

2025

Solutions to Improve Housing Affordability



The Indiana Builders Association educates and advocates for the construction industry to positively impact legislative, regulatory, and legal issues that affect housing affordability.

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Housing shortages impact housing affordability, diminish the quality of place communities strive to provide, and inhibit economic growth. There is not a singular solution to increase housing supply, in part because communities' housing needs and regulations vary.

The Indiana Builders Association offers these *Solutions to Improve Housing Affordability* to inform policymakers on what can be done at the local, state, and federal levels to ensure attainable housing options for Hoosier families.

1. Finance Residential Infrastructure

In 2024, Indiana's median new home price was \$466,433, which is unaffordable for 80 percent of Hoosiers. Through the Indiana General Assembly's creation and initial funding of the Residential Housing Infrastructure Assistance Program (RIF), communities can apply for low interest loans to finance infrastructure projects that support residential housing development. In the 2024-2025 state budget, RIF received a \$75 million appropriation to help communities pay for sewers, water supply systems, utility extensions, streets, wastewater treatment systems, and stormwater management systems. As loans are repaid, the money again becomes available to fund future projects. More than \$50 million was awarded in round one to communities across the state to assist with residential infrastructure projects that will support construction of 2,400 homes. ***State lawmakers should continue to invest in RIF to attract investment, spur economic development, and help communities grow by providing additional housing inventory.***

2. Adopt Cost-Effective Building Codes

In April 2024, HUD and USDA adopted the 2021 International Energy Conservation Code and ASHRAE 90.1-2019 as the minimum energy efficiency standards for covered programs, which adds \$31,000 to the cost of a home and has a 90-year payback. Regulatory costs, including those incurred to comply with newer, more stringent building codes, make up nearly 25 percent of the cost of a single-family home and more than 40 percent of the cost of a typical apartment development. When product mandates and government policies on resilience, sustainability, and property protection make their way into the codes, it limits options and flexibility for code users and drives up the cost of housing. ***Adopting cost-effective building codes ensures homes are affordable, safe, and energy efficient.***



Government regulations account for nearly 25% of the price of a new single-family home.

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3. Improve Permit & Inspection Processes

Delays in the permit and inspection processes impact everyone – the homebuyer, the builder, and the local unit of government waiting to realize the tax revenue. One easy solution to permit delays is to set a time limit for the local unit to determine compliance with regulatory requirements. If the time limit ends without action, the permit is deemed approved. Inspection delays could be resolved by allowing builders to utilize qualified third-party inspectors. **Establishing efficient permitting and inspection processes will maximize our workforce and increase the supply of housing that is safe and affordable.**

4. Reform Local Zoning

At 9,191 square feet, Indianapolis, Indiana has the largest median lot size in the country. With lot costs of \$1,200 per lineal foot to develop, requirements to increase lot sizes from 60 to 80 feet increases home prices by \$24,000. Allowing smaller yards, minimizing parking requirements, and permitting the construction of accessory dwelling units, duplexes, townhomes, and multifamily housing will make housing more affordable for thousands of Hoosiers who have been priced out of the market. **Communities should reform local zoning to allow for increased density and housing options that meet demand.**

5. Eliminate Aesthetic Ordinances

Aesthetic ordinances dictate the visual appearance of homes by restricting the use of vinyl siding, specifying window types and trim, and requiring side entry garages and steep roof pitches. These locally adopted restrictions on code-compliant homes add thousands of dollars to the price of a home and limit consumer options. Hoosiers should be allowed to make decisions about what their homes look like based on what they like and can afford. **Local regulations imposing aesthetic standards on homes should be eliminated.**

6. Reduce/Eliminate Impact Fees

While some impact fees may be necessary to cover the costs of increased public services for new home developments, those fees must be imposed fairly with the cost to the homebuyer in mind. When fees, ranging from several hundred to thousands of dollars per home, are levied arbitrarily or used to fund unrelated city or county services not connected to new home construction, they unfairly raise housing costs for homebuyers and renters alike. **Excessive impact fees hinder development by increasing the cost of construction.**

19.5% of Indiana's 2.8 million households can afford to buy a new median-priced home at **\$466,433**



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7. Keep Utility Fees In Check & Services Readily Available

Utilities like electricity, natural gas, water, sewers, and the internet help make our homes comfortable and functional. Excessive fees associated with utility extensions and hookups for new homes as well as limited access to utilities hinders development and increases housing costs. **Utility providers should offer reasonable rates and clear processes for connecting new homes to utility services.**

8. Increase Construction Workforce

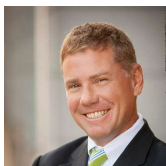
The labor shortage exacerbates the housing affordability crisis through higher construction costs and delays. Indiana's construction industry needs 1,100 new workers by 2026, according to the Indiana Construction Roundtable Foundation.

Policymakers at all levels of government can help by supporting programs for construction trades education. **State lawmakers should continue to invest in Build Your Future - a program that educates students about construction career opportunities through construction clubs, participating in career fairs, and supporting work-based learning.**

Additional funding for this program could provide semi-tractor trailers with mobile simulators inside that could travel to schools across the state promoting careers in the construction, trucking, and other high-demand, high-wage occupations.

Policymakers should also examine licensing and registration requirements for those in the construction industry, which can be a barrier to entry.

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