Chapter 6

Protecting and Rebuilding the American Dream of Homeownership

America has been in the midst of a national housing affordability crunch that reached historic severity due to policies of the prior Administration. Because of skyrocketing house prices and mortgage rates, a typical homebuyer at the end of 2024 could expect to pay $2,400 in monthly principal and interest on a mortgage, representing over a $1,000 increase relative to what a typical buyer faced at the end of 2019, when interest rates were closer to 4 percent and median house prices were about $90,000 lower. This payment increase is even larger after accounting for the spillover effects of higher house prices on rising property taxes and homeowner insurance premiums. These trends have pushed the dream of homeownership further out of reach; data from the National Association of Realtors show that the age of a typical first-time buyer has risen from 28 years in the early 1990s to a record high of 40. In his first year back in office, President Trump has taken strong actions to make it easier for families to afford a house while also protecting the nest eggs of those already in the market, and the best is yet to come.

The Trump Administration's Commitment to Current and Future Generations of Homeowners

The Trump Administration has shifted economic policy decisively away from the Biden Administration's approach of government-driven demand and government-impaired supply to a new posture of private-sector-driven demand and healthy supply unleashed by deregulation, pro-growth tax relief, and America First trade. By expanding economic potential, these policies have enabled the yield on 10-year Treasury bonds to fall by half a

percent, putting downward pressure on mortgage rates. President Trump also instituted a plan for Fannie Mae and Freddie Mac to buy $200 billion worth of mortgage bonds to further reduce mortgage rates. In total, mortgage rates are now nearly a full percentage point down from their January 2025 level, which promises substantial savings for the American people absent further rapid house price appreciation.

The Trump Administration is also committed to addressing drivers of housing demand that compete with American families. First and foremost, President Trump has secured the U.S. border and has reversed the open borders policy of the Biden Administration that led to waves of illegal immigrants bidding up rents and house prices. In addition, President Trump issued an Executive Order to ban institutional investors from buying up any additional single-family homes that could otherwise go to an American homeowner and called upon Congress to codify the policy in legislation. The Trump Administration is also committed to responsibly expanding housing supply (White House 2025). For example, President Trump is taking decisive action to cut through red tape and bureaucratic obstruction that are blocking families from rebuilding from the California wildfires (White House 2026). The One Big Beautiful Bill Act made Opportunity Zones incentives permanent—which have led to hundreds of thousands of new homes that would otherwise not have been built (Glasner, Ozimek, and Lettieri 2025)—and enhanced the incentives in rural areas where State and local housing supply regulations are often less onerous, which allows dollars to go further. The Department of Housing and Urban Development (HUD) is prioritizing affordability and ending the mission creep from the Biden Administration's coercive green activism and suburban social reengineering. One of HUD's most significant accomplishments is the rollback of the Biden Administration's onerous Affirmatively Furthering Fair Housing rule that forced communities to waste time and resources drafting "equity plans" in order to receive Federal funds. The Biden Administration also imposed an analogous equity plan mandate on Fannie Mae and Freddie Mac, which the Federal Housing Finance Agency (FHFA n.d., 2026) has reversed as part of broader efforts to reverse regulatory overreach. To facilitate supply, the Federal Housing Administration (FHA) has reduced multifamily mortgage insurance premiums to their statutory minimum, thereby ending the penalty that builders faced for not meeting the Biden Administration's green energy rules. These actions are just a sample of the efforts under way to restore housing affordability while protecting home values.

This chapter first chronicles the evolution and driving forces behind the housing affordability crunch and then discusses policies that can be implemented at every level of government to help restore the dream of homeownership, beginning with President Trump's recent announcements. The chapter documents a dramatic increase in real (inflation-adjusted) house prices over the past quarter century and a sizable decline in homeownership across every age category. Although the steep rise in house prices during the 2000s housing

boom is often attributed to looser credit, real house prices also rose rapidly during the decade of historically low interest rates from 2012 to 2021 amid much tighter lending standards. The CEA's analysis concludes that the robust house price appreciation during this period was driven by strong demand running up against a wall of tight supply due to bureaucratic costs and delays that function like a six-figure "bureaucrat tax" on the cost of building a new home. With the release valve of new supply malfunctioning from overregulation, buyers with rising purchasing power from falling rates and growing wages consistently bid up the prices of an increasingly scarce stock of housing, causing the would-be savings to instead be capitalized into high prices, property taxes, and homeowner insurance premiums.

Since 2022, high interest rates that the Federal Reserve engineered to combat the historic inflation of the Biden Administration have had the side effect of dampening house price appreciation by sapping buyers' purchasing power. However, the Biden Administration unleashed new demand into the housing market through the surge of illegal immigrants that it permitted to enter the country and exacerbated housing supply chokepoints through green energy building code mandates that added an estimated $31,000 to the cost of a new home through extraneous add-ons and expensive materials unrelated to safety. The consequences of these policies and the California-style fees, mandates, and red tape that impair supply in many States and localities are stark. Census New Residential Sales data reveal that the share of new homes available for under $300,000 fell from a little shy of 1-in-2 in 2019 to *1-in-6* in 2024. These higher costs are a hardship not just for young families trying to break into the market for the first time but also to families looking to build an in-law suite for aging parents, workers seeking jobs, and businesses looking to expand.

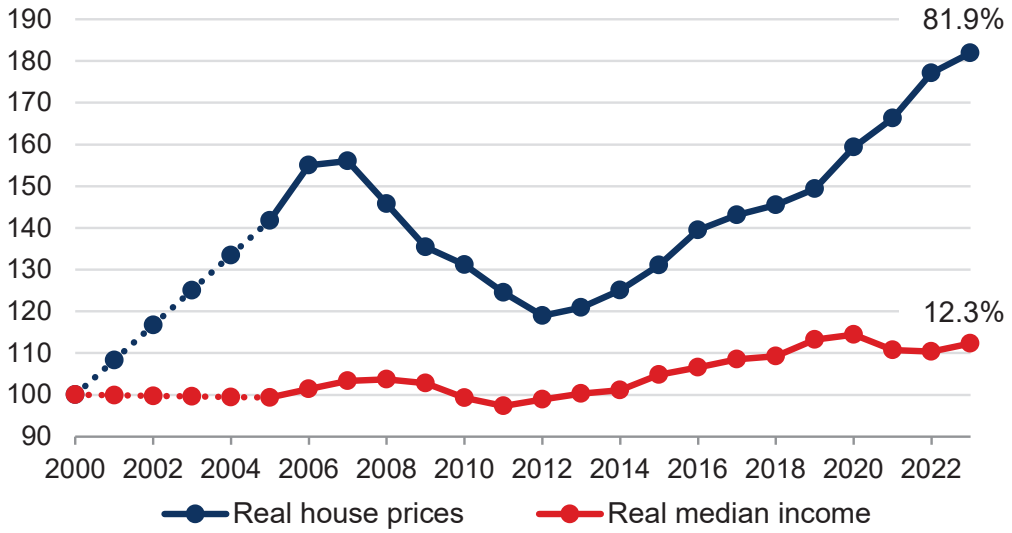
This chapter concludes by describing State and local "best practices" that would tackle the bureaucrat tax and bolster President Trump's recently announced Federal actions. These best practices are the result of the CEA's analysis and engagement with leading industry professionals, policymakers, and academics. The CEA's assessment is that nationwide adoption of these best practices would deliver stable house prices, help prevent soaring property taxes and homeowner insurance premiums, and unleash a wave of homebuilding innovation to create millions of jobs and trillions of dollars in new gross domestic product (GDP). The actions described in this chapter present a win for current and future owners: stable nest eggs for the current generation and new nest eggs for the next.

Chronicling the Deterioration in Housing Affordability

Figure 6-1 plots the cumulative real growth of income and housing prices for homeowners relative to their year-2000 values (indexed to 100) up through

Figure 6-1. Average Real Income and House Prices for Median–Income Homeowners

Index: Year 2000 = 100

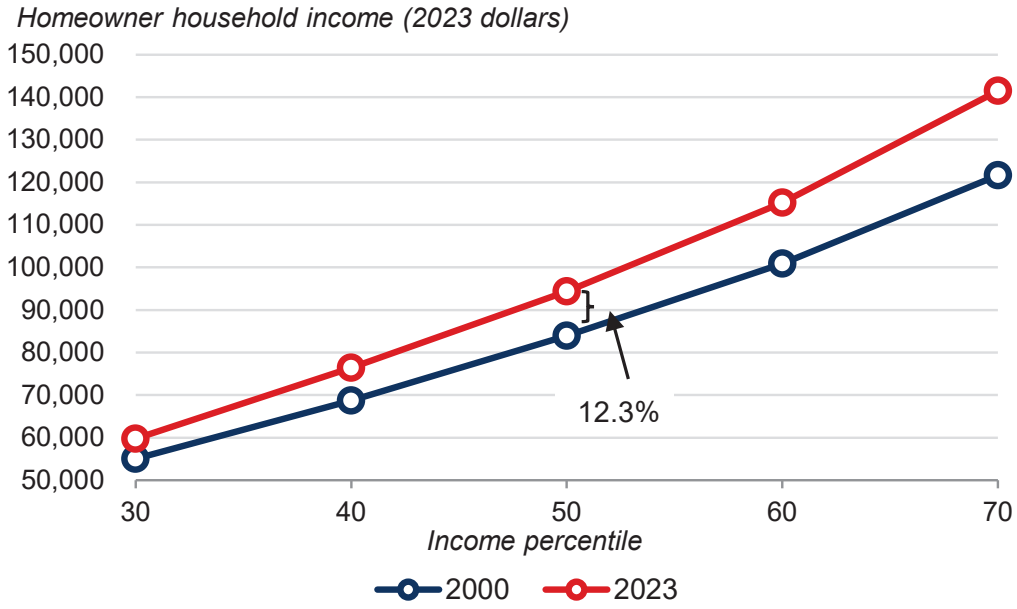


Sources: Census Bureau, American Community Survey; Bureau of Economic Analysis; CEA calculations.

2023, the last year of data as of the writing of this *Report*. This figure shows that from 2000 to 2023, real house prices increased 82 percent—nearly seven times the rate of real income growth of 12 percent.[1] The housing boom from 2000 to 2007 is readily apparent, as is the bust from 2008 to 2011. Notably, real house prices have risen rapidly since 2012, though the relative pace of income and house price growth has fluctuated over this time period. From 2012 to 2016, real house prices grew by a cumulative 17.3 percent, while real incomes grew by only 7.8 percent. During the prepandemic period of President Trump's first Administration, from 2017 to 2019, real incomes kept up with real house prices, with both growing by a cumulative 4.4 percent. However, real house prices soared past incomes again (21.8 percent price growth versus no income growth) during the post-2019 period of historically low rates, COVID-era fiscal stimulus, and Biden immigration policies. Zooming back out, the rapid house price appreciation from 2012 to 2021 erased any purchasing power gains that new buyers might have expected from lower mortgage rates. Despite rates falling from 4.6 to 2.9 percent from the summer of 2011 to 2021, a new homebuyer in 2021 faced essentially the *same* real monthly payment from principal and interest as a buyer in 2011 but with *higher* escrow payments to cover property taxes and homeowner insurance. This pass-through of house prices to property taxes and insurance premiums helps explain why most homeowners prefer house

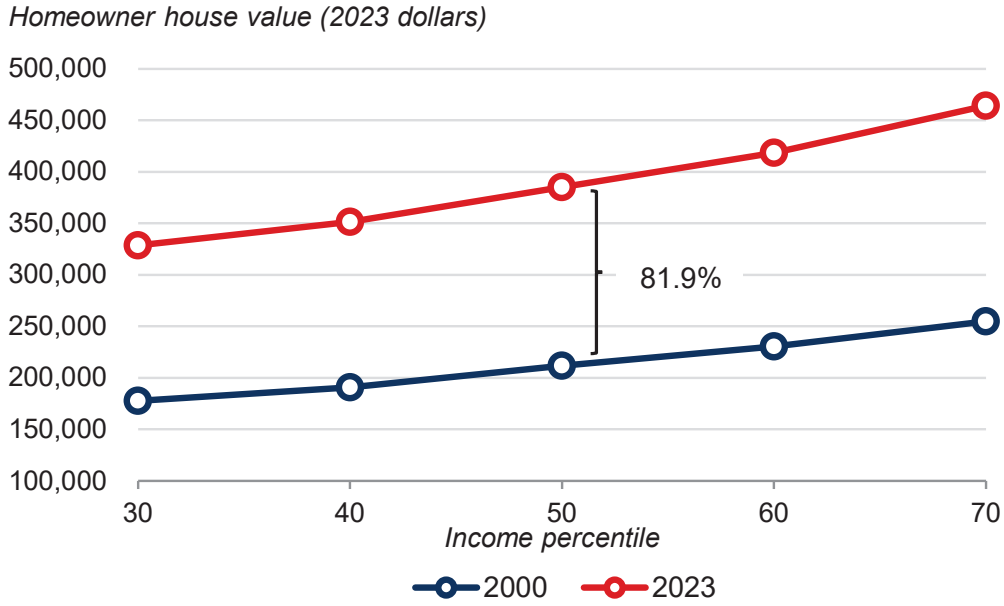
[1] The income and house price data given in figure 6-1 are derived from Census data. The CEA converts nominal income and house price data to real using the chain-type Price Index for Personal Consumption Expenditures, available at the FRED Economic Data database at the Federal Reserve Bank of Saint Louis, https://fred.stlouisfed.org/series/PCEPI.

Figure 6-2. Homeowner Household Income, 2000 versus 2023



Source: Census Bureau, American Community Survey; Bureau of Economic Analysis; CEA calculations.

Figure 6-3. Real Homeowner House Values, 2000 versus 2023



Sources: Census Bureau, American Community Survey; Bureau of Economic Analysis; CEA calculations.

prices to stay the same or fall in their area (57 percent fall, 32 percent stay flat) and only 11 percent want them to rise (Elmendorf, Nall, and Oklobdzija 2025).

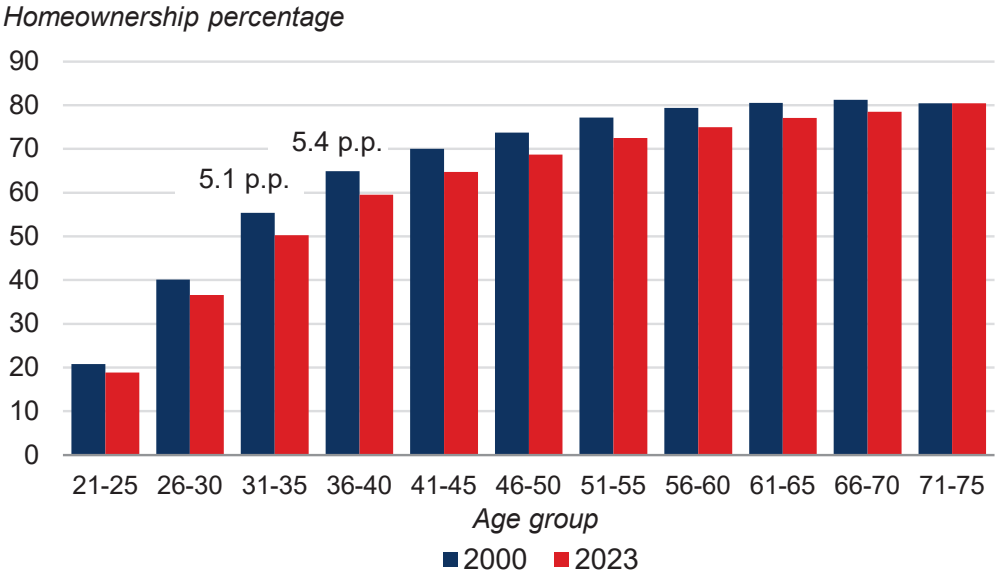
The patterns shown in figure 6-1 are widespread. For example, the CEA also computed real income and house price growth at the 30th, 40th, 50th, 60th, and 70th percentiles of homeowner income in 2000 and 2023. For each of these income deciles, Figure 6-2 shows real household income and figure

6-3 shows the real value of owned housing. Figures 6-2 and 6-3 show that at each decile of household income, real house prices have increased much more rapidly than real household income. For example, a median-earning homeowner in 2000 earned $84,000 and owned a house worth $212,000 (both in 2023 dollars), implying a price-income ratio of 2.5. In 2023, a median-earning homeowner earned $94,000 per year and owned a house valued at $385,000, yielding a price-income ratio of 4.1.

Homeownership and Other Spillover Effects of the Housing Affordability Crunch

If the increase in home prices from 2012 to 2021 was primarily a demand-driven phenomenon, one would expect to see a surge in homeownership akin to what was observed during the 2000s boom. In reality, the aggregate homeownership rate was nearly unchanged at the end of 2021 relative to the beginning of 2012 (65.5 and 65.4 percent, respectively) despite an aging population that should have pushed the homeownership rate up because of composition effects. Diving deeper into the data, the homeownership rate actually *fell* from 2012 through 2016, reaching a trough of 62.9 percent, before strong income growth during the first Trump Administration brought the homeownership rate back above 65 percent in 2019, where it has remained essentially flat ever since. Figure 6-4 controls for the aging of the population and shows that the homeownership rate actually declined between 2000 and 2023 across all age ranges.

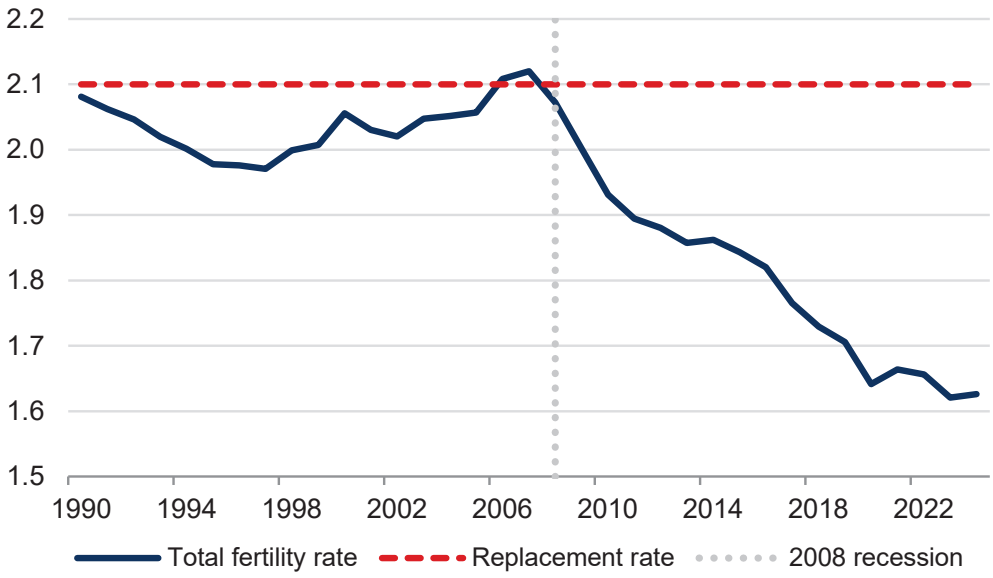
Figure 6-4. Homeownership Rate by Five–Year Age Group



Sources: Census Bureau, American Community Survey; CEA calculations.
Note: Data labels reflect the percentage-point (p.p.) gap between ownership rates in 2000 and 2023 by age bracket.

Figure 6-5. U.S. Total Fertility Rate

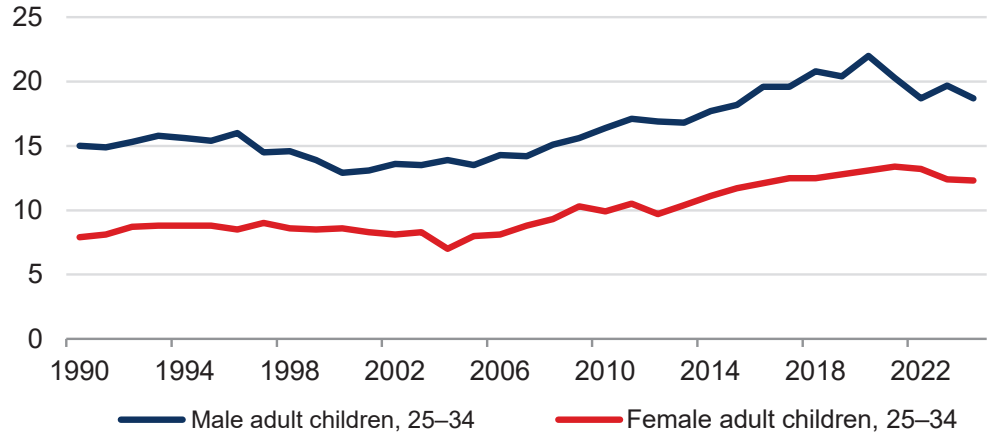
Births per woman during fertility window, 15-44



Sources: National Center for Health Statistics; CEA calculations.

Figure 6-6. Adult Children Living at Home

Percentage living at home



Sources: U.S. Census Bureau; CEA calculations.

This is not a surprising finding in light of house prices outpacing incomes, which makes it more difficult for buyers to satisfy loan-to-value *and* payment-to-income requirements when attempting to qualify for a mortgage.

As one might also expect, the largest declines are for Americans in their late 20s through early 40s during the prime family-formation years. At the same time that the homeownership rate declined by more than 5 percentage points for households age 31–40 years, the aggregate fertility rate declined and the percentage of adult children living at home increased, as shown in figures 6-5 and 6-6. Notably, the deterioration in these trends coincides with the

sharp decline in new housing supply (which is discussed later in this chapter). Although common factors like changing tastes could be driving all these trends, a recent survey indicates that higher housing costs are *causing* milestone delays. In the survey, 51 percent say housing costs have delayed a major life decision, including 74 percent of those under the age of 34 and 68 percent of Hispanics (AFPI 2025a, 2026b).

The First Culprit: Adverse Sources of Demand Competing with American Families

In an environment of constrained supply and high interest rates, the last thing American homebuyers need is added competition for scarce homes, but that is exactly what they have faced from institutional investors and illegal immigrants. Whereas institutional investors were largely absent from the single-family home market before 2008, they have since bought up hundreds of thousands of homes that American families could otherwise potentially own.

Nationwide, estimates put the institutional-investor-owned share of single-family homes at about 1 percent, but in some metropolitan areas the share is above 5 percent. The deep pockets and added demand these investors bring to the market push up prices for regular homebuyers. Recent research quantifies the impact on house prices, finding that every 1 percentage point of the housing stock bought by institutional investors causes house prices to rise by 1.7 percent (Coven 2025). In areas like Atlanta that have a high concentration of institutional investor activity, the total price impact is about 6 percent (Austin 2022).

While research finds that institutional investor activity helped arrest the decline of house prices during the post-2008 housing bust (Lambie-Hanson, Li, and Slonkosky 2022; Oosthuizen 2026), the glut of supply from foreclosed homes and low recessionary demand is long gone. Economists and industry professionals look at months of supply data to evaluate housing market tightness, with 6 months of supply considered a balanced market, where supply and demand are in alignment without upward or downward pressure on prices. Over the past decade, the overall level of months of supply has regularly hovered at or under four months—indicating tight supply conditions—and reached an unprecedented low in 2020 and 2021 of two months when historically low interest rates and COVID-era migration fueled widespread bidding wars (Pinto and Peter 2026b).

Institutional homebuying can also alter the fabric of neighborhoods by shifting the composition of residents away from owning and toward renting. One recent paper finds that, when a corporation acquires a home and converts it from an owner-occupied property to a rental, homes within close proximity see their values decline because of higher crime. The mechanism the authors identify is a decline in social capital that typically accompanies owner occupancy (Billings and Soliman 2025).

Illegal immigration represents another source of government-enabled demand that unfairly competes with American families over a scarce supply of homes. The unprecedented surge of illegal immigration during the Biden Administration put an immense strain on America's rental markets, but linkages between rental and purchase markets mean that illegal immigration also has an impact on owner occupancy. The CEA finds that, averaging across 227 metropolitan areas, the surge in illegal immigration caused real house prices to rise by 3.2 percent from 2022 to 2024, explaining nearly half the realized increase in prices during this period.

President Trump is committed to ensuring that homes are for American families, not for corporations or for illegal immigrants. Ending these sources of competing demand makes room for added *American* demand from lower mortgage rates, ensuring better affordability outcomes for those who have been left behind.

The Second Culprit: The Government Bureaucrat Tax on Supply Inflating Building and Renovation Costs

Throughout most of the 20th century, housing supply acted as the critical release valve to ensure that house prices remained stable and affordable when housing demand rose in areas with rapid economic or population growth or when interest rate reductions boosted the purchasing power of prospective buyers. From the 1970s through the 1990s, real house prices remained roughly stable, even during periods of strong demand growth, with nominal house prices rising at a moderate, steady pace that allowed people to build equity and reduce their leverage while still being able to afford to move up the property ladder. However, in recent decades, something has caused this supply valve to malfunction. Instead of strong demand igniting new homebuilding, it disproportionately fuels rapid price appreciation that excludes people from the market, leads to significant hikes in property taxes and homeowner insurance premiums, and sows the seeds for boom-bust cycles. In economic terms, supply has become much less elastic (Albuquerque, Anundsen, and Aastveit 2020).

Providing perspective on the scale of the change, one recent paper examines a broad range of metropolitan areas and finds that each of them had a supply elasticity in the 2010s that was under one-fourth their elasticity in the 1970s (Glaeser and Gyourko 2025). Even previously supply-elastic metro areas have experienced large declines, leading the authors to conclude that the United States has been undergoing a "closing of the suburban frontier." Other papers (e.g., Aastveit, Albuquerque, and Anundsen, 2023; Howard and Liebersohn 2025; Gorback and Keys, forthcoming) also find that housing supply has become much less elastic over time and that demand growth increasingly gets capitalized into higher prices instead of more homeowners.

But what is the "something" that has caused the release valve to malfunction and supply to become less elastic? Evidence points strongly to the added costs and delays imposed on homebuilding and renovations by the worsening "bureaucrat tax" of California-style fees, mandates, regulations, and red tape in many States and localities. The economics literature examines the nature and severity of these inflationary supply barriers in several different ways. For example, Gyourko, Hartley, and Krimmel (2021) find that land use regulations, as measured by the Wharton Residential Land Use Regulatory Index (WRLURI), became more stringent between 2006 and 2018 across the country. Moreover, the increases were not limited to any one type of geography or specific aspect of housing supply regulation. For instance, even putting aside contentious issues of zoning and density, approval processes have become substantially more cumbersome over time. Gyourko and Krimmel (2021) find that, in some metro areas, the bureaucrat tax adds tens of thousands of dollars or more to land costs alone. Garcia and Molloy (2025) rule out the idea that mismeasurement due to quality improvements can explain away rising housing costs, and they find that productivity has fallen most in areas with tighter housing supply constraints. Other metrics also point to the worsening severity of the bureaucrat tax. For example, Ganong and Shoag (2017) show a significant rise in the number of per capita land-use court cases in recent decades. Bartik, Gupta, and Milo (2025) employ large language models to decode and interpret housing supply regulations in what they call "generative regulatory measurement," finding that regulatory regimes are complex and becoming more so over time. Other notable references on the topic include, but are not limited to, Gyourko and Molloy (2015); Jackson (2016); Glaeser and Gyourko (2018); Herkenhoff, Ohanian, and Prescott (2018); Baum-Snow and Duranton (2025); and Song (2025).

The consequences of the bureaucrat tax extend beyond higher housing costs to include lost productivity, economic opportunity, and GDP. Ganong and Shoag (2017) report that regional income convergence has declined over time, as fewer workers move to areas with better job opportunities because of prohibitively high housing costs. This impaired geographic mobility causes large GDP losses nationwide, as discussed both by Herkenhoff, Ohanian, and Prescott (2018) and Hsieh and Moretti (2019). The latter finds that U.S. GDP was reduced by a cumulative 36 percent from 1964 to 2009 because of the overregulation of housing supply.

Another casualty is lower productivity growth. Whereas overall productivity in the U.S. economy doubled from 1970 to 2020, construction labor productivity actually *fell* by 30 percent over this period (Yeh 2025). In fact, the construction sector has accounted for one-third of the decline in trend GDP growth since World War II—*a loss equivalent to $1 trillion every five years*. If building productivity had grown just 1 percent annually since 1970, overall labor productivity growth in the economy would have been nearly 0.2 percentage point higher annually (Goolsbee and Syverson 2023). A comparison of construction

and automobile production is instructive. In 1939, the auto industry produced 4.8 cars per employee per year, and that rose to 25 by 2020. In residential construction, productivity is close to 1930s levels. D'Amico and colleagues (2024) point out that regulations disincentivize technological innovation and economies of scale. They also find that areas with strict regulation have lower productivity construction establishments and less construction.

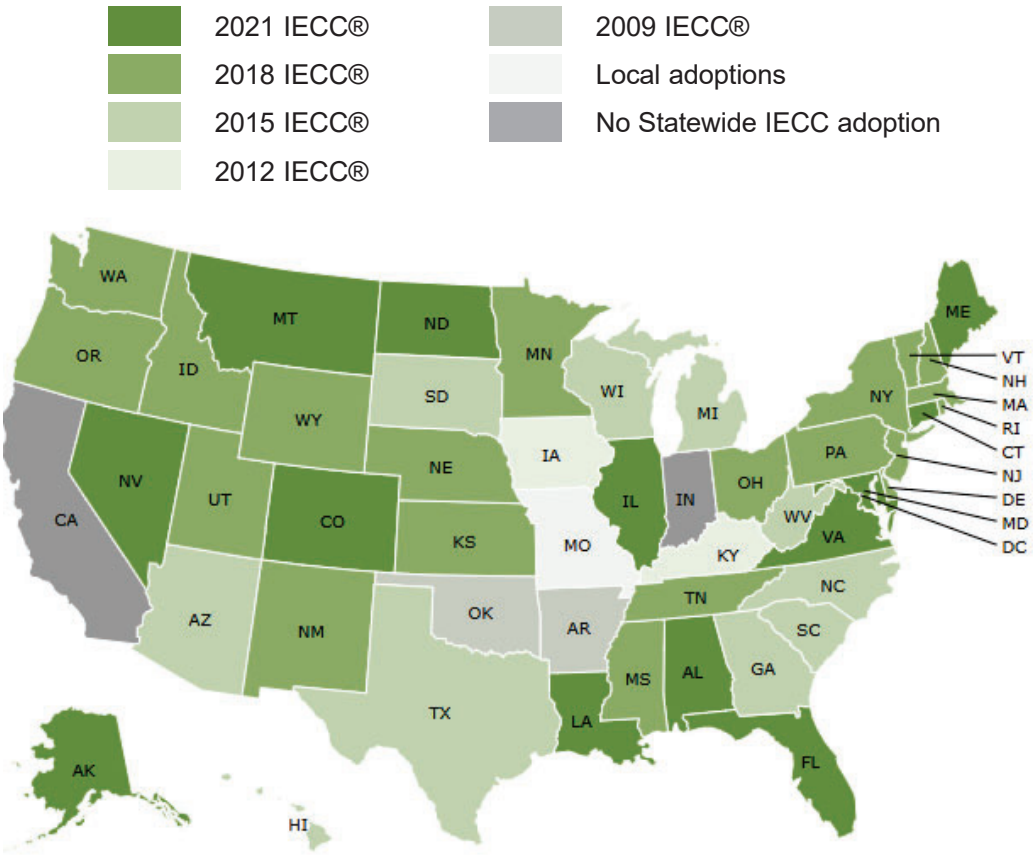
Finally, Lee and Yoo (2025) show that Americans are increasingly giving up on the possibility of ever owning a home, which spills over into many areas of economic decision-making. Specifically, the loss in the belief in the feasibility of homeownership is causing people to reduce their work effort, spend a higher fraction of their income instead of even attempting to save up for a home, and engage in riskier investment behavior.

Not Just a State/Local Issue: The Biden Administration's Coercive Green Energy Mandates

On June 1, 2022, the Biden Administration announced its "National Initiative to Advance Building Codes," which was developed and approved by Biden's National Climate Task Force (White House 2022). The announcement for the initiative stated that "agencies will advance the use of innovative incentives in Federal funding to support and reward jurisdictions for code adoption and enforcement." In other words, *the initiative coerced States and localities into adopting green codes*. According to the National Association of Home Builders (NAHB 2024), "building to the 2021 International Energy Conservation Code (IECC) can add up to $31,000 to the price of a new home and take up to 90 years for a home buyer to realize a payback on the added cost of the home." Specific items included in the initiative were:

- The Federal Emergency Management Agency (FEMA 2022) released a new building codes strategy in 2022 that included "amplify[ing] climate science messaging . . . to increase public demand for building codes" and advancing equity as core objectives. FEMA's 2022–26 strategic plan also mentioned "instill[ing] equity as a foundation of emergency management" (FEMA 2021).
- The Department of Energy deployed $225 million from the President's Bipartisan Infrastructure Law to "advance energy efficiency and resilience through building codes by … advancing environmental and energy justice priorities."
- HUD issued its 2024–27 Federal Climate Adaptation Plan in May 2024. The plan highlights the use of Notice of Funding Opportunities to award points for projects that "incorporate green and resilient building approaches and outcomes."
- HUD and the Department of Agriculture (USDA) required above-code

Figure 6-7. Adoption Rates for Statewide Building Codes

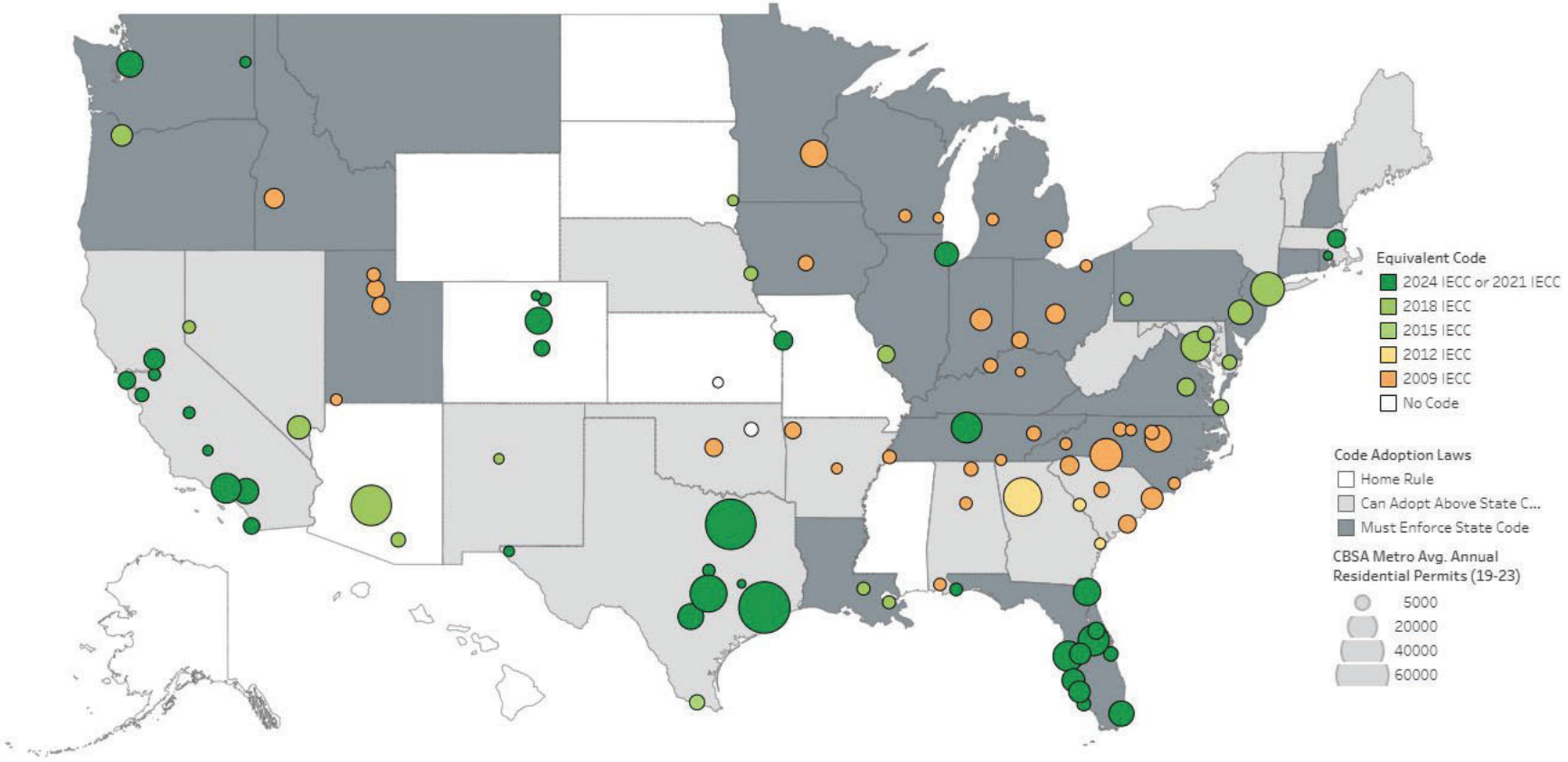


Source: International Code Council.
Note: Adoption information is provided for Sates where the IECC is adopted Statewide, adopted Statewide for certain categories of buildings, or adopted by a State body to guide local code adoption.

green and resilient construction standards in HUD- and USDA-assisted housing. In particular, in April 2024, HUD and USDA issued a Final Determination that requires all HUD- and USDA-financed single-family housing construction to be built to the 2021 International Energy Conservation Code (IECC) and HUD-financed multifamily housing be built to 2021 IECC or ASHRAE 90.1-2019 (HUD and USDA 2024).

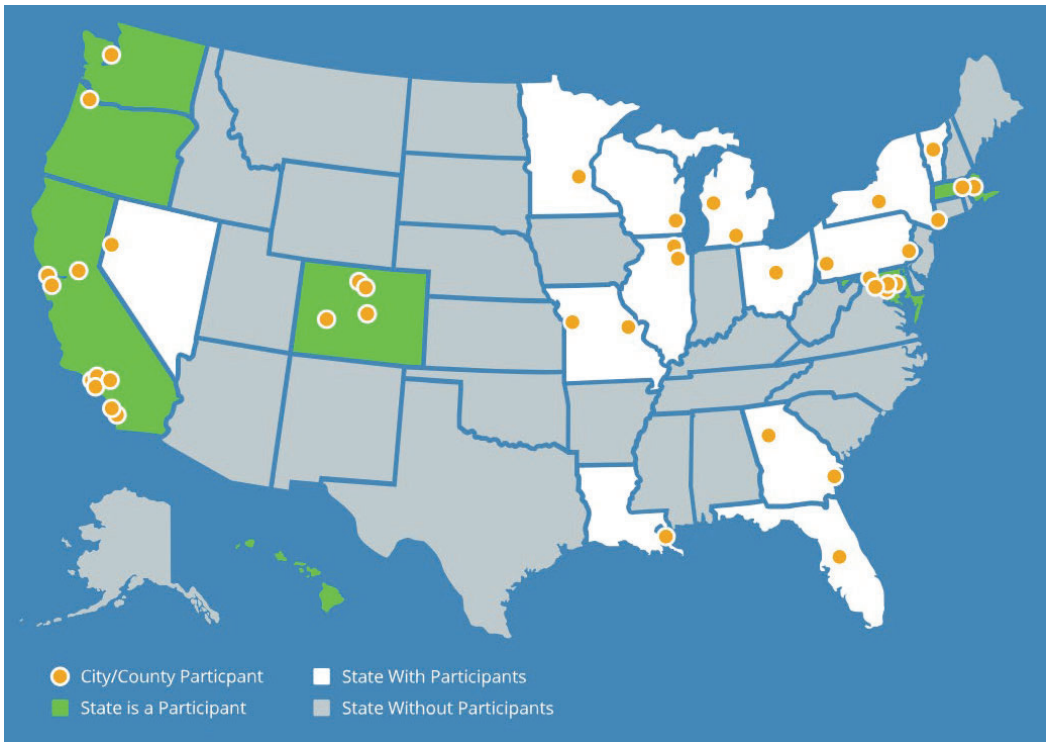
Fannie Mae also began offering preferential pricing (e.g., a lower interest rate) to finance "green certified" properties. Unfortunately, this use of Federal dollars by the Biden Administration succeeded in coercing several States and localities to adopt inflationary green energy mandates in their residential building codes. Figure 6-7 shows that many States have mandated adoption of the 2021 IECC energy codes, while in other cases, like California, the standards can be even *more* stringent or are adopted at the local level (figure 6-8). Figure 6-9 shows the Biden Administration's National Building Performance Standards Coalition.

Figure 6-8. Energy Codes in the 100 Largest Metro Areas, by Permit Type and Number



Source: Energy Efficient Codes Coalition.

Figure 6-9. A Map of the Biden Administration's National Building Performance Standards Coalition



Source: National Building Performance Standards Coalition.

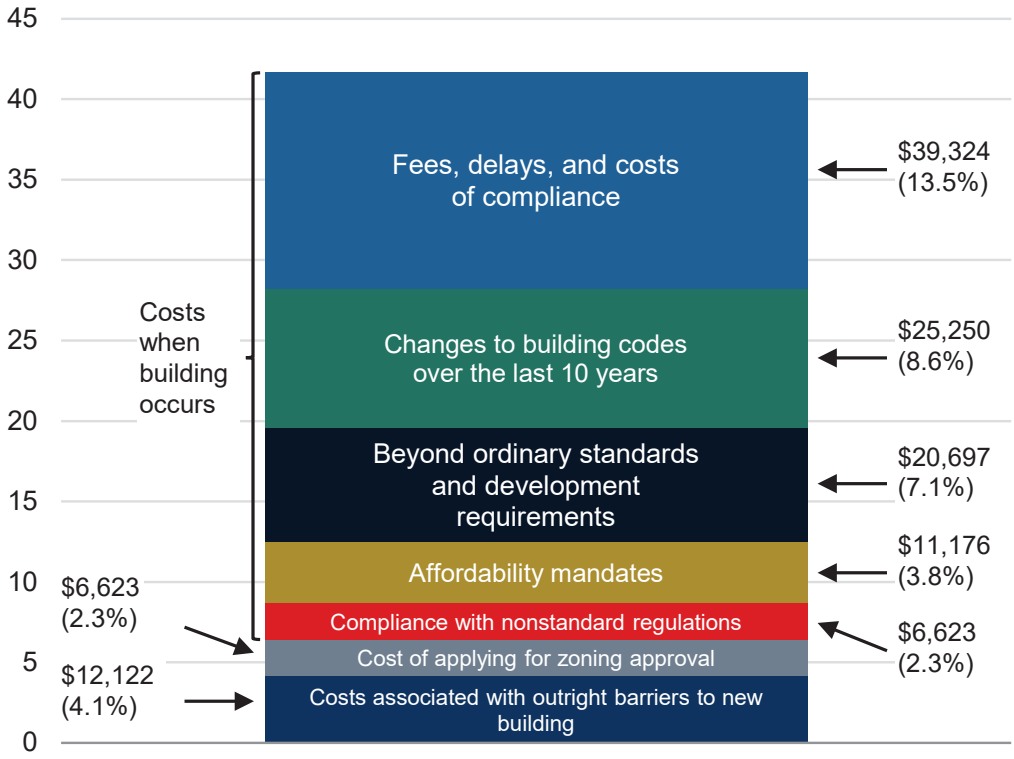
Green energy provisions have steadily and steeply grown for over a decade (International Code Council 2021). Whereas residential building codes were closer to 500 pages in the year 2000, they now exceed 1,100 pages from added regulations that cost homebuyers. It is also worth noting that nearly 9-in-10 American homeowners live in homes built before 2010, yet many parts of the country have banned building homes like these anymore for reasons that have nothing to do with health or safety. Beyond the immediate inflationary impact on residents of those States and localities, these mandates hurt taxpayers *nationwide* by increasing the cost per new unit constructed from Federal subsidies. In short, the mandates impaired the cost-efficiency of Federal housing programs, causing dollars to not go as far as they used to.

Quantifying the Bureaucrat Tax from State and Local Housing Supply Barriers

This section quantifies the magnitude of the bureaucrat tax and its constituent components. Beginning with the topline results, the CEA finds that the costs and delays described above translate into an effective 42 percent bureaucrat tax on housing supply, indicating that fees, mandates, regulations, and red tape make up about 29.5 percent (= 0.42/1.42) of the cost of a new home. As added

Figure 6-10. Decomposition of the Bureaucrat Tax

Additions to total building costs (percent)



Sources: Emrath 2021, National Multifamily Housing Council, CEA calculations.

context, the NAHB estimates that the bureaucrat tax constitutes 24 percent of the cost of a new home, and the National Multifamily Housing Council (NMHC) reports an even higher share of 41 percent for multifamily housing (Emrath 2021; National Multifamily Housing Council 2022). Put even more concretely, *the bureaucrat tax adds over $100,000 to the cost of a new single-family home*. Another recent study finds that multifamily development costs 2.3 times more in California than it does in Texas and that government overhead is a major driving force of the gap (Ward and Schlake 2025). Impact and development fees average $29,000 per unit in California versus less than $1,000 in Texas, and it takes on average 22 months longer to complete a project in California than in Texas. The study also finds that California's subsidized "affordable" projects are *more expensive* to build than the market-rate construction. In short, papering over the bureaucrat tax with subsidies is not a real fix.

Before delving into the methodology for the CEA's estimated 42 percent bureaucrat tax, figure 6-10 quantifies each of the contributing factors by mapping the aggregate onto the decomposition of regulatory costs based on the NAHB and NMHC studies. This figure uses percentages and (paraphrased) labels from table 1 of the NAHB study, supplemented by the estimated impact of affordability mandates from table 1 of the NMHC study. Neither study includes

estimates of how the impact of bans, literal or effective, on new building affect costs, so the bottom category, "costs associated with outright barriers to new building," is computed as a residual so that the total regulatory share is 29.5 percent.[2] The numbers are then converted back from their tax-inclusive regulatory share to their tax-exclusive rate, ensuring the total adds up to 42 percent. The imputed tax associated with outright barriers to new building comes out to 4.1 percent, but in localities that have no-building zones like greenbelts and urban containment boundaries, this tax is likely much larger. As an example, Boulder County, Colorado, has a large and long-established greenbelt, while Denver County, Colorado, does not. To assess its impact on house prices, the CEA uses census-tract-level data. After controlling for income, house prices in Boulder are 18 percent more expensive, which amounts to $113,000 for a median-priced home.[3]

Methodological Overview of the CEA's Estimate of the Bureaucrat Tax

The CEA uses the classic tools of supply and demand to compute the impact of deregulation on housing markets. Figure 6-11 provides a stylized example. The downward-sloping blue line shows a hypothetical housing demand curve. The curve slopes down because as the price of housing declines (i.e., as the value of the y axis declines), people demand a larger quantity of housing (the value of the x axis increases).

The red and the gold lines in figure 6-11 provide stylized examples of two different supply curves. Each of these curves has an upward slope, because as the quantity of housing in an area increases (i.e., the x axis increases), it can become more difficult and expensive to add additional units to the stock (the y axis increases).[4] The red line represents a hypothetical supply curve in a jurisdiction that is heavily regulated, and the gold line represents a supply curve in a jurisdiction that is less regulated. The red line is everywhere above the gold line because regulation makes it more expensive to supply any quantity of housing. The wedge between the red and gold lines is the "bureaucrat tax."

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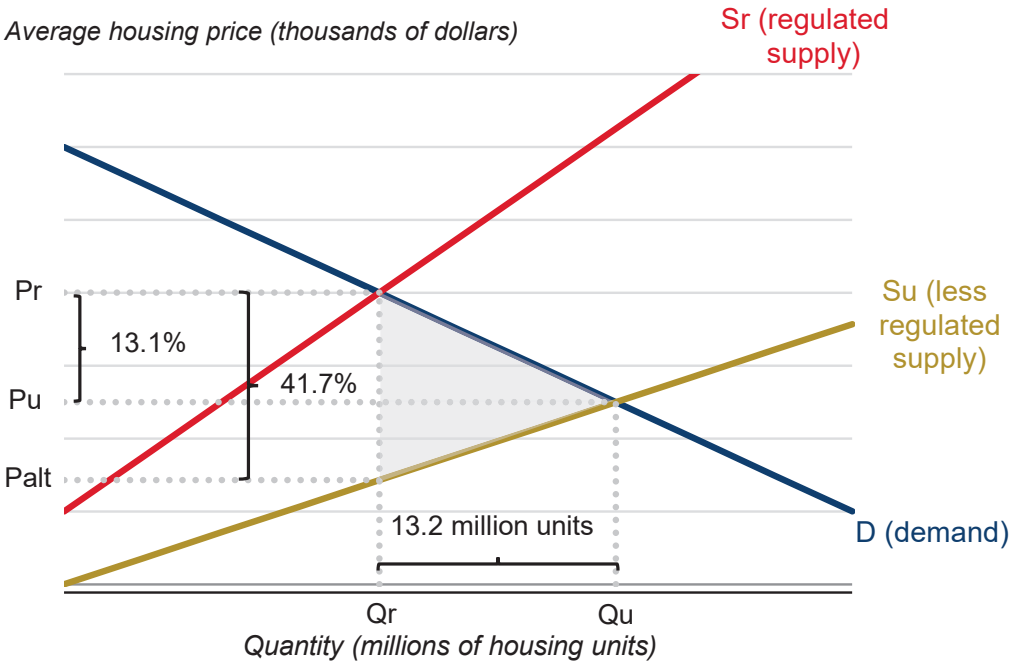
[2] The estimate of the percentage increase in costs due to affordability mandates is from the NMHC study. The cost of regulation according to the NMHC study is 41 percent, but that estimate refers to multifamily units and the CEA is largely focusing on single-family homes.

[3] This example is intended to be illustrative, because controlling for income is not sufficient to measure the impact of a greenbelt on house prices. Koster (2023) studies the impact of greenbelts in England, and Hempel (2024) studies the impact of the Toronto greenbelt. Both papers find that greenbelts decrease the stock of housing and increase the price. We note that greenbelts are different than other forms of regulation (e.g., delays in providing permits) given that existing owners may like greenbelts, whereas presumably permitting delays likely provide few benefits to anyone.

[4] E.g., land with undesirable geographic features such as steep slopes may not be developed at first, but as a city expands and good land becomes scarce, developers might choose to build new housing on this land if the price of housing justifies the increase in construction costs.

Figure 6-11. Shift of the Housing Supply Curve and the Bureaucrat Tax Due to Regulatory Barriers



Sources: National Historical Geographic Information System; Baum-Snow and Han (2024); Federal Housing Finance Agency; U.S. Census Bureau; CEA calculations.
Note: This graph shows a hypothetical estimate based on the CEA's analysis using the sources listed. For simplicity, data are presented in linear space as opposed to log-log space, as used by the CEA in the estimate.

Two different housing market equilibria are shown in figure 6-11. In the first, corresponding to a regulated market, the equilibrium occurs at the intersection of the red supply curve and blue demand curve. The quantity and price of housing in this market are labeled Qr and Pr. In the second, a less regulated (or unregulated) market, the equilibrium occurs at the intersection of the gold supply curve and the blue demand curve at quantity Qu and price Pu. In figure 6-11, the price of housing in the unregulated market is lower than in the regulated market, and the unregulated market builds more homes than the regulated market. The vertical gap between the gold and the red supply curves at quantity Qr is the bureaucrat tax. Conceptually, it is the extra amount that people have to pay for their housing in regulated markets due to regulation (over and above the price of housing that would be present at that quantity if housing were unregulated). In this example, the size of the tax is 41.7 percent, marked as the difference between Pr and $Palt$. Ultimately, if the entire tax is removed, equilibrium prices are 13.1 percent lower, not 41.7 percent. At price $Palt$, there is excess demand; builders build more housing and, as builders increase production, costs naturally start to increase. Builders build housing until the cost of an additional unit of supply is equal to the willingness to pay of a buyer for that last unit, and that occurs in the unregulated market at price Pu and quantity Qu.

Data and Estimation

To get a sense of the impact of red tape, fees, mandates, and other regulatory supply barriers on housing markets—that is, the distance between the gold and the red lines in figure 6-11—the CEA uses the Wharton Residential Land Use Regulation Index. Gyourko, Hartley, and Krimmel (2021) describe the construction of the index and some of its properties. Briefly summarizing, for 2,450 "primarily suburban" communities, the chief administrative officer of the community completed a five-page survey on the presence or lack thereof of various types of regulations. The responses are tabulated and weighted, and then each community is assigned a score, its WRLURI value. The value of the WRLURI rises as housing production is increasingly regulated. The WRLURI is normed so that across all 2,450 communities, the average value is zero and the standard deviation is 1.

The CEA computes the impact on house prices and quantities nationwide if the regulatory burden to producing housing declines such that the nationwide average value of the WRLURI falls by 1 standard deviation. Referring to figure 6-11, conceptually, the red supply curve reflects the current situation of highly regulated housing markets and the gold supply curve reflects the new reality of housing markets once the WRLURI declines by 1 standard deviation. A reduction of about this magnitude would occur if all metropolitan areas more regulated than the Duluth metro area became equally as regulated as Duluth and if all areas less regulated than Duluth did not change.[5]

To quantify how variation in local regulation affects equilibrium prices (i.e., the gap between Pr and Pu in figure 6-11), the CEA regresses the natural logarithm of the price of housing at the census tract level in 2023 and 2024 on the WRLURI.[6] The CEA uses the natural logarithm of the price for the dependent variable so that the regression coefficient has the interpretation of the impact of a change of 1 standard deviation in the WRLURI on the growth rate of prices. Importantly, in this regression, the CEA includes border "fixed effects." This means that the identification of the impact on WRLURI on house prices is only coming from systematic variation in WRLURI values and prices among census

[5] The CEA estimates the WRLURI score for Duluth, MN-WI, to be −0.74. The housing-unit weighted average WRLURI of metros above Duluth is 0.45, constituting about 86 percent of total housing units. We multiply the difference between the weighted average mean of metros and Duluth (0.45 − [−0.74] = 1.19), by the share of housing units in metros above Duluth (86 percent) to derive the value of the housing-unit weighted reduction in WRLURI from the average to Duluth (1.19 * 86% = 1.02), while assuming no change in the restrictiveness of those metros with scores below Duluth.

[6] The CEA inflates median house prices at the census tract level from 2000 to 2023 and 2024 using census-tract-level house price indexes from the Federal Housing Finance Agency.

tracts that share a border.[7] The CEA's estimate is 0.1234,[8] implying that an increase of 1 standard deviation in the WRLURI is associated with a 13.1 percent increase in the price of housing among census tracts that share a border. Note this is an *underestimate* of the relationship of *all* housing regulations and house prices because it does not include the impact of either Federal or State regulations on house prices that are common across census tracts that share a border.

Next, the CEA computes the regulatory tax rate (i.e., the gap between the red and gold lines of figure 6-11 when measured at Qr) that is consistent with the CEA's estimate that a change of 1 standard deviation in the WRLURI is associated with a 0.1234 change in equilibrium log house prices. The Mathematical Appendix to this chapter shows that the formula to determine this tax rate is:

$$\exp\left[\left(\frac{m_s+m_d}{m_d}\right)0.1234\right] - 1 \qquad (1)$$

where m_s is the slope of the gold supply curve from figure 6-11 and m_d is the (negative) of the slope of the blue demand curve from figure 6-8. In this calculation, the CEA sets m_s = 2.61 and m_d = 1.43. The Mathematical Appendix shows how the CEA arrives at these estimates. Applying these values to equation 1 gives a "bureaucrat tax" associated with a change of 1 standard deviation in the WRLURI of 41.7 percent.

As a final step, the CEA computes the predicted increase in quantity (i.e., the change in quantity from Qr to Qu in figure 6-11) associated with a decline of 1 standard deviation in the WRLURI. The Mathematical Appendix shows that the percentage increase in quantity can be computed as

$$\exp\left[\left(\frac{1}{m_d}\right)0.1234\right] - 1 \qquad (2)$$

Given m_d = 1.43, this comes out to a 9.0 percent increase in the number of homes from higher supply.

[7] The basic idea behind identification is that census tracts that share a border should have a nearly identical set of amenities that may affect house prices and are otherwise hard to observe, e.g., proximity to parks. For identification to be valid, the variation in amenities and other attributes that affect house values must be randomly distributed across the border. Identification is not valid if areas that are systematically more regulated also, on average, have higher amenities that people tend to value (e.g., lower crime).

[8] The regression uses the number of housing units as weights. Standard errors are clustered by border ID and place. The standard error of this estimate is 0.0538.

Boosting Ownership, Protecting Home Values, and Limiting Monthly Payments in a Trump Boom

As mortgage rates continue to fall and income growth accelerates, supply will need to expand in tandem with higher demand to enable greater homeownership, ensure stable house prices, and shield against the return of rising property taxes and homeowner insurance premiums (Abramson and Landvoigt 2025).

Rapid House Price Appreciation and Monthly Liquidity

Although homeowners gain illiquid wealth from rising home values, their monthly liquidity often tightens because of the resulting payment increases they face from increases in property taxes and homeowner insurance induced by rapid house price appreciation, which can create financial distress. For perspective, data from the American Community Survey indicate that property taxes rose by 26 percent on average from 2019 to 2024, adding over $900 annually to the cost burden of a typical homeowner. For seniors age 75 to 84 years, many of whom live on fixed incomes, the average property tax increase was over $1,000. Since 2012, property taxes have increased by 62 percent, or over $1,750. Using 2012–24 American Community Survey data and controlling for State fixed effects, the CEA finds that each 1 percent rise in house prices is associated with a 0.41 percent rise in property taxes and a 0.42 percent rise in insurance premiums, with even larger pass-through magnitudes in some States and localities.

A prospective homebuyer's monthly liquidity is also one of the most important reasons for mortgage loan denials. Although policy discussions often center on down payments, the median homebuyer who takes out a mortgage to purchase a home only makes a 5 percent down payment (Urban Institute 2025). Fannie Mae and Freddie Mac allow down payments as low as 3 percent, FHA allows down payments of 3.5 percent (which most FHA borrowers elect), and Veterans Affairs loans have a zero percent minimum required down payment.[9]

Often, the more binding constraint that prevents homeownership is the allowed maximum debt-to-income ratio (Greenwald 2018; Bhutta and Ringo 2021; Ringo 2023). The debt-to-income (DTI) ratio measures a borrower's monthly mortgage payment—principal, interest, property taxes, homeowner insurance, and, if applicable, mortgage insurance and homeowner association dues—as a fraction of their monthly income. This ratio is called the front-end ratio. The back-end ratio also includes other revolving debt, such as credit cards and car loans. The front-end and back-end DTIs are both key underwriting criteria. For example, Fannie Mae often imposes a maximum back-end DTI of 36 percent for borrowers with moderate credit histories and total principal, interest, taxes, and insurance of 45 percent for borrowers with stronger credit

[9] The FHA Single Family Origination Trends report states that 61.5 percent of new loans had a loan-to-value ratio of 96 to 98 percent.

(Fannie Mae 2025). FHA uses 43 percent as a baseline for the maximum DTI (HUD 2025). An analysis of data from 2018 to 2021 finds that 28 to 30 percent of loan denials occurred because of a borrower's inability to meet the maximum DTI threshold, whereas only 12 to 19 percent of denials were because of collateral issues from an insufficient down payment (Garriga 2026). Even more recent data from 2023 show that 34.4 percent of loan denials were because of the debt-to-income ratio, versus only 9.3 percent due to an insufficient down payment (Zillow 2024).

What these findings establish is that high monthly *payments* are a serious impediment to homeownership, and the drivers of higher payments include high interest rates, high house prices, and high debt burdens from other sources like student loans and credit cards. The Trump Administration has already taken action to reform student loans through the One Big Beautiful Bill Act, and President Trump has recently announced actions to address high credit card interest rates. All things remaining equal, falling interest rates will make it easier for prospective buyers to satisfy DTI criteria, but rapid house price appreciation would make this more difficult.

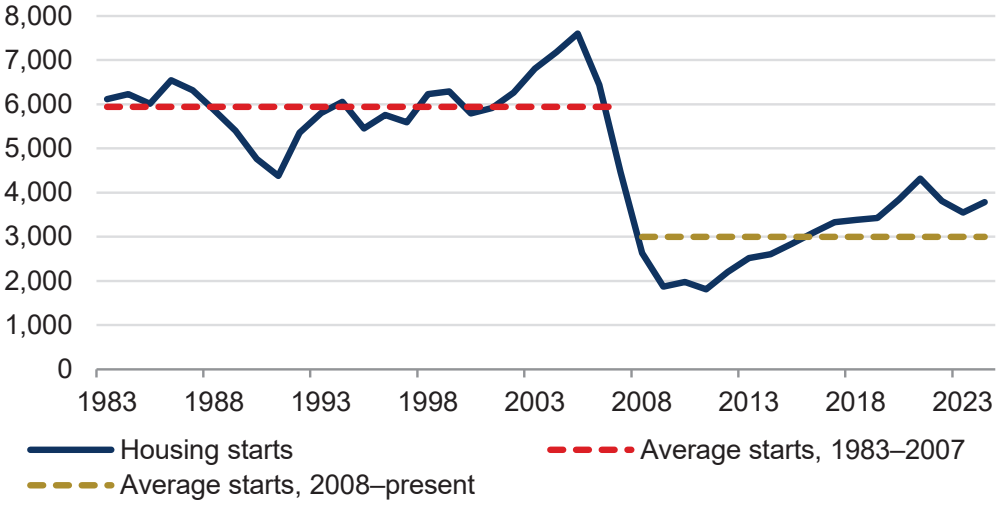
Ensuring Balanced Supply Growth to Guard Against Rising Prices

The future path of house prices in a booming Trump economy with falling mortgage rates and rising income will depend on the ability of housing supply to grow and keep up with demand. As discussed above, supply conditions have been tight for years, characterized by low months of supply—especially at affordable price tiers—and contractions in residential construction, which continue to subtract from otherwise robust GDP (Pinto and Peter 2026b; BEA 2026). Looking back further, to 2008, the rate of homebuilding has fallen by half relative to what had been a stable pace of 6,000 new single-family homes per million people per year for decades, as shown in figure 6-12 (with the trend going back even further, to the 1960s). The divergence from historical trends is also apparent in figure 6-13, which shows the total stock of single-family homes over time. If homebuilding and the growth of the single-family housing stock had continued at their historical pace instead of falling dramatically after 2008, there would be 10 million or more additional single-family homes today. This finding is broadly in line with estimates from other experts who use different methodologies to quantify a housing "shortage" of several million homes from a prolonged suppression of housing supply (Patel, Rajan, and Tomeh 2024; Congressional Research Service 2025; Glaeser and Gyourko 2025; Goldman Sachs 2025). Not only does the bureaucrat tax add over $100,000 to the cost of a home; it also acts as a barrier to homes being built.

Reversing the supply suppression from the large bureaucrat tax will help ensure that the full savings from lower mortgage rates flow to homebuyers by keeping home values stable and shielding against the return of soaring prices,

Figure 6-12. Average Single-Family Housing Starts per Million People, 1983–2024

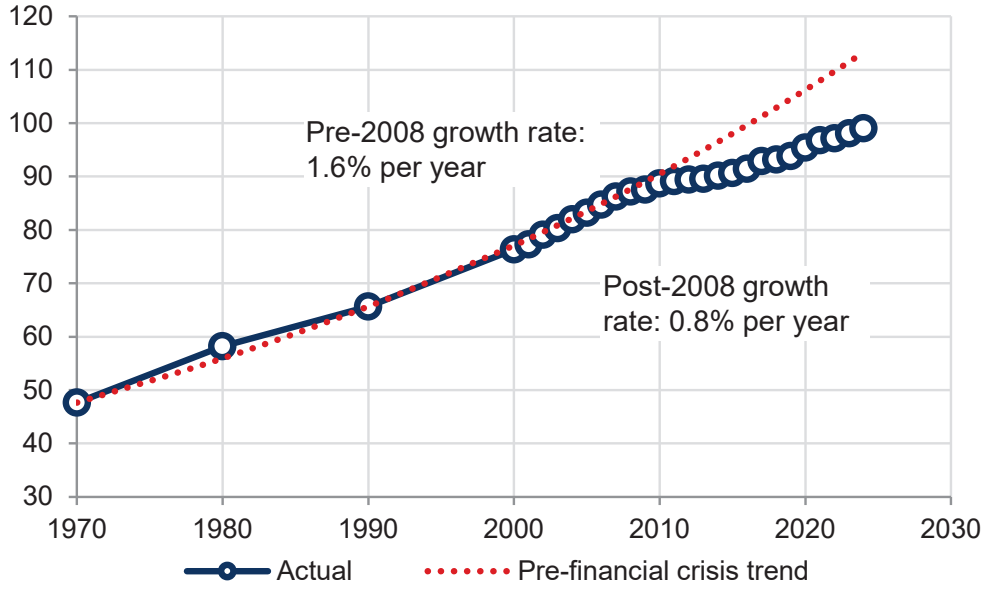
Annual housing starts per million people



Sources: Census Bureau; CEA calculations.

Figure 6-13. Single-Family Housing Stock

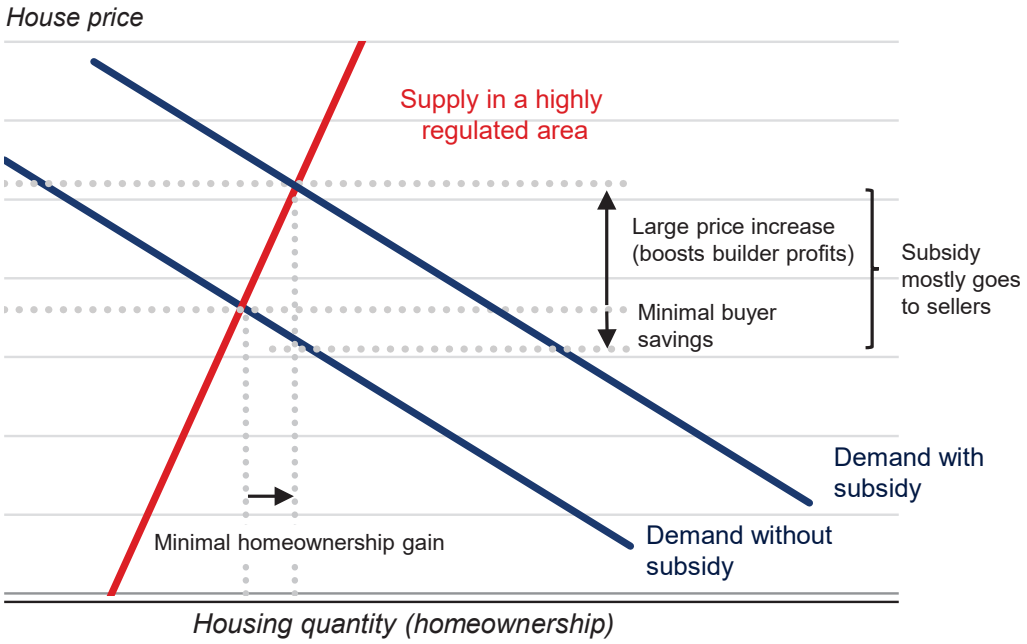
Millions of units



Sources: American Community Survey; U.S. Census Bureau; CEA calculations.

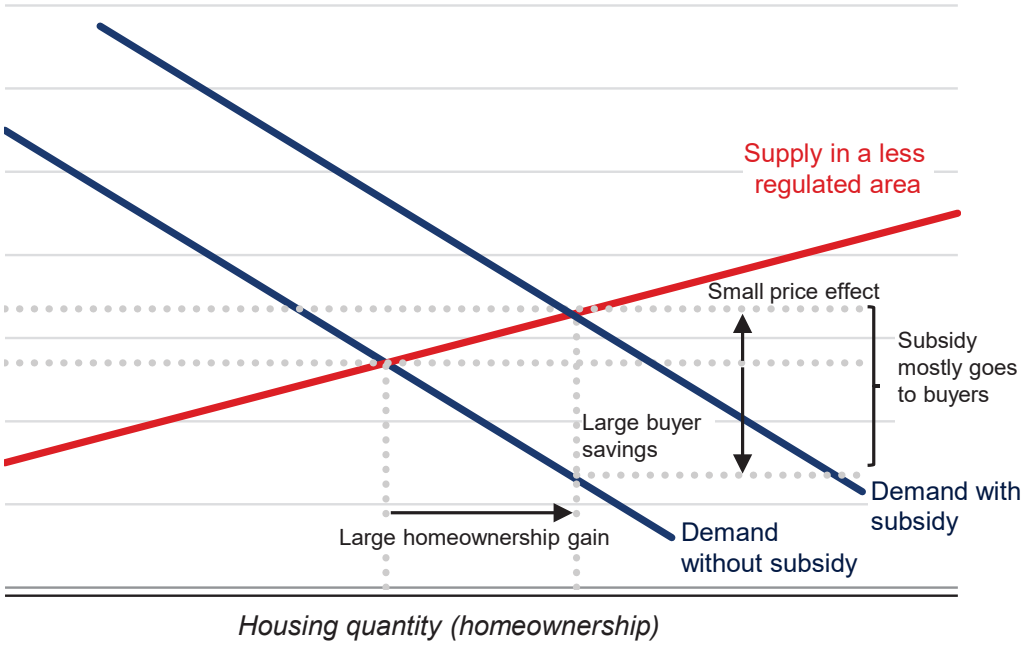
property taxes, and homeowner insurance premiums. For example, one recent analysis based on extensive research finds that, if rates fall back to their 2018 average of 4.5 percent but supply remains at suppressed levels, house prices would rise an additional 10 percent over the next three years and erase about half the savings to buyers (Pinto and Peter 2026a; Chudik and Kumar 2023; Liu et al. 2021). By contrast, restoring homebuilding to past levels would help

Figure 6-14. Subsidizing Demand in a Supply–Constrained Market



Source: CEA calculations.

Figure 6-15. Subsidizing Demand in a Supply–Abundant Market



Source: CEA calculations.

stabilize house prices and home values, passing more savings to buyers and boosting homeownership.

Under the Trump Administration, the Federal government has taken great steps to reduce the burden on homebuilders imposed by Federal regulations. Reform at the State and local levels to tackle the sources of the

six-figure bureaucrat tax would greatly enhance the ability of supply to keep up with stronger demand. Figures 6-14 and 6-15 provide a visual illustration of the importance of reducing supply constraints to ensure stronger demand (depicted as a demand subsidy) boosts homeownership instead of housing inflation. In figure 6-14, with highly regulated supply, a demand subsidy fuels appreciation that increases the profits to sellers and builders, with minimal gain in homeownership. By contrast, in figure 6-15, with less constrained supply, most of the demand subsidy ends up as savings to buyers, with house prices exhibiting little change.

The Impact of Cutting the Bureaucrat Tax on Homebuilding, Economic Activity, and Affordability

As discussed above, the CEA estimates that reducing the WRLURI by 1 standard deviation would boost the housing stock by 9.0 percent, which amounts to 13.2 million more homes starting from a baseline of 146.8 million homes using 2024 census data (U.S. Census Bureau 2025). In 2024, 1.621 million homes were completed, accounting for $559.11 billion in GDP, or about $345,000 per completed home.[10] The residential investment from building an additional 13.2 million homes would add about $4.0 trillion to GDP. Spread over 10 years, the result would be 1.3 percent added to annual GDP and 2 million new manufacturing and construction jobs.[11]

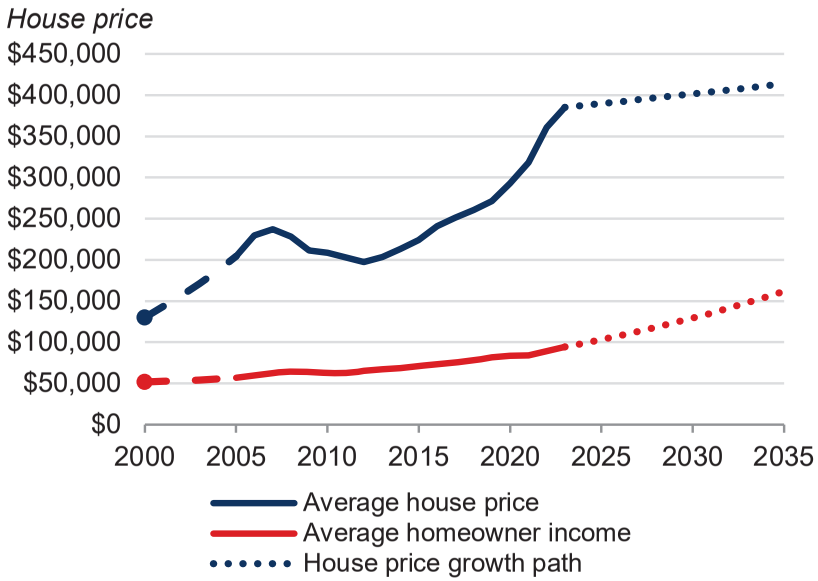
For individuals, the cost-savings and house price stability that result from slashing the bureaucrat tax make homeownership more accessible for new buyers and more *secure* for existing owners by relieving pressure on monthly budgets while protecting home values. Over time, supply growth also allows incomes to catch up after years of being outpaced by house price appreciation. For example, consider a median-income buyer purchasing a median-price home with a 10 percent down payment in a locality with a 1 percent property tax rate. Under Biden-era mortgage rates and price-income ratios, this buyer would pay more than 33 percent of their pre-tax income in monthly mortgage payments. If, instead, rates fall to 4.5 percent and house prices grow at just 0.6 percent per year over the next decade, the house price–income ratio would decline from 4.1 to 2.7, as shown in figures 6-16 and 6-17, which portray house price and income dynamics under alternative housing market conditions with strong

[10] For housing units, see FRED variable COMP621UTSA (https://fred.stlouisfed.org/series/COMPUTSA), total new privately owned housing units completed. For the contribution to GDP, see FRED variable A943RC1Q027SBEA (https://fred.stlouisfed.org/series/A943RC1Q027SBEA), private fixed investment in permanent site residential structures.

[11] This calculation takes into account the 13.1 percent price savings from the removal of the bureaucrat tax and assumes that each house takes one year to build and that the average GDP created per full-time construction and manufacturing worker is about $200,000.

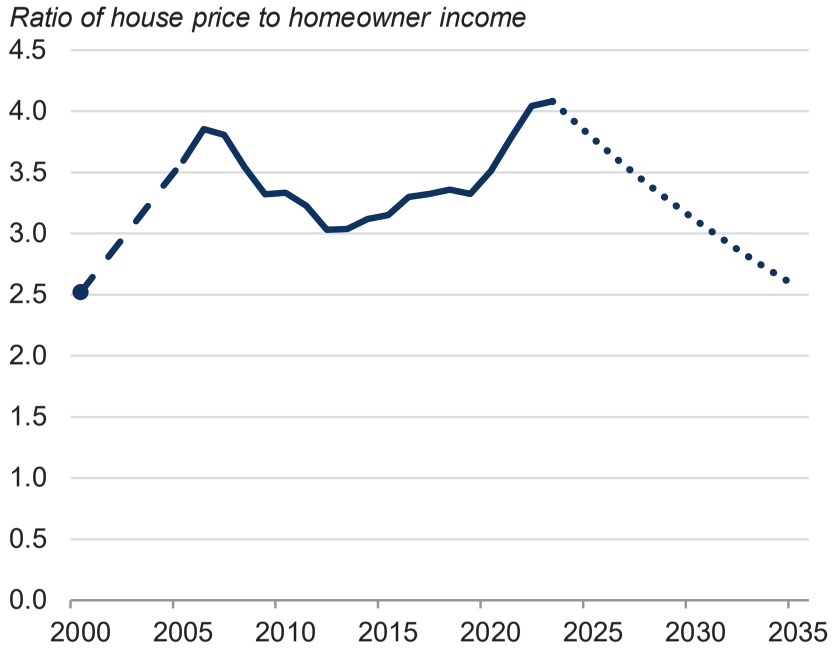
Figure 6-16. House Price and Income Dynamics under Alternative Housing Market Conditions with Strong Supply

A. Slower House Price Growth and Faster Income Growth Narrow the Gap Between House Prices and Incomes



Sources: U.S. Census Bureau; CEA calculations.
Note: Data are in nominal terms.

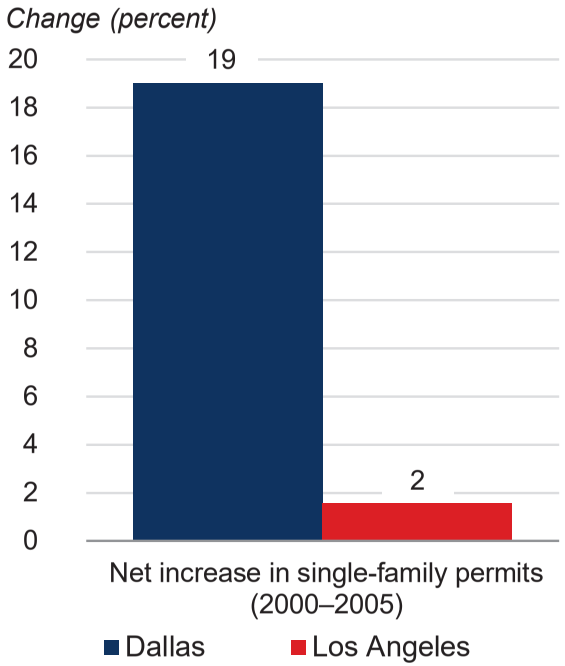
B. The House Price–Income Ratio Reverts to More Affordable Levels



Sources: U.S. Census Bureau; CEA calculations.

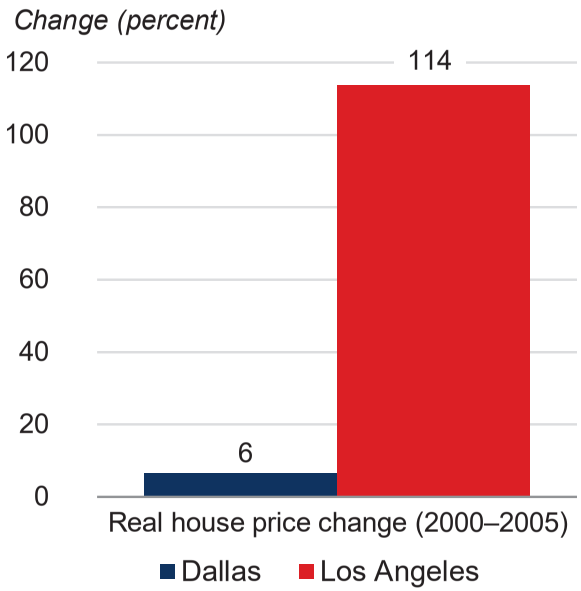
Figure 6-17. The 2000s Texas Miracle and the Importance of Supply for Affordability

A. Change in Single-Family Housing Permits Issued, Dallas versus Los Angeles, 2000–2005



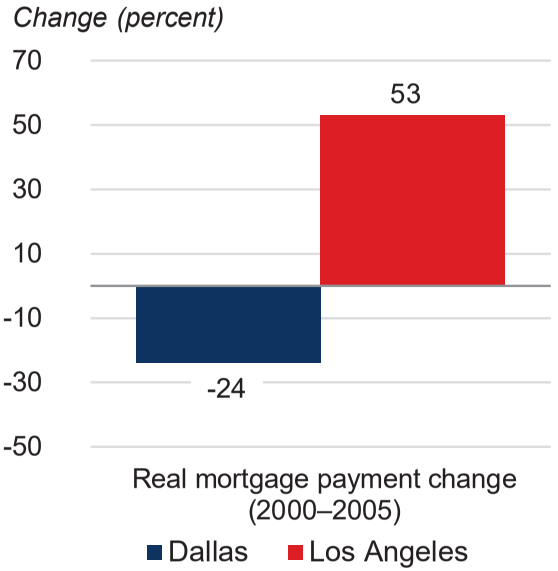
Sources: U.S. Census Bureau; CEA calculations.

B. Change in Real House Prices, Dallas versus Los Angeles, 2000–2005



Sources: Bureau of Economic Analysis; S&P Dow Jones Indicies; Freddie Mac; CEA calculations.
Note: Real price change estimates used in payment calculations are deflated using the monthly Personal Consumption Expenditures Price Index.

C. Change in Real Mortgage Payments, Dallas versus Los Angeles, 2000–2005



Sources: Bureau of Economic Analysis; S&P Dow Jones Indicies; Freddie Mac; CEA calculations.
Note: Real price change estimates used in payment calculations are deflated using the monthly Personal Consumption Expenditures Price Index.

supply.[12] Under these alternative housing market conditions, the buyer in this example would only spend 18 percent of their income on mortgage payments.

The 2000s Texas Miracle

There is a historical precedent for a Goldilocks scenario of falling interest rates, rising homeownership, and stable home values. Consider the 2000s housing boom. From 2000 to 2005, mortgage rates fell from 8.2 percent to 5.8 percent across the country, contributing to a house price boom across much of the country. However, the magnitude of price increases varied geographically, based in part on how unconstrained housing supply was to keep up with demand. Consider a comparison between Dallas and Los Angeles. In Los Angeles, the number of single-family home permits barely budged in response to the surge in housing demand because of tight restrictions on supply from California-style fees, mandates, regulations, and red tape. As a result, house prices surged by 114 percent, and the monthly principal and interest on a new mortgage actually increased by 53 percent because the surge in house prices more than offset the decline in mortgage rates. By contrast, single-family permits jumped in homebuilding-friendly Dallas, and real house prices only rose 6 percent. As a result, mortgage payments fell by 24 percent for new buyers. In other words, existing homeowners saw stable real house prices and gradually rising equity, while all buyers, including first-time buyers hopping on the first rung of the property ladder and those looking to upsize, benefited from increased affordability. Figure 6-17 provides a visual representation of this comparison.

State and Local Best Practices to Tackle the Government Bureaucrat Tax

This chapter's Appendix of Best Practices contains a comprehensive list of reforms States and localities can implement to tackle the government bureaucrat tax. This list reflects proposed changes that could rapidly incentivize new building by eliminating impediments, taxes, hold-ups, fees, processes, and schemes that serve as barriers to new development as described to the CEA during months of listening sessions with developers and land-use attorneys from all across the country, leading academics, think tanks, and industry-advocacy groups. The list addresses items that are called out by the 2021 NAHB and 2022 NMHC studies on the cost of regulation—for example, "Hard costs of compliance (fees, required studies, etc.)," "Fees paid by the builder after purchasing the lot," "Changes to building codes over the past 10 years," "Architectural design standards beyond the ordinary," and "Cost of affordability mandates (e.g. IZ)," among others. The CEA has sorted this list into these three broad classes:

- *Unleashing manufacturing innovation.* One reason high-quality, high-pro-

[12] This assumes 2.6 percent annual real income growth and constant real house prices after applying the CEA's 13.1 percent real price impact estimate from above.

ductivity manufacturing techniques have not been more widely adopted in building new homes (thus reducing costs while keeping quality high) is that building codes are often not aligned across localities or States. This makes achieving returns to scale difficult, typically a requirement for efficient manufacturing. Additionally, some State and local inspection procedures are not appropriate for off-site built housing, adding costs and delays. The best-practices solution is to align codes with accepted standards for modular, prefabricated, panelized, and other off-site built housing to enable "all of the above" quality construction techniques.

- *Streamlining the stages of homebuilding.* The process for receiving approvals and permits is often slow, expensive, and unpredictable. Additionally, States and localities often charge fees that are unjustified in size by costs or unrelated to the project at hand. The best-practices solution is to create a fast-track process for all housing developments that features capped timelines and permit fees, appropriate and justifiable impact fees, third-party inspections, and an expedited appeal process that ensures faster and less arbitrary dispute resolution.
- *Protecting consumer choice and private property rights.* Developers, landlords, renters, and homeowners are subjected to a wide range of mandates unrelated to true safety and welfare concerns that prescribe what and how they can and cannot build and what they are allowed and not allowed to do with their property. The best-practices solution is to curtail gratuitous mandates that restrict housing supply, such as restrictions on the number of units that can be built in any given time period, costly green energy building requirements, and discriminatory labor rules. These reforms should provide greater flexibility and consumer choice and stronger private property rights to landlords to help protect them from losses from fraud and nonpaying tenants. Also, new single-family housing construction requires new land, so best practices require the elimination of any rule, regulation, or policy that prohibits the development of new, detached single-family housing outside prescribed geographic limits.

Conclusion

President Trump understands real estate like no previous President in history, and his Administration is committed to protecting and restoring the American dream of homeownership. This chapter has identified culprits both in the form of adverse sources of housing demand that compete with American families for homes and the government bureaucrat tax on housing supply from increasingly pervasive California-style fees, mandates, regulations, and red tape that add expensive government overhead to the cost of building. The Trump Administration has already taken aggressive action to tackle the

housing affordability crunch it inherited, beginning with the historic policies of the One Big Beautiful Bill Act to expand economic potential and bring down interest rates and extending to mortgage bond purchases to further lower rates combined with Federal deregulatory efforts to remove impediments to supply. As analyzed by the CEA, additional reforms of State and local policies would strongly enhance these efforts and enable new generations of Americans to build homes, build families, and build the kinds of communities that are the backbone of America.

Mathematical Appendix

Computing the regulatory tax rate: Consider two markets, an unregulated and a regulated market. Referring to the gold supply curve and blue demand curve of figure 6-11, the supply curve and demand curve for the unregulated market can be written as

$$\text{unregulated supply: } p = a + m_s q \quad \text{demand: } p = b - m_d q, \tag{1}$$

where a is the intercept of the supply curve, b is the intercept of the demand curve, m_s is the slope of the supply curve, and (negative) m_d is the slope of the demand curve. Note that p stands for the natural logarithm of the price per unit of housing in the market and q stands for the natural logarithm of the total quantity of housing in the market. An equilibrium in this market is a price where the quantity supplied is equal to the quantity demanded. After rearranging a few terms, the equilibrium (log) price in the unregulated market, p_u, satisfies

$$(m_s + m_d)p_u = m_s b + m_d a. \tag{2}$$

Consider now a regulated market with the same demand curve as the unregulated market, but with a possibly different intercept and slope of the supply curve:

$$\text{regulated supply: } p = (a + c) + (m_s + d)q. \tag{3}$$

In the equation above, regulation increases the intercept by c and increases the slope by d. Using the same logic as before, write the equilibrium log price in the regulated market, p_r, as having the following relationship:

$$(m_s + d + m_d)p_r = (m_s + d)b + m_d(a + c). \tag{4}$$

Now subtract equation 2 from equation 4 and rearrange terms:

$$(m_s + m_d)(p_r - p_u) = d(b - p_r) + m_d c. \tag{5}$$

From the demand equation, $b - p_r = m_d q_r$, so equation 5 can be rewritten as

$$(m_s + m_d)(p_r - p_u) = dm_d q_r + m_d c, \quad (6)$$

where q_r is the total housing quantity in the regulated area. Divide both sides by m_d to get

$$\left(\frac{m_s + m_d}{m_d}\right)(p_r - p_u) = dq_r + c. \quad (7)$$

The right-hand side of equation 7 is the shift in the supply curve evaluated at q_r, the equilibrium (log) quantity in the regulated market: c is the change in intercept, and dq_r is the additional increase from the change in slope. This is the natural logarithm of the regulation tax.

Now it is time to compute the size of this tax for a change of 1 standard deviation in the WRLURI. Note that the body of the chapter reports an estimate of the change in the equilibrium log price from a decline of 1 standard deviation in the WRLURI to be 0.1234, which is set equal to $p_r - p_u$. The CEA sets the (negative) of the slope of the demand curve, m_d, equal to 1.43 = 1 / 0.7, based on standard research (e.g., Polinsky and Ellwood 1979). Finally, for m_s, the slope of the unregulated supply curve, the CEA performs analysis on data from Baum-Snow and Han (2024). Baum-Snow and Han (2024) estimate the parameter γ in equation 8 separately for tens of thousands of census tracts spanning over 300 metropolitan areas:

$$q = constant + \gamma \cdot p. \quad (8)$$

This is the reverse of the relationship shown in figure 6-11, in which price is on the y axis and quantity is on the x axis.[13] Baum-Snow and Han report an average value for γ of 0.35. To see how γ varies with the WRLULI, the CEA regresses γ on the WRLULI and an estimate of the share of land in a metro area that is not developable due to geographic constraints.[14] The CEA finds that a decline of 1 standard deviation in the WRLURI is associated with an increase in γ of 0.0338

[13] In the equation above, *q* and *p* are the natural logarithms of the quantity and price of housing in a market, as before, and the parameter gamma is often referred to as the housing "supply elasticity" because it approximately measures the percentage change in housing quantity supplied to the market given a 1 percent change in the price of housing. For small changes, the change in the natural logarithm of a variable is nearly equal to the percentage change in that variable.

[14] The CEA defines this variable as the share of a metropolitan area covered by bodies of water, outside the borders of the United States, or having a slope steeper than 15 percent within 50 kilometers of the geographic center of the metro area. This approach is similar to that of Saiz (2010).

unit; that is, housing supply becomes more responsive to price.[15] To understand what this means, consider an area with a value of γ of 0.35, the national average. If that area were to experience a decline of 1 standard deviation in the WRLURI, its value of γ would be predicted to increase to 0.3838. This gives a national estimate of ms (the slope of the unregulated supply curve, consistent with a decline of 1 standard deviation in the WRLURI) equal to 1/0.3838 = 2.61.

Putting this all together, this analysis gives an estimate of

$$\left(\frac{m_s+m_d}{m_d}\right)(p_r - p_u) = \left(\frac{2.61+1.43}{1.43}\right)(0.1234) = 0.3485. \quad (9)$$

The tax rate associated with this is equal to exp(0.3485) – 1.0 = 41.7 percent.

Computing the increase in housing from deregulation: Finally, to understand the impact of reducing the regulation on quantities, note that knowing the equilibrium change in the log price, 0.1234, allows one to trace along the blue demand curve to determine the change in log quantity of housing. As mentioned above, the slope of the demand curve is –1.43, so the change in log quantity associated with a 0.1234 decline in log prices is –0.1234 divided by –1.43, equal to 0.0864. This translates into a 9.0 percent increase in the stock of housing. The total housing stock in 2024 was 146.8 million homes, so a 9.0 percent increase implies 13.2 million additional units.

Appendix of Best Practices to Tackle the Government Bureaucrat Tax on Housing Supply

The best practices fall into three categories:
First, unleashing manufacturing innovation:

- *The problem:* Construction productivity has fallen, leading to less building and higher costs.
- *The solution:* Align codes with accepted standards for modular, prefabricated, panelized, and other off-site built housing to enable "all of the above" quality construction techniques.

Second, streamlining the stages of homebuilding:

- *The problem:* The approval process for housing developments has become slower, more expensive, and less predictable, which reduces construction and pushes up prices and rents.
- *The solution:* Create a fast-track process for all housing developments that features capped timelines and permit fees, appropriate and justifiable impact fees, third-party inspections, and binding arbitration that ensures faster and less arbitrary dispute resolution.

[15] The robust standard error of the estimate is 0.007. There are 1,129 observations in the regression.

Third, protecting consumer choice and private property rights:

- *The problem:* Developers, landlords, renters, and homeowners are subjected to a wide range of mandates unrelated to true safety and welfare concerns that prescribe what and how they can and cannot build and what they are allowed and not allowed to do with their property.
- *The solution:* Curtail artificial mandates that restrict housing supply such as green energy building requirements, aesthetic requirements, discriminatory labor rules, and rent scammer protections while providing greater flexibility and consumer choice and stronger private property rights.

This appendix now specifies detailed best practices for each category:

Unleashing Manufacturing Innovation

Align codes for modular, prefabricated, panelized, or any other off-site built housing enforced by regulating entities or utilities with the latest version of these national standards:

- ICC/MBI 1200 Standard for Off-site Construction: Planning, Design, Fabrication and Assembly
- ICC/MBI 1205 Standard for Off-site Construction: Inspection and Regulatory Compliance
- ICC/MBI 1210 Standard for Mechanical, Electrical, Plumbing Systems, Energy Efficiency and Water Conservation in Off-site Construction
- ICC G6 Guideline on Advanced Panelization and Appendix N of the International Building Code

Streamlining the Stages of Homebuilding

A valid fast-track process that is consistent with deregulatory best practices achieves the listed cost savings by having these features:

- A list of all permits and approvals that a regulating entity or utility may require to grant the right to build. Builders that submit plans that conform to local zoning and building codes must have by-right approval;
- A list of all inspections and permits for construction that a regulating entity or utility may require;

[Eliminates costs associated with zoning applications, removing a 2.3 percent bureaucrat tax = $6,623]

- A binding timeline, which holds for all submissions and resubmissions, for when a regulating entity or utility must either grant or deny each of the required permits and approvals. A valid fast-track timeline is one that is no longer than 60 days for granting or denying the right to build and no longer than 30 days for permits and inspections during the construction process;
- A list of maximum possible fees (not including impact fees) that a regulating entity or utility may charge;

- Prohibitions of impact fees that are not directly quantifiably relatable to the specific development project;
- Prohibition of offsite project or infrastructure costs that are not reasonably necessitated by the specific development project;
- Prohibition of requiring revision of plans in response to a change in codes after the right to build is granted;
- The allowance of State-certified third-party inspectors to conduct any and all required inspections that are directly or indirectly related to the construction or development of the project;
- The right of the builder to choose any State-certified engineering, environmental, or other firm to do any necessary study that is directly or indirectly related to the construction or development of the project;
- A legal framework under which a plaintiff only has standing to challenge an approval or permit related to development if the plaintiff can demonstrate that the development would create a common-law nuisance or an immediate threat to the plaintiff's health, safety, or welfare;
- An expedited appeal process to resolve denials, conflicts, breached timelines, or other decisions. This process:
  - » Provides a property owner or builder the right to an appeal using an alternative or accelerated extrajudicial or court process that could include a "fast-track" court process, dedicated docket, mediation, or other alternative dispute resolution;
  - » Assigns jurisdictions, regulating entities, and utilities with the burden to prove that the denial, conflict, breached timeline, or other decision being appealed is necessary to protect substantial interests in public health, safety, or welfare, or is required by other legal considerations, and these interests demonstrably exceed the need for housing;
  - » Provides for fee reductions, economic damages, recovery of legal and associated costs or other penalties for unreasonable delays in adjudication.

[Eliminates excess burden associated with hard costs of compliance (fees, required studies, etc.), the pure cost of delay (if regulation imposed no other cost), land dedicated to the government or otherwise left unbuilt, and fees paid by the builder after buying the lot, removing a 13.5 percent bureaucrat tax = $39,324]

Protecting Consumer Choice and Private Property Rights

The set of deregulatory best practices include elimination of:

- Rent control: any provision that regulates the level or growth rate of residential rents, or the process by which landlords set rents;
- Impediments to addressing problems created by delinquent and disruptive tenants: any provision that regulates the timeliness of eviction of a nonpaying tenant, any provision that restricts a property owner's ability to fight fraud, and any provision that regulates a landlord's ability to choose

to not renew the lease of an existing tenant;

- Support for squatters, scammers, and other unauthorized occupants: any provision that protects individuals who occupy a property without a legal right agreed to by the property owner or other legitimate agreement and prevents property owners from immediately reclaiming their property;
- Affordable housing set-asides: any requirement that any units in any development be set aside for renters paying less than market-rate rents or owners paying less than market-rate prices;

[Eliminates costs associated with affordability mandates, removing a 3.8 percent bureaucrat tax = $11,176]

- Non-evidence-based building codes: building code features that are inconsistent with evidence-based standards promulgated by the Secretary of Commerce, the Secretary of Agriculture, the Secretary of Housing and Urban Development, the National Institute of Standards and Technology, or any other Federal Agency issuing evidence-based building standards;
- Burdensome and prescriptive energy efficiency building codes: as an alternative to prescriptive building codes designed to satisfy energy efficiency targets, builders must have the option to achieve a federally recognized energy rating index regardless of the means used to achieve this outcome. Additionally, electric-vehicle infrastructure requirements and on-site renewable energy requirements may not be mandated;
- Unreasonable building code adoption timelines: with the exception of evidence-based, safety-related changes, builders must have the right to comply with any code dated within 15 years at the time a development plan is submitted for approval. For example, any building code dated 2010 or later would be acceptable for development in 2025;

[Eliminates costs associated with changes to building codes over the past 10+ years, removing an 8.6 percent bureaucrat tax = $25,250]

- Discriminating against off-site built housing: apart from the off-site standards specified above, any requirement or provision that differentiates processes or outcomes based on mode of construction;
- Unreasonable aesthetic requirements: any provision that restricts the appearance of new single-family housing, unless it can be demonstrated on a case-by-case basis that the absence of aesthetic regulation for the development in question reduce the value of immediately adjacent properties;
- Discriminating against any form of home energy: any requirement or provision that by intent, or practical effect, eliminates choice in home energy sources;

[Eliminates standards (setbacks, etc.) that go beyond the ordinary and development requirements (layouts, mats, etc.) beyond the ordinary, removing a 7.1 percent bureaucrat tax = $20,697]

- Restrictions on worker characteristics: any requirement that regulates the

attribute (e.g., race, ethnicity, or gender) or residence of any worker, manager, supervisor, or employee of a housing development project (before, during, or after completion);

- State add-ons to Federal codes: any State requirement that specifies building, environmental, or labor codes or provisions that reduce project profitability, or add to project risks or costs, over and above any such codes or provisions (or related codes or provisions) specified by the Federal government, except due to reasonable State-specific characteristics;
- Local add-ons to State codes: any municipal, regional, or county requirement that specifies building, environmental, or labor codes or provisions that reduce project profitability, or add to project risks or costs, over and above any such codes or provisions required by the State, except due to reasonable locality-specific characteristics;

[Eliminates costs associated with complying with nonstandard labor and other regulations, removing a 2.3 percent bureaucrat tax = $6,623]

- Growth moratoria: any policy that imposes geographic or unit-based limits on new development and construction within any given time period;
- Commuting penalties: any rule, regulation, or policy that penalizes or increases the cost of a development for being primarily accessible by automobile;
- Greenbelt and urban containment boundaries: any rule, regulation, or policy that by intent, or practical effect, prohibits development of new detached single-family housing and related infrastructure outside of prescribed geographic limits;
- Other barriers to single-family home construction as promulgated by the Federal government.

[Eliminates costs associated with outright barriers to new building, removing a 4.1 percent bureaucrat tax = $12,122]