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Tackling Housing Supply and Affordability Challenges Through Mixed-Income Housing Finance Innovations

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Tackling Housing Supply and Affordability Challenges Through Mixed-Income Housing Finance Innovations

Virtual Event

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Jorge Gonzalez-Hermoso, Laurie Goodman, Daniel Hornung, Aniket Mehrotra, Kathryn Reynolds, Christina Stacy*

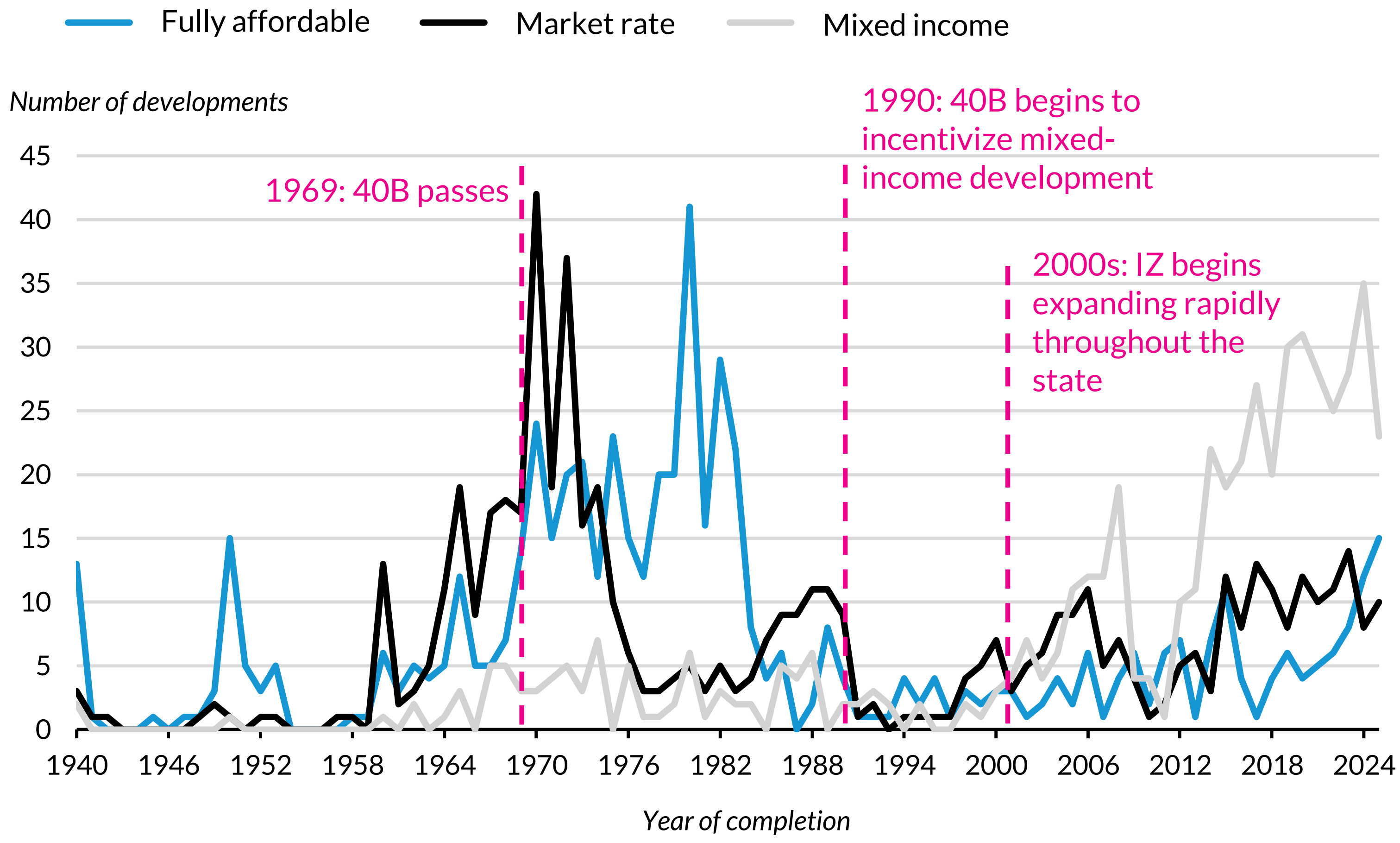
Why Mixed-Income Housing?

- **Shortages of housing, particularly of affordable housing near jobs and opportunities**
    - Policy goals:
        - **Build more housing**
        - **Expand affordable housing**
        - **Increase access to high-opportunity neighborhoods**
- *Can mixed-income housing help achieve all three—and what financing and policy tools make it possible?*
    - To explore this question, we studied Massachusetts.

Mixed-income housing has become the dominant development model in Massachusetts largest markets

- 58% of large multifamily developments from 2021 to 2025
- 65% of units from large multifamily developments from 2021 to 2025

Number of Large Fully Affordable, Market-Rate, and Mixed-Income Developments, by Completion Date in Massachusetts



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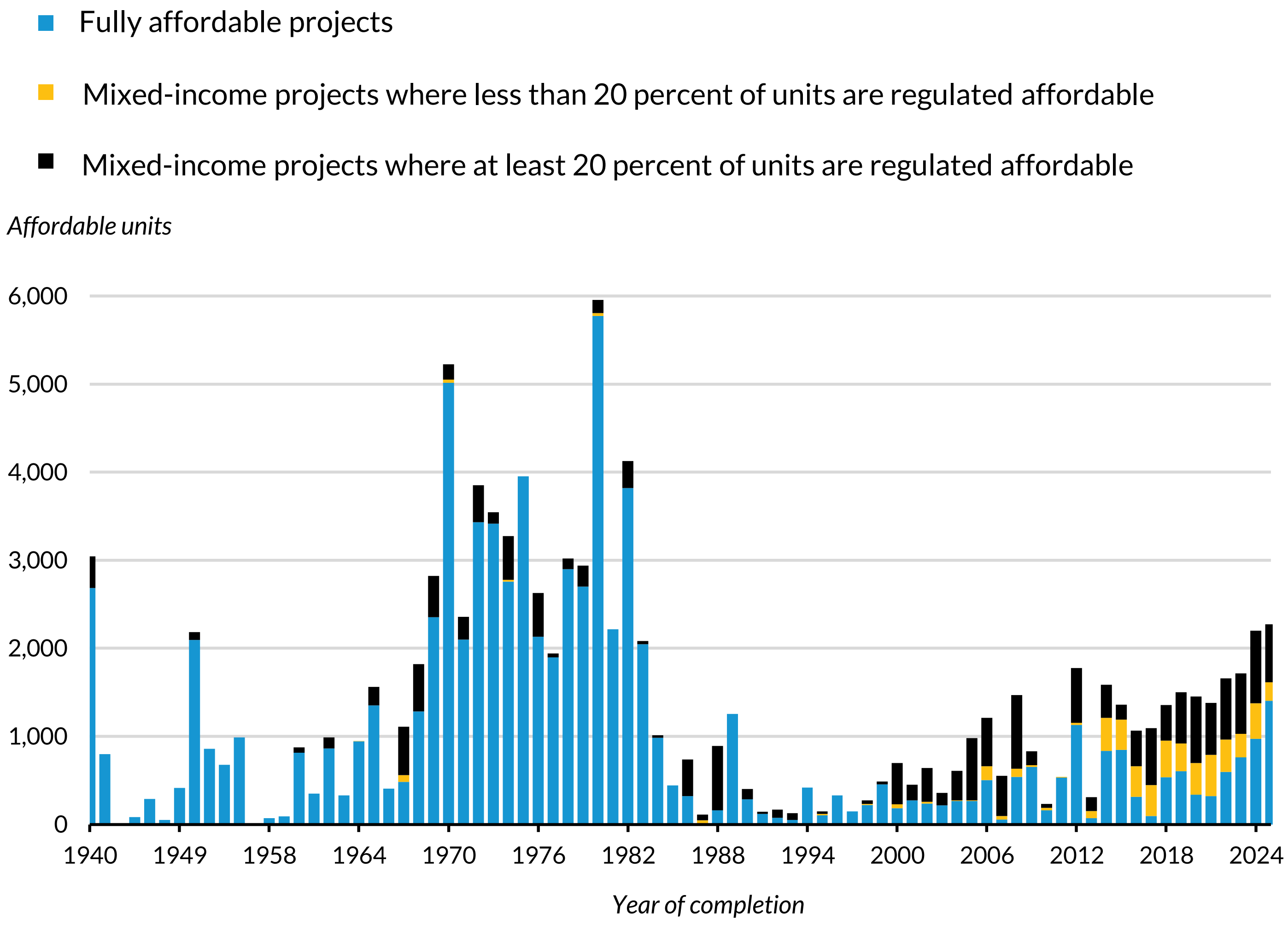
Source: Authors' analysis of Yardi Matrix data.
Notes: IZ = inclusionary zoning. Some developments had earlier completion dates, but we excluded them from this figure for display purposes.

Mixed-income housing also accounts for most of the affordable units produced over the past five years in large multifamily developments

- 56% from 2021 to 2025

Number of Affordable Units in Large Fully Affordable and Mixed-Income Projects, by Completion Date in Massachusetts



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Source: Authors' analysis of Yardi Matrix data.

Mixed-Income Housing in Massachusetts Is Located in Higher-Opportunity Neighborhoods than other large multifamily developments

- Higher incomes
- Better job access
- Higher educational attainment
- Higher rents

Neighborhood Characteristics for Large Multifamily Developments, by Affordability Type

	Mixed income	Fully affordable	Market rate	Difference between mixed income and fully affordable	Difference between mixed income and market rate
Median household income	$110,135	$74,894	$94,410	***	***
Median rent	$2,189	$1,480	$1,923	***	***
Vacancy rate	5	6	5		
Household size	2	2	2	*	
Median age	37	38	38		
Job proximity index	74	59	61	***	***
Environmental burden index	0.65	0.69	0.63		**
Climate burden index	0.72	0.66	0.72	**	
Share white population	59%	51%	60%	***	
Share Black population	7%	12%	7%	***	
Share Hispanic population	14%	24%	15%	***	
Share Asian population	13%	7%	12%	***	
Share with bachelor's degree or higher	52%	38%	46%	***	***
Share cost-burdened renters	48%	50%	50%		
Share severely cost-burdened renters	26%	25%	26%		

Source: Authors' analysis of Yardi Matrix and 2018–23 American Community Survey five-year data, the US Department of Housing and Urban Development's Jobs Proximity Index, and the Agency for Toxic Substances and Disease Registry's Environmental Justice Index.

Notes: This table reports median neighborhood characteristics for census tracts containing large multifamily developments, by affordability type. Differences are calculated relative to mixed-income developments. Asterisks indicate statistically significant differences in median values (*$p < 0.10$; **$p < 0.05$; ***$p < 0.01$). Vacancy rates and household characteristics are measured at the census tract level. Affordability classifications are based on project-level unit mixes.

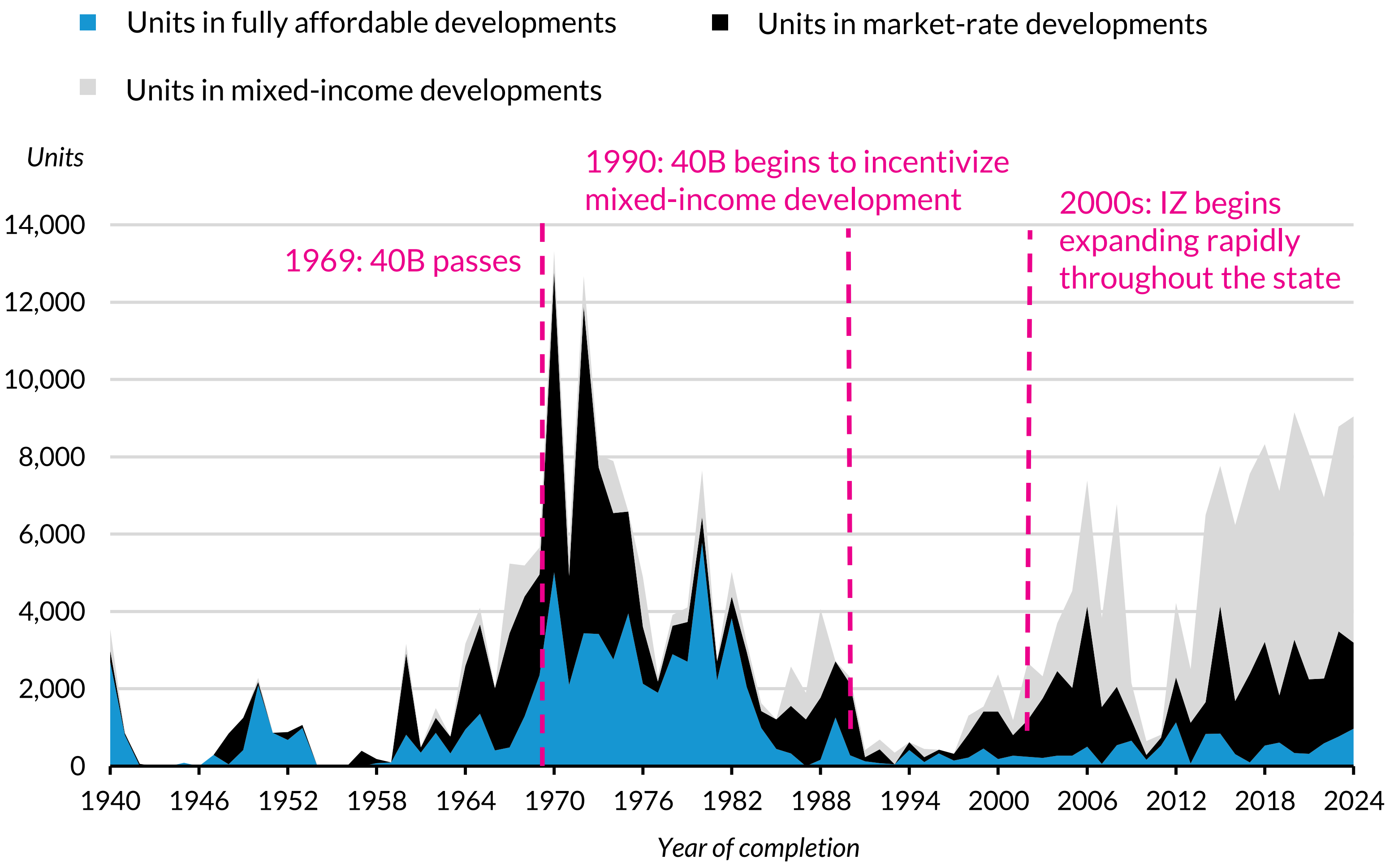
What has Massachusetts done differently?

- **Chapter 40B (1969):**
  - Municipalities must maintain **10% affordable housing** (or 1.5% of land area) or subject to a **builder's remedy**, allowing developers to bypass local permitting.
  - Since **1990**, eligible mixed-income rental developments count **all units** toward a municipality's affordable housing inventory if affordability thresholds are met.
- **Expansion of Inclusionary Zoning:**
  - Rapid growth beginning in the **early 2000s**; **143 municipalities** had programs by 2019.
  - Requires or incentivizes affordable units within market-rate developments.

But it isn't enough

- While mixed income housing has contributed, affordable production in large developments remains below historic levels
  - A greater share of renter households in Massachusetts than households nationwide are rent burdened and severely rent burdened
- Massachusetts still faces a significant housing shortage overall
  - MA needs an additional 222,000 homes by 2035 to meet projected demand

Number of Units in Large Fully Affordable, Market-Rate, and Mixed-Income Developments by Completion Date in Massachusetts



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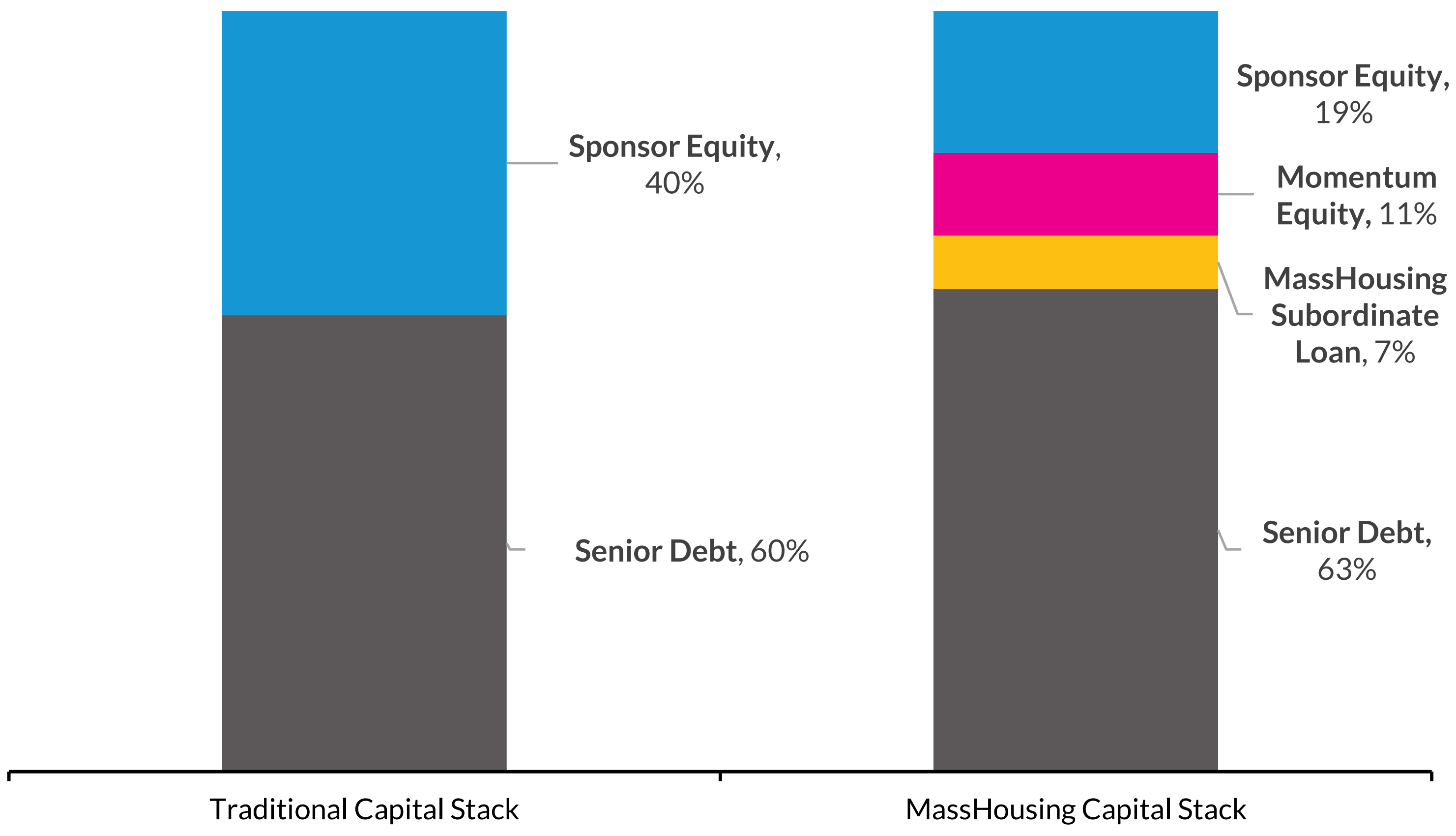
Source: Authors' analysis of Yardi Matrix data.
Note: IZ = inclusionary zoning.

Enter “Bringing Innovation to Lending and Development” (BILD)

- Financing tool offered by MassHousing
- Reduces financing costs by replacing expensive private equity capital with less expensive public equity capital, while also investing in subordinated debt, allowing for more debt financing, and further reducing the need for expensive private equity

Traditional and Momentum Fund Capital Stacks

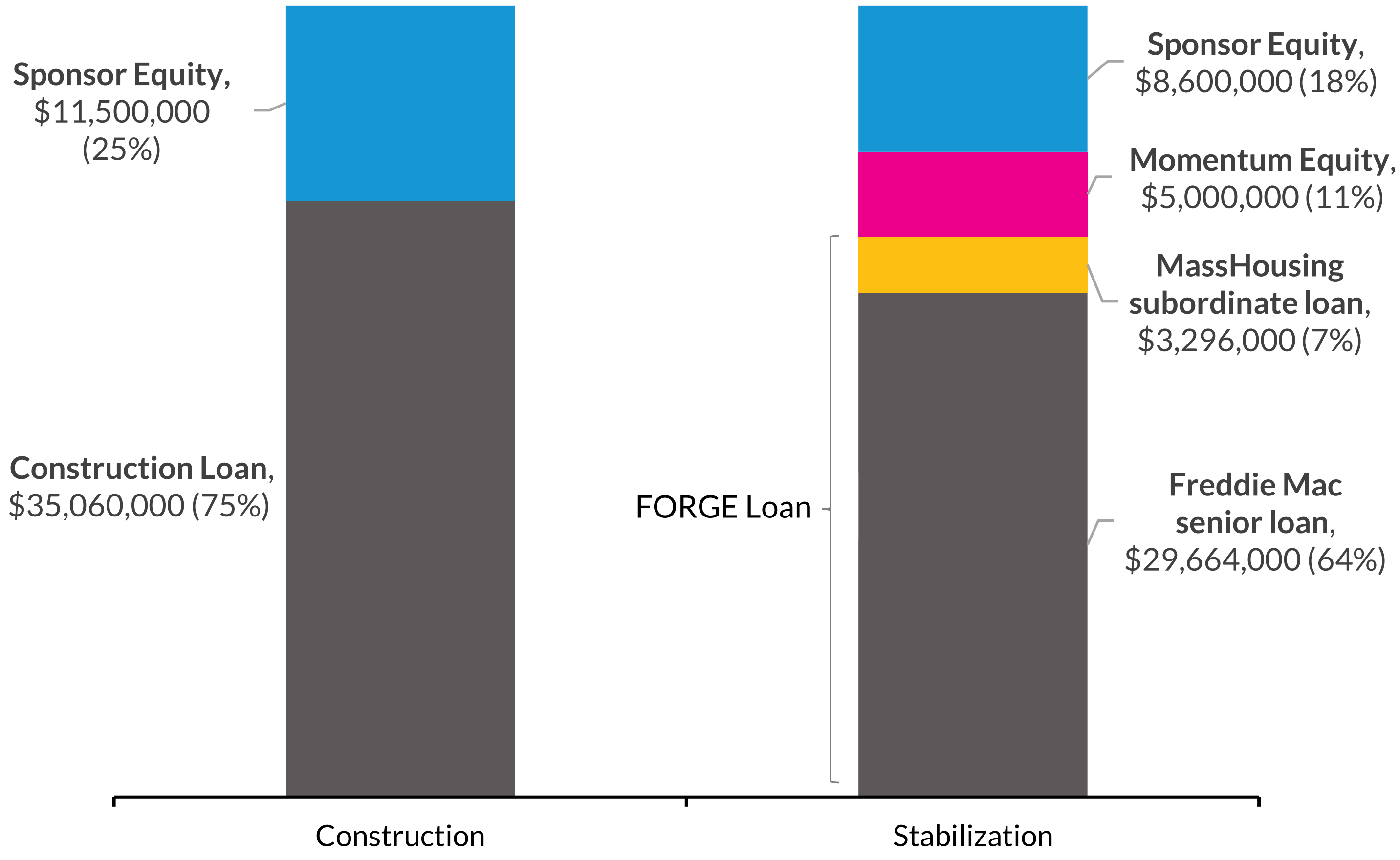


Source: Urban Institute visualization of MassHousing pro formas.

How can BILD help?

- Help stalled projects move forward
- Leverage private investment
- Create long-term affordability

Example Capital Stack of a BILD Project



Source: Authors' visualization of example BILD project.

What should policymakers take away?

- **Mixed-income housing can:**
  - ✓ Contribute to overall housing production
  - ✓ Produce affordable homes
  - ✓ Expand access to opportunity
- **Works best when paired with:**
  - Supportive financing
  - Supportive land-use policies
  - Continued investment in affordable housing

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