HOUSING AND COMMUNITIES

Affordable Abundance

How State and Local Governments Are Pairing Abundance-Style Reforms with Affordability Incentives

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Affordable Abundance

America is short millions of affordable homes, and that shortage has led to acute housing affordability challenges for a large share of low- and moderate-income households (deRits et al. 2025). Federal housing programs play an important role in addressing the housing challenge, but they have insufficient scope and funding to improve affordability on their own.

Absent more robust federal policy, what can state and local policymakers do to solve the housing challenge? Recent attention has been paid to abundance-style policies, such as eliminating restrictive zoning and land-use rules, speeding up permitting times, and reducing municipal impact fees and other fees. Policies like these are necessary for achieving greater and sustained housing affordability. But these policies on their own are unlikely to quickly reduce rents substantially enough for rent-burdened households to no longer pay more in rent than they can afford. In the near term, these reforms may fully "solve" rent burden only for households that experience the most modest burden.

Zoning reform without better financing tools leaves housing production dependent on market cycles and unable to reach many rent-burdened households. At the same time, better financing tools without zoning reform limits how many homes can be built and where, risks driving up land and construction costs, and is an inefficient use of scarce government resources. A comprehensive state or local housing supply strategy should combine abundance-style reforms to make it possible to build more types of housing and in more places, with tools that reduce the cost to construct and operate housing that is affordable to low- and moderate-income households: an abundance-plus-affordability approach.

In this report, we first discuss why an abundance-plus-affordability strategy is necessary to make it financially viable to build and preserve rental housing that is affordable to households with low and moderate incomes, particularly in housing markets with plentiful jobs and other economic opportunities. In these markets, abundance policies on their own are likely insufficient to achieve affordability in a reasonable time frame for a large share of rent-burdened households. We then offer key principles for how state and local policymakers can maximize production and preservation of housing that is affordable for low- and moderate-income households, in a manner that efficiently uses scarce taxpayer resources. Finally, we provide what we believe is the most comprehensive and up-to-date overview of the affordability incentives that state and local governments have put in place, outside the better-understood Low Income Housing Tax Credit (LIHTC) program, rental assistance, and state and local programs that are typically used with LIHTC.

Why an Abundance-Plus-Affordability Strategy Is Necessary

A large body of research has demonstrated that zoning, land-use, and permitting barriers, in addition to direct municipal fees charged on new construction, have hindered the development of new housing and contributed to the housing shortfall that has built up over decades (Glaeser and Gyourko 2003; Gyourko, Hartley, and Kimmell 2021; Hsieh and Moretti 2019).

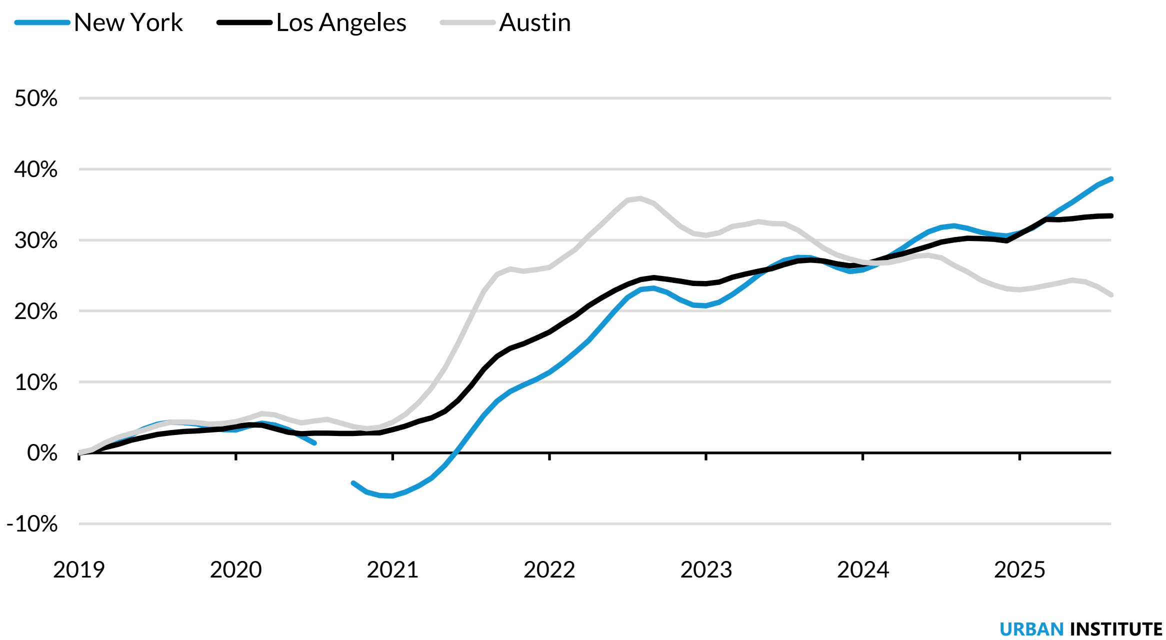
There has been less research, however, that demonstrates how much realistic efforts to alleviate these barriers would improve housing affordability on their own. Both recent experience and empirical analyses suggest that efforts to boost supply could lead to tangible and substantial benefits for rent-burdened households, but it would take longer for these policies on their own to improve housing affordability for households with more than modest rent burden.[1] The urgency and scale of the housing shortage and resulting affordability crisis is why abundance-style reforms must be paired with incentives that make it financially viable to produce and preserve housing that is affordable to households with low and moderate incomes.

Austin, Texas, provides a useful example of the power of abundance-style conditions. An influx of rental demand led to extreme rent increases over the first two years of the pandemic, with the Zillow Observed Rent Index (ZORI) rising nearly 30 percent from the beginning of 2020 to September 2022.[2] But limited zoning, land-use, and permitting barriers in Austin and Texas, paired with interest rates that were still low compared with their eventual 2023 highs, allowed new housing supply to respond to demand quickly. Record new supply came online, with permits in the Austin area surging more than 25 percent over their 2019 levels in the subsequent three years and peaking 60 percent over those levels. Rents through March 2025 have since fallen 10 percentage points from their peak and now are less than 20 percent above their prepandemic level, which is a less substantial increase than some measures of household incomes over that period.[3] Moreover, rent declines were broadly distributed across property types: a recent analysis from Pew shows that the average Class C rents in Austin fell 11.4 percent between 2023 and 2024.[4]

The Austin rent decline occurred during a period when rents increased in other high-cost markets with more restrictions on new construction (figure 1). For example, as rents in Austin fell, from September 2022 to the present, rents increased 6 percent and 5 percent in New York and Los Angeles, respectively.[5] In other words, in markets with comparatively low barriers to build, a large increase in demand can quickly be met with a large increase in supply to meaningfully moderate rent increases and even bring rents down, whereas markets with high barriers are slower to respond.

FIGURE 1

Percentage Change in Market-Rate Rents since 2019, by Metropolitan Statistical Area



Sources: Zillow Observed Rent Index and Urban Institute calculations.
Note: Includes missing data in 2020 from New York. Data as of August 2025.

How much can easing land-use, permitting, and other rules reduce rents in markets where those barriers are much higher than in Austin? A recent RAND empirical analysis compared construction costs across markets in California, Texas, and Colorado, finding that total development costs for market-rate housing in California are 2.5 times higher than in Texas (Ward and Schlake 2025). The analysis offered a thought exercise: "consider the possibility that some concentrated reforms to zoning, land use, and municipal fees could reduce the cost difference between the Los Angeles metro area and Texas by one-half" (Ward and Schlake 2025, 36). In other words, what would happen if policies that are widely considered to slow and prevent housing construction in Los Angeles looked a lot more like Texas policies? Based on the paper's findings, the authors estimate that such a reduction in development costs in Los Angeles could "reduce feasible rental prices by 14 percent."

Like the decline in Austin rents in recent years, such a theoretical reduction in Los Angeles rents would be substantial: a 14 percent reduction would equate to $367 in savings per month, or $4,410 per year. These savings would be on par with the gains from the child tax credit expansion in 2021 (Parolin 2025).

But for what share of rent-burdened households in Los Angeles would such a rent reduction "solve" their rent burden, defined as reducing rent-to-income ratios from above 30 percent to below 30 percent? A 14 percent rent reduction can lead a household that would otherwise pay up to 35 percent of their income in rent to no longer be rent burdened.[6] In Los Angeles County, as of 2023, that means these kinds of abundance reforms on their own might solve the rent burden of roughly 17 percent of rent-burdened households. But 31 percent of currently rent-burdened households pay between 35.0 and 49.9 percent of their incomes and therefore would need additional policy intervention. The gap between the share of income they pay on rent and what is considered "affordable" is likely too large to be overcome with abundance-style reforms alone. And 53 percent of rent-burdened households would likely need *much* more substantial policy intervention, such as rental assistance, because they are paying more than 50 percent of their income in rent.

High-cost, high-regulation markets such as Los Angeles are not the only markets where there are more renters paying between 35.0 and 49.9 percent of their incomes in rent than renters who are only modestly rent burdened. In fact, the national numbers are broadly similar to those in Los Angeles: roughly 18 percent of rent-burdened households could theoretically experience rent burden elimination from deregulatory policies alone. Fifty-one percent are highly cost burdened and likely need deeper, rental assistance–type subsidies. But 31 percent of rent-burdened households nationally are in the middle, meaning that a combination of deregulation and a shallower affordability intervention than full rental assistance could fully solve their rent burden (table 1).

TABLE 1

Number and Share of Rent-Burdened Households in Los Angeles County and the US

	Number of Renter Households		Share of Rent-Burdened Households	
Rent burden	**LA County**	**US**	**LA County**	**US**
Not rent burdened (rent-to-income ratio below 30%)	**760,118**	**20,520,521**		
Rent burdened (rent-to-income ratio 30% or above)	**1,036,220**	**22,023,816**	**100.0%**	**100.0%**
30.0% to 34.9%	171,403	3,943,024	16.5%	17.9%
35.0% to 49.9%	316,502	6,841,773	30.5%	31.1%
50.0% and above	548,315	11,239,019	53.0%	51.0%
Total	**1,796,338**	**42,544,337**		

Source: Authors' calculations of 2023 American Community Survey data.

These figures do not suggest that abundance policies help only modestly rent-burdened households. All renters benefit from increases in supply through the filtering process, more housing choice, and higher housing quality (Mast 2023). But the figures do suggest that abundance policies on their own may lead to rent moderation that would fully and quickly solve rent burden for only modestly rent-burdened households.

To achieve affordability more quickly for more households, state and local governments should couple abundance policies with programs to provide low-cost financing and reduced operating costs, in exchange for greater immediate affordability at the resulting developed and preserved homes. Robust federal investment in rental assistance and other income-based supports is necessary to solve rent burden for the most rent-burdened households, and states have recently started and expanded rental assistance programs at a smaller scale. State and local governments, however, generally lack the fiscal resources to operate these programs at the necessary scale on their own.[7]

Principles to Guide State and Local Non-LIHTC Housing Supply Incentives

When designing and implementing these financing and operating cost programs targeted at affordability for low- and moderate-income households, state and local policymakers should adhere to the following principles:

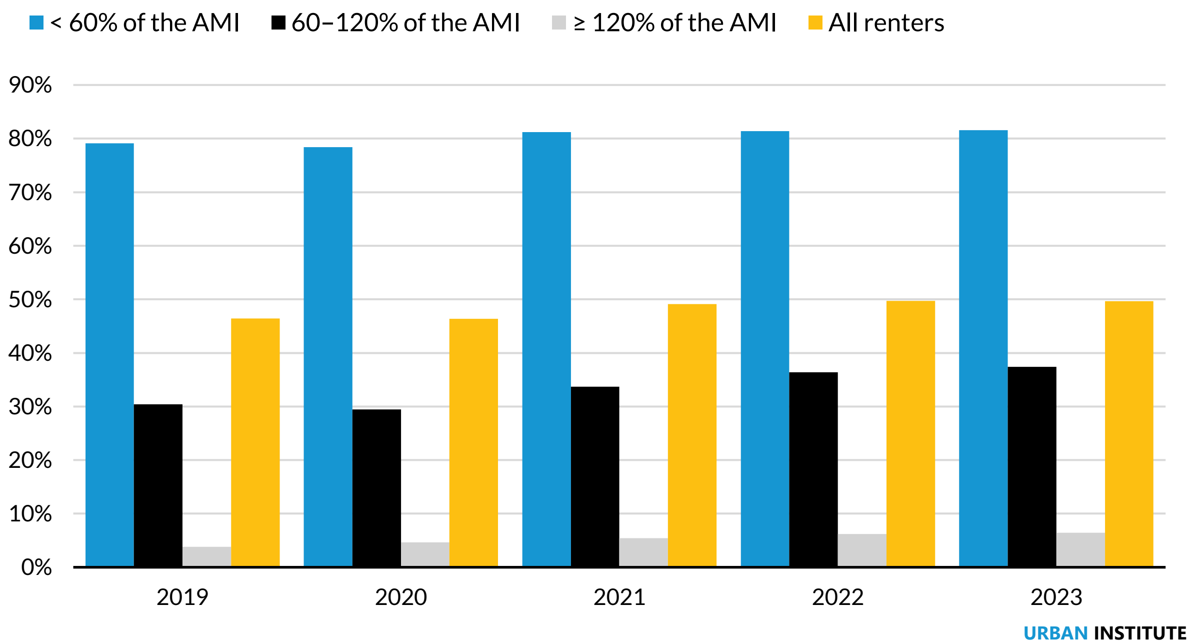
1. Explicitly promote housing production and preservation with incremental long-term affordability for low- and moderate-income households in a manner that is tailored to local market conditions and potentially with a broader definition than for federal subsidies.
2. Build or preserve housing that would not happen without the additional support and in a manner that is a cost-effective use of taxpayer dollars.
3. Make administration and access as straightforward as possible, including for developers and investors that are typically less focused on subsidized affordable housing.
4. Set up programs so they can build and preserve housing at scale.

Principle 1. Incentivizing Affordability Can Include Middle-Income Housing

Although rent burden for the lowest-income households is the greatest, the needs of middle-income renters (those making between 60 and 120 percent of the area median income, or AMI) are growing as well. As of 2023, 37 percent of middle-income renters were cost burdened, a 7 percentage-point increase from 2019 (figure 2).[8] The share of rent-burdened middle-income households has risen faster than other income groups and renters overall. This part of the income distribution also faces distinct housing challenges depending on their precise income levels and geographic location. Households in the bottom range of what is typically considered middle income—those earning 60 to 80 percent of the AMI—often experience substantial rental cost burdens, with roughly half of renters in this category experiencing cost burdens. And regardless of where a renter household falls within the income band from 60 to 120 percent of the AMI, cost burden for middle-income renters is particularly acute in areas and states with high median rents.

FIGURE 2

Percentage of Cost-Burdened Renters, by AMI



Source: Authors' calculations of 2019–23 American Community Survey data.
Notes: AMI = area median income. Cost burdened means a household spent 30 percent or more of their income on rent.

From the perspective of state and local governments, targeting renters with moderately higher incomes than those who are covered by federal rental assistance and LIHTC presents an opportunity, as there is substantial need and less subsidy is required to solve rent burden for renters in this group. Harvard's Joint Center for Housing Studies estimates that rent-burdened households needed an additional $193 billion per year for their rent to exactly equal 30 percent of household income: $158 billion, or 82 percent of the total, for households earning below 60 percent of the AMI, and $31 billion, or 16 percent, for renters earning between 60 and 120 percent of the AMI (Tomasso 2025). This illustration demonstrates the role that resource-constrained state and local governments can play in providing modest investment incentives for housing that is affordable to more moderate-income households or encouraging mixed-income housing. The filtering benefits for households with lower incomes can also be accelerated if the new housing is rented at a discount to market rate. At the same time, state and local governments should remember that the largest rent burden is at the bottom of the income distribution and should not direct scarce subsidy dollars away from this group.

Principle 2. Right-Size the Incentives

For an intervention to be an efficient use of taxpayer resources, it should target housing production or preservation that needs modest investment incentive to make the math work with rents affordable to low- or moderate-income households without oversubsidizing these projects. Projects that receive subsidies such as property tax abatements should typically have to establish that the project would not have penciled out without the subsidy.[9]

In addition, and without introducing burdensome or unworkable requirements, jurisdictions should aim to right-size subsidies to ensure that they are making up the necessary gaps without adding large incremental investment returns for projects that would have happened without the subsidy—though a modest additional boost is often necessary to induce investment. For example, through a transparent and public financial model, Chattanooga, Tennessee's tax abatement program adjusts the amount of tax abatement it offers based on the difference between the affordable rent and a proxy for market rents in the neighborhood, plus an additional modest premium.[10] This means that projects in higher-rent neighborhoods receive more subsidy, as the gap between market and affordable rents is higher than in lower-rent neighborhoods.

Jurisdictions should also explore interventions that do not subsidize projects on net, either because loans are paid back with sub-market-rate interest, partially publicly held projects generate cash flow to the jurisdiction, or incremental property tax revenue is generated for previously underused or vacant land or structures.

Principle 3. Make Administration Accessible and Straightforward, Including through Awarding Incentives as a Matter of Right

Incentive programs should be designed with administrative simplicity in mind. Implementing jurisdictions often face limited staffing, technical capacity, and legal support, especially in smaller or resource-constrained communities. Incentives can be most effective when they are guaranteed to projects that meet certain conditions, as opposed to requiring an in-depth selection, review period, or approval by an elected or appointed body. A key barrier to scale for some public programs is making them simple enough and with few enough additional requirements that real estate investors and developers beyond those with deep experience in subsidized affordable housing—who tend to be far more expert in the complexity of public programs—are interested in using them.

Incentive programs should also be predictable, transparent, and user-friendly to attract sustained participation. By minimizing complex application or ongoing compliance requirements, enabling individual projects to be approved ministerially, and using standardized templates or procedures to calculate and approve subsidies and abatements, programs can be launched and scaled more quickly. For example, Florida's Live Local Act provides developers of large multifamily projects automatic approvals of their projects—and at higher allowable densities—as long as they meet certain affordability thresholds.[11]

Principle 4. Set Up Programs That Can Expand

The federal LIHTC program is a consistent program across the country that developers understand how to work with, but it is harder to attract sufficient interest to a patchwork of state and local programs that vary substantially across jurisdictions, especially if the programs are seen as difficult to use. The complexity and navigation difficulty presents barriers to national scale, in a market where more private capital is sorely needed (Scally, Jayachandran, and Schonfeld 2021).

Although there is no immediate fix for this challenge in a federalist system, state and local policymakers should set up incentive programs that can achieve significant scale in their own jurisdictions to begin addressing the large gap of affordable housing and to mobilize the scale of private capital that is needed. This is not to say that programs in different kinds of markets need to be the same, particularly given different market conditions, rent levels, and housing needs.

But state and local governments should think seriously about how to maximize scale by targeting programs that can serve large numbers of households (e.g., multifamily housing or large quantities of single-family housing), eliminating duplicative requirements across projects that receive multiple kinds of government support, and limiting the number of programs to those that are necessary to address specific market gaps.

State and Local Policy Examples

This section provides an overview of four different types of incentives that help make it possible to produce new housing or preserve existing housing with specific affordability requirements, outside of LIHTC and programs designed to be combined with LIHTC. Several of the programs discussed below fit into multiple categories because they offer a mix of different kinds of incentives:

- preferential permitting and zoning
- using public land

- providing low-cost debt or equity
- exempting or abating property taxes, including to spur commercial-to-residential conversions

Preferential Zoning and Expediting Permitting for Affordable Housing

Preferential zoning policies for affordable housing can provide an additional incentive for developers to add affordable housing to market-rate developments or to make it feasible to undertake projects that otherwise are not possible under more stringent density rules. Depending on their precise structure, they are offered at either no cost or very low cost to taxpayers.

Accelerated permitting for affordable housing is also a low- or no-cost, highly efficient strategy that can yield meaningful benefits by saving time, one of the most expensive and uncertain elements in the development process. Faster approvals—whether by allowing for third-party reviews, instituting "shot clocks," or by other reform—reduce carrying costs, limit exposure to inflation, and improve project feasibility, especially in high-cost markets where delays can make or break deals.

Many streamlining efforts, such as those associated with removing barriers to building accessory dwelling units in California, take multiple iterations to successfully address barriers and loopholes that inhibit supply. Therefore, this strategy requires sustained commitment from local leaders and a willingness to revisit and revise rules as bottlenecks emerge.

That said, although preferential zoning and streamlined permitting is an essential tool for boosting new affordable housing production, it has limited application for preservation projects, which are also critical to maintaining overall housing supply and affordability.

- **Florida's Live Local Act.** First passed in 2023 and significantly amended in 2024 (via SB 328 and HB 7073), Live Local offers a mix of zoning reform and property tax exemptions to encourage the development of mixed-income multifamily housing. Specifically, developers of new multifamily projects with at least 71 units, at least 40 percent of which are affordable at 80 percent of the AMI for a minimum of 30 years, can be built in commercial, industrial, or mixed-use zones, even if local zoning does not otherwise allow residential use. These projects are automatically approved, can be built up to the highest density and height allowed anywhere in the jurisdiction, and benefit from reduced parking minimums. Under the law, full property tax exemptions are offered on units rented to households earning up to 80 percent of the AMI, and a 75 percent exemption is offered for units rented to households between 80 and 120 percent of the AMI. To qualify, units must be newly built (within the past five years), offered at rents below income-restricted thresholds or 90 percent of the US Department of Housing and Urban Development's (HUD's) Fair Market Rent, and meet ongoing compliance requirements verified by the Florida Housing Finance Corporation and local property appraisers (Glazer and McKinless, n.d.).

Although the tax exemption is granted by right, local governments can opt out of the 75 percent property tax exemption (for units affordable to households earning 80 to 120 percent of the AMI) by a two-thirds vote but only if the jurisdiction appears on a state-generated list of areas with sufficient affordable housing. The Live Local Act also updates Florida's surplus land laws, of which we provide other examples in a later section (Glazer and McKinless, n.d.). All Florida cities are required to identify publicly owned lands that are suitable for affordable housing and publish that list on their website. Under state law, identified lands can be used for affordable housing via long-term land leases. The state does not prescribe affordability levels for the resulting housing but provides best practices for converting the land into housing (Glazer and McKinless, n.d.). Though still in early stages, the Live Local Act is widely viewed as one of the most aggressive state-led attempts to stimulate moderate- and mixed-income housing production by aligning tax policy and land-use reform.

- **California's density bonus laws.** California has passed a series of density bonus laws over the past 10 years that override local zoning laws to allow more density for affordable housing. Specifically, a density bonus of up to 50 percent beyond the local government's zoning code is offered if 15 percent of the units are affordable for households earning 50 percent of the AMI, if 24 percent of the units are affordable for households earning up to 80 percent of the AMI, and if 44 percent of the units are affordable for households earning 110 percent of the AMI. An 80 percent bonus is offered for fully affordable projects, and unlimited density is offered for projects located within a quarter mile of a major transit stop. The density bonus also offers other waivers, such as for parking requirements or for certain development standards, including setback requirements, height restrictions, or requirements for specific finishes or materials. A Terner Center analysis found that developers reported the bonuses make more projects financially feasible and that "bonus units can allow mixed-income projects to more easily absorb the costs of the required affordable units. However, the added density allowed does not necessarily work for mixed-income projects in lower-cost markets, such as inland areas, because the market rate rents in the area are not high enough to offset the costs of operating the affordable units" (Fulton et al. 2023, 6).

- **Los Angeles's Executive Directive 1.** Executive Directive 1 (ED1), issued in December 2022, expedited the development of affordable housing projects, defined as projects with at least 80 percent of the units affordable to households earning 80 percent of the AMI. ED1 streamlines approval by making eligible projects by right, meaning they are exempt from discretionary review processes such as public hearings and environmental analysis. Many submitted projects also take advantage of recently enacted state laws that provide density bonuses for affordable housing. ED1 sets a shot-clock of 60 days for the city's planning department to approve the project, and it exempts projects from paying construction workers prevailing wages. More than 13,000 units were proposed under ED1, the majority of which are affordable to households earning up to 60 percent of the AMI, though a large number of units have been able to move forward in the current interest rate environment without additional subsidy. According to analysis by Abundant Housing LA, many of these projects are not receiving any public money and instead are previously market-rate apartment projects resubmitting as 100 percent affordable to take advantage of this program.[12] But recent changes added restrictions on where ED1 projects can be sited, which limits the program's unit potential.[13]
- **Massachusetts's 40B Provision**. Under this provision, originally passed in 1969, projects can bypass local zoning restrictions in jurisdictions where less than 10 percent of the housing stock qualifies as affordable—that is, if at least 20 to 25 percent of the units in the project are affordable to households earning 80 percent of the AMI. This flexibility includes exceeding local density limits, exceeding height restrictions, building multifamily housing in areas zoned for single-family housing, and reducing parking requirements. Rather than a fixed density bonus, the local board is required to provide zoning relief to make the project economically viable. Because local zoning boards can still negotiate with a project (even if they cannot deny a project), there are still ways for local communities to slow down the process of building affordable housing. That said, an analysis of 40B from its first 40 years showed that it had led to substantial construction of both affordable and market-rate units (Reid, Galante, and Weinstein-Carnes 2016).
- **Austin's Affordability Unlocked.** Austin's density bonus programs waive floor area ratio, setback, height, and other design requirements—and modify parking requirements—in projects where 50 percent of total units are affordable at 60 percent of the AMI for rental housing and 80 percent of the AMI for homeownership. Other Austin programs provide density bonuses for rental housing at 80 percent of the AMI in downtown areas. An analysis of the programs found substantial uptake, with Affordability Unlocked primarily being used by affordable housing

developers building largely affordable projects, whereas the downtown incentive programs were frequently taken up by developers building mixed-income housing in an area where there was already substantial demand and building momentum. The analysis also noted that common features of the programs that likely enabled their widespread use included that they "do not have overly stringent or onerous requirements" and that projects of "any land use can participate."[14]

Using Public Land

Public land disposition is a relatively low-cost way to reduce development costs for affordable and mixed-income housing. In many cases, the land in question is not generating property tax revenue or being actively used, so transferring or leasing it for housing does not require direct financial subsidies, just the strategic use of an underused public asset. The key challenge is administrative, not fiscal. It takes coordination across multiple government agencies, many of which do not typically focus on housing, to identify viable parcels, to clear legal or operational hurdles, and to structure deals that ensure long-term affordability. When done effectively, public land disposition can unlock sites for housing that might otherwise remain idle for years.

- **Atlanta's Affordable Housing Strike Force.** Atlanta has made public land a central tool in its affordable housing strategy, particularly through the work of the Affordable Housing Strike Force, which launched in 2022 (Humphries and Katz 2025). Recognizing that many publicly owned parcels were underused, the city coordinated agencies such as Atlanta Housing, Invest Atlanta, the Metropolitan Atlanta Rapid Transit Authority, Alanta Public Schools, and the Beltline to identify and activate land for affordable housing development. By reducing or eliminating land acquisition costs, the city helps affordable housing projects become financially viable while accelerating production timelines. To institutionalize this strategy, Atlanta created the Atlanta Urban Development Corporation, a public nonprofit that holds and stewards city-owned land for long-term affordability. In addition to offering land at below-market rates or through long-term leases, the Atlanta Urban Development Corporation can also provide property tax relief for projects developed on its land, further reducing operating costs and supporting deep affordability. This public land disposition model is a cornerstone of Atlanta's efforts to deliver 20,000 affordable homes by 2030.[15]
- **California's Executive Order N-06-19.** Executive Order N-06-19 was signed in 2019 to leverage excess state-owned land for affordable housing development. The order directed the Department of General Services and the Department of Housing and Community Development

to identify and prioritize surplus state properties suitable for housing projects. The executive order does not specify exact affordability levels or income thresholds for housing built on these public lands. As a result, more than 44,000 state-owned parcels were reviewed, leading to 92 properties being deemed potentially viable for affordable housing. As of early 2025, 32 of the identified properties were in various stages of development, collectively expected to yield approximately 4,300 affordable housing units.[16]

- **Hawaii's recent reforms.** In recent years, Hawaii lawmakers have advanced several measures aimed at using public land and assets to expand permanently affordable housing options. One key effort, S.B. 865 (enacted in 2023), launched a program to build housing by granting 99-year leaseholds on state-owned sites.[17] Another law, S.B. 2251 (enacted in 2022), gave the Hawaii Public Housing Authority the ability to create mixed-income, mixed-finance developments on a wider range of sites, including agricultural lands.[18] This legislation is already driving the Ka Lei Momi Redevelopment Project, which plans to transform existing state properties into transit-oriented, mixed-income communities, with approximately 10,000 new affordable homes.[19]

Low-Cost Debt and Equity Revolving Funds

A new approach to making more mixed-income housing development feasible are programs where a state or local government acts as a concessionary lender or investor in housing projects, using a revolving fund model. The municipality can take advantage of its ability to borrow in the capital markets at relatively low rates and then earn a return that exceeds the municipality's cost of funds but is lower than the financing costs that would be available to a developer in the private market. By structuring the support as shorter-term construction debt, the municipality can generally use the proceeds from the project to finance future projects within a few years, when the project acquires permanent financing. To date, these funds have largely focused on mixed-income or middle-income projects.

These revolving fund models are particularly attractive for developers in jurisdictions that have inclusionary zoning ordinances and therefore require some mixed-income housing for any new development, effectively providing an additional carrot for the inclusionary zoning mandate. Some models explicitly target projects that are almost ready for permit or are already permitted but are stalled in the preconstruction phase. In that sense, they are effective at targeting support to projects that might not otherwise get built. Other models provide debt or equity capital earlier in the process, enabling developers to begin design and entitlement work with the increased certainty that comes from committed, flexible capital. Moreover, they are highly efficient uses of taxpayer resources. Assuming the loan principal or initial equity investment is returned to the fund, the only taxpayer subsidy is the difference in interest costs or return on equity between the concessionary financing costs and the market-rate financing costs, with the potential for even more upside when projects confer partial ownership to the public entity. That said, one challenge with these kinds of programs is that they take significant time, effort, and expertise on the part of jurisdictions to set up. In addition, they are generally less familiar to market-rate developers and investors than options such as tax abatement programs, but state and local officials report substantial interest once developers familiarize themselves with program contours.

Some programs use public entities to develop and own mixed-income housing directly, pairing low-cost public debt and the elimination of property taxes with long-term public control to ensure lasting affordability. Others support private or nonprofit developers with concessionary debt or equity to reduce project costs, relying on deed restrictions and compliance agreements rather than public ownership to maintain affordability.

Public Ownership

- **Montgomery County's Housing Production Fund.** Financed through a $100 million bond issuance, the Housing Production Fund is a revolving loan fund that makes five-year mezzanine debt construction loans and takes majority or total ownership in projects. The mezzanine debt financing covers 10 to 25 percent of the total development costs and typically eliminates the need for developers to find private equity financing. Beyond the mezzanine debt, the only sources of financing are typically equity and coinvestment senior debt, a significant contrast to LIHTC-funded projects, which typically require more layers in the capital stack. The fund sets the standards for affordability and, by taking a majority ownership position, ensures that property taxes do not need to be paid. Despite the public ownership structure, developers and operators maintain minority ownership positions and handle property management functions. Affordability requirements on recent buildings include setting aside 20 percent of the units for households earning below 50 percent of the AMI and 10 percent of units for households earning below 70 percent of the AMI, while the remainder are market-rate units. The model is particularly geared toward markets that have high market-rate rents that can cross-subsidize the affordable units. Three developments composing more than 1,100 units have been completed or closed, and an additional five projects are in the pipeline. The roughly $100 million bond issuance is projected to yield roughly 1,500 units every five years.[20]

- **Atlanta's Housing Production Fund.** Following a $38 million appropriation, the City of Atlanta in 2023 set up a revolving fund to provide mezzanine-level, low-interest construction loans to publicly owned or land developments. Similar to Montgomery County's model, the loans are designed to provide financing for three to five years for up to 20 percent of the capital stack at a roughly 6 percent hurdle rate. One difference between the Atlanta model and other models as it relates to land is that the Atlanta model involves the conveyance of publicly owned land to developers at below market rates—a benefit that goes even beyond property tax abatement—and sits under the Atlanta Urban Development Corporation. For these projects, the corporation retains permanent public ownership in projects, either through ground of the land or through joint ventures. The Housing Production Fund has several projects in the pipeline and has closed two projects to date. Atlanta has not yet publicly listed its income restrictions (McAdams and Fike 2025).

- **Invest Chattanooga.** Chattanooga recently launched Invest Chattanooga—a city-backed $20 million housing production fund managed through a nonprofit subsidiary of the Chattanooga Housing Authority—that provides subordinate, low-interest loans to developers of mixed-income housing and can invest in projects as an equity partner. The loans can cover up to 25 percent of construction costs and carry an interest rate of around 5 percent. In exchange, developers must reserve 30 percent of units as permanently affordable, with 20 percent for households earning up to 50 percent of the AMI and 10 percent for households earning up to 100 percent of the AMI. Invest Chattanooga retains a majority ownership stake during construction and beyond, allowing for long-term affordability and public stewardship. After stabilization and refinancing, the loans are repaid into a revolving fund to support additional projects. Invest Chattanooga has not yet closed on a project.[21]
- **Chicago's Green Social Housing Revolving Fund.** Chicago's new Green Social Housing Revolving Fund is a city-backed initiative designed to finance environmentally sustainable, permanently affordable mixed-income housing. Backed by a $135 million housing and economic development bond, the program is operated by a newly created nonprofit, which provides short-term, low-interest loans (three to five years) to developers in exchange for a majority ownership stake during construction and stabilization. Projects must include at least 30 percent affordable units (affordable to households earning up to 80 percent of the AMI), meet green building standards, and repay the loans into the revolving fund, allowing the city to reuse the capital for future projects. The city is developing detailed program parameters after passage earlier this year.[22]

Private Ownership

- **MassHousing Momentum Fund.** The MassHousing model leverages $50 million of state-appropriated funds to make preferred equity investments in projects that are permitted and ready to close. It requires that developments be mixed income in a fashion similar to many inclusionary zoning ordinances in the state—in this case, 20 percent of the units are restricted to households earning 80 percent of the AMI. The MassHousing model maintains private majority ownership and makes preferred equity investments for up to 10 percent of total development costs that are designed to blend with private equity, not replace it, to result in an overall lower cost of equity than fully market-based returns would require. It can also be combined with the FORGE Loan, a subordinated debt product offered in collaboration with Freddie Mac that offers a modest discount off market-rate debt offerings and is designed to lower the blended cost of capital even more. The fund has approved commitments to three properties and closed one representing 461 units.[23]

- **Boston's Housing Accelerator Fund.** Designed to work with the Momentum Fund, Boston has set aside $110 million for a Housing Accelerator Fund with terms similar to those of the Momentum Fund, also to be paired with a FORGE senior debt product. Roughly half of the Accelerator Fund operates on the same terms as the Momentum Fund, working with MassHousing as a partner. The other roughly half is for Boston Public Housing reinvestment, with public ownership and low-cost, long-term mezzanine debt.

- **Build for CT.** Authorized by a $200 million bond package in 2023 and launched in 2024 by the Connecticut Department of Housing and its Housing Finance Authority, this program provides mezzanine below-market-rate loans (fixed rates from 1 to 3 percent) for construction-to-permanent or permanent financing. At least 20 percent of the units must be affordable for renters earning between 60 and 120 percent of the AMI for at least six years, and the senior financing must already be in place. Priority is given to new development, adaptive reuse, and substantial rehabilitation of unrestricted market-rate multifamily development in areas where rents are discounted and jobs and transit options are proximate (CDOH, n.d.). The program has helped finance 1,900 rental units—around 500 of which are income-restricted units—and was allocated an additional $50 million bond issuance in December 2024.[24]

- **Colorado's Proposition 123**. Passed in 2022, Proposition 123 allocates 0.1 percent of state income tax revenue—approximately $300 million annually—to housing initiatives. Sixty percent of that total, or roughly $200 million per year, is allocated to the Affordable Housing Financing Fund (AHFF). The fund includes provisions to promote the development of affordable housing that does not receive LIHTC. The first major component is an equity track that receives 40 to 70 percent of AHFF proceeds to make equity investments in housing projects. The equity investments can cover the full remaining portion of equity needed in the capital stack after the sponsor equity contribution, with the sponsor permitted to make a 10 percent rate of return for low-income projects and a 15 percent rate of return for mixed-income and middle-income projects. Sponsors can also earn a 15 percent promote for returns above the underwritten rate (OEDIT and CHFA 2025).

The restricted units must be affordable, on average, for households earning 90 percent of the AMI, and must participate in a tenant equity program, where a small share of returns on the investment and from interest on concessionary debt loans are distributed to renters, based on specific agreements for each project. The second major component is a concessionary lending track that provides senior or subordinated debt, covering up to 90 percent of project costs at a 2.5 percent interest rate. This track receives 15 to 35 percent of AHFF proceeds in any given year. At least 75 percent of the units must be set aside as affordable to an average of no less than 60 percent of the AMI (OEDIT and CHFA 2025). Priority is given to high-density housing, mixed-income housing, environmental sustainability, shovel-ready projects that result in new units, and use of a Colorado manufactured or off-site building technology. The AHFF also includes a financing initiative for innovative housing manufacturers. The equity track has announced 11 investments, and the concessionary debt track has announced 5 loans to non-LIHTC projects (AHFF 2024, 2025).

- **Michigan's Housing Accelerator Fund.** In 2025, the Michigan State Housing Development Authority launched a Housing Accelerator Fund to help move "shovel-ready" multifamily developments past persistent financing gaps.[25] The $75 million fund will support mixed-income multifamily housing where at least 20 percent of the homes are affordable for households earning 50 percent of the AMI or 40 percent of homes are affordable for those earning 60 percent of the AMI.[26] Specifically, the fund will offer loans at below-market interest rates between 2 and 4 percent.[27] The Housing Development Authority hopes to attract interest from projects currently in their pipeline, making it easier for projects to qualify and be allocated funding quickly.
- **New York State Housing Acceleration Fund.** In July 2025, New York State Homes and Community Renewal (HCR) announced the Housing Acceleration Fund, a $100 million revolving loan initiative designed to close financing gaps for multifamily developments that are otherwise ready to begin construction (HCR 2025). The fund allocates $50 million to New York

City and $50 million to the rest of the state. HCR will contribute up to 50 percent of a project's total financing need at a fixed 3 percent interest rate, while private partners such as banks or community development financial institutions provide the remainder.[28] Projects must have 50 or more units and comply with the affordability and income restrictions of the jurisdictions where they are located. The program is explicitly aimed at shovel-ready projects that cannot proceed without this final layer of support.

- **Oregon's SB684.** Oregon recently passed a bill directing its state housing finance agency to study how to structure a mixed-income revolving loan fund and identify statutory authorization needed to create such a fund. Any resulting fund would complement Oregon's existing $75 million revolving loan fund, which allows Oregon Housing and Community Services to make no-interest loans to projects affordable to households making under 120 percent of the AMI and are paid back via a 10-year fee schedule.[29]

Exempting or Abating Property Taxes

Reducing property taxes and operating costs in exchange for increased affordability is a straightforward way for a jurisdiction to complement abundance-style policy changes and achieve incremental affordability more quickly. These types of policies are generally easy for investors, operators, and developers to understand because they are easily built into real estate models for both new construction and preservation.

To work most effectively, policies should be structured with limited requirements beyond affordability and should be offered by right to projects that can meet certain criteria. At the same time, the program should attempt to be tailored enough to limit taxpayer subsidy to something approximating the benefit of reduced rents (compared with market rents) over time plus some moderate premium to attract private capital. Otherwise, there is a risk that a jurisdiction is giving up more tax revenue than it needs to attract the investment. A key challenge is that private actors typically have access to better data than jurisdictions. Even HUD Small Area Fair Market Rents that show rents by zip code are much less exact than actual market rent data provided by real estate data sources. This means that investors have an incentive to seek tax abatements or exemptions in places where the market rent is affordable without such subsidies but where the local government instead relies on some broader geographic measure of market rents.

We discuss exemption and abatement programs below, grouping them into programs offering assistance by right and those that require additional approvals. We also include, as a separate category, programs that provide incentives for the conversion of commercial buildings to residential buildings.

Offered by Right

The following programs are offered by right, meaning that project sponsors do not need to seek additional approvals to qualify for the abatements or exceptions but instead must document compliance with program parameters. This lack of additional approval makes program administration and application more straightforward.

- **Texas's Public Facility Corporation (PFC) and Housing Finance Corporation (HFC) model.** In 2015, Texas began allowing local agencies to enter into partnerships with private or nonprofit developers and offer full tax exemptions in exchange for at least half of a property's units being income and rent restricted, typically at 80 percent of the AMI. Although the program was initially successful in terms of uptake, it was often used by investors acquiring naturally occurring affordable housing, so the only incremental benefit taxpayers received was protection against future rent increases. Moreover, the program received substantial criticism because of a loophole that allowed PFCs in one part of the state to grant property tax exemptions to properties in other parts of the state, without the approval of officials in the jurisdiction where the property was located (Way 2020). Subsequently, the program was reformed to include a finding that the project could not have occurred "but for" the exemption, that at least 60 percent of the benefit is "returned" via reduced rents, and that local governments approve the exemptions in their own communities.

  Immediately following these reforms, a similar provision of Texas law allowing HFCs to offer property tax exemptions emerged as a substitute for the PFC model, including the flaws that legislators had just fixed in the PFC model. As a result, the Texas legislature recently passed a reform to impose similar but more restrictive affordability requirements on the HFC model than currently exist on the PFC model and to claw back recent exemptions under the HFC program unless the local government where the property is located approves of the exemption in the next two years—an unusual retroactive reform that illustrates how controversial the large scope of the exemption and use of the loophole had become.[30]

- **Georgia's Private Enterprise Agreement Exemption.** Georgia law provides a long-standing property tax exemption for affordable housing projects developed in partnership with local housing authorities that has been more widely used in recent years. To qualify, a developer or investor must enter into an agreement with the local housing authority, which defines the project's affordability commitments. The exemption applies to the portion of the assessed value attributable to the low-income housing use. As one example, Atlanta requires that at least 20 percent of units be affordable for households earning 50 percent of the AMI and 10 percent of units be affordable for households earning 80 percent of the AMI (Atlanta Urban Development Corporation, n.d.).

- **New York State's 485-x program.** Formally known as the Affordable Neighborhoods for New Yorkers (ANNY) Tax Incentive, this program was enacted in April 2024 to replace the expired 421-a property tax exemption. The program offers a partial property tax exemption for newly constructed or converted multifamily rental housing in New York City that includes income-restricted affordable units. To qualify, projects must include six or more units; begin construction between June 16, 2022, and June 15, 2034; and be completed by June 15, 2038. The affordability requirements and benefit duration vary by project size and location. For example, buildings with 6 to 99 units may receive a 35-year exemption if at least 20 percent of units are rented to households earning up to 80 percent of the AMI, while projects with at least 150 units in designated zones can receive up to 40 years of relief with stricter affordability and labor standards. Unlike its predecessor, 485-x incorporates stronger labor protections, including prevailing wage requirements for projects with 100 or more units, and incentives for developers to contract with minority- and women-owned business enterprises. Eligible projects receive the benefit automatically upon meeting program requirements and applying through the Department of Housing Preservation and Development.[31]
- **Illinois's Affordable Housing Special Assessment Program.** This program, established under the 2021 Affordable Housing Omnibus Bill, provides property tax incentives to encourage the development and preservation of affordable rental housing statewide. The program targets multifamily properties with seven or more units, offering reductions in assessed property value based on the proportion of units designated as affordable, defined as units rented to households earning up to 60 percent of the AMI. There are three tiers of benefits: a 25 percent reduction for properties with at least 15 percent affordable units, a 35 percent reduction for those with at least 35 percent affordable units, and a special tier for properties in designated "low-affordability communities," which provides a phased reduction over 30 years for properties with at least 20 percent affordable units. To qualify, property owners must undertake new construction or substantial rehabilitation and commit to maintaining the

affordability of designated units for a minimum of 10 years. The program is administered by local county assessors and does not require local city council approval.[32]

- **California Welfare Exemption**. The California Welfare Exemption provides property tax exemptions for affordable housing. To qualify, properties must be owned or operated by a nonprofit, receive some form of public financing or subsidy, and serve households earning up to 80 percent of the AMI. The exemption is granted based on the proportion of units occupied by eligible low-income tenants, with requirements for income verification and rent adjustments to align with affordability guidelines. The California Municipal Finance Authority, Bay Area Housing Finance Authority, and the Housing Authority of the City of Los Angeles have set up programs to provide the minimum amount of public assistance and nonprofit ownership necessary to access the tax abatements (Ozer-Bearsen et al. 2025). Each of these, to varying degrees, requires projects to demonstrate that they would not be feasible without public subsidy—for example, by documenting that the project will either lead to rent reductions or a plan for rehabilitation that still maintains affordability in the case of acquisition projects. The paper recommends changes to the programs, including to broaden the exemption for new construction to include properties owned by for-profit entities, removing the public financing requirement that can come with additional requirements, and streamlining the income verification requirements (Ozer-Bearsen et al. 2025).

Programs That Require Approval by a City Council, an Assessor, or Another Entity

The following programs require additional approval, either from city councils or from county assessors. For some places, such as Richmond and Chattanooga, the need for additional approval stems from the program's novelty. As the program becomes more routine, future legislators could decide to move to administrative approvals. In places such as Minnesota, project-by-project approval is required to ensure that cities are not cannibalizing their revenues to provide affordable housing.

- **Richmond's Affordable Housing Performance Grant.** Virginia passed a law in 2022 that enabled local economic development authorities to make affordable housing grants. Richmond was the first city in the state to craft a program based on the enabling statewide legislation, and the city's program provides incentives for new affordable housing. The Affordable Housing Performance Grant provides an annual grant for up to 30 years to cover the incremental difference between the real estate taxes levied on the site before and after the development of affordable housing.[33] The amount of the grant increases, up to 100 percent of the incremental difference in property taxes, based on the number of units and degree of affordability within those units (EDA 2024). The grant must be approved by both the city council and the city's Economic Development Authority. More than 3,000 units have been authorized in the program's first two years, and most of those units will be affordable to households making between 50 and 80 percent of the AMI.[34]

- **Minnesota's 4d program.** Unlike other programs that offer property tax abatements or exemptions, the Minnesota 4d program provides a lower effective property tax rate on qualifying units and can be used for both new construction and preservation (Hewlett, Ganz, and Browning 2025). To qualify, building owners agree to keep a minimum of 20 percent of the units in a building affordable for households making under 60 percent of the AMI for 10 years. Properties receiving federal assistance (e.g., LIHTC, project-based rental assistance, and US Department of Agriculture assistance) are automatically eligible for the program, but other properties not using those federal programs can qualify for the special tax treatment, as long as they meet the affordability threshold. To balance affordable housing goals with budget needs, jurisdictions can classify only 2 percent of their total property tax base as 4d. Any additional properties applying for the incentive once that threshold has been reached must get approval from their city council (MHFA 2023). Once approved by the state, eligible units use the tax class rate of 0.25 percent, and the rest of the property uses the regular rate of 1.25 percent.[35] Property tax savings must be used for property maintenance, property security, property improvements, rent stabilization, or boosting the property's reserves. Some cities, such as Minneapolis, make 4d-approved properties eligible for energy efficiency upgrades.[36] As of 2021, there were more than 83,000 4d units statewide (Minnesota Department of Revenue 2022).

  One study of the program in Minneapolis found that approximately two-thirds of the units in buildings using 4d were affordable, far higher than the 20 percent minimum (Hewlett, Ganz, and Browning 2025). But this may be because Minneapolis has been so successful in lowering housing costs, to the point that market-rate rents are often already affordable for households making 60 percent of the AMI. Therefore, this program may be providing property tax relief for landlords without receiving the benefit of additional affordability beyond what the market can provide.[37]

- **Chattanooga's Payment in Lieu of Taxes (PILOT).** Chattanooga's unique innovation is that it attempts to offer a tailored amount of subsidy to developers based on how much incremental affordability they are offering, and it aims to do so in a transparent manner by posting an Excel model to measure the size of the abatement on its website. Specifically, the tax abatement amount is tied to the forgone rent, meaning the difference between the rent charged and the market rent, as defined by an adjustment to HUD's Small Area Fair Market Rent plus a modest additional premium to provide incentives for investment. A model that tries to distinguish between the rent that is charged and some approximation of market rents needs to use local measures of market rent (i.e., the zip code level) or risks significantly oversubsidizing investments in areas that have lower rents than the broader metropolitan area. The program's standardized calculator could be an important tool for other jurisdictions to adopt, and Chattanooga reports substantial developer and investor interest, though we will know more in the years ahead as the program gets up and running. One potential challenge with this program is that each project needs to obtain approval from the city council, which could be a barrier to expansion.[38]

- **Portland's Multiple-Unit Limited Tax Exemption (MULTE) program.** Portland, Oregon's MULTE program operates as a funded inclusionary housing program. The city's inclusionary housing ordinance requires multifamily developments of 20 or more units to set aside either 10 percent of units affordable for households earning 60 percent of the AMI or 20 percent of units affordable for households earning 80 percent of the AMI. The city paired with that requirement a 10-year property tax exemption on the residential portion of the incremental improvement to the property. Projects using MULTE also qualify for exemptions from paying system development charges that cover things such as water and sewer infrastructure improvements (BAE Urban Economics 2023). Although the program initially varied its exemption based on affordability and location, the city updated it in 2024 to expand the tax exemption to cover improvements to the whole building everywhere in the city.[39] Before expansion, one economic analysis estimated that this policy would reduce property tax revenue by $41 to $83 million and could produce between 15,000 and 30,000 units over a decade, with a portion set aside as affordable based on the inclusionary housing rules (BAE Urban Economics 2023). The city council must approve each MULTE project, and the program's capacity is governed by a cap on total tax exemptions, which is currently suspended until 2030 to encourage the development of affordable housing.[40]

Providing Incentives for Commercial-to-Residential Conversions

The benefits associated with providing financial incentives for conversions from offices to affordable housing potentially go beyond the affordable units. These projects can help revitalize urban cores that have previously been dependent on in-office workers. In addition, the costs to taxpayers may ultimately be lower than incentives that provide for affordable housing generally, at least relative to a counterfactual where the building before conversion was largely vacant and subject to declining value and property tax revenue.

- **Washington DC's Housing in Downtown Program.** This program offers a 20-year tax abatement that is capped at $41 million through 2028 and is offered on a competitive basis. It requires that 10 percent of the units be affordable for households earning 60 percent of the AMI or 18 percent of the units be affordable for households earning 80 percent of the AMI (DMPED 2024). The program also exempts operators from requirements to compensate renters in the event of a sale on the first sale and exempts developers from requirements around hiring DC residents. It is for change-of-use developments, including conversions or demolition and ground-up construction, that result in at least 10 residential units. Early execution has begun with at least one active conversion, and the program is expected to catalyze multiple office-to-residential projects in the coming years (DMPED 2024).
- **Boston's Office to Residential Conversion Program.** This program offers a payment in lieu of taxes (PILOT) for up to 75 percent of the assessed residential value for up to 29 years, fast-tracked permitting, and as-of-right zoning for projects that convert office buildings into residential buildings (City of Boston 2025). Priority is given to downtown areas, and 17 percent of units must be affordable for households earning up to 60 percent of the AMI, with an additional 3 percent set aside for voucher holders. The program, which requires that applications be submitted by the end of 2025 and that construction begin in 2026, has thus far approved two projects, totaling 155 units.[41]
- **New York State's 467-m program.** This tax incentive provides an up to 90 percent tax exemption for up to 35 years for converting nonresidential buildings into housing. Twenty-five percent of the units must meet some affordability restrictions, of which 5 percent are reserved for households earning below 40 percent of the AMI, and the remainder are, on average, affordable for households earning 80 percent of the AMI. The program was targeted at Manhattan and other boroughs of New York City in particular and has worked together with regulatory reforms through the Office Conversion Accelerator, such as lifting density caps, parking rules, and other zoning reforms. One project with more than 1,300 units has been completed, and dozens of additional projects are reportedly in the pipeline, with a recent report suggesting that analyst projections for New York City conversions have doubled since government incentive programs were unveiled.[42]

- **Chicago's LaSalle Street Reimagined.** This program provides tax increment financing, covering, in many cases, around 30 percent of total development costs, to projects that redevelop office space into residential units and designate at least 30 percent of the units affordable to households earning 60 percent of the AMI. The program is reserved for a small area in downtown Chicago that was predominantly office space and saw particularly high vacancy rates postpandemic. The city has set aside $250 million for tax increment financing for this program. The program has approved at least six projects, representing more than 1,500 housing units.[43]

TABLE 2

Typology of State and Local Affordable Housing Production Incentive Programs

Program	Type	Affordability requirements	Approval process	Known impact	Additional notes
Texas Public Facility Corporation	Exemption	At least 50% of units up to 80% of the AMI	Initially by right; recent reforms require "but for" findings and benefit return	High initial uptake; concerns over limited affordability benefits; recent reforms have reduced usage	
Atlanta Urban Development Corporation	Exemption	20% at 50% of the AMI, 10% at 80% of the AMI, remainder up to 140% of the AMI	By right	Supports mixed-income housing; part of broader strategy to deliver 20,000 affordable homes by 2030	Offers additional tools such as low-cost lending and land disposition to enhance affordability
New York 485-x (ANNY Program)	Exemption	Varies by project size and location; e.g., 20% at 80% of the AMI for 6 to 99 units	By right upon application	Recently adopted, so immediate impacts still taking shape	Replaces the expired 421-a program; includes labor standards and MWBE incentives
California Welfare Exemption	Exemption	100% of units up to 80% of the AMI; must be owned or operated by qualifying nonprofits and receive public financing	Requires application to county assessor and state board	Widely used by nonprofits; supports preservation and new construction of affordable housing	N/A

Program	Type	Affordability requirements	Approval process	Known impact	Additional notes
Chattanooga PILOT Program	Abatement	Tied to the difference between market rent and affordable rent; at least 10 units	Requires city council approval	Early interest from developers, but no impact data yet	Uses a standardized calculator to determine subsidy level; aims for transparency and efficiency
Richmond Affordable Housing Performance Grant	Grant (functions as abatement)	Minimum 15% of units up to 80% of the AMI; grant amount increases with deeper affordability	Requires approval from city council and Economic Development Authority	Over 3,000 units authorized in first two years; majority affordable to households earning 50–80% of the AMI	Provides annual grants for up to 30 years to offset increased property taxes attributable to development
Minnesota 4d Program	Tax rate reduction	At least 20% of units up to 60% of the AMI for 10 years	State approval; local cap at 2% of tax base; excess requires city council approval	Over 83,000 units enrolled statewide; significant preservation of naturally occurring affordable housing	Offers lower tax rate (0.25%) on qualifying units; savings must be used for property improvements or rent stabilization
Portland MULTE Program	Exemption	Inclusionary zoning: 10% at 60% of the AMI or 20% at 80% of the AMI for developments with at least 20 units	Requires city council approval; cap on total exemptions (suspended until 2030)	Estimated to reduce property tax revenue by $41–83 million over a decade; projected to produce 15,000–30,000 units	Provides 10-year exemption on residential portion of improvements; includes exemptions from system development charges
Illinois Affordable Housing Special Assessment	Assessment reduction	Tiered: 25% reduction for 15% affordable units; 35% for 35% affordable units; special tier for low-affordability communities	Administered by local county assessors; no city council approval required	New program; impact data not yet available	Targets multifamily properties with at least 7 units; requires new construction or substantial rehab and 10-year affordability commitment

Source: Authors' compilation of program requirements.
Note: AMI = area median income; ANNY = Affordable Neighborhoods for New Yorkers; MULTE = multiple-unit limited tax exemption; MWBE = minority- and women-owned business enterprise; PILOT = payment in lieu of taxes.

Conclusion

To address today's housing affordability challenges, state and local governments cannot rely on abundance-style policies alone. Reforms that reduce zoning and permitting barriers are essential and can generate significant long-term benefits, but they are unlikely to deliver sufficient affordability quickly for households with substantial rent burdens. This makes it critical for policymakers to adopt a dual strategy that marries abundance with targeted affordability incentives. By using tools such as tax abatements, low-cost financing, and public land disposition, jurisdictions can lower the cost of delivering affordable and mixed-income housing and stretch limited public dollars further.

The most successful state and local efforts prioritize affordability for low- and moderate-income households, right-size subsidies to avoid oversubsidization, streamline administration to attract participation, and are structured to support larger-scale delivery. A growing set of innovative programs across the country demonstrate that well-calibrated incentives can accelerate housing production and preservation. As these models evolve, they offer a path for governments to make meaningful progress on affordability even within tight fiscal and political constraints.

Notes

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