

Cost of Regulation in the Price of a New Home: Georgia

Georgia Public Policy Foundation



Georgia Public Policy Foundation Housing Affordability Initiative

- **House Rural Development Council (2018)**
 - Not just a Metro Atlanta problem with workforce shortages impacting industries across the state
- **Georgia House Study Committee on Workforce Housing (2019)**
 - Four L's': LABOR, LAND, LUMBER, & LAWS
 - Fifth L (2022): LENDING

Cost of Regulation in the Price of a New Home

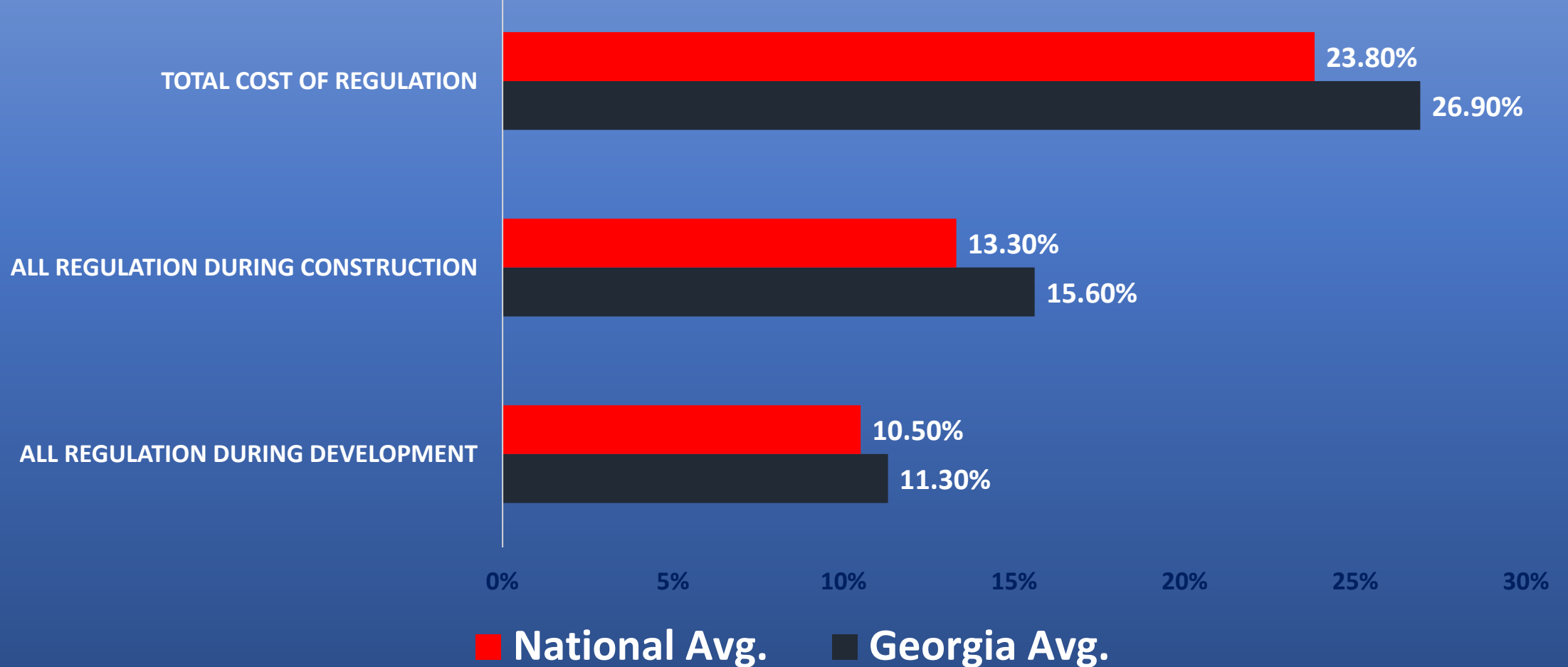
- **National Association of Home Builders (NAHB) published the most recent national study May 2021**
 - **Previous editions: 2011, 2016**
 - **2021: first edition that surveyed lot developers**
 - **Survey delivered electronically to 2,071 members of the NAHB in March 2021**
 - **57 developers and 280 builders provided complete and usable responses**

Cost of Regulation in the Price of a New Home

- **Georgia Public Policy Foundation published state edition January 2022**
 - **First dedicated state or local edition of NAHB study**
 - **Survey delivered electronically to 986 total members of the Home Builders Association of Georgia (HBAG) in October 2021**
 - **55 builders and 31 lot developers statewide provided complete and usable responses**
- **This study, like its national counterpart, does not argue that all regulation is bad or should be eliminated**

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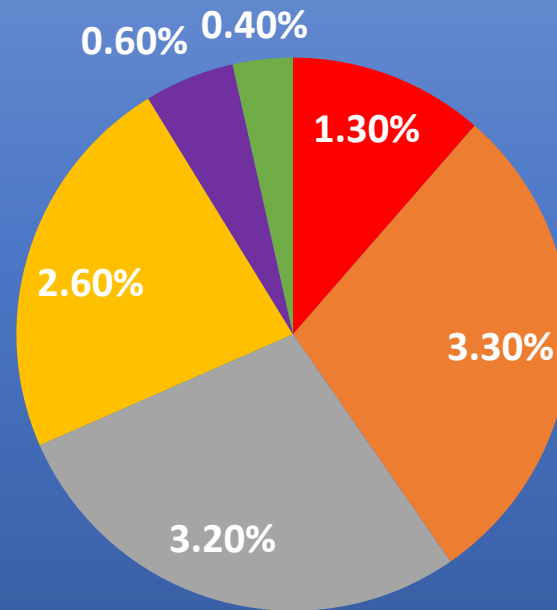
Average Regulatory Costs for a Single-Family Home: 2021



Cost of Regulation in the Price of a New Home: Georgia

Average Regulatory Costs During Lot Development as % of House Price

11.3%



■ COST OF APPLYING FOR ZONING APPROVAL

■ LAND DEDICATED TO THE GOVERNMENT

■ COMPLYING WITH OSHA/OTHER LABOR REQUIREMENTS

■ HARD COSTS OF COMPLIANCE

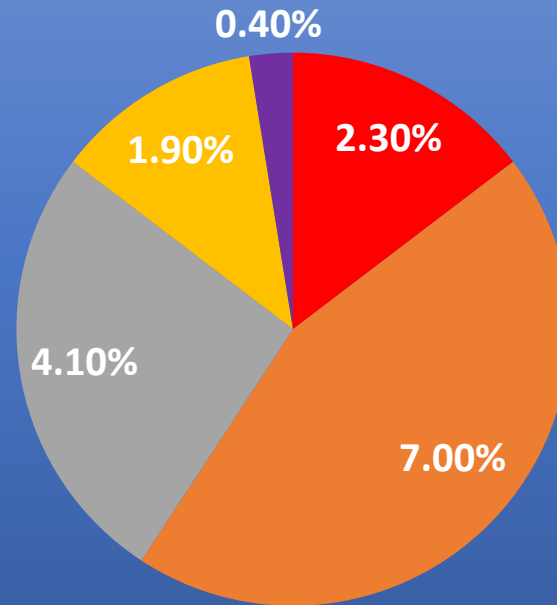
■ STANDARDS THAT GO BEYOND THE ORDINARY

■ PURE COST OF DELAY (IF REGULATION IMPOSED NO OTHER COST)

Cost of Regulation in the Price of a New Home: Georgia

Average Regulatory Costs During Construction as % of House Price

15.6%



■ FEES PAID BY THE BUILDER AFTER PURCHASING THE LOT

■ CHANGES TO BUILDING CODES OVER THE PAST 10 YEARS

■ ARCHITECTURAL DESIGN STANDARDS BEYOND THE ORDINARY

■ COMPLYING WITH OSHA/OTHER LABOR REQUIREMENTS

■ PURE COST OF DELAY (IF REGULATION IMPOSED NO OTHER COST)

If the price of a new single-family home in Georgia is \$350,000, then \$94,150 of that price can be attributed to the cost of regulation.

COST OF REGULATION IN THE PRICE OF A NEW SINGLE-FAMILY HOME IN GEORGIA (\$350,000)



Share of Regulatory Cost: Summary

- Compared to NAHB's national averages, a higher share of Georgia lot developers and builders reported incurring each type of regulatory cost listed in the survey (9 of 11):
- Except:
 - Hard costs of compliance during development (both are 100 percent)
 - Land dedicated to the government (Georgia is 7.8 percentage points lower)
- The differences are notably larger among Georgia home builders during construction for architectural design standards (13.7 percentage points higher) and OSHA/labor compliance (16.2 percentage points higher)
- 5.6% combined in GA for development and construction impact fees

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