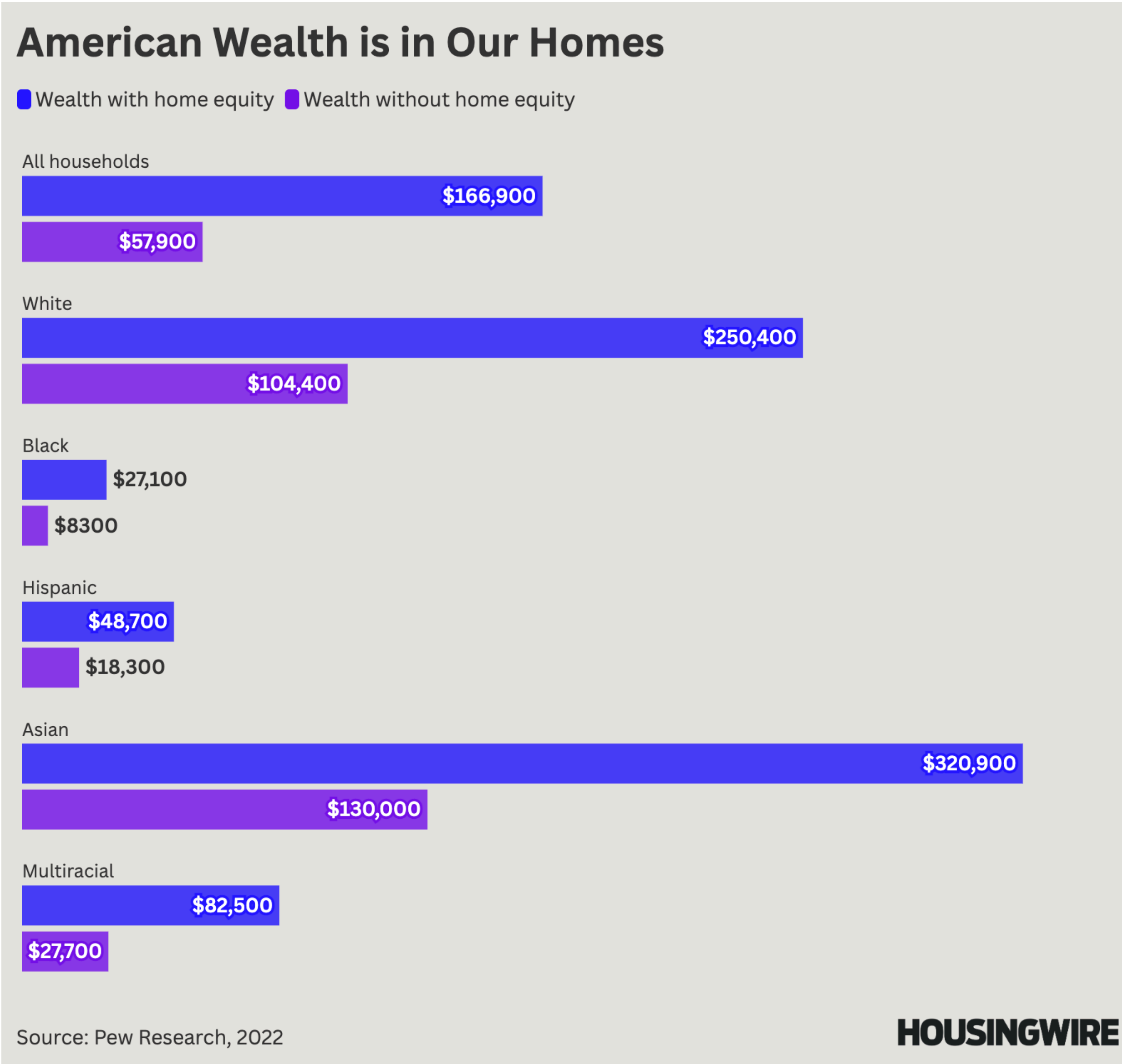
Takeaway: A market with a price above the trendline implies that affordability constraints are less structural. Therefore in a down-market cycle, which we may be entering now in 2025, home prices in those cities will be more sensitive to corrections.

From Metrics to Mechanisms

While the metrics in Part I illustrate the extent and complexity of the affordability crisis, the data alone only tell part of the story. To fully understand why homes have become so difficult to afford for so many Americans, we must look beyond market forces to the policies and institutional frameworks that shape them. In Part II, we examine how decades of well-intentioned but often misaligned policies — spanning zoning laws, tax structures, mortgage finance, and foreclosure rules — have created a system that systematically favors existing homeowners and constrains supply. These policies not only contribute to today's high prices but also lock in structural barriers to affordability for future generations.

Part II: How Nearly Every Housing Policy Drives Up the Cost of Homes

We know that we have an affordability crisis. But how did we get here, and what can we do about it? To answer this question, it helps to take a step back and look at the landscape of American finances. According to Pew Research, the median family has roughly 60% of their wealth tied up in home equity.



In the 80 years post World War II, we have advocated for homeownership as fundamental to "The American Dream." We teach people that homeownership is good, and we encourage people to put their money into residential real estate. We create massive tax incentives through the mortgage interest deduction and through homebuyer tax credits to encourage people to own homes. We create government-sponsored mortgage markets to keep the cost of mortgages artificially low. As a society, we have elected to underemphasize other social safety net programs, like government pensions, and instead focus on the fully owned home as a foundation for retirement wealth.

Since the house is the most critical aspect of American wealth, it's no wonder that over the past several decades, American law and policy have prioritized the protection of home equity as the key area of focus. Examples include:

- **Zoning Laws and Land Use Restrictions:** Local governments enact exclusionary zoning rules that limit high-density development and restrict low-cost housing options. These restrictions are designed to preserve the character and the price of existing neighborhoods, thereby reducing the potential supply of affordable housing.
- **Tax Incentives:** Tax policies, such as mortgage interest deductions and 1031 exchanges, and even measures like California's Prop 13, are designed to cushion homeowners from market volatility. By limiting property tax increases, these policies keep current homeowners secure, but they also reduce the turnover of housing stock that might otherwise make homes available to new buyers.
- **Mortgage Markets**: 70% of all mortgages run through government-guaranteed markets with Fannie Mae and Freddie Mac implicitly or explicitly guaranteeing lenders against defaults. The result is artificially low mortgage rates with very long-term rates. The 30-year fixed-rate mortgage, which makes up nearly all of the mortgages in the country, is the result of risk being transferred from the private sector to the government.
- **Foreclosure Practices**: Losing a home to financial distress is catastrophic. We seek to eliminate this pain for as many people as possible, thereby reducing the number of homes that would otherwise be listed for sale and available for others.
- **Purchase Demand Incentives**: Since we teach that homeownership is good, we create programs to help more people buy homes. We create demand.

These policies, although well-intentioned, create a market environment in which home values are propped up, supply is limited, demand is increased, and risks are removed for existing homeowners. The result is that our policies push home prices higher for would-be entrants.

Let's take a look at some of these policies, their original "good" intentions, and how they ultimately contribute to the affordability crisis.

Policies that Drive Unaffordability

New Home Construction and "Underbuilding"

When discussing affordability, supply matters. In the U.S., most analysts consider that in the years after the great financial crisis, we've built fewer homes than needed, and that drives the affordability challenge. Estimates of how much the U.S. has underbuilt homes over the last 15 years vary depending on the methodology and metrics used.

Between 2012 and 2024, the gap between single-family home construction and household formation accumulated to 2 to 5 million homes. Multifamily apartment buildings had a dramatic construction surge in 2020 through 2023, so more of the shortage impact is visible in the single-family homes market.

The National Association of Realtors estimated a shortage of 3 to 4 million homes as of 2023, citing years of underproduction relative to population growth. Construction each year must meet the growing population, growing household formation, and approximately 1.5 million replacement homes for those that are too old or otherwise no longer habitable.

The persistent gap between household formation and new single-family home construction has created a foundational supply shortage that continues to drive up prices. While recent surges in multifamily development have helped in certain segments, the chronic underbuilding of single-family homes has left a lasting affordability deficit — one that will require sustained, targeted policy interventions to close.

How Local Zoning Creates Unaffordability

Homeowners like to design the communities in which they live. They like trees and open spaces, and have architectural standards to which they want the neighbors to adhere. Like all the housing policies in America, these are noble goals and have legitimate reasons for existence. But land-use restrictions lead to more significant housing costs and decreased affordability for future generations.

Zoning laws dictate the types of properties that can be built and at what density. The more land required per home, the fewer homes that can be built. Fewer homes imply the costs for the remaining homes are higher. How important are zoning laws in creating our unaffordable housing market?

Research shows that exclusionary zoning drives up home prices by imposing restrictive bulk regulations that limit housing density. Specifically, high minimum lot size requirements and barriers to multifamily development prevent the construction of smaller, more affordable homes.

The resulting undersupply of housing forces buyers to compete for scarce, more significant market-rate properties, which in turn drives elevated prices. In competitive suburban markets, these exclusionary practices not only reduce housing options for lower-income buyers but also exacerbate affordability challenges by shifting costs onto home purchasers.

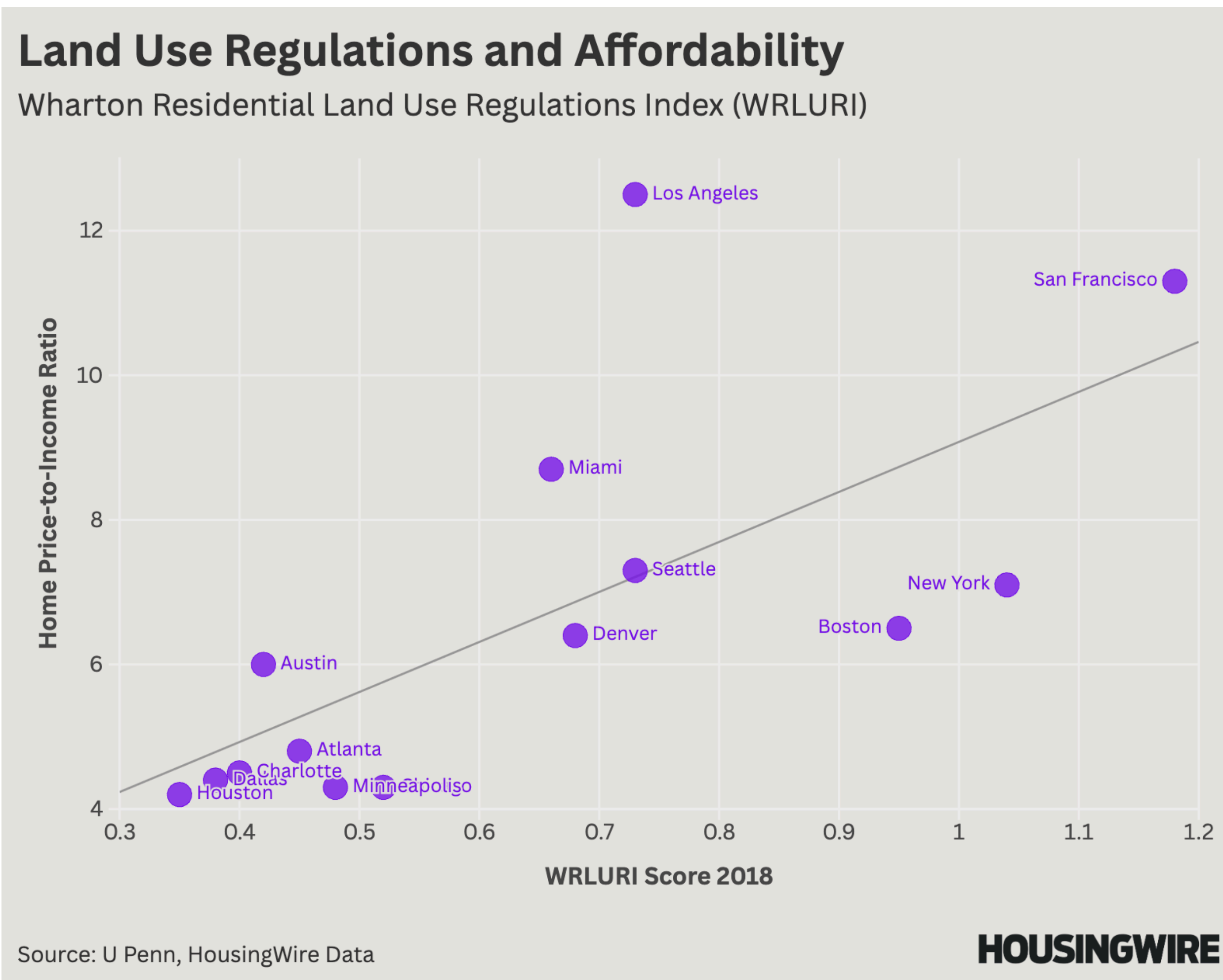
One way to think about zoning laws is that all zoning laws are intended to increase the cost of homes.

Land Use Restrictions

Beyond simple zoning, communities impose a litany of additional land-use restrictions. The [Wharton Land Use Regulation Index] systematically categorizes which markets have the most restrictive land-use regulations by tracking local political pressure, state and court involvement, project and zoning approval processes, density restrictions, and other regulatory tools. Higher values indicate more stringent regulation.

While it's evident that the more restrictive the land-use regulations, the less affordable homes are, it is notable that even lightly regulated communities impose considerable restrictions on housing development.

In the chart below, we can see clear correlations between the level of land use regulation and affordability as measured by the local price-to-income ratio.



Environmental Regulations and Housing

Environmental regulations, though important, often come with higher construction costs. In areas prone to natural disasters, stringent building codes are necessary to ensure safety and resilience. However, these same regulations can increase the cost of new construction, further reducing the supply of affordable housing.

For example, in Pacific Palisades, California, homes that were not updated to meet modern fire codes suffered massive losses in recent fires, while those updated to current standards fared considerably better. The trade-off becomes a question of whether it is more affordable to bypass such regulations or to accept higher costs as a necessary price for resilience.

Financing, Risk, and the Role of Mortgage Markets

The evolution of mortgage markets post-2008 has also played a critical role in shaping affordability. Early in the 2000s, subprime lending made homeownership accessible, albeit unsustainably, for many. After the collapse of the subprime boom, lending standards tightened dramatically, restricting access for low-income or low-credit borrowers. Although these measures were intended to stabilize the market, they have inadvertently limited opportunities for many aspiring homeowners.

Furthermore, the increase in non-mortgage costs, such as insurance and property taxes, consumes a larger share of a homebuyer's monthly expenses. For instance, research from Cotality shows that the share of borrowers whose combined taxes and insurance costs exceed their principal and interest payments has risen from 2% a decade ago to nearly 10% today. This trend adds another layer of financial pressure on households already struggling to meet basic affordability thresholds.

Foreclosure and Other Market Interventions

Foreclosure is tragic for the borrower, but it's a necessary part of the market.

Some states are structured with judicial foreclosure processes, where a delinquent borrower and lender must resolve the foreclosure process in court. Other states have non-judicial foreclosure processes — 90 days, and then the house can be auctioned by the county.

In the wake of the Great Financial Crisis, states with judicial foreclosure processes took five to six years to recover from the financial crisis. States with non-judicial processes took about 18 months. Protecting the homeowner from foreclosure caused the market to be stagnant for many years.

To prevent foreclosure during the COVID-19 pandemic, a mortgage forbearance program was implemented. If someone couldn't afford to pay their mortgage due to the impact of the pandemic, they didn't lose their home. An unintended consequence was that fewer homes were for sale. This pushed the price of homes to record levels.

The foreclosure spin cycle is another example where regulatory environments are designed to protect the existing homeowner. In the post-pandemic housing market, government regulators pressured lenders to do everything in their power to prevent distressed homeowners from going into the foreclosure process. Many times, acute circumstances (like a pandemic) prevent a borrower from staying current on their loan. Regulators might logically determine that it is bad for individuals and communities if a lot of homes go into foreclosure.

The lender, encouraged by regulators, renegotiates the loan for the borrower. The missed months are tacked on to the end of the loan, and the new loan is issued. The borrowers are now current even though they have been missing mortgage payments.

Anecdotal observations by some market participants have noticed that some borrowers are repeating the cycle and never leaving the house. A 'spin cycle' is created.

These policies, when enacted without discernment, keep people in unaffordable homes. That keeps those homes from hitting the market and keeps the supply of homes for sale restricted.

Taxes: The Higher The Better?

Buy low, sell never.

Buy real estate and hold forever.

These real estate investing maxims are largely true because in most of the country, the property tax systems are aligned to protect the current homeowner. We keep costs as low as possible for existing homeowners. We do this in the tax code by taxing the improvements on the land (the value of the buildings) rather than the value of the land itself. This tax structure encourages speculative hoarding of land and keeps it unimproved. Taxes are low as long as you don't use the land for building new housing.

Low property tax rates do indeed keep costs low for existing homeowners. But the standard *taxation* structure causes home prices to rise for future generations.

Research shows that *higher property taxes help young families*. In markets where property taxes are high and adjust rapidly with growing markets, the tendency to hoard real estate decreases. By this mechanism, homes are reallocated from older, wealthier households to younger households who otherwise struggle to enter the market.

One way these perverse tax incentives play out is in the size of the home. In communities with low and stable property tax rates, older, empty-nesters are incentivized to keep their five-bedroom home with a low tax base, while the young family is forced to buy a smaller home since that is all that is affordable.

We can measure this dynamic in areas with higher property taxes, like Texas. These communities tend to see higher homeownership rates among young families, improving their access to quality housing and potentially better local job markets.

Like so many of the policy challenges in the American housing market, we prioritize existing homeowners over those of the future.

In taxation, the argument is very clear: "Don't make Grandma lose her house because taxes went up." Like the other elements of our housing market policy, we're prioritizing Granny over our kids — unaffordability by design.

Florida has recently explored the elimination of property taxes. Ostensibly, this is a measure to assist in affordability. The theory is that lower taxes mean homes are more affordable. The opposite may be true. Lower taxes decrease holding costs for existing homeowners. As holding costs are lower, homeowners hoard and speculate more on real estate. The older and wealthier hoard more properties. That leaves fewer homes available for the young families who do not yet own.

Higher property taxes are a simple mechanism if you want an affordable housing market with opportunity for younger buyers.

Land Value Tax

The fundamental goal for housing affordability is *efficient taxes, not necessarily high taxes*. A more efficient approach to taxation, which encourages housing affordability and efficient use, exists. It is called the Land Value Tax (LVT).

A Land Value Tax focuses on taxing the value of the unimproved land rather than the value of buildings and other improvements. By targeting land value, LVT incentivizes efficient land use and discourages speculative holding, as landowners cannot avoid taxation simply by leaving properties undeveloped. Unlike traditional property taxes that inadvertently penalize property improvements and maintenance, LVT does not discourage development or investment in buildings. This approach not only promotes economic growth and urban revitalization but also provides a more stable and equitable revenue source for local governments, aligning public finance with the inherent value of the land itself rather than the often volatile market values of the improvements upon it.

Conclusion: Is Affordability "Solvable"?

Affordability Levers We Can Pull

The housing affordability crisis is shaped by interconnected forces — each influenced by specific policies that either ease or exacerbate the problem. The table below summarizes how key affordability metrics align with underlying policy drivers, and where targeted reforms could help restore balance to the market.

Affordability Lever	Key Metric	Policy Driver	Reform Opportunity
Home Prices	Price-to-Income Ratio	Zoning laws, land use restrictions, tax incentives	Upzoning, land value tax, streamlined approvals
Mortgage Costs	Payment-to-Income Ratio	Government-backed mortgage markets, 30-year fixed rate	Alternative financing models, shared equity programs
Ownership Costs	T&I vs. P&I Burden	Insurance regulation, property tax structures	Risk-based insurance pricing, tax code modernization
Housing Supply	Population per Inventory	Permit delays, NIMBYism, limited buildable land	Permit streamlining, by-right approvals, state preemption
Market Fluidity	Available Listings / Turnover	Foreclosure prevention, low property taxes	Balanced foreclosure policy, discourage hoarding

What's Working: Early Signs of Reform

Despite the structural nature of America's housing affordability crisis, a handful of cities and states have begun to make meaningful progress by rethinking entrenched policies and experimenting with bold new approaches. These early reforms offer encouraging signals of what may be possible at a broader scale.

Minneapolis, Minnesota became a national leader by eliminating single-family-only zoning in 2018, allowing duplexes and triplexes in all neighborhoods citywide. While the housing supply didn't change overnight, Minneapolis has seen steady growth in small multifamily construction and greater flexibility in how land can be used — without the feared collapse in home values.

Oregon followed suit with statewide zoning reform in 2019, which mandated that cities of a certain size allow duplexes, triplexes, and fourplexes in areas previously zoned exclusively for single-family homes. The law not only increased allowable density, but also streamlined permitting processes to support more affordable development.

California has taken incremental but notable steps as well, legalizing Accessory Dwelling Units (ADUs) across most residential parcels and later enacting SB 9, which allows property owners to split lots and build up to four units on what were once single-family-only properties. While implementation has been uneven, the legal foundation for denser development is now in place.

At the municipal level, **Austin, Texas** and **Boise, Idaho** have both made changes to reduce parking minimums, reform permitting timelines, and encourage infill development. And beyond zoning, cities like **Boston** and **Charlotte** have experimented with land trusts, shared equity models, and down payment assistance that target affordability directly.

Several U.S. states and cities are actively exploring or proposing the adoption of a land value tax (LVT) as an alternative to traditional property taxes with specific focus on decreasing the incentives to hoard land for speculation purposes: The cities of **Detroit** and **Spokane** and the states **Colorado** and **Oregon**.

While each of these policies has limitations and local resistance, they share a common theme: moving beyond protectionism for existing homeowners and toward policies that expand options, encourage density, and lower the barriers to entry for new buyers. They demonstrate that affordability isn't just a crisis—it's also an opportunity for innovation.

Continuing Policy Shifts

Addressing the housing affordability crisis requires bold policy shifts that realign incentives and expand the housing supply. Potential solutions include:

- **Shifting Regulatory Control:** Moving certain regulatory decisions from local jurisdictions to state or federal levels could help harmonize standards, reduce exclusionary zoning, and encourage more diverse housing types.
- **Land Value Taxation:** Implementing a land value tax could incentivize more efficient land use and discourage speculation, thereby potentially reducing housing prices.
- **Revisiting Foreclosure and Mortgage Policies:** Adjusting foreclosure prevention measures to balance the need for individual protection with the need to maintain an active and liquid housing market might help ease supply constraints.
- **Encouraging Affordable New Construction:** Policies that reduce permitting delays and incentivize the development of affordable housing, including innovations in building technology, can help expand the supply without sacrificing necessary environmental and safety standards.
- **Addressing Non-Mortgage Costs:** Initiatives aimed at lowering insurance premiums and revising property tax structures could reduce the overall cost burden on homebuyers.

The affordability crisis in the United States is not a product of uncontrollable market forces; rather, it is essentially the result of decades of policies designed to protect existing homeowners. By limiting new construction and constraining the market through zoning, tax incentives, and stringent foreclosure policies, these policies have inadvertently locked out prospective buyers and fueled ever-rising home prices.

While these protective measures have contributed to individual financial security, they have also created a housing market that is increasingly disconnected from the economic realities of the majority. Meaningful reform will require a careful rebalancing of interests — one that preserves homeownership benefits without sacrificing the opportunity for new buyers to enter the market.

The road to truly affordable housing is challenging, but with coordinated policy adjustments and a willingness to rethink long-standing regulatory frameworks, there is hope that future generations might once again access the promise of homeownership.

About HousingWire

HousingWire is an information services company that provides unique data and research, respected business journalism and must-attend events for housing leaders to advance their understanding and business outcomes. Our vision is a world in which housing leaders have a complete view of the housing market and a broad community of peers with whom they can connect.

We are committed to delivering the data, analytics, media, and events that advance this vision because housing is too important for narrow perspectives and missed connections. Informed housing leaders are better housing leaders. A connected housing industry is a better housing industry. And the full picture always reveals new opportunities.