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OPINION | COMMENTARY

America Needs More Houses

The shortage is caused by a combination of zoning and financing rules and supply-chain constraints.

By Suzanne P. Clark and Brian Deese

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A contractor works on a home under construction in Austin, Texas, April 20.

PHOTO: JORDAN VONDERHAAR/BLOOMBERG NEWS

America faces a housing shortfall. For too long, supply simply hasn't kept up with demand or household formation. Fewer new homes were built in the decade following the 2008-09 financial crisis than in any decade since the 1960s. Estimates vary, but the U.S. needs at least 1.5 million more homes.

The shortfall of affordable housing hurts America's businesses and the broader economy by preventing workers from living in areas with economic opportunities but high housing costs. Employers are forced to operate below their potential because they can't attract or retain workers. One study estimated that this misallocation could cost up to 2% of gross domestic product, or more than \$400 billion a year in lost economic output. Housing costs also play a major role in inflation, making up the largest component of the consumer price index.

While the two of us don't agree on every issue, we agree that the shortfall is longstanding and must be addressed. The good news is that there are proven ways that the administration, Congress, state and local governments, and the private sector can work together to build and preserve enough homes to end the housing shortfall in America. Here are three:

First, encourage the elimination of unnecessary barriers to housing production. For decades, exclusionary zoning laws—like minimum lot sizes, mandatory parking requirements and prohibitions on multifamily housing—have inflated costs and locked families out of areas with more opportunities. This year, the administration released three funding applications for competitive grant programs totaling nearly \$6 billion that reward jurisdictions for land-use policies that promote density and rural main-street revitalization. Congress and state lawmakers can encourage such reforms as well.

Second, address other constraints to the production of housing across the country, from rising material costs to labor supply challenges. Helping to alleviate supply-chain challenges and attract more workers into the building trades will help us turn the record number of housing units currently under construction into homes where Americans can live.

Third, make it easier for developers to finance new housing, especially housing that is affordable to low- and middle-income families. To start, Democrats and Republicans in Congress have supported the creation and expansion of federal tax credits—like the low-income housing tax credit and the neighborhood homes tax credit—which are projected to enable the construction or rehabilitation of nearly one million affordable homes. Congress should enact and expand these credits without delay. At the same time the administration announces changes Monday to federal financing for affordable-housing development to address key market gaps and ensure these programs work more efficiently.

While recent home price increases have created wealth and financial stability for millions of American families, for too many others, affording a place to live has become a source of stress and instability, holding back economic growth and exacerbating inflation. By addressing these issues and the regulatory barriers that impede the construction of new affordable homes, we can help bring down costs for families and speed economic growth.

Ms. Clark is president and CEO of the U.S. Chamber of Commerce. Mr. Deese is director of the White House National Economic Council.

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