



Real Estate Industry Housing Initiative

April 1st, 2023

The Greater Rochester Association of REALTORS®, along with our partners at the Rochester Home Builders Association, and Mortgage Bankers Association of the Genesee Valley, believe that access to safe, affordable housing for all residents is essential to the health and well-being of our community. Access to housing of all types and price ranges is foundational, and is an issue that we are passionate about. The community is best served by having a stable and efficient housing market, including rented and owner-occupied options.

There is a critical housing shortage in the Rochester and Finger Lakes region. Many factors have contributed to this shortage, which we will discuss in detail throughout this paper. Our neighbors are struggling to find appropriate housing; and if they find it, struggling to afford it. If our region is going to grow and thrive, we must address this issue and begin providing additional housing of all types, sizes, styles, and ownership models throughout our region.

The objective of this paper is to help the reader realize that although this problem seems insurmountable, there are many ways we can start adding additional housing to our region. No one method will solve the problem, so we must take an 'all of the above' approach. Everyone in our region is not looking for the same type of housing, so we must be open to changing our approach to provide the choices our neighbors want. If we effectively implement the range of solutions in this paper, we will provide a wide range of choices that will allow each resident access to the type of housing they prefer.

Although rental and owner-occupied housing prices have increased dramatically over the last ten years, the Rochester and Finger Lakes region is still very affordable compared to other parts of the state and country. This is an advantage to both those living in our region, and those considering moving here. Maintaining the affordability of housing in our region will also put us at a competitive advantage in attracting and retaining a talented workforce that our local companies desperately need. Additionally, it will allow young people who grew up here more opportunities to stay here.

We are excited to offer these solutions to the community and work with other like-minded organizations, elected officials, community leaders, and residents to bring the solutions to reality. Our communities and our neighbors deserve choices as they fill their housing needs. Together we can provide those choices.

Primary Issues Reducing the Housing Supply

1. There has been a lack of new construction of single-family homes since 2006.
 - a. Ramping up construction will help, but cannot fulfill the entire need.
 - b. It is impossible to build and sell a new home for under \$350,000 without significant government subsidy. The greatest demand for single-family homes is in the \$120,000-\$260,000 range.
2. Construction of multi-family homes is robust, but is not addressing the most needed rent ranges.
 - a. The majority of newly built apartment units are in the monthly rent range of \$1,800-\$3,000.
 - b. A family at the median family income for our 7-county region (\$66,000) spending 30% of their income on housing can afford a monthly rent of \$1,650.
 - c. A family at 75% of the median income (\$49,500) spending 30% of their income on housing can afford a monthly rent of \$1,237.
3. Corporate ownership of single-family homes for rental purposes is a major area of concern.
 - a. Between 15 to 25% of single-family homes sold are going to corporate investors, often out of state. These homes rarely come back to owner-occupancy, which exacerbates the inventory shortage.
 - b. In Monroe County, we have dropped from 5,446 homes for sale 12/31/2017 to 1,073 homes for sale 12/31/2022. Sales have remained consistent since 2016, meaning that something else is taking properties off the market.
 - c. Some cities are exploring methods to limit corporate ownership of properties.
4. Aging in place has changed the housing market dynamic, and is putting pressure on the middle market.
 - a. The average time a person remains in their home is up from:
 - i. 6.5 years in 2005
 - ii. 10 years in 2012
 - iii. 12.3 years in 2022
 - b. This is partially because there are few options for seniors/downsizers, and the existing options are expensive.
 - c. Additionally, adult children living at home delay downsizing.
5. The interest rate environment will be a drag on future inventory as homeowners with a mortgage rate under 3% are unlikely to want to move.
 - a. Rates are not currently impacting buyers coming from rentals as much as is feared, but this could change if rates continue to rise.
 - b. It has been reported by Zillow that 68% of owners with a mortgage currently have a rate of <4%.

- c. As we continue to live in a higher interest rate environment, we could discuss options for waiving the NYS Mortgage Tax for specific groups of buyers (i.e., low-income buyers, minority buyers, generational renters, etc.). This tax is three-quarters to one percent and could be applied to discount points to help make home ownership more affordable.
- 6. Senior living options are not keeping up with the demand.
 - a. We need to find a solution for healthy, active seniors who want to live in lower-maintenance housing. This will allow them to leave their current homes and free up inventory for that segment of the market.
 - b. Owner-occupied is still an option for seniors if the cost is reasonable.
 - c. We should be looking at opportunities to help seniors manage a long-term transition from fully independent living to nursing care and the many stages in between.
 - d. 35% of NY residents are 65 years and older
 - i. There are currently programs designed for seniors (through HUD and other government agencies) that are very successful. It is worth exploring how we can replicate these on the state and/or local levels.
 - ii. It is imperative that we increase the housing options for this demographic. We need to assess current incentive programs to ensure they are functioning correctly, then find ways to add to the number of properties included in these programs.

Alternative Solutions to Create Housing are Needed

All types of housing are needed and desired. A thriving housing market preserves and enhances choice in housing, so all residents have access to the type of housing they need and desire. For many residents, rental housing is a *lifestyle choice*, and we have seen significant development in our region to create rental housing at the higher end of the price spectrum. For many, rental housing is the *only option*, so our goal is to provide additional rental options that are higher quality and/or more affordable. For those who need to rent but desire to own their home eventually, we seek to provide more opportunities in this segment as well, including 'lease-to-own' options. Taking a holistic approach will create an efficient and accessible housing market that benefits all residents and our communities.

1. There are several possible solutions for the traditional new construction of single-family homes.
 - a. Continuing construction of \$400,000+ homes is serving one market segment and subsequently creating inventory in another market segment as people move out of their existing homes and into the new home. Anything we can do to bring costs down closer to \$300,000 will enhance this process and provide additional relief to the current housing shortage.
 - i. Similarly, anything we can do to bring down the total construction cost of multi-family housing allows for rents to come down and serve a broader segment of the community.
 - b. Additional construction of senior living units is necessary as our population continues to age. Due to safety and accessibility needs, senior living is primarily new construction, and subject to all the cost burdens outlined in this summary. Anything we can do to bring down costs in this segment will similarly ease the housing shortage by allowing more people to move into senior living and sell their current home.
 - i. Lowering the cost of materials is a key aspect of this effort. Generally, costs are up ~36% since 2019. Areas to relieve cost pressures include:
 1. Exploring alternative materials. Other states and Canada have different requirements for construction materials that allow them to use less expensive and more readily available materials (for example, PVC pipe for water lines rather than cast iron or aluminum wiring rather than copper). It would make sense to analyze the quality and safety history of the alternative materials to see if we can update regulations to allow for alternative materials. This could significantly impact the reduction of costs, promote sustainability, and ease supply shortages.
 2. There are many areas where zoning/regulatory/permitting updates would provide significant relief to developers of all types of housing. Many aspects of zoning and building code are outdated and could be easily modernized to promote the type of housing we need. This includes, but is not limited to: adjusting minimum lot sizes to promote

density and best leverage infrastructure investment; considering different types of structures that create more housing on a smaller overall footprint; and allowing alternative materials that promote energy efficiency, sustainability, and flexibility.

3. We should consider that not every home needs a basement but could be built on a slab instead. This is the norm in other parts of the country. This would bring the cost of housing down considerably.
2. “Not in My Back Yard” attitudes are restricting progress. The current process for creating a comprehensive housing plan includes public input. However, residents often oppose development that is sought to fulfill the comprehensive plan because they don’t want their immediate neighborhood to change. This limits new development and is a contributing factor to the lack of housing built in the last 15 years.
3. Municipalities desire density, but builders often encounter resistance from the municipalities and/or the residents. Additionally, significant costs are often imposed on the developer by the municipality, raising the cost of each home in the project by tens of thousands of dollars. Density can be better accomplished by making better use of available land to accommodate more units on smaller spaces (ex. 3-story townhouse that is 25’ wide vs. a 2-story townhouse that is 50’ wide) (or requiring each lot to be a minimum width that is too large). A positive outcome of increasing density in this manner is that it preserves more green space simply by requiring less land for development. These costs include:
 - a. building infrastructure (ex., sidewalks) and contributing to green space funding.
 - b. paying for necessary infrastructure (water, sewer, utilities, etc.).
 - i. It would be beneficial to investigate ways we can better share the up-front costs of infrastructure so that the burden is not fully on the developer, and then passed on to the buyer. This is an area where a little creativity can go a long way. The long-term benefit of providing additional housing is worth the effort to find better short-term solutions.
 - ii. Is it possible to find a cost-sharing/revenue-sharing model that benefits both the municipality and the developer both short-term and long-term?
4. Accessory Dwelling Units (ADUs) are a possibility.
 - a. ADUs can be financed to owner-occupants and are very popular/successful in other parts of the US.
 - i. ADUs help save significantly on infrastructure, are great for senior housing, and could be an option for first-time home buyers.
 - ii. Some areas allow a manufactured home as a second dwelling on the lot.
 - iii. Current regulations tend to limit the use of ADUs, but more thoughtful regulation could allow for expanded use of ADUs.
 1. ADUs are not intended to be for short-term rental, but possible for long-term rental (12-months+) to help meet rental demand.
5. Tiny homes are another possibility.

- a. A tiny home is typically <500 square feet and can be on a platform or foundation.
 - b. Costs range from \$20,000 to \$100,000.
 - c. They can be clustered to create density and minimize infrastructure costs.
 - d. Shipping container homes are one type of tiny home that has found acceptance in some parts of the country.
6. Converting existing multi-family rental structures to condos could be part of the solution.
- a. This could provide an opportunity for first-time home buyers and downsizers.
 - b. The structures are built and already adapted for individual units. They would likely require rehab work to prepare for sale.
 - c. This may be the quickest path to providing a significant supply of new, owner-occupied units at a lower price range.
 - d. This could put further pressure on rental rates if enough of these units come out of the rental market... we would need to balance these issues.
 - e. Converting one building with 20 units from rental to condo could help address a market segment with significant demand.
 - f. There are many four- to eight-unit apartment structures that could easily be converted into owner-occupied condominiums. Adding a small number of these conversions throughout our region would fill a major need without any major impact on the neighborhood.
 - g. If we pursue this, we must be respectful of the current tenants in the building.
 - i. Perhaps they have the first option to purchase their unit?
 - ii. If they do not wish to purchase, we should have a plan for them to move (maybe assist with moving costs) that works for them.
 - iii. If they do purchase, we should have a plan for where they will live while their unit is updated (if necessary).
7. Another option is to convert under/un-utilized commercial (and/or mixed-use) space to housing (owner-occupied or rental).
- a. This could be a great opportunity to fill the need for senior housing (ground level, easy access, close to shopping and services).
 - b. It would likely require less parking, so unnecessary parking lot space can be used for housing (tiny homes or condos?).
 - c. This is not a new concept. It has been proven successful in many areas of the country.
 - d. Former schools are a prime example of adaptive reuse that has a long history of success across the country.
8. Here are a few ideas to address the growing percentage of corporate ownership of single-family homes by national corporate entities.
- a. As the number of single-family homes owned by national corporate entities for rental purposes increases, it will exacerbate the housing shortage and drive up the price of owner-occupied housing due to basic supply and demand. This could lead to a downward spiral of an ever-lower supply of owner-occupied housing available,

- with an ever-increasing cost. Over time, access to homeownership could become limited to only the wealthy.
- b. It would be worthwhile to see if we can determine the extent of corporate ownership in our region and potentially create a heat map of these property locations. This could help us identify areas of opportunity where there is the highest instance of corporate ownership.
 - c. There may be ways to incentivize corporate owners to sell their properties to return to owner-occupancy. We may need to be creative if offering them market value for their property is not enough. The pressures on being a landlord are increasing, and the financial strain of higher maintenance and higher taxes could be an opportunity for us to offer corporate owners a way out.
 - i. How? Donation to a charitable organization/land bank?
 - ii. Tax credits for this or other property they own, if they sell, may be an option.
 - iii. Highlight the social good aspect of creating more opportunities for owner-occupancy in the middle and lower market segments.
 - d. Local, small-scale housing providers may also be looking to sell, and it would be helpful to have an alternative for them to consider. Currently, the buyers for groups of rental housing are mostly national corporate entities.
 - e. We need to address the worst existing properties.
 - i. Government has tools to condemn properties that are not up to code such as eminent domain and tax foreclosure.
 - ii. This is not the preferred option but may be necessary in certain cases.
 - iii. It would serve a dual purpose of removing the worst housing (often owned by the worst landlords); and providing a path to rehab, demolish, or rebuild these structures. Land banks may be a partner in this effort.
 1. We would need a plan to find alternative housing for those who are currently living in these structures.
9. 3D-printed homes are a future option.
- a. This is not a near-term solution, but worth watching as the technology becomes mainstream and costs come down.
 - b. There is currently a project on Long Island where they are using a 3D printer to build homes.
 - c. If this method grows as expected, it will be possible to create the structure for a single-family home in as little as two weeks for almost half of the cost of traditional building methods.
10. Manufactured housing should be considered.
- a. There may be a perception that manufactured housing is of poor quality, but that is no longer the case. With some information and promotional efforts, we might be able to increase acceptance and demand for manufactured housing.
11. Other options (pole barns, barn-de-minimus, etc.).
- a. There are many other niche housing products that we could identify and discuss.

12. Our community can support shared ownership of traditional single-family homes.
 - a. Shared ownership is a growing trend. A 2022 study by Zillow showed that 18% of recent buyers had purchased a home along with a friend or relative who was not their spouse/partner.
 - b. This includes two or more owner-occupant(s) that have separate ownership interests.
 - c. This also includes one or more owner-occupant(s), and an investor who takes a portion of equity in exchange for cash for a down payment/rehab project/etc.
 - d. Another example is fractional ownership of vacation property.
 - i. This trend bears watching because companies invest hundreds of millions of dollars into this space. The technology and systems they develop could be easily transferred to manage fractional ownership of single-family housing.

Addressing the Shortage of Skilled Tradespeople

All the efforts to increase the supply and/or quality of housing will require skilled tradespeople; and there are not enough to meet current needs. Any major effort to increase housing will require a large increase in skilled tradespeople. It is our belief that if we address both shortages together, we can create additional positive outcomes. Adding capacity to do the necessary work not only speeds up the timetable for construction and/or rehab of housing, it also lowers costs. If we connect the variety of training programs in our region to each other, it will not only enhance the training programs by providing real-world work experience, but will also help us accelerate the production of housing.

1. Developing skilled labor will take time, so we will need to be creative in finding existing talent for the short-term. That could include looking to retirees from the construction industry, and partnering with those nearing the end of their training to offer real-world opportunities to practice their skills in a supervised setting helping to create or rehab housing.
2. Identify what training is available now, including:
 - a. corporate training programs
 - b. BOCES/vocational schools/colleges
 - c. non-profit
 - d. government
 - e. union
 - f. other
3. Paid Training:
 - a. It may help attract trainees if we can offer both a training program and an opportunity for them to practice their skills in a real-world environment by assisting in the construction and/or rehab of housing within the project. Additionally, we could offer 'sweat equity' opportunities to earn tools, earn down payment grants, earn credits toward their mortgage, or some other incentive related to our housing project.
4. Home Depot/Lowes:
 - a. Both companies support charitable causes and donate tools/materials under certain circumstances.
 - b. Materials and tools can be used to perform the rehab work needed
 - c. Imagine an incentive program where people learning the trades could earn donated tools to help them get started as a reward for working on our projects. (i.e., a certain number of hours of work = a certain value of tools).
5. There are government programs similar to TAP for trade school attendees (micro-certifications). These programs are little known and under-utilized.

Financing and Financial Assistance Can Be Modernized

There are many financial assistance programs to help with housing costs. In the current environment, they are under-utilized and/or ineffective because residents who rely on these programs are not able to compete in the current housing market. Making changes to these programs is not a major effort but could produce significant improvement in outcomes for our neighbors who need assistance the most.

1. There are two types of first-time homebuyers.
 - a. Type 1: Homebuyers who can afford mortgages but cannot make their down payments.
 - i. Many prospective buyers can afford a monthly mortgage payment, even at the elevated rates we are seeing today; but they often struggle to come up with money for the down payment. We can leverage developing programs to address this issue.
 - b. Type 2: Homebuyers who are generational renters buying their first home.
 - i. In addition to financial hurdles with down payments, these buyers often do not have experience in what it takes to purchase a home or maintain a home once they are in it. They may need assistance in learning about preventative maintenance, regular upkeep, planning for major repairs/emergencies, and managing financial aspects (insurance, property taxes, utilities, etc.).
2. First-time owners will likely need support in the form of training, guidance, and/or software tools to help them manage their new home. This includes support in maximizing growth in equity, maintaining the home at the desired level, and reaping all the benefits that come from owning your residence.
 - a. Examples include:
 - i. monthly budgeting and planning for maintenance (could be a software program/app or pen & paper)
 - ii. planning for property taxes, insurance, and utility cost changes
 - iii. understanding the 'total cost of ownership'
 - b. There are programs in place now that address this, and we can seek partnerships to leverage these successful programs.: Examples include:
 - i. NeighborWorks
 - ii. Pathstone
 - c. There may be a way to incentivize new owners taking classes, completing training, and performing certain tasks. Examples include:
 - i. credit towards their mortgage,
 - ii. access to discounted services,
 - iii. access to special services,
 - iv. boost to their owner's equity, etc.

3. Low-income buyers will need support.
 - a. Much of the above applies here, with the additional burden of finding a home in their price range, in an environment where availability is very scarce.
 - b. Creative solutions to help low-income buyers find and obtain owner-occupancy housing will stabilize our neighborhoods long-term.
 - c. Additionally, they begin the process of building wealth through housing that they have been missing out on.
4. Similarly, low-income seniors can struggle to find housing in their price range that suits their changing needs.
 - a. Finding ways to create more senior-focused housing will help lower costs and allow more seniors on limited incomes to find safe and appropriate housing for their changing needs.
 - b. This may also create additional housing supply if these seniors own their current home and put it up for sale.
5. We need to make better use of available grant programs.
 - a. In the current market environment, grant programs can be ineffective because buyers who rely on a grant to afford a home are at a disadvantage.
 - b. Grants are typically not given until the sale is complete, but the money is needed as part of the down payment/closing costs. This creates challenges for the grant recipient.
6. Down payment assistance programs can be helpful.
 - a. Many down payment assistance programs exist but are under-utilized. These can include programs through a lender, employer, or a non-profit organization.
 - b. Sometimes the benefits can be stacked to provide significant assistance to the buyer, but they must function in the current market environment.
 - c. Pursuing ideas to make these programs more competitive could offer significant long-term benefits to the community.
 - d. We should explore opportunities to create additional savings programs that allow prospective homeowners to save in advance in a tax-advantaged manner, similar to how they can save for retirement or educational needs via tax-advantaged programs.
7. We could increase the use of lease-to-purchase programs.
 - a. There are examples of this in the region currently (Urban League does this in the City of Rochester).
8. Embracing new programs will allow private capital an opportunity to continue investing in housing without having to own the structure and act as the landlord.
 - a. Private capital will be essential to the success of this effort due to the volume of need and cost of creating/rehabbing housing.

- b. Private capital has been drawn to housing because it is a good investment in an asset that tends to appreciate in value while providing consistent cash flow and a solid rate of return.
- c. There are ways to allow for investment that do not require an investor to own a structure and act as the landlord/property manager. Pursuing innovative ideas here may open up access to capital to fund additional housing and drive per unit costs lower.

Regulatory Issues

Regulatory issues are a significant contributor to the cost of housing. While we acknowledge that regulation is necessary and beneficial to the quality and safety of housing, it is our belief that minor changes to zoning and other regulations can open up many new opportunities to address the critical housing shortage without negatively impacting the communities we serve.

1. Overall, an effort to streamline the regulatory/permitting processes would be extremely helpful. There are issues at both the state and local level that cause delays and add costs.
2. Infrastructure:
 - a. water, sewer, electric, internet, etc.
 - b. approvals take a long time
 - c. RG&E is not easy to deal with at times
 - d. transformers, meters, charging stations, etc. are in short supply... (it can take months to find them)
 - e. Requiring all new homes to be fitted with the infrastructure to support EVs is difficult now due to cost and availability. Easing this restriction would improve speed of construction, ease supply chains, and allow for retrofitting at a later date when the need arises.
 - f. Even without the above, the power grid is not ready to handle all the new electric usage, so we are adding costs/delays now that could be handled later when the need arises, and the grid is able to handle it.
3. Environmental Regulations:
 - a. increase costs and cause delays in bringing projects online
 - b. erosion control measures, silt fences, etc. add significant costs to residential properties, but are not required of the agricultural sector
 - c. communication and coordination between local and state authorities is not always efficient
 - d. conflicts between state agencies having different requirements can be very difficult to manage
4. Zoning:
 - a. could be updated to allow for alternative types of housing that fill the unmet needs

Next Steps

1. We need to understand the housing proposals in the NYS Budget.
 - a. We are ready to provide information to help ensure the proposals are effective in addressing our actual needs.
 - b. Once understood, we will seek ways to leverage the state's programs in our region.
2. We will work with municipalities to encourage the use and development of alternative housing options. This includes:
 - a. conversations on how updating zoning can make a major impact.
 - b. discussions on how demands on developers are limiting their ability and desire to create housing in certain municipalities.
 - c. creation of a menu of options so that each municipality can pursue the type of housing that works best to meet their needs.
3. We will work with developers to consider the options for adaptive reuse of commercial space for a broader spectrum of housing.
4. We will work with workforce development partners to increase the labor pool, both near-term and long-term.
5. We will work with our lending community to modernize financing options to embrace new types of housing.
6. We will work with other community partners as needed to create and implement an action plan that will bring new housing online across all market segments, at acceptable quality.