



Applied Economics Olympiad - 2026

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Housing Inflation and Supply Constraints in the United States

SECTION 1: PROBLEM DIAGNOSIS

Headline inflation has retreated to roughly 2.5%, but housing costs continue to push core price indices upward. At its peak, shelter inflation accounted for over two-thirds of core CPI. Had housing prices risen at their pre-pandemic rate, core inflation would have been nearly a full percentage point lower. This is not a cyclical blip. It reflects a decade-long failure to build enough homes.

The U.S. faces a housing shortage estimated at 1.5 to 5.5 million units. Despite rising rental demand, multifamily construction starts are projected to fall 25% in 2024 to just 354,000 units. From 2020 to early 2024, professionally managed apartment rents climbed 26%, and for-sale home prices surged 47%. By 2022, roughly 22.4 million renter households, half of all renters, were cost-burdened, spending more than 30% of their income on housing.

The problem is fundamentally on the supply side. Four structural barriers form a constraint stack: restrictive zoning that limits density near jobs and transit; construction workforce shortages; financing gaps that squeeze mid-size developers; and permitting delays that add months or years to project timelines. The Housing Supply Acceleration Act (HSAA) targets each layer directly.

SECTION 2: POLICY FRAMEWORK OVERVIEW

The HSAA deploys three coordinated pillars, each targeting a distinct barrier to housing supply.

Constraint	HSAA Pillar	Mechanism	5-Yr Target
Restrictive Zoning	Pillar 1: Transit Corridor Upzoning Grants	Conditional block grants to municipalities adopting qualifying land-use reforms	800K–1.2M units enabled
Labor Shortage	Pillar 2A: DOL Apprenticeship Expansion	Federal grants to community colleges for residential construction trade programs	+150K workers by Yr 5
Financing Gap	Pillar 2B: AD&C Loan Guarantee Facility	Federal loan guarantees for mid-size developers; 20% affordable set-aside required	\$300–400B private capital mobilized
Permitting Delays	Pillar 3: National Housing Permitting Modernization Office	Single-point federal coordinator; binding 12-month review deadline for assisted projects	18+ mo. → ≤12 mo.; 5–8% cost reduction

Combined Projected Impact	1.5–2M net new units 0.5–1.0 ppt shelter inflation reduction \$285B total cost
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SECTION 3: PILLAR 1, TRANSIT CORRIDOR UPZONING INCENTIVE PROGRAM

The most powerful lever available to the federal government is financial incentivization of local zoning reform. The HSAA proposes the **Transit Corridor Upzoning Incentive Program**: tiered competitive block grants ranging from \$50 million to \$500 million per metropolitan area, awarded to municipalities adopting qualifying land-use reforms. Qualifying reforms include upzoning within a half-mile of major transit corridors to permit mid-rise multifamily construction by right, elimination of minimum parking requirements in transit-adjacent zones, and streamlined ADU approval pathways.

Participation is entirely voluntary; the federal government offers a financial incentive, and municipalities choose to accept it. This design resolves the institutional constraint directly: land-use authority remains with municipalities, and the federal role is limited to incentives, not mandates. HUD's existing PRO Housing grant program, which generated more than \$10 in funding requests for every \$1 available across 47 states, confirms overwhelming municipal demand for exactly this type of federal partnership.

Real-world proof confirms that targeted upzoning can really affect supply. A 2025 study by the Urban Institute on major upzonings in New York City and Philadelphia found that Philadelphia's citywide zoning rewrite resulted in up to 4,000 more housing unit permits per year in upzoned areas compared to non-upzoned areas, and that New York City's neighborhood-scale upzonings led to the creation of over 4,000 additional housing units within four years of the reform. Around 75% of land in American cities is currently regulated by only single-family zoning (NAHRO, 2024), so the potential for transit corridor upzoning reform is huge.

Budget allocation: \$150 billion over five years, structured as competitive grants to approximately 300 metropolitan areas. Projected impact: 800,000–1.2 million additional units enabled within the five-year window.

SECTION 4: PILLAR 2, OUSING WORKFORCE AND DEVELOPMENT FINANCE INITIATIVE

Construction Workforce Expansion

Even where zoning permits new construction, a severe labor shortage routinely prevents development from proceeding. According to NAHB and the Home Builders Institute, the construction labor shortage results in approximately 19,000 single-family homes not being built annually, representing over \$8 billion in lost production, while the industry must hire 723,000 new workers per year simply to keep pace with demand.

The HSAA addresses this through a substantial expansion of the Department of Labor's Registered Apprenticeship program, targeting residential construction trades including framing, electrical, plumbing, HVAC, and concrete. Federal grants to community colleges and technical schools, modeled on the bipartisan CONSTRUCTS Act, fund new curricula, equipment, and instructor training. This pillar targets 150,000 net new residential construction workers by Year 5, directly reducing the labor bottleneck that inflates per-unit costs and extends delivery timelines.

Development Finance

Mid-size developers, those building 20 to 200 units, are disproportionately constrained by elevated interest rates on acquisition, development, and construction (AD&C) loans. The HSAA establishes a federal loan guarantee facility administered through HUD, providing guarantees on AD&C loans for qualifying workforce and affordable housing projects. Loan guarantees mobilize substantial private capital at low federal cost, as the government bears only the expected loss on the guarantee portfolio rather than full loan principal. Qualifying projects must set aside a minimum of 20% of units at rents affordable to households earning up to 80% of the area median income.

Budget allocation: \$85 billion over five years, \$35 billion for workforce training grants; \$50 billion in loan guarantee authority (~\$5B expected federal loss). Projected impact: 150,000 new construction workers by Year 5; \$300–400 billion in private AD&C lending mobilized.

SECTION 5: PILLAR 3, NATIONAL HOUSING PERMITTING MODERNIZATION OFFICE

Regulatory approval delays are among the most economically costly and least visible barriers to housing supply. A 2015 study from Austin, Texas, found that an avoidable permitting delay of just 3.5 months raised apartment rents by 4%. These costs compound across thousands of projects annually. 88% of developers are currently reporting project delays, and 79% of those are blaming permitting as the main cause, according to a survey by the National Multifamily Housing Council (NMHC). Since every agency in the approval chain is working alone and according to its own schedule, the entire process slows down. The 2023 Permit Freedom Act in Arizona showed that reform is able to do a miracle: permit approval times went down from 200 days in 2022 to just 126 days in 2024 or 37% shorter time, which can be used as a model at the federal level.

For all housing projects receiving HSAA grants or loan guarantees, the HSAA establishes a **National Housing Permitting Modernization Office (NHPMO)** within HUD. The NHPMO serves three functions: (1) it acts as a single-point federal coordinator across HUD, DOT, EPA, and other review agencies, replacing the fragmented multi-agency process with unified timelines;

(2) it establishes binding time limits, a maximum of 12 months from application to final determination with automatic approval provisions if agencies fail to meet the deadline; and (3) it funds a digital permitting modernization grant program enabling municipalities to transition from paper-based to electronic systems. The NHPMO applies only to federally-assisted projects, preserving full local authority over private developments. The bipartisan ROAD to Housing Act, which passed the Senate Banking Committee unanimously, and the YIMBY Act provide direct congressional precedent for this approach.

Budget allocation: \$50 billion over five years for NHPMO operations and digital permitting grants. Projected impact: Federal review timelines compressed from 18+ months to 12 months, reducing per-unit carrying costs on assisted projects by an estimated 5–8%.

SECTION 6: MACROECONOMIC RISK ANALYSIS

The central risk in federal housing intervention is accidentally reigniting broader inflation. Demand-side tools like housing vouchers, homebuyer credits, and mortgage subsidies increase household purchasing power, competing for existing housing stock, pushing prices up when supply cannot keep pace. The HSAA has none of that. It does not make households richer; it makes building cheaper and faster.

Supply-side interventions lower production costs and expand the quantity of available housing, putting downward pressure on rents and prices without touching broader consumer spending. The one legitimate concern is wage pressure from workforce expansion, but that risk is modest and explicitly phased over five years. Federal loan guarantees shift risk rather than purchasing power and have no direct effect on aggregate demand.

SECTION 7: IMPLEMENTATION RISKS AND MITIGATION

Pillar 1, Municipal Participation Risk: Local political resistance may slow grant uptake. Mitigation: Grants are tiered and awarded retroactively to jurisdictions that have already enacted qualifying reforms, rewarding demonstrated commitment and reducing political risk to local officials.

Pillar 2, Workforce Ramp-Up Lag: Apprenticeship programs take 23 years to produce fully trained workers, which means that labor gains will be mostly back-loaded to Years 35. Mitigation: The loan guarantee facility is actually front-loaded in Years 12, allowing for an immediate reduction in financing barriers while the labor pipeline is being built.

Pillar 3, Agency Coordination Resistance: Federal agencies might not be in favor of synchronized timelines. Mitigation: The NHPMO authority is limited to federally-assisted projects, thereby creating a clear legal basis.

SECTION 8: BUDGET SUMMARY AND PROJECTED OUTCOMES

Pillar	Program	5-Year Cost
1	Transit Corridor Upzoning Incentive Grants	\$150 billion
2	Construction Workforce Training Grants	\$35 billion
2	AD&C Federal Loan Guarantee Facility (authority; ~\$5B expected loss)	\$50 billion
3	NHPMO Operations & Digital Permitting Grants	\$50 billion
	TOTAL	\$285 billion

Total federal expenditure of \$285 billion remains within the \$300 billion ceiling, with \$15 billion in reserve for administrative costs and contingency. The loan guarantee facility mobilizes an estimated \$300–400 billion in additional private capital at a federal cost of ~\$5 billion, a leverage ratio of 60–80x.

Projected Outcomes

The HSAA is conservatively projected to add 1.5 to 2 million net new housing units over five years. Zoning reform accounts for the bulk of that, unlocking 800,000 to 1.2 million units. Workforce expansion and the loan guarantee facility bring in the rest by enabling developers who would otherwise sit on the sidelines to actually build. Given shelter's outsized role in core CPI, a supply increase of this magnitude is projected to reduce shelter inflation by 0.5 to 1.0 percentage points within five years, bringing the Fed meaningfully closer to its 2% target without touching aggregate demand at all.

CONCLUSION

The U.S. housing crisis is a structural problem that needs a structural solution. The Housing Supply Acceleration Act targets all four supply barriers, restrictive zoning, labor shortages, financing constraints, and permitting delays, through three coordinated pillars that work within federal authority and within the \$300 billion budget ceiling. By operating exclusively on the supply side, the HSAA expands housing access without the macroeconomic risks that come with demand stimulus. It is targeted, evidence-based, and designed to bring housing inflation down and keep it down.