MIBOR Housing Policy Priorities

THE CHALLENGE

Today's critical housing shortage is limiting options for residents and driving rising housing costs across our communities. Studies from our own work coupled with research from the Metropolitan Planning Organization (MPO) and the Indiana Association of REALTORS® (IAR) show our region's housing shortage to be at least 40,000 units needed over the next 5 years.

Housing affordability in the Indianapolis MSA has declined as home prices have grown substantially faster than household incomes. In 2018, the median sales price of a single-family home was 2.9 times the median household income. By 2024, the most recent year for which income data are available, that ratio had risen to 3.8 times. Over the same period, median household income increased by 31.5%, but home prices grew by 68.7%, far outpacing income growth.

While the region added 8% more housing units between 2018 and 2024, the number of households grew even faster, increasing by 11%. As a result, vacant housing units declined by 25%. Demand was particularly strong among homeowners, with owner-occupied households growing by 14%, compared with 5% growth in renter households. Together, these trends point to a housing supply that has not kept pace with demand.

MORE THAN A NUMBERS PROBLEM

A healthy housing market is defined not only by the quantity of homes available, but by the variety of housing choices it provides.

Communities thrive when residents can find housing that aligns with their needs, incomes, and life stages without being forced to relocate elsewhere.

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From young professionals and first-time homebuyers to growing families and older adults wanting to age in place, a strong housing ecosystem offers opportunities at every point along the housing continuum. Expanding housing choice helps preserve the social and economic ties that keep communities strong.

70%

of our REALTOR® members had a client in the past year who did not move because they couldn't find the next product - either price, size, style, or location were not available.

Housing needs have changed, but much of our housing stock is still designed for the traditional family household. Today, many household sizes are shrinking due to fewer people marrying, and families are having fewer children. At the same time we see multigenerational living is becoming more common. These trends underscore the need for a wider variety of housing types to meet the needs of today's households.

In addition, consumer preferences have changed over time. While most people (74%) still prefer single-family detached homes nearly half of central Indiana residents have said they would prefer living somewhere where they could more easily walk to things such as parks, trails, shopping, restaurants, and other amenities. Additionally, some seniors and young people indicate they don't want the hassle of taking care of a large yard. Despite this large demand for a different product, today our communities are dominated by mostly large lot single-family only types of neighborhoods.

Expanding walkable neighborhoods offers benefits far beyond housing choice. Smaller lots use land more efficiently, reduce infrastructure and service costs, and support a wider range of housing options that better meet residents' needs.

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This is not about making every neighborhood denser; it is about removing barriers to the housing.

With nearly half of residents expressing a preference for walkable communities, it's time for our housing policies to reflect that demand.

The relationship between income and household size also factors into the housing crisis. The greatest shortage is among lower-income households earning below 80% of Area Median Income (AMI), who need smaller, more affordable 1- and 2-bedroom homes priced under $1,500 per month. These are the starter homes, "missing middle" housing, and downsizing options that serve local workers, young professionals, and seniors. Meanwhile, most new housing production is concentrated in larger, higher-priced 3- and 4-bedroom homes targeted to households earning above 120% of AMI. As development naturally gravitates toward these higher-end homes, the supply of modest, affordable housing remains constrained, leaving many lower-income and smaller households competing for too few options and facing growing housing cost burdens.

WHAT'S STANDING IN THE WAY

Solving our housing challenges will require communities to confront the growing influence of NIMBYism ("Not In My Back Yard"). Public engagement is an essential part of the planning process, but once a community adopts a vision for growth, that vision cannot be continually undermined by project-by-project opposition. Too often, needed housing is blocked by a vocal minority, raising predictable concerns about traffic, schools, crime, or property values despite limited evidence that new housing will produce those outcomes.

The result is not the preservation of community character; it is higher housing costs, fewer housing choices, and barriers that prevent workers, families, young adults, and seniors from living in the communities they want to call home.

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Communities must empower elected officials and planning commissioners to make decisions consistent with adopted plans and documented housing needs. Addressing the housing shortage will require leadership willing to prioritize long-term community prosperity over short-term opposition.

A CALL TO LEADERSHIP

The housing challenges facing Central Indiana cannot be solved by any one sector acting alone. Success will require residents, builders, planners, and local leaders to move beyond entrenched positions and work toward a shared vision for the future. Growth is not something to be resisted; it is something to be guided. If we are willing to embrace new ideas, expand housing choice, and make decisions with the long-term health of our communities in mind, we can ensure that Central Indiana remains a place where people of all ages, incomes, and backgrounds can find a home and build a future.

POLICY RECOMMENDATIONS

Align Local Policies with Housing Needs

We must align local plans and land-use regulations with today's housing realities.

- Update comprehensive plans to reflect current housing needs and provide a clear framework for implementing the community's long-term vision.
- Expand opportunities for missing-middle housing, including duplexes, triplexes, townhomes, cottage courts, and accessory dwelling units (ADUs).
- Reform single-family-only zoning districts to allow a broader range of housing types in more neighborhoods.

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Modernize Regulations to Expand Housing Supply

We must modernize development standards to reflect rising land and construction costs.

- Modernize zoning and development regulations to allow greater housing diversity, support gentle density, and increase flexibility in response to rising land and development costs.
- Reduce minimum lot sizes, setback requirements, and parking mandates where appropriate to lower development costs and expand housing options.
- Remove outdated architectural and design mandates that unnecessarily increase housing costs or limit consumer choice without sacrificing quality.
- Promote and incentivize adaptive reuse and redevelopment by facilitating the conversion of vacant, underutilized, and obsolete properties into housing.
- Support innovative and cost-efficient construction methods, including modular, prefabricated, and other emerging housing technologies.

Streamline the Development Process

We must create a more predictable, efficient, and transparent development approval process that reduces unnecessary delays and lowers housing costs.

- Implement by-right approvals for projects that comply with adopted plans, zoning regulations, and established development standards.
- Establish clear timelines, standardized review criteria, and expedited review pathways for projects that advance adopted community housing goals.
- Coordinate interdepartmental reviews to eliminate redundant requirements and reduce approval delays.

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Invest in the Infrastructure Needed for Growth

We must support sustainable housing growth through coordinated infrastructure investment.

- Align infrastructure investment with projected growth to ensure adequate capacity for new housing development.
- Coordinate transportation, utility, and infrastructure planning to support long-term regional growth and housing development.
- Leverage public-private partnerships to expand infrastructure and share the costs associated with housing growth.
- Review and reform impact fees, utility connection charges, and other development costs that contribute to housing affordability challenges.