



Real Estate Industry Housing Initiative Executive Summary

April 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.
2. Construction of multi-family homes is robust but is not addressing the most needed rent ranges.
3. Corporate ownership of single-family homes for rental purposes is a major area of concern.
4. Aging in place has changed the housing market dynamic and is putting pressure on the middle market.
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.
6. Senior living options are not keeping up with the demand.

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. Anything we can do to bring costs down will enhance the construction of single-family homes and multi-family structures to provide relief to the current housing shortage. This includes exploring alternative construction materials & processes, updating regulatory & zoning processes to streamline construction while maintaining safety, and exploring different styles of homes that can be built more economically.
 - b. Additional construction of senior living units is necessary as our population continues to age.

2. “Not in My Back Yard” attitudes are restricting progress. Helping residents understand the long-term benefits to their community that thoughtful development will bring can assist in changing perspectives.
3. Municipalities desire density, but builders often encounter resistance from the municipalities and/or the residents. Infrastructure requirements, green space creation, common area amenities, etc. can add to the overall cost of the project, which is borne by those purchasing the housing, not by the developer.
4. Accessory Dwelling Units (ADUs) are a possibility. They are not widely used in our region but are an integral part of the housing mix in other parts of the country.
5. Tiny homes are another possibility. They are inexpensive to build and can serve a critically low segment of the housing mix for owner-occupants who cannot afford more expensive and larger homes.
6. Converting existing multi-family rental structures to condos could be part of the solution. This effort can fulfill a need for those desiring owner-occupancy without the need for external maintenance.
7. Another option is to convert under/un-utilized commercial (and/or mixed-use) space to housing (owner-occupied or rental). This is a well-documented solution that has been successful 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 exacerbates the housing shortage and drive up the price of owner-occupied housing due to basic supply and demand.
 - b. There are ways to incentivize corporate owners to sell their properties to return the property to owner-occupancy.
 - c. 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.
 - d. We need to address the worst existing properties that are not up to code.
9. 3D-printed homes are a future option.
10. Use of manufactured housing should be increased.
11. Our community can support shared ownership of traditional single-family homes.

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; BOCES/vocational schools/colleges; union training programs; and others.
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.
4. 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.
- 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.
- 3. Low-income buyers will need support. 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.
- 4. Similarly, low-income seniors can struggle to find housing in their price range that suits their changing needs. 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.
- 5. We need to make better use of available grant programs. 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.
- 6. Down payment assistance programs can be helpful. Many down payment assistance programs exist but are under-utilized. These can include programs through a lender, employer, or a non-profit organization.
- 7. We could increase the use of lease-to-purchase programs.
- 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.

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 (ex. water, sewer, electric, internet, etc.) approvals take a long time and add significant cost to projects. We must be willing to look at ways to leverage existing infrastructure and be more efficient when it is necessary to create new infrastructure.
3. Environmental Regulations increase costs and cause delays in bringing projects online. We must be willing to pursue ways to streamline this process.
4. Zoning could be updated to allow for alternative types of housing that fill the unmet needs