



JULY 28, 2025

# Addressing Housing Challenges

The US Housing Outlook and Implications for States and Provinces

Council of State Governments | Midwestern Legislative Conference Annual Meeting

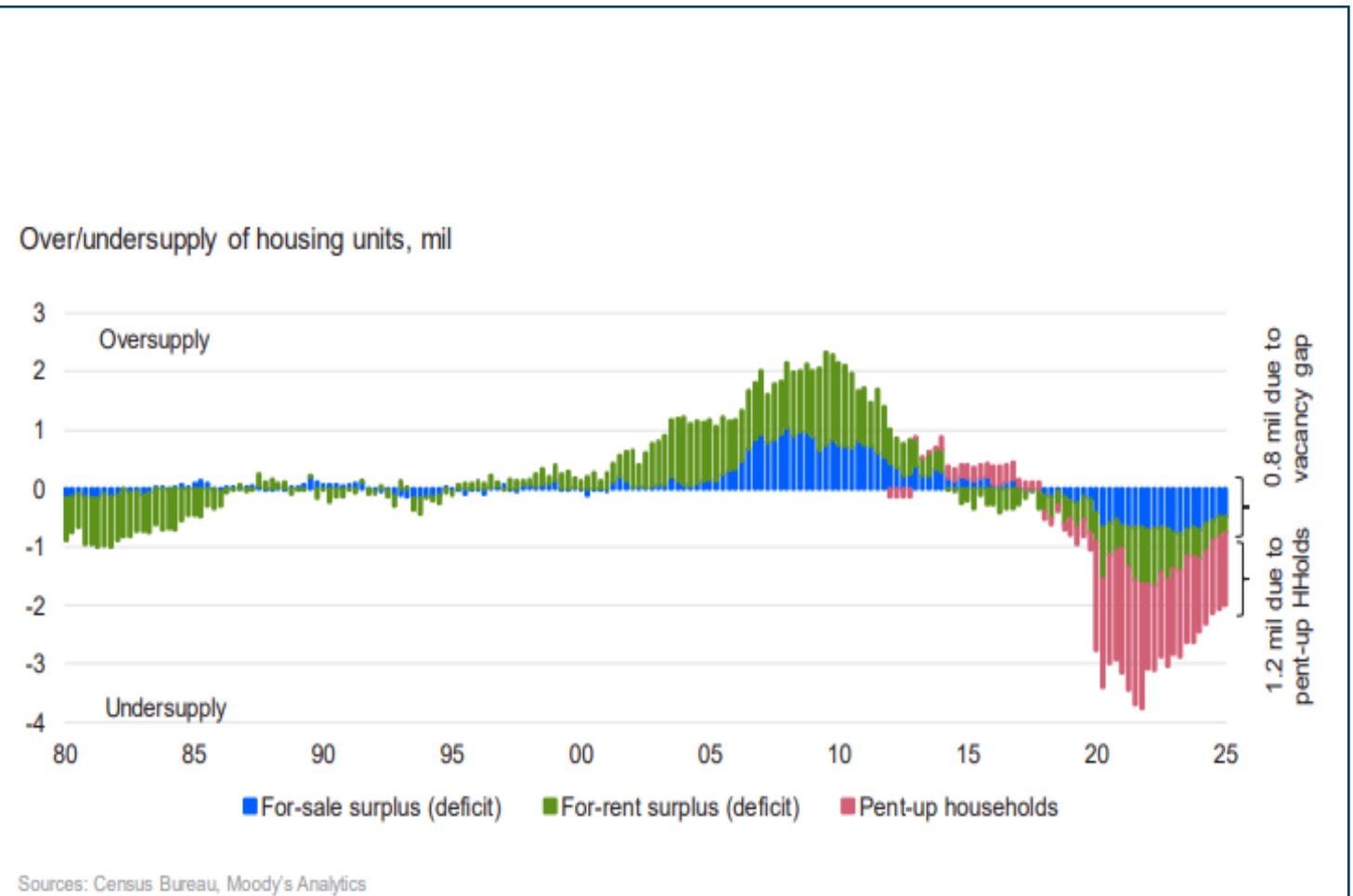
[Janneke Ratcliffe](#) | Vice President, Housing and Communities, Urban Institute



# The US has a shortage of homes.

Estimates of the shortage vary, but range from **1.5 million to 5.5 million homes**, or 7.1 million for very low-income renters.

Source: National Association of Home Builders, National Association of Realtors, National Low Income Housing Coalition



From *Bringing the Housing Market into Sharper Focus*, PolicyMap, Reinvestment Fund, Moody's Analytics, Urban Institute July 2025. <https://www.urban.org/research/publication/bringing-housing-shortage-sharper-focus>

# The US Housing Crisis is Being Felt Across the Spectrum

- **Worsening mortgage affordability**

- Share of median income required to afford the median mortgage payment, June 2025: **36.5%**
- Homeownership rate lower than in early 2000's

- **Rising rents**

- Median hourly wage required to afford a modest 1-bedroom rental in 2024: **\$26.74**
- Average renters' hourly wage in 2024: **\$23.18** and Federal Minimum Wage: **\$7.25**

- **Household formation down among young adults...**

- Share of those age 25-34 living w/ parents or roommates up from **23.2%** in 1990 to **38.5%** in 2021

- **...While the share of severely cost-burdened senior households is up**

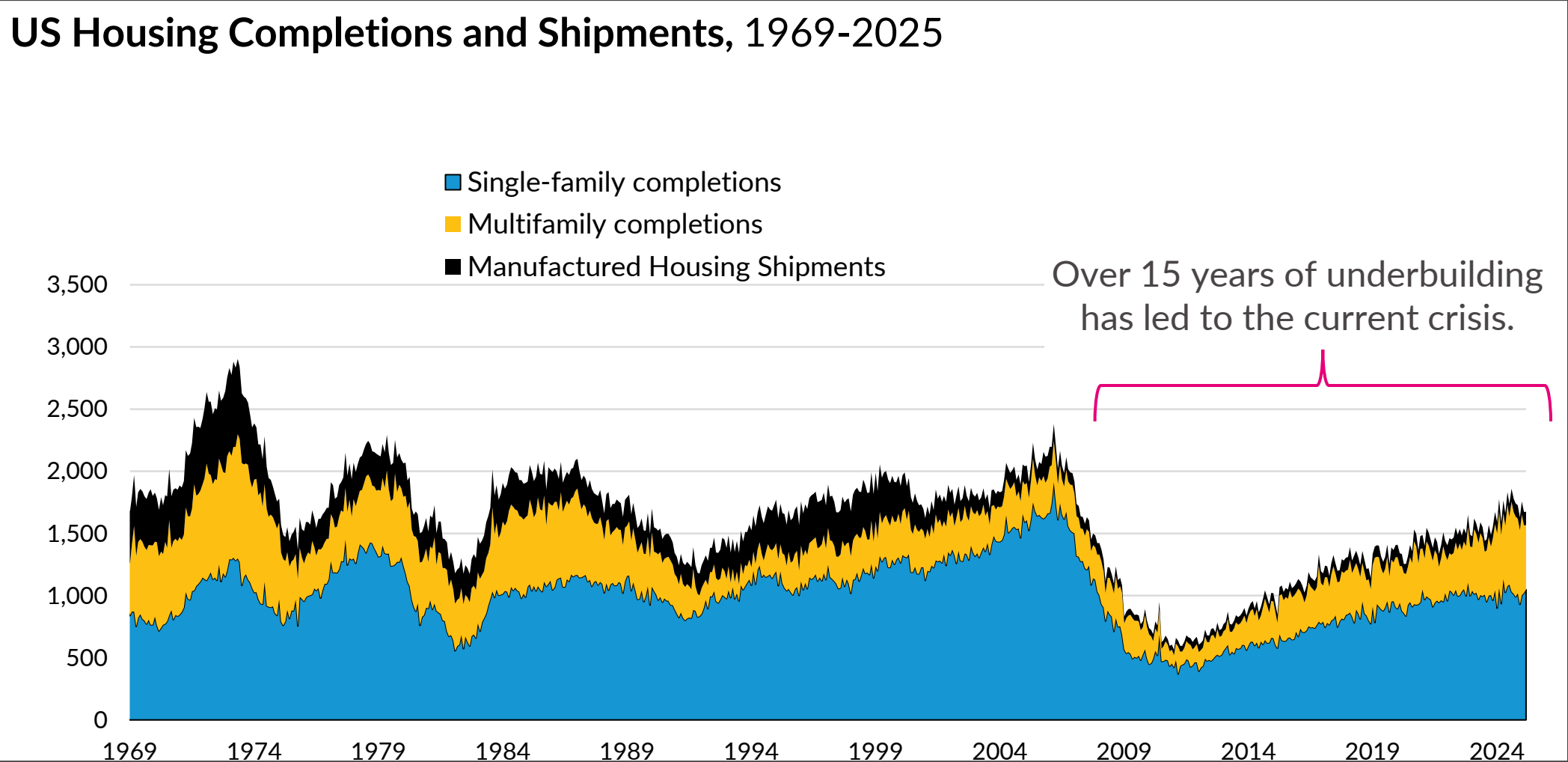
- Number of older households (age 50+) spending more than 50 percent of their income on housing has doubled in two decades, from **5.2 million** to **11.7 million**.

- **Increasing homelessness**

- Change in individuals experiencing homelessness 2023-2024: **+18.1%**
- # of individuals experiencing homelessness 2024: **771,480**, highest ever recorded

**Sources:** Urban Institute, Department of Housing and Urban Development, National Low Income Housing Coalition (NLIHC), Decennial Census & American Community Survey. **Note:** Median mortgage payment is with a 3.5 percent down payment

# How we got here

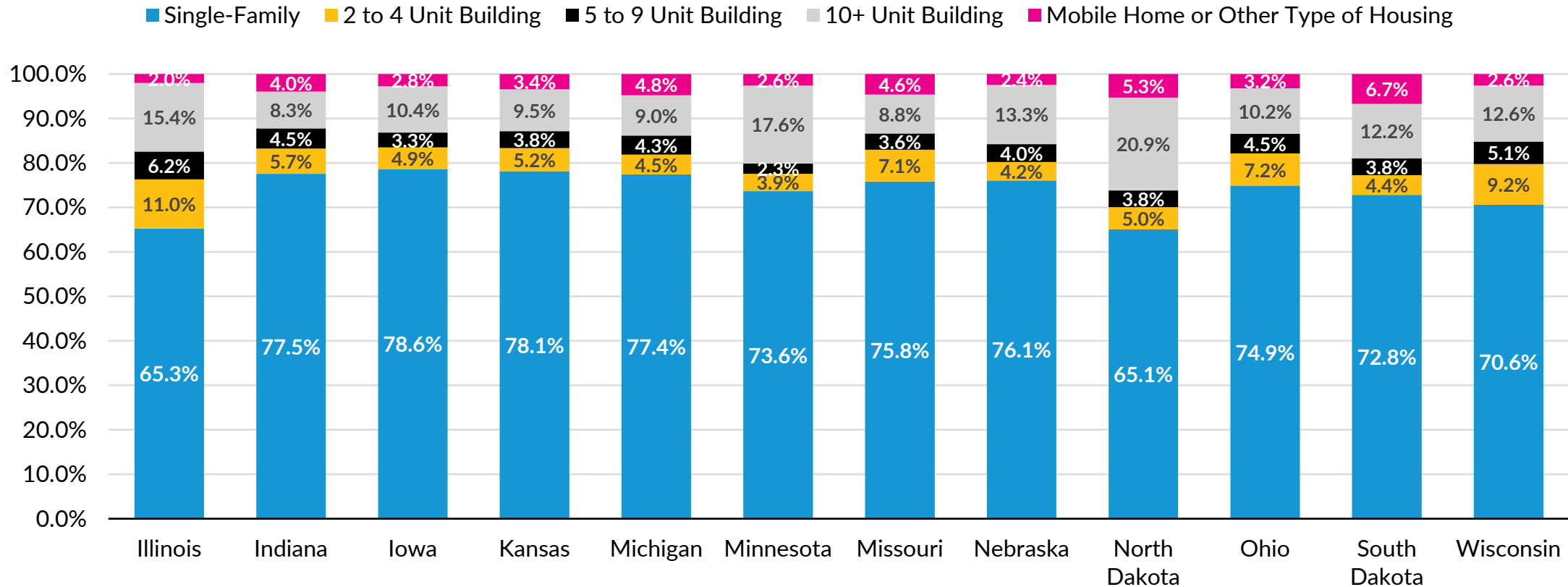


Sources: Moody's Analytics, US Census Bureau, and Urban Institute calculations.  
Notes: Data as of March 2025. Numbers are in thousands and are seasonally adjusted.



# Housing Stock in Midwestern States

## Composition of Housing Stock in Midwestern States



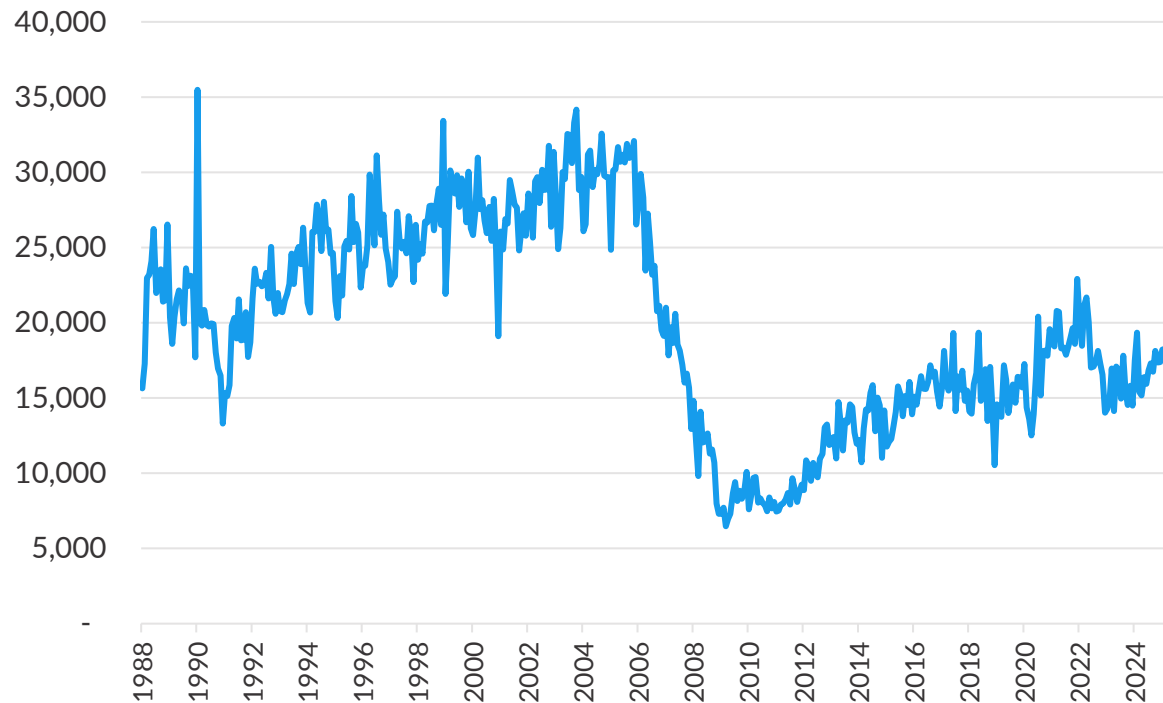
Source: Urban Institute analysis of American Housing Survey data.

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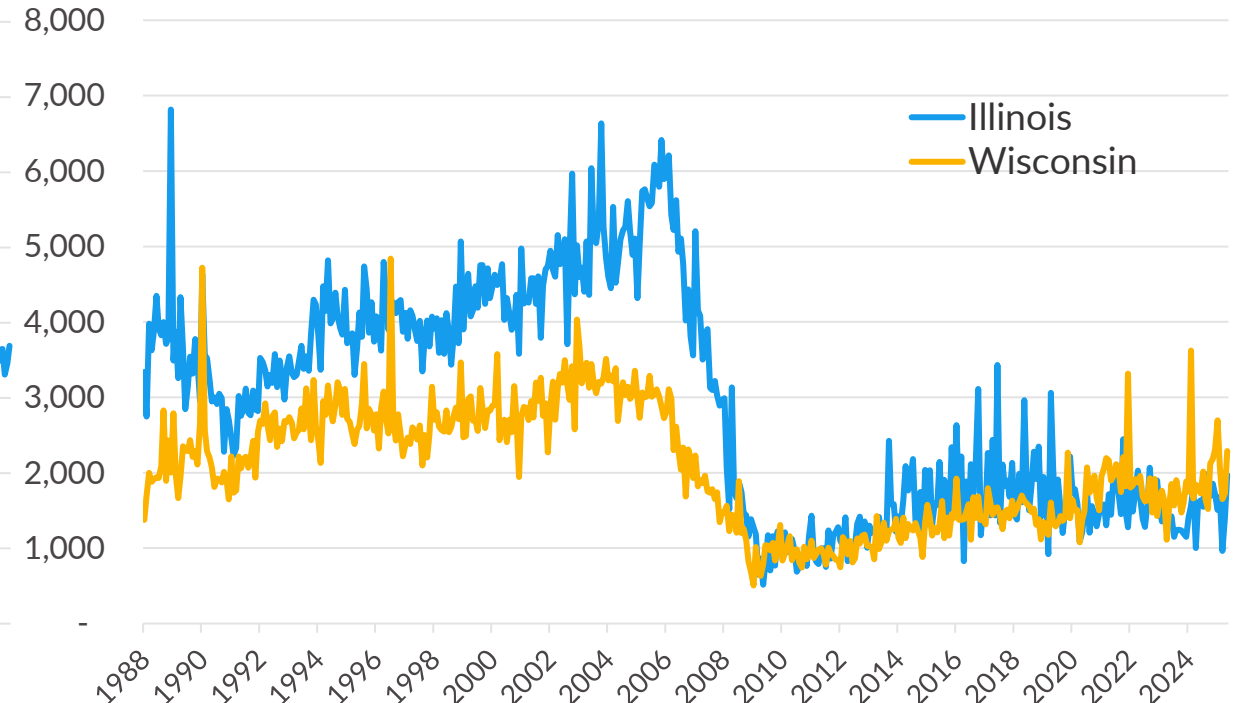
# Housing Construction in Midwestern States

## 1988-2025

### Building Permits, Midwestern states



### Building Permits, Illinois & Wisconsin

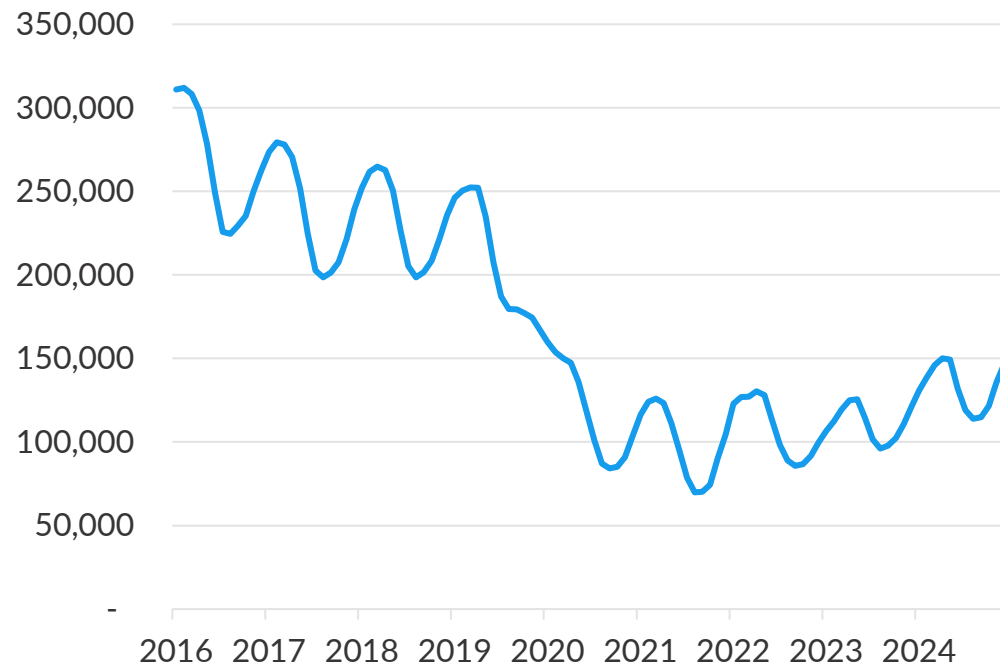


**Source:** Urban Institute calculations of US Census and Federal Reserve Economic data. **Note:** Midwestern states include Ohio, Michigan, Indiana, Illinois, Wisconsin, Minnesota, Iowa, Kansas, Nebraska, South Dakota, and North Dakota.

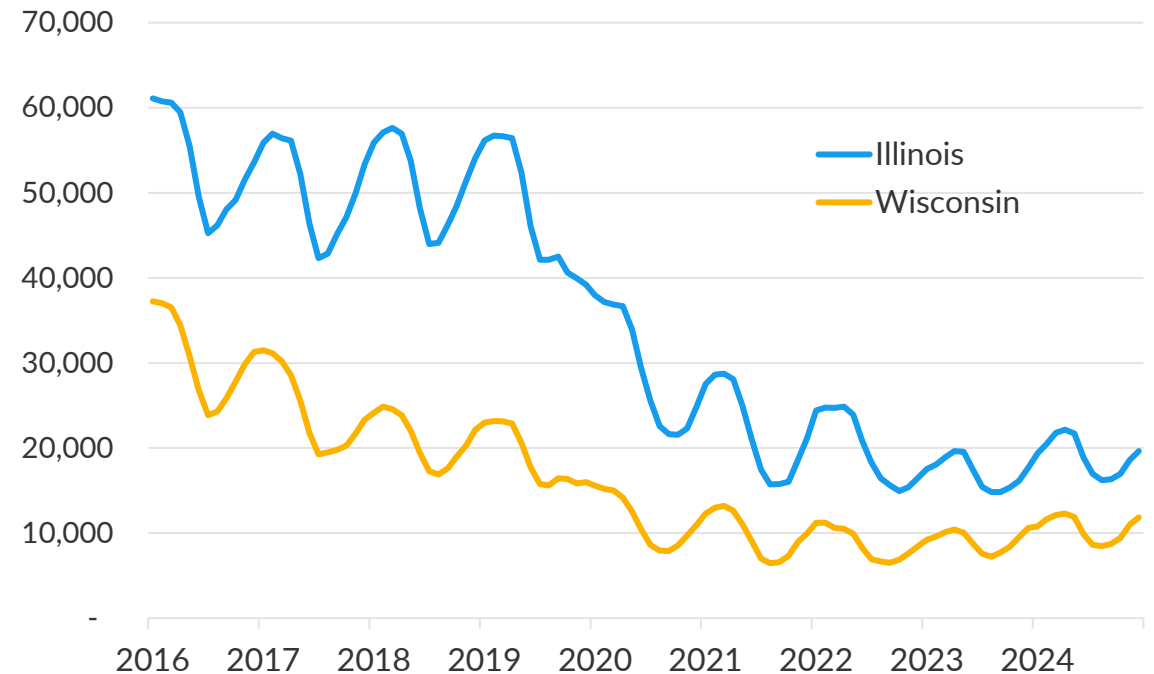
# Housing Inventory in Midwestern States

## 2016-2025

### Active Listings, Midwestern States



### Active Listings, Illinois and Wisconsin



**Source:** Urban Institute calculations of Realtor.com data. **Note:** Midwestern states include Ohio, Michigan, Indiana, Illinois, Wisconsin, Minnesota, Iowa, Kansas, Nebraska, South Dakota, and North Dakota.

# Looking Locally

Housing is unevenly distributed, and the solutions are often hyperlocal.

However, states play a critical role in supporting localities, including to:

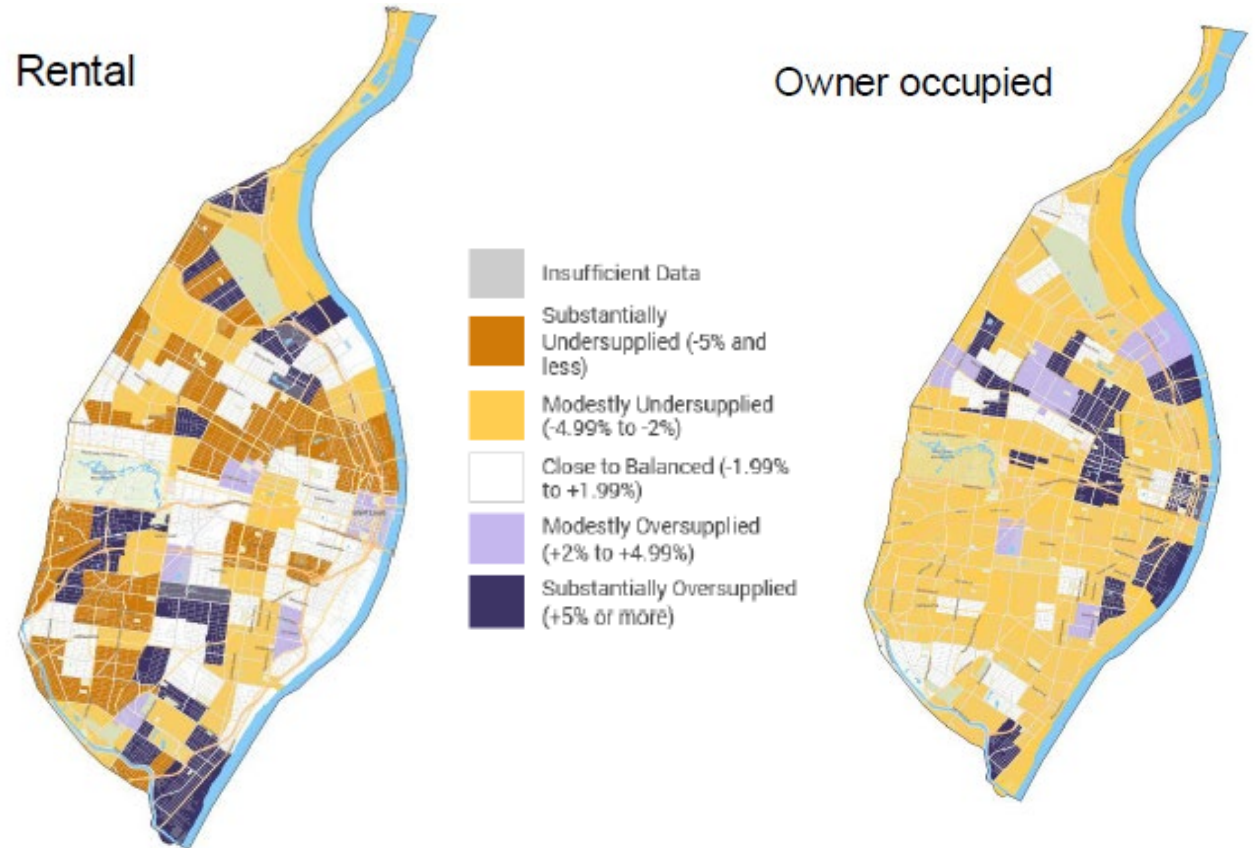
**Provide** resources, financing, and technical assistance (e.g., understanding housing needs)

**Optimize land use policies** of local jurisdictions (and sometimes override them)

**Align** local housing policies with regional or statewide priorities

## St. Louis, MO

Housing shortage or surplus as a % of housing stock



Source: PolicyMap, Reinvestment Fund, Moody's Analytics, Urban Institute from: Bringing the Housing Market into Sharper Focus, July 2025  
<https://www.urban.org/research/publication/bringing-housing-shortage-sharper-focus>

# Recent trends in state Land-Use Bills

- Increasing number passed: 144 in 2023 to over 400 in first half of 2025
- Policy options vary
  - Growth Management: *eg: Greenbelts, annexation & incorporation rules, infrastructure impact requirements...*
  - Density & Affordability: *eg: Parking requirements, lot sizes, “missing-middle”, single-stair, MH regs, density bonuses, impact fee reductions, public land-use policies...*
  - Housing Production & Distribution Policies: *eg: State or Regional housing targets and allocations, builders’ remedy policies, fair share minimums, transfers of development rights programs...*
  - x Floors or Ceilings x Encouragement or Discouragement
- Different policies address different market “failures”
  - Underproduction (monopoly) → Supply coordination mandates, density & affordability
  - Sprawl/Overconsumption → Density & affordability, growth-management
  - Free-riding → Housing production & distribution targets

*From: Advancing Pro-Housing Land-Use Policy at the State Level, Lo et al, The Urban Institute (July 2025)*

**States are an important part of housing solutions:  
Land Use, Target Setting, Financing**

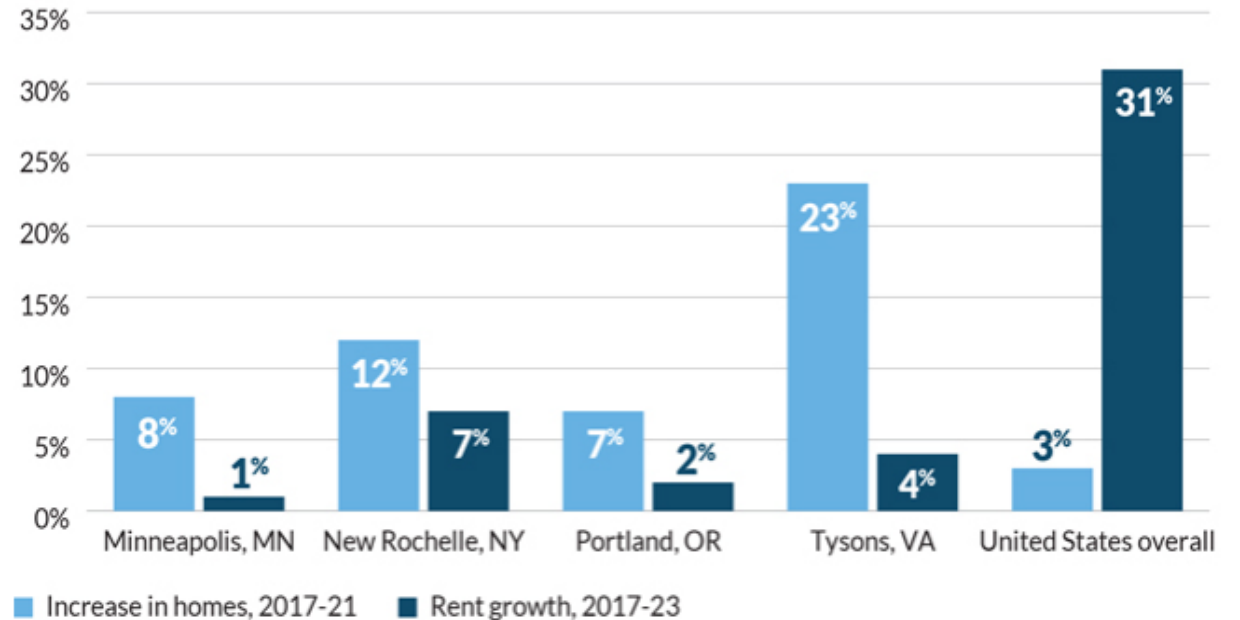
# States' Role in Housing Solutions: Zoning and Land Use Changes

California, Oregon, Montana, Colorado, Washington, and other states are taking steps to allow for higher density development and a diversity of housing types.

- **Example: Illinois HB 1814:** missing middle housing

## Rent Growth Proves Much Slower Than Nation in Jurisdictions That Have Allowed More Housing

Percentage change in homes, 2017-21, and median rent estimates, February 2017-February 2023



Note: The U.S. Census Bureau's American Community Survey data are one-year estimates, except for Tysons, for which only five-year estimates are available. The time frames are determined by data availability.

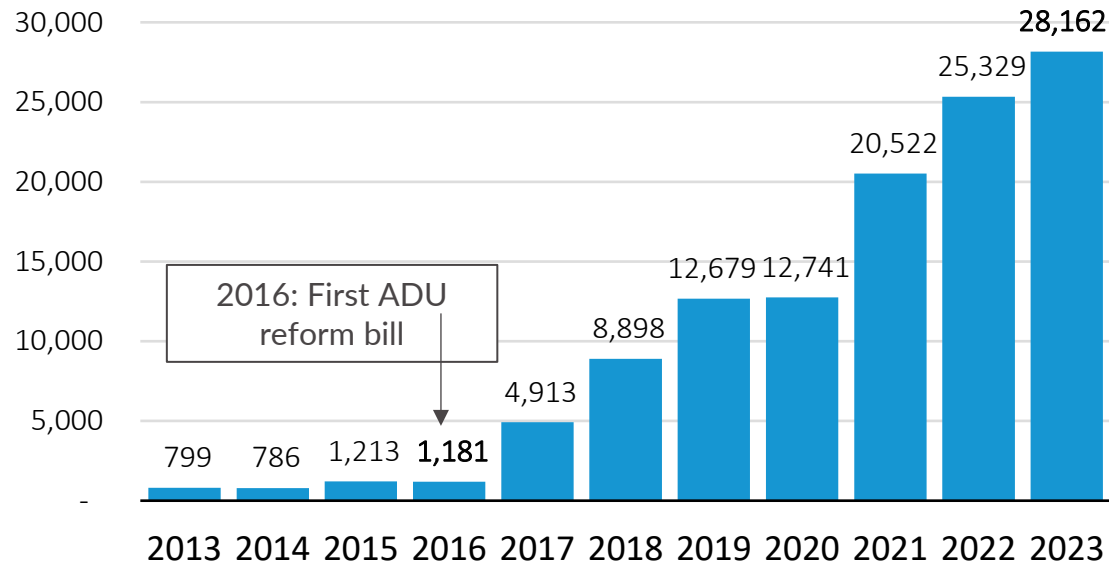
Sources: Pew's analysis of housing unit data from the U.S. Census Bureau's American Community Survey and Apartment List Rent Estimate data downloaded on March 22, 2023

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# States' Role in Housing Solutions

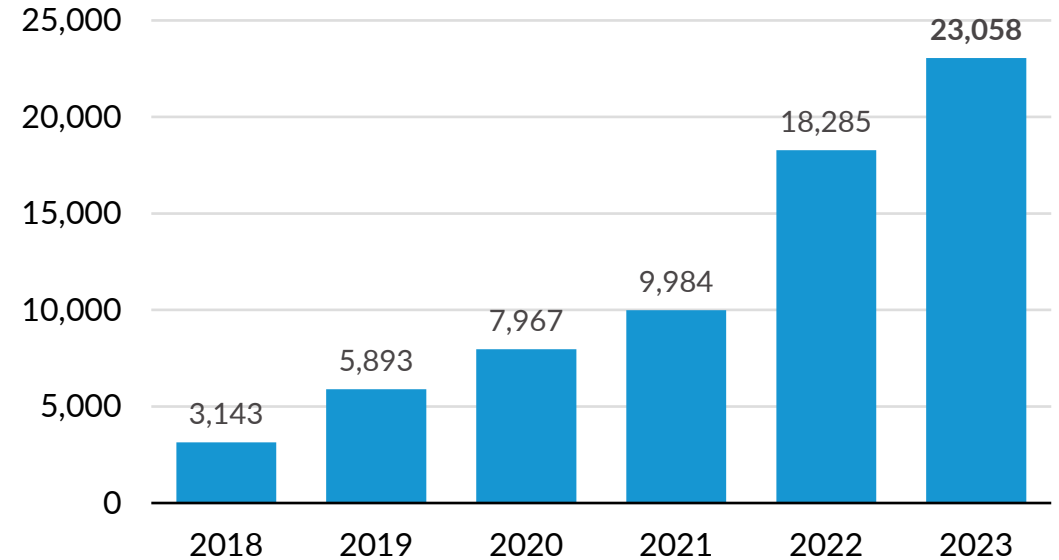
## Zoning and Land Use Changes

### The California "Accessory Dwelling Unit" (ADU) story...



Source: Data from Bipartisan Policy Center for 2013-2017, California Department of Housing and Community Development for 2018-2023.

### Over 68,000 ADU completed since 2018



Source: Data from California Department of Housing and Community Development for 2018-2023.

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# States' Role in Housing Solutions

## Zoning and Land Use Changes

### California legislation driving the surge in ADU constructions

Year	Bill	Summary of Legislation
2016	AB 2299 SB 1069	<b>ADU construction as a matter of right</b> , state pre-emption, <b>prohibited preventive zoning</b> requirements, reduced parking requirements, prohibited water and utility fees.
2017	AB 494 SB 229	Further <b>reduction in parking requirements</b> , <b>ADUs must be permitted</b> on new construction, <b>prohibited local bans</b> on renting out ADUs.
2019	AB 68 AB 881 AB 587 AB 670 AB 671 SB 13	<b>Prohibited preventative zoning requirements</b> (minimum lot size, floor area, capped setback requirements), <b>reduced timelines</b> for permitting, by-right approval for junior ADUs, prohibited occupancy requirements, limited restrictions on garage conversions, allowed multiple ADUs on multifamily properties, <b>allowed ADU sales</b> , prohibited HOA restrictions, <b>provided incentives</b> for ADU construction.
2020	AB 3182	Prohibited HOA restriction on rentals
2021	AB 385	Allows for separate conveyance provide ADU is built by a non-profit and affordability is preserved
2022	AB 2221 SB 897	Further <b>relaxed height restrictions and front setbacks</b> , required denial reports to explain what is necessary for ADU construction to proceed
2023	AB 1033 AB 434 AB 976	Allows cities and counties to <b>permit ADU condos</b> ; cities and counties must have pre-approved ADU plans, Local agency can't mandate own occupancy for ADU after 1/1/2025
2024	SB 477	Consolidates all ADU legislation into a since chapter, making it easier to navigate.

Source: Bipartisan Policy Center <https://bipartisanpolicy.org/blog/accessory-dwelling-units-adus-in-california>; Urban Institute

# States' Role in Housing Solutions Target Setting

States such as **California**, **Massachusetts**, **New Jersey**, **Oregon**, and regions such as the **Twin Cities** and the **Washington DC metro** have created housing production target programs for localities, implemented with incentives such as builder's remedies, technical assistance, or legal action.



Setting Goals	Defining Scope	Selecting Methodology	Implementing Targets
<ul style="list-style-type: none"> <li>Alleviating undersupply</li> <li>Planning for future growth</li> <li>Addressing affordability</li> <li>Promoting growth in strategic locations</li> </ul>	<ul style="list-style-type: none"> <li>Overall supply vs. affordability</li> <li>Current and/or future needs</li> </ul>	<ul style="list-style-type: none"> <li>Uniform vs. localized</li> <li>Unit counts vs. percentages</li> <li>Complex vs. simple</li> <li>Calculation methods</li> <li>Frequency of target updates</li> </ul>	<ul style="list-style-type: none"> <li>Voluntary vs. mandatory</li> <li>Carrots vs. sticks</li> </ul>

From a forthcoming Urban Institute piece

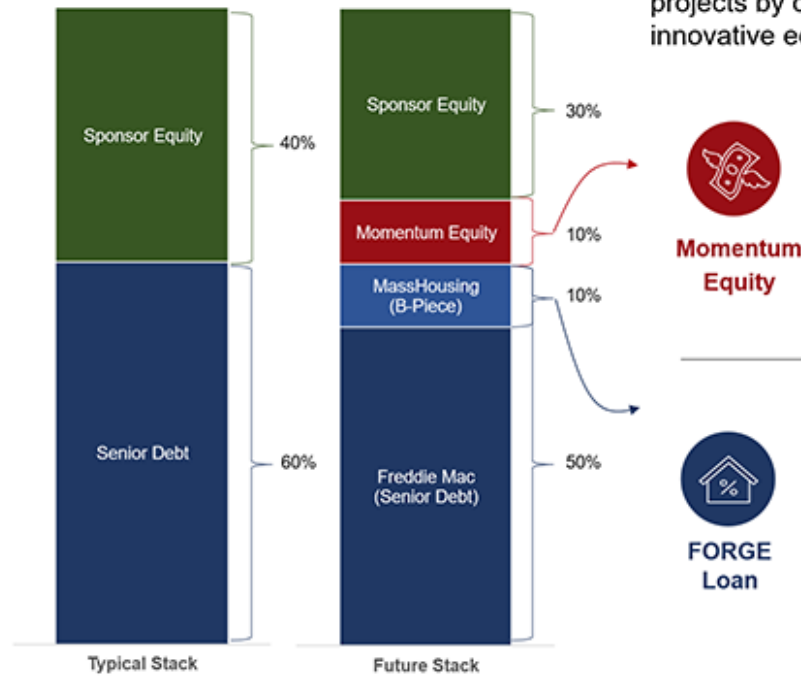
# States' Role in Housing Solutions Financing

Housing Finance Agencies and state allocations of federally funded programs, housing trust funds, state tax credits, dedicated grant programs

- **MassHousing's BILD program** provides lower-cost equity financing for mixed-income housing projects.
- **Wisconsin** – Created commercial-to-residential conversation revolving loan fund (through WHEDA)

## MassHousing's BILD program

Illustrative Mixed-Income Deal



MassHousing provides a one-stop financial solution for mixed-income housing projects by offering a highly competitive senior debt product alongside an innovative equity investment.



- Momentum Impact "Preferred Equity" is designed to fill financial gaps and provide a lower cost and more patient form of capital ("concessionary") compared to the commercial markets. This new, innovative financial product is designed to revolve thereby creating an evergreen fund for future investment.
- Provided to large-scale, high-impact projects that meet certain criteria for "additionality", meaning "but for" a Momentum Equity investment the project may not proceed.



- MassHousing offers highly competitive Freddie Mac permanent financing structured in partnership with Berkadia, a national leading originator and underwriter.
- By funding a 10% subordinate participation in a Freddie Mac loan with a top-loss credit enhancement feature (the "B-Piece") MassHousing is enabled to offer borrowers a more flexible structured loan.

Source: Chris Herbert, [The Evolving Landscape of Social Housing in New England: What We Learned](#), Joint Center for Housing Studies of Harvard University

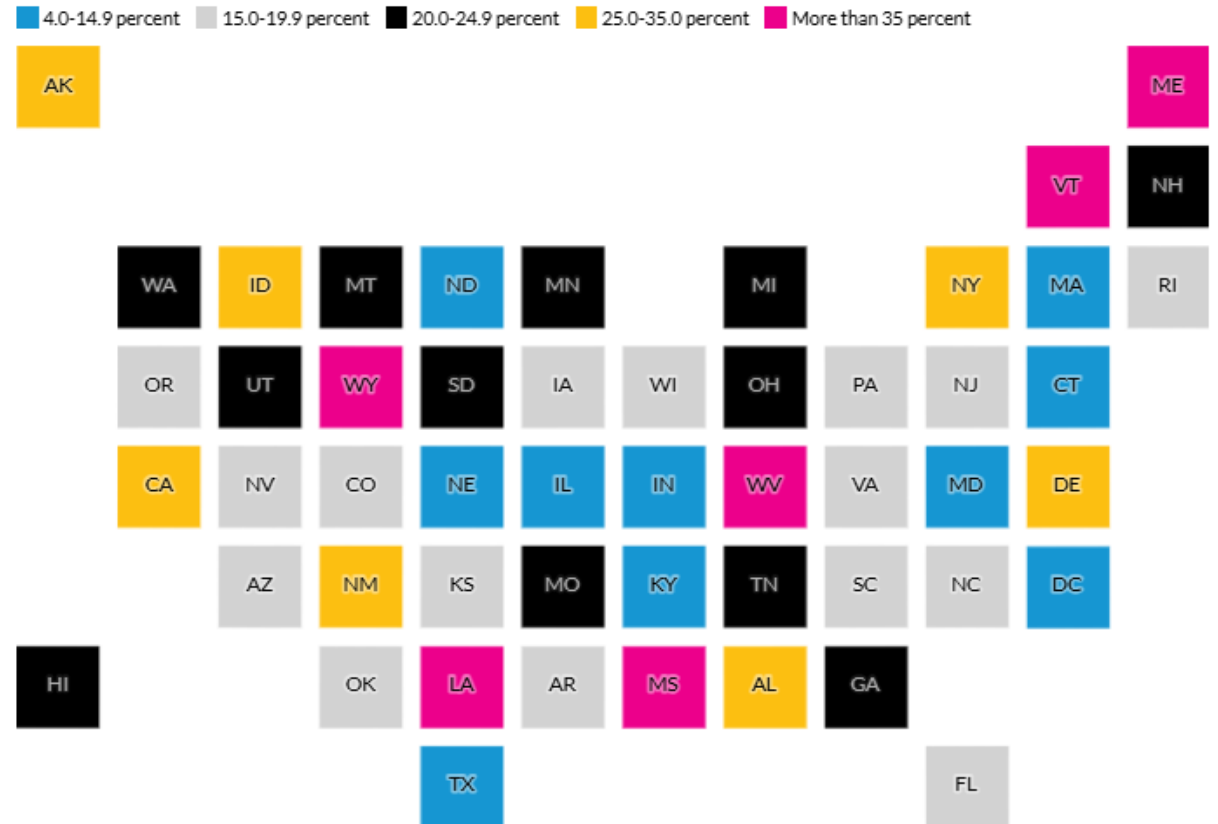
# States' Role in Housing Solutions Financing

Expansion of LIHTC just passed:

- Increases allocation of 9% credits.
- Reduces bond financing threshold to qualify for 4% credits
- +\$16B over next 10 yrs

State Housing Finance Agencies will play a big role in allocating new resources effectively.

## Low Income Housing Tax Credits Finance at Least 15 Percent of New Multifamily Housing in 40 States



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Source: National Housing Preservation Database (2023); American Community Survey 2017–21 by year structure built.

Notes: Defines multifamily housing as buildings with at least 5 units. Defines tax credit units as those with Low Income Housing Tax Credit (LIHTC) subsidies. Compares the number of LIHTC units placed in service from 2000–19 with number of housing units recorded as built from 2000–19 in 2017–21 survey.

# The Urban Institute Helps Cities and States Shape Better Housing Policy

The Urban Institute regularly works with state and local policymakers across the country to ensure they have the **evidence, best practices, analytical tools, training and technical assistance** necessary to create effective housing and community development policies.

Find out how we have informed **San Diego's** First-Time Homebuyer Program, **Denver's** Housing First program, **Washington DC's** future housing needs and eviction prevention efforts, **Washington State's** Transit Oriented Development, and **North Carolina** communities' post-hurricane recovery efforts.



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Questions, inquiries, or interested in partnering? Reach out to me at [JRatcliffe@urban.org](mailto:JRatcliffe@urban.org)