RESEARCH

FOR THE

National Housing Crisis Task Force

National Housing Agenda

Data: Building a Robust Housing Data System for the 21st Century
(New America)

Regulation: The Role of States in Planning for Housing in the 21st Century
(Terner Center for Housing Innovation at UC Berkeley)

Land: The Public Land Dividend
(Lincoln Institute of Land Policy)

Capital: Financing Cost-Rental Housing
(Harvard Joint Center for Housing Studies)

Construction: Catalyzing Factory-Built Housing
(Terner Center for Housing Innovation at UC Berkeley)

Operational Sustainability: Built to Last
(NYU Furman Center)

Governance: Remaking Housing Federalism for a New Era
(New Localism Associates)

NATIONAL HOUSING CRISIS TASK FORCE

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Introduction to the White Papers

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Over the past century, America's housing system has been in constant evolution. Policymakers and practitioners have created new methods of construction, new products to finance housing, and new ways of organizing to build and preserve the housing our communities want and need.

Often, policymaking comes after a crisis. The Federal Home Loan Bank System, Fannie Mae, Public Housing Authorities, and other foundations of our housing system were created in the aftermath of the Great Depression. The Department of Housing and Urban Development was created amid the Civil Rights movement. Major changes to how lenders can underwrite mortgages were passed after the Great Recession, and so on.

While that sort of policymaking is often seen as reactionary, policymakers are rarely scrambling to come up with new ideas on the spot. John Kingdon, in his book *Agendas, Alternatives, and Public Policies,*[1] argues that policymaking occurs through the following steps: agenda setting; alternative specification; an authoritative choice; and implementation. Agenda setting emanates from multiple sources, including advocacy, politics, and, indeed, crises. Alternative specification represents all the possible ways to address the items on that agenda: the various policy proposals and ideas and proposed solutions to the problem at hand. What comes out at the end is an authoritative choice: the actual legislative text that becomes law. Ideally, that authoritative choice is then implemented.

Of course, this process is not nearly as linear as it sounds. Kingdon describes "policy entrepreneurs" as individuals and organizations that seek adoption of their policy solutions when the window of opportunity allows for it.[2] Often, alternatives are chosen from among a set of existing policy ideas that were put forward to address the problem on the agenda, or another, related problem. Policy entrepreneurs may be academic researchers, or motivated individuals, or industry groups, that ensure that their policy solutions are on the table as part of the alternatives among which an authoritative choice can be made.

Housing is currently on the policymaking agenda. Policymakers at every level of government are campaigning on solutions to the housing crisis. One of the only bipartisan bills to pass through this Congress is the *21st Century ROAD to Housing Act*, the most sweeping piece of bipartisan housing legislation in this century. It is clear, however, that ROAD is just the beginning: the law will take years to implement, and there is a clear recognition by both policymakers and the general public that additional actions are needed.

The National Housing Crisis Task Force, originally convened in July 2024, a bipartisan coalition of housing practitioners, policymakers, researchers, and elected officials, has been part of the agenda-setting ecosystem from our very founding. Numerous recommendations from the Task Force's Federal Housing Policy Agenda were enacted in the 21st Century ROAD to Housing Act. The Task Force's second major report, a State and Local Housing Action Plan, profiled 15 recent and promising innovations that have the potential to transform our housing ecosystem toward greater production and preservation at lower cost and greater speed. One innovation profiled in the Action Plan, Strike Teams, has now been picked up by Bloomberg Philanthropies as part of their 30-city, multimillion-dollar investment in local housing solutions.[3]

The next major report from the National Housing Crisis Task Force will be a National Housing Agenda, to be released in early 2027. The agenda will build on the two past reports produced by the National Housing Crisis Task Force, while going further than either. The Federal Housing Policy Agenda was meant to identify immediate actions that could be taken by the federal government to address an acute crisis. The State and Local Housing Action Plan was similarly meant to identify promising innovations that could be adopted by Governors and Mayors, right now, to address housing challenges in their community. The National Housing Agenda will address the whole of the housing system: not just federal, state, and local governments, but also the private and non-profit sectors. It will include ideas that are meant to reduce friction in the existing housing system, and make it easier for the country to organize better, so we can invest in and build the homes we need. It will include new policy solutions that have not been tried anywhere in the U.S., but that may represent a natural extension of what we know to be best practice, or American adaptations of international examples. In short, it is meant to provide a new set of possible policies, programs, and practices that the whole of the nation can implement to modernize our housing system.

In the course of developing the National Housing Agenda, the National Housing Crisis Task Force supported the development of seven white papers, written by some of America's leading housing researchers and experts.[4] Each paper addresses one of the seven building blocks of the housing ecosystem: **data**, **regulation**, **land**, **capital**, **construction**, **operational sustainability**, and **governance**. Data and governance shape how we organize; capital and operational sustainability shape how we invest; and regulation, land, and construction shape how we build.

The Task Force supported the development of these papers to allow Task Force staff, Task Force members, and the broader housing ecosystem to take a step back and consider the state of our housing system, and to explore ways to make drastic improvements. Each of the seven white papers examines a different part of the housing ecosystem and proposes ideas for policymakers to consider as they work to address the housing crisis at hand. Good policymaking doesn't only adjust the system we have; it reconsiders whether the system we have works now, in the current context: what can be tweaked, what needs to be created, and what can be discarded to make way for a

more modern system. These papers help us see the current system more clearly, and will inform the recommendations put forth in the National Housing Agenda. By releasing these papers prior to the release of the National Housing Agenda, we hope that they also serve as a valuable resource to policymakers and other researchers considering how we can build a better, more modern housing system in the United States.

The Collection of Papers

Data forms the backbone of our modern economy, as government and industry use data to inform decisions about policy, investment, and more. In *Building a Robust Housing Data System for the 21st Century*, Sabiha Zainulbhai and co-authors Yuliya Panfil and Mera Cronbaugh from New America outline a proposal for a National Housing Data Authority, which would allow for the better collection of data, fill data gaps, and help state and local leaders build capacity to collect better housing data. Zainulbhai, Panfil, and Cronbaugh illustrate the current shortcomings of our data infrastructure, especially in areas where the federal government has historically played a more limited role, such as tracking the rental market or evictions. Their proposal for a National Housing Data Authority draws on international examples, including from New Zealand and the Netherlands, that have modernized their housing data collection systems through national and local partnerships. Helpfully, they lay out all aspects of the housing ecosystem where we might collect data, including data related to rental markets, affordability, housing loss, and more. Zainulbhai and co-authors' paper represents a holistic evaluation of a fragmented data system that has only seen minor updates in recent years, even as housing has become a topic of ever-increasing importance and as policymakers at the federal, state, and local level have had to confront the paucity of high-quality, timely data to make decisions necessary to address our housing crisis.

Regulation, specifically land use regulation, has been the focus of housing advocates who say "Yes in My Backyard" (YIMBYs). Owing to California's outsized housing crisis, it is in many ways the YIMBY center of gravity, even as other states and cities across the country have forged their own path. In *The Role of States in Planning for Housing in the 21st Century*, Stephanie Hawke and Sarah Karlinsky, along with co-authors Julie Aguilar, Jenna Davis, and Samuel Arnett at the Terner Center for Housing Innovation at UC Berkeley, focus on California, alongside Florida, Maryland, New Jersey, and Oregon, as they examine different ways that states have tried to encourage housing development. Their paper compares how these five states each approach distinct components of planning for land use, specifically: the organization of power; planning mandates; tailored overrides; measurement and reporting; dispute resolution; and consequences for noncompliance. They contrast this planning-first approach with a preemption approach, which overrides localities' land use and regulatory powers. The helpful case studies from Hawke et al. highlight how states' approaches to land use regulation and

planning have changed over time, often representing shifts in the state-level objectives around affordability, environmental management, and growth.

Land forms the physical basis for almost all housing and often represents upwards of 15 percent of total development costs.[5] In recent years, public land has been a source of potential low-cost land for housing development, in part because institutions like the Center for Geospatial Solutions have identified hundreds of thousands of acres of government-owned land near transit and jobs that could accommodate millions of housing units.[6] In *The Public Land Dividend: Putting State and Local Land to Work for Housing Supply and Lasting Affordability* from the Lincoln Institute of Land Policy, Solomon Greene and Kate Reynolds provide state and local policymakers with concrete recommendations about how to actually go about using their land for development. Greene and Reynolds articulate a Public Land Portfolio Framework—know what you have; decide as a whole; retain what you build; and close the gap—which addresses numerous challenges that state and local leaders face when trying to actually use public land for development. For instance, *know what you have* addresses the challenges of fragmentation, both within a single government and across multiple governmental actors, that can make public land difficult to identify and even more challenging to actually redevelop into housing. Greene and Reynolds's portfolio framework is an actionable guide for state and local leaders who want to use their public land for affordable housing development, while needing to articulate to stakeholders how to understand the value of that land.

Capital is often another binding constraint in the housing production and preservation process, as high interest rates can raise the cost of housing beyond what many households can afford. From the Joint Center for Housing Studies at Harvard University, Chris Herbert and Henry Walther propose a new funding program in *Financing Cost-Rental Housing: A Low Cost-of-Capital Approach to Supporting Below-Market Rents*. Herbert and Walther begin by articulating just why housing finance is so expensive, and why the cost of financing is so important. Supported by extensive modeling, Herbert and Walther demonstrate that moving from a one percent interest rate to a nine percent interest rate would double the necessary rent to cover the cost of operations of a unit, even when the total development cost of the unit hasn't changed. The authors then take a brief detour to Austria, Denmark, Ireland, and 1960s U.S.A., examining "cost-rental" models. Cost rents are a method to set rent in affordable housing developments where rents are set on actual operating costs, with a possible margin for ownership profit. When costs are low, including through low capital costs, rents can thus be below-market. Because debt service remains constant over time while incomes rise, cost-rentals can thus provide a source of affordable housing. Herbert and Walther propose a federally subsidized, state-administered program that could provide low-cost debt financing to affordable housing providers that would agree to charge cost rents in their developments. They show that, in many markets, cost rents could reach households earning 80 percent of the Area Median Income, and that additional subsidy,

or complementary programs such as Housing Choice Vouchers, could provide even deeper levels of affordability.

Construction productivity in the United States is famously abysmal.[7] While many peer countries have utilized industrialized construction methods to lower construction costs and increase speed, the U.S. has lagged behind. In *Catalyzing Factory-Built Housing: Policy Themes Across Four State Ecosystems,* Amy Egerter and Stephanie Hawke from the Terner Center for Housing Innovation at UC Berkeley draw on extensive interviews to examine how different states are approaching factory-built housing. Drawing on past work,[8] Egerter and Hawke compare California to Colorado, Virginia, and Michigan, and examine how each state is addressing seven opportunity areas related to factory-built housing. These areas include building code reform, other process reforms, financial risk, pipeline uncertainty, workforce, funding streams, and perceptions of risk. Their research shows how states are beginning from radically different starting points, with some just now considering factory-built housing as a potential source of new housing, while others have spent the last several years encouraging extensive factory build-outs and the creation of steady streams of funding. Still, their set of recommendations for factory-built housing has clear implications for states that are trying to counter the fragmentation and uncertainty that have made it difficult to utilize industrialized construction methods in the United States. Their articulated areas of opportunity also demonstrate the numerous headwinds facing the industry that must be overcome.

Operational sustainability is at the core of a well-functioning housing ecosystem. The housing stock of the United States is older than it ever has been,[9] with low-income homeowners and affordable-housing providers facing particular challenges in maintaining and renovating these older homes. In *Built to Last: Designing a Financially Sustainable, Long-Term Operating Model to Maintain the Nation's Aging Housing Stock,* Brad Greenburg from the NYU Furman Center outlines the particular set of challenges facing homeowners of single-family homes: increasing insurance premiums, utility bills, and property taxes that are leading to deferred maintenance. Drawing on research examining annual homeownership costs across a range of homeownership types,[10] Greenburg shows that low-income homeowners often face similar maintenance costs to all other homeowners, despite fewer resources. These are a similar set of challenges facing affordable housing operators: rising maintenance and insurance costs, with a limited set of resources available to them, since rents are capped. Greenburg examines the specific challenges facing operators of different forms of affordable housing, including public housing, Low-Income Housing Tax Credits, and "Naturally Occurring" Affordable Housing operators. To address these challenges for both low-income homeowners and affordable housing providers, Greenburg articulates three areas for consideration by policymakers: how to bend the cost curve, funding for home repair programs, and the right-sizing of operating subsidies to account for rising costs.

Governance, finally, is all about how America organizes itself to meet our housing challenges. In *Remaking Housing Federalism for a New Era,* Bruce Katz from New

Localism Associates and a Senior Advisor to the National Housing Crisis Task Force, and Sarah Karlinsky at the Terner Center for Housing Innovation at UC Berkeley outline a history of housing federalism in the United States and show how the current system does not meet the current needs of our country. Katz and Karlinsky argue that the federal government has, since the mid-20th century, provided five distinct platforms on which the housing system rests: credit and tax; programmatic; protection; data and research; and safety net. These five different platforms set the basis for how other actors in the housing system act, and provide the basis for how all actors think about housing investment and activity. However, the future of these federal activities is unclear, leading to the need, they argue, for a rethinking of housing federalism. Katz and Karlinsky highlight that, while the federal platform has set the stage for action for a long time, state and local governments have begun, over the past twenty years, to innovate in the housing domain. This innovation has come from deregulation in the land use space, but also new forms of capital investment and through various types of governance reforms. The challenge with this state and local innovation is a lack of systematic mechanisms to diffuse and scale these innovations across the country. This leads them to argue for three key areas of new activity: first, new kinds of problem solving; second, new kinds of public institutions; and third, entities to design and deliver metropolitan-level solutions. These new areas of activity culminate in an overarching recommendation for a National Housing Solutions Exchange, which would further diffusion and scaling of new ideas, further collective power among jurisdictions, and further federal policy.

Together, these seven white papers represent the culmination of a years-long effort to better understand the state of the practice in housing across seven interrelated foundations of the housing ecosystem. Each paper highlights one distinct area that must be improved in order to address the root causes and urgent symptoms of our housing crisis. The breadth and depth of each paper demonstrates why housing in the United States is such a wicked problem:[11] the different components of housing production and preservation are interrelated, but overseen by a diverse set of actors, with different powers and objectives. Only by considering the whole set of actors and underlying conditions, and operationalizing new solutions that intersect across these domains, can we hope to solve the national housing crisis we face today.

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DATA

Building a Robust Housing Data System for the 21st Century

ABSTRACT

Housing accounts for 16 percent of U.S. gross domestic product, and it is the foundation for nearly every aspect of health, stability, and well-being. Yet policymakers can't agree on what is actually happening in America's housing markets, because our housing data is fragmented, shoddy, or simply nonexistent. These gaps in data quality and coverage leave policymakers and practitioners without a reliable picture of how housing is built, financed, bought, sold, maintained, preserved, and lost—and limit their ability to anticipate emerging challenges or evaluate whether interventions are working.

The United States needs a coordinated, sustained approach to improving data and building the data infrastructure necessary to understand and address its housing challenges. Over the following two to four years, we should establish a National Housing Data Authority (NHDA): a federal or quasi-federal entity responsible for strengthening housing data infrastructure, coordinating decision-making, and ensuring sustained investment. Through three core functions—a National Housing Data Exchange, a Housing Data Action Lab, and a State and Local Housing Data Hub—the NHDA would connect fragmented data systems, drive continuous improvements, and build the capacity needed to support more informed, effective, and equitable housing policy.

NATIONAL HOUSING CRISIS TASK FORCE

ABOUT THIS PAPER

Building a Robust Housing Data System for the 21st Century

Research for the National Housing Crisis Task Force's
National Housing Agenda

Prepared by

The Future of Land and Housing Program at New America

Sabiha Zainulbhai, with contributing authors Yuliya Panfil and Mera Cronbaugh

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About this series

This paper was produced by the Future of Land and Housing Program at New America in partnership with the National Housing Crisis Task Force.

The Task Force supported the creation of seven papers, which together span the building blocks of our housing system: data, regulation, land, capital, construction, operational sustainability, and governance. This paper addresses housing data, and the entire collection can be found at nationalhousingcrisis.org/HousingWhitePapers.

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PUBLICATION NOTES

Research independence

While the Task Force commissioned this collection, it does not formally endorse its findings; the views expressed are those of the authors. Task Force members and co-chairs, who participate and are quoted in their individual capacities rather than on behalf of their organizations, bring a range of professional and lived experience to their work and may not agree with every statement in every paper, but remain committed to working together on solutions to the housing crisis.

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1. The Housing Data Challenge

Housing is foundational to every aspect of health and well-being. It anchors communities, provides families stability and structures other key aspects of our lives. It is also a major economic driver, accounting for 16 percent of U.S. gross domestic product (GDP).[1] But housing in the United States is too expensive, in short supply and deteriorating in quality. Our supply shortage ranges anywhere from 1.5 million to 5.5 million homes depending on who is counting.[2] The homes that do exist are increasingly unaffordable: estimates show that 49 percent of all renters spend more than 30 percent of their income on rent and utilities,[3] and homeownership is increasingly out of reach, notably for first-time and low- or moderate-income buyers.[4] All the while, the estimated cost of needed repairs in occupied housing is nearly $200 billion.[5]

The recently enacted 21st Century ROAD to Housing Act is a bright spot, showing bipartisan momentum through a comprehensive piece of federal legislation that incentivizes new construction, cuts burdensome regulations, and eases rules for manufactured housing, among a host of other provisions, to increase supply and lower costs. But the data needed to understand which provisions are successful, in what parts of the country and for whom, is often out of date, unreliable or simply non-existent.

The fact remains that the United States lacks reliable, granular, and coordinated housing data—data needed to build a comprehensive and accurate picture of housing conditions, needs, and outcomes—and track housing as a dynamic system over time. And these housing data gaps have had real consequences, including:

- Many families facing housing instability and homelessness, including those informally evicted outside the court system, living in cars or extended-stay motels, or doubled up with family or friends, are **not visible in collected data**, meaning many of the most vulnerable are the least prioritized and often excluded from assistance altogether.
- Policymakers, without reliable data, often rely on **one-size-fits-all housing solutions**, such as housing developer tax credits to increase affordable housing, when in many places, allowing manufactured housing or accessory dwelling units would be more efficient.
- State and local policymakers **cannot enforce consequences for negligent property owners**, because this ownership is rarely tracked, leaving millions of renters living in substandard conditions with little recourse.
- The public **cannot hold decision makers accountable** for improving housing conditions or even push them to specify housing-related goals, because the data needed does not exist, is unreliable or only becomes available years later.

By contrast, a robust housing data system would enable us to assess the health of housing markets at a given point in time, understand and develop real-time solutions to address the most pressing housing challenges, and hold leaders accountable for improving housing affordability and stability in communities across the United States.

The Future of Land and Housing program at New America presents a roadmap for building this housing data system, detailing the key components needed to move us from the fragmented and decentralized system we have today to one where the coverage and quality of data needed to ensure that housing is advancing stability and well-being for all.

2. The State of U.S. Housing Data Today

Housing data in the United States mirrors the housing system writ large, which is highly decentralized and fragmented. Housing decisions are divided across all levels of government and private actors. Local governments shape where and how housing can be built through land-use rules and permitting; states design and administer housing programs and establish regulatory frameworks; and federal agencies influence housing production and preservation through financing, subsidies, and regulation. The result is a collection of geographically distinct housing markets that are highly local, across 3,000 counties and 19,000 municipalities. Within each market, private actors—including developers, financial intermediaries, investors, and property owners—make decisions about housing construction, financing, ownership, and maintenance. This housing ranges from purely market-based to fully subsidized, all within a broader ecosystem of federal, state, and local policies and programs.

At the federal level alone, housing policy and assistance are overseen by a range of agencies, including the U.S. Department of Housing and Urban Development (HUD),[6] government-sponsored enterprises (including Fannie Mae and Freddie Mac), the Department of the Treasury, the Department of Veterans Affairs, and the Department of Agriculture.[7] Outside the federal government, housing data is generated and collected by a constellation of state and local agencies, nonprofit organizations, banks, lenders, courts, and other private actors, all of whom serve different purposes and end users.

This fragmentation results in housing data that is stored in hundreds of places, subject to different definitions, methodologies, and reporting requirements, and covers different periods and levels of geographic granularity, making data-sharing, integration, and aggregation difficult and, in many cases, impossible.[8] What's more, no single entity, public or private, is tasked with overseeing and making sense of the housing data we have. What emerges from this fragmented and decentralized housing data system is a patchwork of partial views of housing, but never a complete picture.

Housing Data We Collect

Despite these challenges, much of the housing data produced in the United States is robust and high-quality. In particular, the U.S. Census Bureau is a global leader in conducting high-quality, nationwide surveys, producing a wealth of publicly available housing data at varying levels of

geography. This survey data provides a critical backbone for decision-making, supplying trusted, standardized statistics on a wide range of housing issues, from the physical condition of our housing stock in the census and HUD's American Housing Survey to new construction permits in the Survey of Construction.

In addition to Census data, the United States collects a wide range of housing data, including surveys conducted by federal agencies, federal administrative data, mortgage and other financial data, state and local administrative data, and private market data. These include:

- **Federal surveys** conducted by the U.S. Census Bureau, HUD, and other federal agencies primarily focus on household and housing unit characteristics, financing information, building permits and construction, and other data. Census surveys include the American Community Survey, the American Housing Survey, the Building Permits Survey, the Survey of Construction, and the Household Pulse Survey.
- **Federal administrative data** from HUD, the U.S. Treasury, and other federal agencies primarily focus on federal housing assistance, including data on homelessness and public subsidies, such as the Housing Choice Voucher Data Dashboard, Homeless Management Information System (HMIS), the Low-Income Housing Tax Credit database, and the point-in-time and housing inventory count, among other sources.
- **Mortgage-related and other financial data** collected from banks and other financial institutions by federal agencies as a result of consumer protection legislation or through the Federal Reserve. This includes the Federal Housing Finance Agency (FHFA) House Price Index, Uniform Appraisal Dataset, and National Mortgage Database; Home Mortgage Disclosure Act (HMDA) data; and Consumer Financial Protection Bureau (CFPB) Rental Housing Payment Data, among other sources.
- **State and local administrative records**, including deed transfer records, property tax records, eviction and foreclosure court records, building inspection and code violation records, historic preservation designations, environmental hazard records, zoning maps, and state and locally run public subsidies for housing.
- **Private data** from vendors that collect consumer, finance, and market data, including ATTOM Data Solutions (covers ownership, mortgage transactions, foreclosure, and climate/hazard risk), BatchData (includes assessor and parcel data), Cotality (collects from mortgage servicers; covers home prices, property taxes, foreclosures, and investor activity), and InfutorData and Data Axle.[9] Zillow and other real estate companies also use their proprietary listing information to produce estimates of home values and rental prices.
- **Derived datasets** created by researchers and nonprofit organizations by integrating multiple data sources. Examples include the National Housing Preservation Database (NHPD), Eviction Lab's Eviction Tracking System, the National Zoning Atlas, and the Lincoln Institute of Land Policy's Who Owns America database.

International Case Studies: How the Netherlands and New Zealand Created National Housing Registries

The inability to track housing units and land parcels over time in a property-level housing registry makes monitoring housing as a dynamic system over challenging,[10] and is a pervasive limitation of the housing data system in the United States. While approaches to data differ, the Netherlands and New Zealand have invested in building robust housing data.

Established by law in 2009, the Netherlands operates the Key Register of Addresses and Buildings (BAG)[11]—a national database that gives each building, and also each housing unit within that building, a unique identification. Both the housing unit and building IDs are maintained across ownership changes and renovations, allowing every housing unit to be matched to its property tax assessment (Valuation of Immovable Property, or WOZ), its energy performance certificate, its chain of sales and mortgages in the cadastral register (comparable to a county recorder's deed history), and neighborhood statistics from Statistics Netherlands (CBS).

All 342 Dutch municipalities maintain and validate their own records daily and are legally accountable for their quality and for populating them from building permits, completion notices, and demolition records they already administer. A national facility (BAG-LV) aggregates the municipal streams, and Kadaster implements a tiered access system, in which BAG and WOZ data are free to the public, while detailed ownership and household records from Kadaster carry fees and restrictions. The statistical agency CBS, which has privileged access, built Woonbase, a linked dataset connecting people, households, and dwellings. A study by the Dutch bank ABN AMRO uses BAG to geolocate every dwelling against national flood and subsidence risk maps, identifying some 900 "climate-vulnerable districts."[12]

In contrast, New Zealand's housing records sit in separate registers: land titles at Land Information New Zealand (LINZ); rating valuations with councils and the Valuer-General; tenancy bonds at the Ministry of Business, Innovation & Employment; and public housing data at the Ministry of Social Development and the Ministry of Housing and Urban Development. Rather than consolidate these records, New Zealand built a statistical layer that sits atop them. The Integrated Data Infrastructure (IDI), created by Statistics New Zealand in 2011, links de-identified microdata across eight domains, including housing.[13] Every dataset attaches to a central "spine" of roughly 9 million residents, resulting in an architecture that is person- rather than property-centered.[14]

One constraint is the housing data itself: Administratively, the IDI holds little data beyond receipt of subsidized housing, while granular detail on crowding, tenure, and rent arrives only through the census every five years, attached to the occupant rather than the dwelling. A New Zealand organization called the People's Project recently leveraged the data spine to locate 90 percent of a supposedly "hard to reach" homeless cohort by using the IDI to link clients with government-provided services they accessed, allowing them to assess the effect, pre- and post-housing, on people's well-being, and the extent of savings available to the government across a range of services.[15] Stats NZ is custodian, coordinator, and gatekeeper, empowered to compel data production from individuals, businesses, agencies, and councils, with only non-government contributors retaining a say over later research use.[16] Access is tightly controlled: Researchers must adhere to safeguards and demonstrate public interest, work inside a secure Data Lab, and satisfy the Five Safes framework.[17]

3. Creating a Robust U.S. Housing Data System for the 21st Century

What a Robust Housing Data System Looks Like

A robust housing data system would encompass a broad range of housing domains. The domains that are critical to track correspond to questions that are most essential for understanding our housing system. These are:

- Housing stock and its physical condition: What housing exists, where, and in what condition?
- Housing production, loss, and preservation: How much housing is being added, removed, or preserved?
- Housing costs and affordability: What does housing cost? And can households afford it?
- Housing assistance: Who receives housing assistance, and what kind?
- Demand and household characteristics: Who needs housing currently and in the future, and what kind?
- Housing finance and capital access: Who can buy, build, or repair housing, and under what conditions?
- Housing stability: Who, where, when, and why are households facing unstable housing conditions?
- Governance and regulation: What is the policy and regulatory environment in which housing exists?

The appendix includes a table of these housing domains, including specific metrics. It is clear that we do collect relatively robust data in some domains relative to others. For example, data collected on mortgage markets and our housing finance systems are more closely tracked relative to housing stability, or housing preservation. While some domains have large gaps in what is and is not collected, others that do have existing data may not be timely or geographically granular enough to meet state and local housing leaders' needs or may be proprietary, making access cost-prohibitive and uneven.

A robust system should also adhere to the principles of data that are essential to a functioning democracy. Table 1 describes these principles and their application to housing data.[18]

Table 1 | Principles of Housing Data for a Robust System	
PRINCIPLES	**DESCRIPTION**
Comprehensive	Data should capture the full housing life cycle, including finance, construction, exchange, maintenance, preservation, and destruction, and assess a broad range of indicators necessary to understand the functioning of housing markets.
Timely	Data should be available as quickly as possible to reflect changing housing conditions and population needs to allow for more swift decision-making.
Granular	Data should be available at the individual or unit level to the extent possible (e.g., not only in an aggregated or modified form). Data should be available for as many geographic levels as possible (e.g., at the national, state, local, and neighborhood levels).
Standardized	Data should adhere to standards and consistent definitions to support comparability across jurisdictions and over time to the extent possible.
Accessible	Data should be available to the widest range of users with no cost or other barriers that might limit access. Data should also be machine-readable.
Equitable	Data should center racial equity across all stages of the data life cycle, from planning to collection to analysis and dissemination, through the inclusion of community voices and power sharing.
Privacy-Protecting	Data should have the necessary privacy, security, and privilege restrictions to ensure that sensitive information is used responsibly while still enabling meaningful analysis and public benefit.

For more on centering equity, see Amy Nelson Hawn, Sharon Zanti, Della Jenkins, Isabel Algrant, Jessie Rios Benitez, et al. A Toolkit for Centering Racial Equity Throughout Data integration. Philadelphia: Actionable Intelligence for Social Policy, University of Pennsylvania, 2025. https://www.aisp.upenn.edu/centering-equity/

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How Do We Get from Here to There?

To move our housing data system from one that is fragmented, decentralized, and incomplete to one that is coordinated, accessible, and robust, we need to invest in two areas: data improvement and data infrastructure.[19]

Improving housing data involves ensuring that housing data is as comprehensive, timely, geographically granular, standardized, accessible, and privacy-protecting as possible across all domains. Doing so involves creating new tools and pathways to address existing gaps in data quality and coverage, and continuous re-assessment as housing markets and technological innovation evolve over time.

Building housing data infrastructure involves building the systems that coordinate across fragmented data systems and ensure housing data can be accessed, analyzed, and used by a broad range of housing data actors.

While data improvement and data infrastructure are interconnected, the types of investments, resources, and capacity needed to support and advance each differ. In the next section, we lay out the overarching infrastructure needed to advance both.

Establishing a National Housing Data Authority

To improve housing data and build the necessary infrastructure, the United States needs a centralized coordinating institution—a National Housing Data Authority (NHDA). The NHDA must have a clear mandate to build, maintain, and strengthen the data infrastructure necessary to coordinate decision-making across the housing system. The NHDA would not replace existing data collection efforts within federal agencies, state and local governments, or other institutions, nor would it attempt to consolidate all housing data in a single repository. Instead, it would provide the connective infrastructure, institutional capacity, and sustained resources needed to make existing data more interoperable, accessible, consistent, and useful, while supporting continuous improvements in the quality and coverage of housing data.

Crucially, the NHDA must be conceived not as a one-time investment or short-term pilot, but as a durable public institution with the authority, expertise, resources, and political commitment to evolve alongside the housing system. As in other areas of national importance in the United States where fragmented data systems have constrained effective decision-making, addressing housing data challenges requires sustained institutional capacity rather than a singular technological innovation or temporary initiative.

Past Precedent for a Federal Agency

The establishment of an NHDA would follow the well-trodden practice of establishing dedicated agencies to coordinate data collection within sectors deemed crucial to the U.S. economy. Between 1862 and 1992, the United States established 13 principal statistical agencies, all housed within federal agencies, including the Bureau of Labor Statistics (BLS) within the Department of Labor, the National Center for Education Statistics (NCES) within the Department of Education, and the Bureau of Justice Statistics (BJS) within the Department of Justice.[20] Each of the 13 agencies reflect a national policy priority, and recognition that sustained investment in high-quality data collection and analysis is critical to making informed decisions that shape people's lives and communities

Over time, these agencies have developed some of the most rigorous and trusted data collection efforts in the country, including the Census Bureau's American Community Survey, which serves as the premier source for detailed social, economic, housing, and demographic information nationwide, and NCES's Integrated Postsecondary Education Data System (IPEDS), which covers

data from every college, university, and technical and vocational institution participating in federal student financial aid programs. And yet, no similar agency exists for housing.

While the Department of Housing and Urban Development (HUD) makes available administrative data on housing choice vouchers, the Low-Income Housing Tax Credit (LIHTC), and other HUD-administered programs (and collects survey data on housing market characteristics such as vacancy and physical housing stock[21]) it does not have the same statutory mandate as the principal statistical agencies. NCES, for example, is tasked with producing "accurate, timely, and nonpartisan insights on the condition of education—from early childhood to adult education—with the goal of improving student outcomes." Its parent agency, the Institute of Education Sciences, has a mission to "provide data that describes how well the United States is educating its students."

Structural Models for a National Housing Data Authority

The NHDA could be established as a fully federal entity, akin to the principal statistical agencies, or as a quasi-federal entity with a federated structure. Regardless of the exact structure, the common denominator is federal support and investment, without which the Agency will not be set up to produce the kinds of insights that will meaningfully impact housing outcomes.

In a federated structure, a central federal agency could coordinate the core functions of the NHDA (described in more detail below), but some of those functions could be carried out by external entities. One example is a Federal Reserve System-style model, where a central entity—in this case, the central bank of the United States—coordinates a decentralized, largely private system of banks, credit unions, and financial regulators to maintain the safety, soundness, and stability of the country's financial system. Another model is that of the Legal Services Corporation (LSC), a congressionally established and federally funded nonprofit organization to provide civil legal assistance to low-income Americans.

The Fed and LSC are examples of a hybrid public-private structure in areas of national importance—monetary policy and civil legal aid—while maintaining independent governance and funding structures. Each have a data and research component as well: The Fed's regulatory authority over banks, credit unions, and financial regulators allows it to collect and aggregate housing finance data from several public and private sources, and LSC's Civil Court Data Initiative provides real-time access to civil data, including local eviction data for 1,250 counties and municipalities.[22]

University partnerships may make sense for carrying out some of the core activities of an NHDA, such as advancing more complex housing research.[23]

The Core Functions of a National Housing Data Authority

The National Housing Data Authority should oversee three core functions:

- Increasing access to and analysis of existing national housing data through a **National Housing Data Exchange** (the Exchange);
- Generating high-quality, robust housing data through an innovative **Housing Data Action Lab** (the Lab); and
- Building state and local capacity to improve and standardize data through a **State and Local Housing Data Hub** (the Hub).

Table 2 gives an overview of each of the NHDA's core functions, including its core activities, and the human resources needed to establish them effectively.

Table 2 | Core Functions and Activities of a National Housing Data Authority

CORE FUNCTION	CORE ACTIVITIES	STAFFING
National Housing Data Exchange *Improve access and interoperability*	Create centralized access to existing public and private housing datasets Build data-sharing pipelines, facilitate linkages across datasets, and establish common protocols Develop standardized housing indicators and benchmarks	25 full-time equivalents (FTE)
Housing Data Action Lab *Identify and fill critical data gaps*	Assess quality, coverage, timeliness, and availability of housing data Identify where existing data is insufficient and where critical information is not collected at all Test innovative approaches to close priority data gaps	30 FTE
State and Local Housing Data Hub *Build capacity where decisions happen*	Provide funding and technical assistance to strengthen state and local housing data systems Develop shared data dictionaries, standards, and frameworks that jurisdictions can adapt and adopt Promote replication of successful state and local data practices	30 FTE

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In its first year, the NHDA would require an annual budget of $75 million to $100 million. This level of funding is sufficient to bring together relevant expertise across technical, legal, governance, data, and housing areas and establish the necessary infrastructure, and aligns with investment in other federal statistical agencies.[24] This budget should also include funding for meaningful grants and incentives to states, localities, and researchers for data improvement efforts.

While the federal government need not be the sole source of funding, federal resources and engagement will be critical to enabling the NHDA's cross-sector coordination and driving

meaningful improvements in housing data. Key enabling conditions include a **clear federal mandate** that establishes institutional authority and clarifies governance structures and decision-making processes; **sustainable funding**, ideally through annual federal appropriations complemented by other public and private sources; a **flexible implementation and incentive funding budget** to support adoption and innovation; and **broad buy-in and trust** among federal, state, and local governments, academic institutions, nonprofits, private-sector actors, and the general public.

Below we discuss each core function in more detail, including the key challenge it addresses, the proposed solution (or core function), and its core activities.

The Exchange: Improving Housing Data Access and Analysis

Challenge: The United States has robust housing data on many of the domains discussed in the previous section, but access to this data is varied and often requires specialized knowledge, technical skills, time, and resources—for example, negotiating data-sharing agreements or purchasing proprietary data from private vendors. This not only creates unequal access, but prevents the housing data that is collected from being effectively used for better policymaking, advocacy, and research.

Solution: A National Housing Data Exchange would develop pipelines to public and private national housing datasets that already exist. This entity would not centralize data in a single repository but rather provide a centralized point of access to disparate housing datasets, creating linkages, shared frameworks, and common benchmarks and indicators that speak to the condition of housing in the United States. Staff would help housing actors access and navigate the data.

Core Activities of the Exchange:

- **Create pipelines** to existing public and private national housing and real estate datasets to improve access and use, including by facilitating access to proprietary or cost-prohibitive housing datasets through negotiated agreements with commercial data owners and proprietary government databases.
- **Develop data linkages** across sources and household- or address-level data, enabling integration with other data sources and researchers to tie housing outcomes to data on criminal justice, education, employment, and other areas.
- **Establish shared governance frameworks and protocols** for data use and accountability, including standardized metadata, and processes for requesting access to proprietary data sources.
- **Develop housing data benchmarks, research, and analysis,** using existing datasets at the national, regional, state, and local levels (where possible). This includes, for example, standardized production and preservation targets broken out by place, specifying the number

of market-rate and subsidized units that must be created or preserved at varying levels of affordability, and developing new metrics to assess renter instability.

- **Provide research funding** to advance housing knowledge, especially for complex, controlled, multi-method research that integrates public and private data and paints a more comprehensive picture of housing outcomes over time.

The Lab: Innovating to Improve Housing Data

Challenge: Our current data infrastructure is not equipped to capture housing as a dynamic system that evolves over time. Critical data are often incomplete, inconsistent, outdated, or unevenly available across geographies and markets, and in some cases, essential information is not collected at all. A robust housing data system must therefore do more than organize existing information: it requires a sustained process for identifying data gaps, improving data quality and coverage, and developing new sources of information as housing markets, policies, and needs evolve.

Solution: A Housing Data Action Lab would assess critical gaps in our housing data system through a "data discovery" process, prioritizing critical and urgent gaps in our housing data. The Lab would also develop viable pathways for addressing these gaps through action plans, and work with relevant public and private entities to advance those action plans.

Core Activities of the Lab:

- **Carry out housing data discovery processes.** Conducting a comprehensive "data discovery" involves mapping existing data sources, identifying missing or low-quality data, and assessing feasible pathways for improving collection and access. To do so, data discoveries would convene practitioners, researchers, statisticians, and other groups impacted to weigh in on key questions, including:
  - What data currently exists to address key questions within a housing domain, and what can this data actually tell us?
  - What are the characteristics of the sources of these data, and how do they align with the criteria for robust data (timely, comprehensive, privacy-protecting, etc.)?
  - Which entities are responsible for collecting, maintaining, and governing this data?
  - Where are shared definitions, standards, and taxonomies needed to support consistency across jurisdictions and datasets?
- **Develop and carry out improvement action plans.** Data improvement action plans include the different pathways for improving the collection and access to each specified data type along with the trade-offs involved. An action plan should identify concrete ways to improve data through pilots, legislation or executive action, or expanding the scope of existing collection efforts. The section below illustrates a range of strategies for improving and generating high-quality housing data.

Table 3 | Illustrative Data Improvement Action Plan Strategies

STRATEGY AREA	ACTIONS
Strategies for improving or preserving existing data access or quality:	Modify or expand federal survey sample size, geographic granularity, or scope, or dedicate additional resources for more frequent data collection using congressional authority (e.g., the American Housing Survey or Household Pulse Survey)
	Provide dedicated resources and technical assistance to state and local entities for standardizing administrative data within and across jurisdictions
	Increase the timeliness with which data collectors (in particular federal agencies) make data publicly available
	Increase data fidelity by tying compliance to reporting standards, or strengthen reporting guidance and administrative requirements (e.g., local client-level data through HUD's Homeless Management Information System)
Strategies for generating new data collection:	Pilot state and local housing data collection models, paired with funding and technical assistance, such as rental registries
	Combine administrative data with survey data to create new housing-related datasets (as the FHFA has done with its National Survey of Mortgage Originations, which combines mortgage administrative data with borrower surveys)
	Draft legislation requiring new housing data collection efforts (like the Home Mortgage Disclosure Act)[25] or a national housing register where each housing unit can be linked to other systems and tracked across time, creating a comprehensive view of housing as a dynamic system

Action plans would specify the relevant actors, the funding or technical assistance needed, and the pathway for implementation. Implementation of these action plans can take several forms depending on the relevant actor, including providing funding for technical assistance and incentives, developing a pilot program that can be scaled, or through recommendations to federal agencies, including HUD, the Federal Housing Finance Agency (FHFA), and the Census Bureau. In some cases, components of the action plan can be carried out by the NHDA (e.g., if grant funding or incentives were involved to pilot the use of a new data collection method or tool).

Crucially, data discoveries should seek to fill gaps in ways that are responsive to local use cases and grounded in the practical realities of data collection by practitioners. Otherwise, data discoveries and action plans will, at best, create efficiencies around insights that are not useful and, at worst, make inaccurate or incomplete information accessible at scale.

- **Enforce action plans.** The NHDA could take a graduated approach to enforcing action plan implementation, from developing guidance and common protocols to conditioning federal funding on data compliance, in partnership with HUD or other federal agencies. Depending on the institutional authority of the NHDA and relevant actors (e.g., federal agencies, financial institutions, public housing authorities, etc.), enforcement could take several different forms, including:
  - required agency response plans and progress reporting;
  - public scorecards and designations of compliance or noncompliance;
  - conditions on federal funding or program participation;
  - binding data and reporting standards; and
  - referral to relevant oversight or regulatory bodies in cases of persistent noncompliance.

The NHDA could also use incentives—including technical assistance, competitive grant programs, and additional funding—to encourage implementation. This graduated approach would allow the NHDA to tailor its enforcement mechanisms to the authority it has over a particular actor while ensuring that action plans translate to measurable progress as opposed to simply recommendations or guidance.

The Hub: Improving State and Local Data Capacity and Coordination

Challenge: Most housing programs and policies are carried out at the state and local level by an ecosystem of service providers, nonprofit organizations, and housing data intermediaries. This means that much of the most useful housing data is generated at the state and local level, often via administrative processes.[26] State and local housing data commonly lacks standardization and requires piecing together information across multiple sources. But because there are scant resources and capacity to do this work, the data most necessary to obtain a complete picture of housing stability, affordability, and supply—local data that is geographically granular, detailed, and useful for informing policy, program, and intervention strategies—varies across and even within geographies.

Solution: A State and Local Housing Data Hub would have the mandate, expertise, capacity, and funding to invest specifically in improving state and local data. This Hub would provide funding and technical assistance to city, county, and state entities that maintain and improve housing data, and would develop data playbooks, dictionaries, taxonomies, and frameworks for stewarding state and local housing data.

Core activities of the Hub:

- **Provide funding, technical assistance, and capacity-building support** for state and local housing data needs. This could include funding and technical assistance for modernizing legacy and paper-based data systems, helping jurisdictions design data collection processes around specific policy use cases and interventions, and providing technical assistance for

standing up innovative methods (e.g., creating rental registries or documenting state-level land record documentation as in Iowa).

- **Develop shared taxonomies, standards, and data documentation (or metadata).** Establish or support the development of frameworks for cross-jurisdictional cataloging of data and data use that individual data-generating entities may not be able to facilitate.
- **Fund state and local housing data improvement and implementation.** Provide grants and funding opportunities for housing data pilots, projects, and local innovation, including supporting data standardization efforts across multiple geographies.
- **Elevate state and local data best practices and tools for replication**. This includes creating implementation playbooks and templates to help other jurisdictions replicate successful approaches to housing data collection and analysis,[27] including guides for the types of questions that can be asked and answered with specific kinds of data.[28]
- **Create incentives for better housing data**, including, for example, grants tied to adoption of developed data standards or for jurisdictions that meet data quality benchmarks; funding for places that participate in multi-jurisdiction or state data initiatives; and matching grants that reward local investment in data infrastructure.

Case Studies: Building State and Local Capacity for Housing Data Use

EDRN and Tolemi are two examples of private-sector data efforts that are working to fill major gaps in state and local data capacity and infrastructure. But these efforts are not evenly applied across the United States, nor can they be. Rural areas and small cities that still use paper forms to collect and store data are not in a position to make use of these efforts, and not every jurisdiction has the political willingness or legal authority to pursue them either. Without a dedicated national authority that has the mandate, capacity, and funding to improve state and local data collection and analysis, the impact of these initiatives will remain ad hoc.

The Eviction Data Response Network (EDRN) is a New America-led initiative to help 11 states build the data infrastructure necessary to reduce evictions. EDRN provides state partners tailored technical assistance and funding to build centralized, comprehensive, and high-quality eviction data infrastructure to strengthen eviction prevention and housing stability policies, design effective legal aid and landlord intervention strategies, and sustainably track displacement and instability as a result of eviction over time. New America is providing this assistance in response to an overwhelming need: Over 30 states applied to EDRN.

Building a robust eviction data infrastructure is a huge undertaking—and not just a technical one. One of the biggest barriers to data access is assembling and building relationships with the entities that control that access. In the case of eviction data, this includes the county court system that generates the data, the sheriff's office that carries out evictions, and a host of legal aid and service provider organizations that directly intervene to prevent evictions. EDRN increases the human resource capacity to assemble a multi-sector team around a shared goal of data improvement.

Beyond access to data, EDRN supports partners in improving data quality. Due to a combination of human entry errors and a lack of standard definitions and documentation, court eviction records are rife with inaccurate and incomplete information, requiring manual verification, data cleaning, and specialized legal knowledge. EDRN provides peer-to-peer learning and technical expertise to help state and local partners collect comprehensive data from courts, apply common data standards, and leverage it for eviction prevention strategies.

Tolemi, a civic tech company founded in 2017, helps cities integrate local housing and property data systems into a single dataset through a software-as-a-service model. Tolemi primarily works with midsize cities, ranging from 10,000 to 1 million residents, and have digitized data and IT staffing but may lack the resources and technical capacity to undertake this effort on their own.[29] Their custom, user-facing product BuildingBlocks sits atop Swarm, a spatial extract, transform, and load (ETL) tool that is able to work with and pull data from the vast majority of local government data systems. BuildingBlocks and Swarm are designed to address the exact challenge that cities face: They are flexible enough to collect and integrate messy data from antiquated, unreliable, and fragile systems—something that many cities do manually, if at all.

continued

Case Studies: Building State and Local Capacity for Housing Data Use *(continued)*

Tolemi pulls records from disparate local systems, including property assessments, code enforcement, construction permits, utility billing, police and fire calls, and civil court records—and integrates them into an easy-to-use database. But the fact that Tolemi has seemingly cracked this code and replicated it across hundreds of cities marks what a complicated undertaking it is to begin with. Take, for example, a city that is interested in standing up more robust oversight of rental housing. Tolemi starts by identifying the core datasets—in this case, baseline parcel assessment, code violations, permitting, beneficial ownership data, among others—and creates a complete data inventory, including the data owners and access status. Tolemi and the city then work to define key concepts (e.g., What constitutes a nuisance property?) to figure out how to best triangulate data sources (e.g., Who is paying the utility bills, and who is the property owner?).

Tolemi then works with database administrators to get the data into the system, whether through more sophisticated infrastructure like data lakes (which store large volumes of data from many different sources) or sifting through data dumps. Once all the available data is in Tolemi's staging area, data engineers can run transformations of the raw data into a data standard, allowing for pre-packaged insights and analysis. This process allows Tolemi to create tools that help leaders address local housing challenges, from tackling foreclosures and vacancy in Scranton, Pennsylvania, to developing a rental registration system in Monterey, California.

The NHDA In Action: Improving Rental Market Data

The United States should prioritize filling critical housing data gaps in domains where non-existent or poor-quality data prevent us from addressing the housing crisis—one such area is rental market data.

While developing the scope and structure of an NHDA, there should be federal support to begin building the partnerships and shared infrastructure needed to make fragmented and largely proprietary rental market data easier to find, connect, and use. Not only would help to fill a critical gap, but it also could demonstrate the value for the broader institutional and technical architecture that a future NHDA would need, that a federal authority could eventually build upon.

The Rental Affordability Crisis

U.S. rental prices are unaffordable to a growing swath of the population. The latest estimates show that 22.7 million renter households—49 percent of all renters—spend more than 30 percent of their income on rent and utilities.[30] For low-income renters, the housing affordability problem is even more acute: Around 74 percent of extremely low-income renters are severely cost-burdened, spending more than half their income on housing.[31]

Meanwhile, address-level data on the rents, ownership, and condition of private-market rental units is lagged and not available in real-time, preventing effective intervention. The real-time private rental market data that does exist is largely proprietary, collected by real estate companies and private data vendors. The software company RealPage, for example, has become the primary source of rental market data nationally despite facing litigation over allegations of price-fixing and market manipulation. When data gaps are filled by data vendors and other private companies that leverage nonpublic information in harmful ways, it raises serious questions about what it means to give opaque systems a monopoly over our understanding of an entire market.

A Data Discovery and Action Plan

This support could include mapping existing data and identifying gaps, as well as developing common standards, facilitating data-sharing agreements, producing integrated data products and research, and piloting approaches to filling priority gaps. Starting with a data discovery for private rental information, this effort could highlight key questions and identify priorities for improving rental market data. This effort would draw on the expertise and knowledge of housing data actors including government agencies, tenants and tenant organizations, and other rental market actors, and would carefully assess sources such as:

- the National Housing Preservation Database (NHPD), which combines property-level data on federally assisted rental properties that receive federal grants, low-interest loans, LIHTC subsidies and other tax credits, public housing, and eight other federal programs, and is updated quarterly;[32]
- the Zillow Observed Rent Index (ZORI), which provides the typical market-rate rent at the zip code, city, county, metro, and national levels, and is updated on a monthly basis; and
- rental market characteristics produced from federal government surveys, including the Rental Housing Finance Survey (RHFS), American Community Survey (ACS), and American Housing Survey (AHS), which provide data on rental units, such as number of bedrooms, median gross rent, rental vacancy, and physical property condition, at differing levels of geography and time periods.

The discovery process would also surface prevalent use cases for this data, including, for example:

- assessing which zoning and regulatory changes boost affordable rental supply[33];.
- tracking the impact of housing unaffordability on different forms of housing insecurity, including eviction, foreclosures, and living in low-quality housing or overcrowded conditions; and
- addressing code violations, identifying serial evictors, and preserving rental housing.

The information from the data discovery, combined with the use cases, should inform an action plan that reflects strategies for improving the granularity, timeliness, and comprehensiveness of rental market data. A rental improvement data action plan, targeted to specific actors, could include, for example:

- creating a federal pilot mandating or incentivizing state and local governments to develop rental registries, carried out in partnership with HUD through legislation or through a competitive grant program implemented by the State and Local Data Hub;
- Requiring owners with mortgages guaranteed by Fannie Mae and Freddie Mac provide property-level rent data, put forth and overseen by the Federal Housing Finance Agency (FHFA) through guidance changes to the GSEs;
- expanding the scope of the American Community Survey to collect data on households receiving government subsidies, through a Census Bureau, HUD, and NHDA collaboration to develop and test appropriate questions;
- providing funding to researchers to create linkages across national and local rental market datasets to track housing affordability and stability over time, through funds made available through the National Housing Data Exchange; or
- creating public-private databases of private-market rent using a combination of local data such that it can be integrated with existing databases such as the NHPD, also potentially through the Exchange or another entity.

In many cases, these recommendations could inform the priorities and strategic plans of other core functions of the NHDA. Taken together, the components above constitute a multilayered strategy for improving data on rental markets, where the three core functions of the NHDA reinforce each other's mission.

4. Conclusion: Housing Data Infrastructure is a Long-Term Political Commitment

The United States is in the midst of a housing affordability and supply crisis, prolonged and exacerbated by our fragmented, incomplete, and often inaccessible data landscape that is not well-suited to tracking housing over time. As a result, policymakers, practitioners, and housing leaders are often forced to make consequential decisions about affordability, supply, preservation, homeownership, and housing stability without the information needed to understand local conditions, evaluate interventions, or target resources effectively.

Addressing this challenge will require more than a one-time investment or small-scale pilots. Building a robust housing data system is a long-term political commitment that requires sustained leadership, governance, and coordination by Congress, federal agencies, states, local governments, researchers, and housing practitioners. This paper puts forward the following plans:

- **Establish a National Housing Data Authority.** Over the long term (2-4 years), the United States should create a federal or quasi-federal entity—a National Housing Data Authority (NHDA)—with a clear mandate to build, maintain, and strengthen the data infrastructure necessary to coordinate decision-making across the housing system. The NHDA will provide the connective infrastructure, institutional capacity, and sustained resources to make housing data more interoperable, accessible, consistent, and useful through a National Housing Data Exchange, while also supporting continuous improvements in the quality and coverage through a Housing Data Action Lab, and building capacity for state and local data through a State and Local Housing Data Hub.
- **Conduct a data discovery and action plan for improving rental market data.** Over the short term (1 year), there should be a public, private or philanthropically-supported initiative to improve rental-market data, an area where nonexistent, proprietary, or low-quality data prevent us from adequately addressing the housing crisis. It should convene the relevant stakeholders and conduct a rental market data discovery that maps existing data sources, identifies missing or low-quality data, and assesses feasible pathways for improving rental data, and at the same time, create momentum and clarity to the functions of an NHDA.

For too long, housing actors have been making housing decisions based on what is measured rather than what matters most. But the United States has a long history of creating data infrastructure in policy domains like labor, education, and justice that are of national importance, and where fragmented data systems hinder effective decision-making. At a time when housing costs and quality are straining households across the country, we can no longer afford to treat housing data as anything but critical, and a National Housing Data Authority is a pathway to do that.

5. Appendix

Table A1 | Illustrative Table of Housing Domains, Data Sources, and Metrics

HOUSING DOMAIN	DESCRIPTION	DATA SOURCES	METRICS
Housing Stock and Physical Condition	What housing exists, where, and in what condition?	**Federal surveys:** American Community Survey (ACS), American Housing Survey (AHS), Housing Vacancy Survey (Department of Housing and Urban Development [HUD] & Current Population Survey [CPS]), Residential Energy Consumption Survey (U.S. Energy Information Administration), Survey of New Construction (HUD & Census) **Private data:** Zillow	Total units Type of tenure (owner/renter) Structure type (single-family, 2–4 unit, multifamily, manufactured, modular, accessory dwelling units [ADUs], etc.) Age of housing stock Unit size (bedrooms, square footage) Physical condition/repair needs Vacancy status (occupied, seasonal, abandoned) Units governed by which affordability covenants and subsidies Energy efficiency
Housing Production, Loss, and Preservation	How much housing is being added, removed, or preserved?	**Federal surveys:** Survey of New Construction (HUD & Census), Components of Inventory Change Reports (HUD) **Private data:** Zillow	New construction permits and completions Conversions (e.g., office to apartment/condo) Demolitions Affordable housing production (by area median income [AMI]) Rehab vs. new build activity Naturally Occurring Affordable Housing (NOAH) preservation

continued

Table A1 | Illustrative Table of Housing Domains, Data Sources, and Metrics
(continued)

HOUSING DOMAIN	DESCRIPTION	DATA SOURCES	METRICS
Housing Affordability and Cost Burden	What does housing cost, and can households afford it?	**Federal surveys:** ACS, Household Trends and Outlook Pulse Survey (which tracks changes in rent), Federal Reserve, Comprehensive Housing Affordability Strategy **Private data:** Metropolitan Median Area Prices, ATTOM Data Solutions, Zillow, Cotality, Existing-Home Sales	Home prices (sale price, repeat sales, appreciation) Rents (asking, contract rents, rent-stabilized) Property taxes, insurance, utilities Maintenance and repair costs Rent- and mortgage-burdened households Severe cost burden Residual income measures Affordability by AMI band Insurance and utility cost burden Affordable housing program subsidies
Housing Assistance	Who receives housing assistance, and what kind?	**Federal administrative data:** Housing Choice Voucher (HCV) Dashboard, Low-Income Housing Tax Credit (LIHTC) Database **Derived datasets:** National Housing Preservation Database (NHPD)	Housing voucher recipients HUD, Department of Veterans Affairs (VA), or / Department of Agriculture (USDA) insured mortgages Public housing units LIHTC residents Expiring affordable housing subsidies (LIHTC) Public subsidies and affordability covenants

continued

Table A1 | Illustrative Table of Housing Domains, Data Sources, and Metrics
(continued)

HOUSING DOMAIN	DESCRIPTION	DATA SOURCES	METRICS
Demand and Household Characteristics	Who needs housing, and what kind?	**Federal surveys:** ACS, AHS	Household formation rates Population growth and migration Income distribution Household size and composition Age cohorts (seniors, young adults) Racial and ethnic composition
Housing Finance, Credit, and Capital Access	Who can actually buy, build, or repair housing, and under what conditions?	**Federal surveys:** ACS **Federal administrative data:** Financial Accounts of the United States, Home Mortgage Disclosure Act (HMDA), Uniform Appraisal Dataset, LIHTC data, Vitality, HUD Project-Based Rental Assistance, Section 202 Direct Loans, HUD Insured Multifamily Mortgages, HOME Rental Assistance, Section 515 and 514 Rural Rental Housing Loans, Rural Development Section 538, Project-Based Vouchers and Mod Rehab, National Housing Trust Fund, Public Housing **Private data:** ATTOM, BatchData, grassroots trackers of private equity in housing	Mortgage origination volume and loan sizes Denial rates and reasons Appraisal and appraisal gaps Rehab and repair loan origination volume and loan sizes Investor versus owner-occupant lending Single-family rental (SFR) securitization Public subsidies and incentives Alternative financing arrangements (land contracts, lease-to-own)

continued

Table A1 | Illustrative Table of Housing Domains, Data Sources, and Metrics
(continued)

HOUSING DOMAIN	DESCRIPTION	DATA SOURCES	METRICS
Housing Stability	Where are individuals facing unstable housing conditions?	**Federal surveys:** ACS, Household Pulse Survey **Federal administrative data:** Point-in-Time and Housing Inventory Counts, Annual Homelessness Assessment Report, Survey of Income and Program Participation **State and local administrative data:** Homeless Management Information System (HMIS), Eviction Lab, court administrative records	Evictions and filings Foreclosures and delinquencies Tax lien sales Code violations Insurance nonrenewals Displacement due to climate disasters Near-homelessness: doubled-up households, sleeping on couches, etc. Sheltered and unsheltered homelessness
Governance and Regulation	What is the policy and regulatory environment in which housing exists?	**Federal surveys:** Regrid, National Zoning Atlas, HUD Fair Market Rents, Annual Survey of Government Finances, Wharton Residential Land Use Regulatory Index, Building Permits Survey, LIHTC property-level database, Picture of Subsidized Households, HUD Affirmatively Furthering Fair Housing Data **Derived datasets:** National Zoning and Land Use Database, National Low Income Housing Coalition (NLIHC) State and Local Tenant Protections Database	Zoning capacity and constraints Rent regulations Property tax policy Tenant protections Land use approval timelines Public investment levels Data transparency and access Fair housing

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RESEARCH

FOR THE

National Housing Crisis Task Force

National Housing Agenda

Data: Building a Robust Housing Data System for the 21st Century
(New America)

→ **Regulation: The Role of States in Planning for Housing in the 21st Century**
(Terner Center for Housing Innovation at UC Berkeley)

Land: The Public Land Dividend
(Lincoln Institute of Land Policy)

Capital: Financing Cost-Rental Housing
(Harvard Joint Center for Housing Studies)

Construction: Catalyzing Factory-Built Housing
(Terner Center for Housing Innovation at UC Berkeley)

Operational Sustainability: Built to Last
(NYU Furman Center)

Governance: Remaking Housing Federalism for a New Era
(New Localism Associates)

NATIONAL HOUSING CRISIS TASK FORCE

NATIONAL HOUSING CRISIS TASK FORCE

REGULATION

The Role of States in Planning for Housing in the 21st Century

ABOUT THIS PAPER

Research for the National Housing Crisis Task Force's National Housing Agenda

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The Task Force supported the creation of seven papers, which together span the building blocks of our housing system: data, regulation, land, capital, construction, operational sustainability, and governance. This paper addresses regulation, and the entire collection can be found at nationalhousingcrisis.org/HousingWhitePapers.

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PUBLICATION NOTES

Research independence

While the Task Force commissioned this collection, it does not formally endorse its findings; the views expressed are those of the authors. Task Force members and co-chairs, who participate and are quoted in their individual capacities rather than on behalf of their organizations, bring a range of professional and lived experience to their work and may not agree with every statement in every paper, but remain committed to working together on solutions to the housing crisis.

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1. Introduction

A primary driver of escalating housing costs across the United States is the persistent shortfall in new housing supply. In 2024, Freddie Mac estimated that the United States faces a housing shortage of approximately 3.7 million units.[1] Without a significant expansion in housing production, market pressures are likely to persist, driving costs even higher. While the geographic scope of this crisis is new, the underlying shortage is the result of a long-term failure to invest in new supply. The persistence of this shortfall raises a critical question: what is preventing the housing market in most places across states from producing enough homes to meet demand?

Previous research[2] suggests that one of the ongoing constraints to supply is land use regulation; the friction of navigating this web of interconnected rules is a significant hurdle to new development. Power over land use in the United States is decentralized, as historically state governments have delegated most of the power over land use to local governments.

Concerned that local governments—each politically responsive to its own constituencies—have failed to adequately zone or plan for sufficient housing to address the supply crisis, some States are experimenting with exercising their preemptive powers, either through tailored overrides of local zoning and planning processes or by developing comprehensive planning mandates that require local governments to plan and zone for housing or face penalties.

In this paper, we describe the evolving relationship between state and local land use authority by examining five case study states: California, Florida, Maryland, New Jersey, and Oregon. The purpose is to understand where and how state governments have intervened in land use planning and zoning and undertaken state-level reforms intended to create more housing.

Many topics that are land use-adjacent were not covered by the interviews, including fiscal and tax policy and controls, the impact of the broader political landscape on state and local decision-making, and the availability of capital to support housing production. Additionally, this report does not provide an empirical argument about which approach to land use generates the most housing. Instead, it reports on what expert stakeholders in certain states have identified as successes in the policy realm and then pulls together themes to inform a theory of the evolving role for States in land use for the 21st century.

Our analysis is guided by three questions:

1. How are States exercising their authority over land use in order to address the housing crisis?
2. What tools have States used to support their approach to housing?
3. What do these experiments tell us about how States are exercising their authority related to planning and zoning?

To answer these questions, we conducted in-depth interviews with experts from around the country. The findings below are based on these conversations. For more information on methodology, please see Appendix A.

In every state studied, we find that local governments retain substantial responsibility for planning and development decisions, but that this authority is shaped by State requirements, regional institutions, and fiscal incentives. In many cases, the State has created meaningful limits on local discretion while allowing greater flexibility for local governments that are doing their part to address the housing crisis.

Key Terms and Concepts

States' approaches to land use vary considerably. In this section, we briefly describe approaches referenced throughout this piece.

- In this paper, **land use regulation** is defined as the legal framework that determines how land may be developed, including: zoning rules, density limits, height and setback standards, and parking requirements, as well as the processes to obtain permits, environmental review, and design review (known as "entitlement procedures").
- There are many ways in which state governments can intervene in local land use decisions; this report focuses on two: **planning mandates** and **tailored overrides**. For our purposes, a planning mandate is defined as an approach to land use that relies primarily on comprehensive planning, coordination, targets, and incentives, rather than direct mandates or overrides of local land use authority. We define tailored override as State action that limits or overrides local authority. This can take the form of process reforms—in which the State streamlines local approval processes to increase efficiencies—or it can take the form of direct rezoning—in which the State overrides local zoning to allow more or different types of housing. As we discuss below, all study states have used both approaches at some point to address the housing shortage.
- In several case study states, **regional governance** adds an additional layer to planning and zoning activities. In this paper, regional governance refers to planning authority granted to a regional public body to allocate housing planning and/or zoning targets or growth responsibilities across jurisdictions within a shared housing market, transportation system, or metropolitan region, rather than treating each locality in isolation.

2. State Approaches to Land Use Reform

Our research highlights that there are no easy answers in developing a framework for land use. We find that every state in the study has embraced more state power in the form of state-level housing goals. We also find that every state in the study has embraced direct State action—either in the form of an organized planning process or direct tailored preemption of local zoning—to force locals to adopt policies that they favor. And while no single state has been able to solve the housing shortage via land use interventions, we see examples of effective interventions that combine elements of each type.

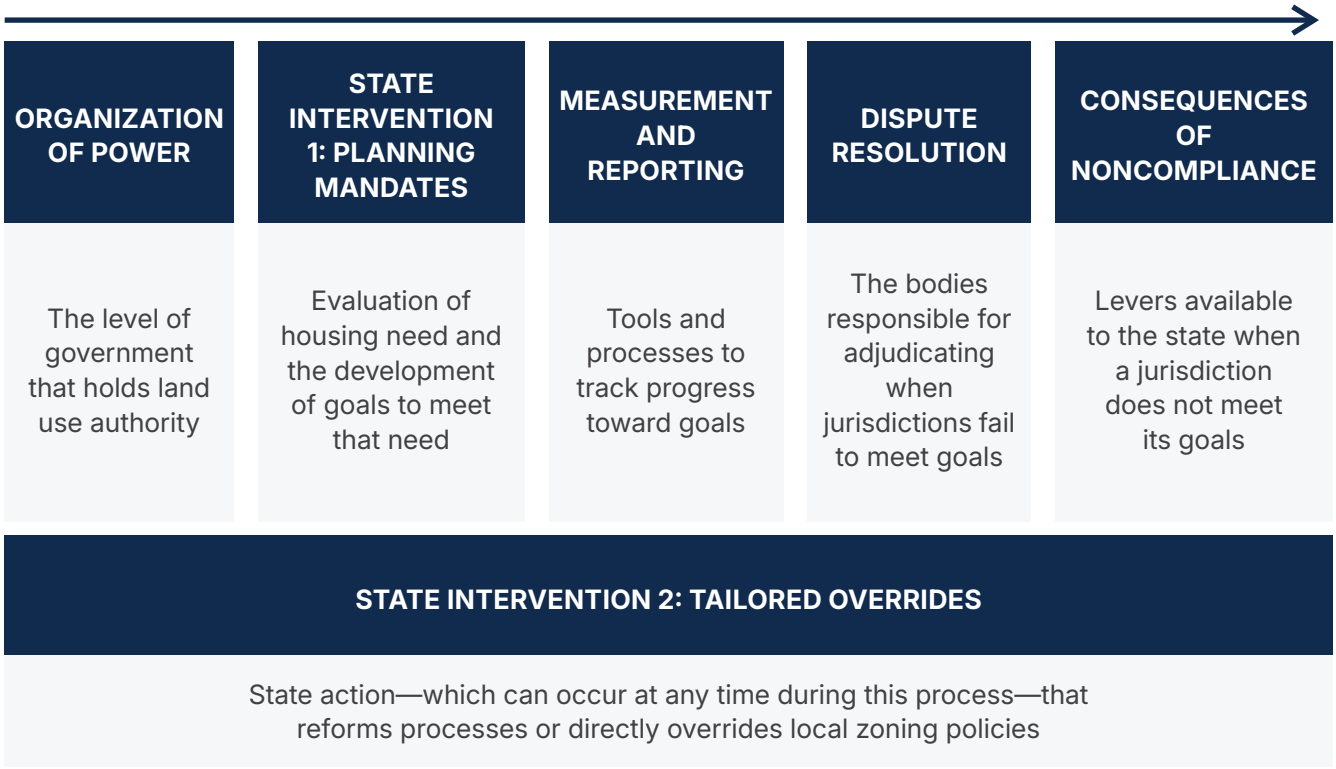
Our research has identified six elements that shape state land use regimes and outcomes. Thematic analysis of our interviews indicated that these six areas represent important categories

Six Elements that Shape State Land Use Regimes and Outcomes

- **Organization of Power:** The structure and delegation of powers as outlined in a state's foundational documents. Interviewees consistently referred back to these underlying relationships as important for understanding the relationship between state and local authority related to land use and zoning.
- **Planning Mandate**: Evaluation of housing needs across state and regional levels, accompanied by the formulation of top-down planning frameworks that establish binding or advisory production targets. Interviewees emphasized that comprehensive planning is most effective when State-assigned targets are tied directly to local zoning capacity adjustments and enforceable statutory deadlines.
- **Tailored Overrides**: One-off pieces of legislative or executive actions taken by the State to intervene in local land use issues. Interviewees from some states—e.g., California, Maryland, and Florida—cited tailored overrides as major catalysts for change.
- **Measurement and Reporting:** Tools and processes for tracking progress toward housing goals and communicating results. Interviewees cited reporting as an effective tool for increasing accountability, identifying areas where progress is falling short, and creating transparency around implementation.
- **Dispute Resolution:** Developing new housing is often contentious, whether the housing is market-rate or affordable. Disputes can arise between developers and local actors or community groups, as well as between local governments and the State over state-level requirements. Addressing these disputes is an important part of the housing development process, and the ways in which disputes are resolved emerged as an important theme in our discussions with experts.
- **The Consequences of Noncompliance:** Policies and mechanisms that establish consequences when jurisdictions fail to comply with housing requirements. Interviewees highlighted the importance of meaningful consequences for creating accountability and ensuring that housing requirements are implemented rather than treated as aspirational goals.

Figure 1 illustrates these decision points that will be described in detail below.

Figure 1 | Core Components of a State Land Use Regime



Across the five states examined, the case studies reveal substantial variation in how land use systems are structured and administered. Looking across these elements provides a clearer view of the distinct governance models states have developed and the points at which state and local authority intersect.

Table 1A | Key Features of State Land Use Regimes	
STATE	**ORGANIZATION OF POWER**
California	The state is a home rule state, which generally delegates land use authority to local jurisdictions. However, California has been experimenting with tailored overrides over the last decade.
Florida	The State delegates most land use authority to local jurisdictions, though recent state rulemaking has removed some local authority to prevent development. The State retains some enforcement powers.
Maryland	The State delegates land use authority to local jurisdictions, with counties regulating most urbanized lands.
New Jersey	The State delegates land use authority to local jurisdictions. For affordable and mixed-income housing developments, local jurisdictions are constrained by the courts through the Mount Laurel doctrine.
Oregon	The State delegates land use authority to local governments and also to some regions through Councils of Government.

Table 1B | Key Features of State Land Use Regimes	
STATE	**PLANNING MANDATES**
California	A State-led planning effort establishes regional goals that local governments plan to accommodate via a Housing Element.[3] California is a strong planning mandate state.
Florida	As of 2011, local jurisdictions must complete a comprehensive planning process, but it is locally determined and not subject to much State oversight.
Maryland	State-developed "visions" inform county-level planning; counties understand the visions and the plans as guidance, not directives.
New Jersey	A State-developed plan is adopted and implemented by local jurisdictions.
Oregon	A State-led planning effort guides development at the regional level—defined by the urban growth boundaries. Oregon is a strong planning mandate state.

Table 1C | Key Features of State Land Use Regimes	
STATE	**TAILORED OVERRIDES**
California	Tailored overrides are frequent and specific, targeting both process reform (such as Senate Bill (SB) 35/423, the Housing Accountability Act and CEQA reforms) and zoning overrides for specific project types, such as accessory dwelling units (ADUs) and affordable housing.
Florida	Florida has been using tailored overrides for the past few years. The Live Local Act—perhaps the most sweeping of the interventions—overrides local zoning on commercial, industrial, and mixed-use land throughout the state for projects with at least 40 percent of residential units restricted for affordable or workforce housing.
Maryland	Tailored overrides have historically been rare but are becoming more frequent for both process reform (e.g., permit streamlining) and direct zoning overrides (e.g., transit-oriented development upzoning).
New Jersey	Tailored overrides are limited, aside from project-level Mount Laurel rulings, but becoming more frequent through proposed direct zoning overrides (e.g., for ADUs, office-to-residential conversions, etc.).
Oregon	Tailored overrides are used occasionally to augment the planning system or to override local zoning (e.g., missing middle upzoning).

Table 1D | Key Features of State Land Use Regimes	
STATE	**MEASUREMENT AND REPORTING**
California	The Annual Progress Report process requires local jurisdictions to report on all projects in their area. Data are reported at the project level.
Florida	There is reporting infrastructure, called the Evaluation and Appraisal Report, but interviewees reported that it is underutilized and there is no oversight as to how local jurisdictions are reporting their data. In 2025, Senate Bill (SB) 1730 imposed a requirement for Live Local projects to be reported to the State.
Maryland	Through the Local Government Annual Reporting process, local jurisdictions aggregate permitting and zoning change data in their area and submit that to the State.
New Jersey	Annual reporting happens at the project level, for affordable housing units only.
Oregon	Through the annual reporting process, local jurisdictions aggregate and submit permitting data to the State; the State is reviewing for jurisdictions that are noncompliant and for process bottlenecks.

Table 1E | Key Features of State Land Use Regimes	
STATE	**DISPUTE RESOLUTION**
California	Disputes are reviewed by the state's Housing Accountability Unit (HAU), which provides technical assistance and works with the jurisdiction to address the violation. If that is unsuccessful, the case is referred for litigation in the trial court system. Developers can also sue directly, circumventing the HAU process all together.
Florida	Litigation in the trial court system is the most common approach, with Live Local Act cases given priority in docketing. The Florida Land Use and Environmental Dispute Resolution Act (FLUEDRA) is a nonjudicial settlement procedure that allows for negotiation over land use disputes. It is not widely used, and litigation is much more common.[4]
Maryland	Complainants must exhaust administrative remedies in specialized courts before moving to litigation in the traditional court system.
New Jersey	Historically, dispute resolution has fluctuated between trial courts and administrative review. Currently, market-rate disputes are handled through litigation in the court system; affordable housing disputes can be seen by the new Affordable Housing Dispute Resolution Program.
Oregon	Disputes are resolved through litigation in a specialized court system, which can move to courts of general jurisdiction.

Table 1F | Key Features of State Land Use Regimes	
STATE	**CONSEQUENCES FOR NONCOMPLIANCE**
California	Local jurisdictions that do not have certified Housing Elements risk the loss of local land use authority through the Builder's Remedy, under which all qualifying projects are treated as by-right. Noncompliance also triggers the loss of some State program funding and the threat of litigation. In jurisdictions that ignore tailored overrides, a builder can go to court and seek an injunction without involving the State.
Florida	Noncompliance can result in the loss of local land use authority for the proposed project. If local jurisdictions don't approve eligible projects, they are subject to civil litigation from developers. Localities are also responsible for prevailing party attorney fees up to $250,000.
Maryland	Maryland relies primarily on financial incentives to induce local jurisdictions to act on state housing goals. Though there are relatively few penalties, Maryland withholds certain benefits from jurisdictions that are not in compliance with state goals.
New Jersey	Noncompliance can result in the loss of local land use authority through the Builder's Remedy; the project in question is treated as by-right.
Oregon	Noncompliance can result in the loss of local land use authority through a building freeze or rerouting of all land use decisions to a State-appointed board.

3. Case Study Highlights

The following section provides a short summary of each state case study. More detailed case studies may be found in Appendix B.

California

California—home to 39.4 million people—is a vast and diverse state, with 482 municipalities and 58 counties. With rising rents and home prices, high rates of homelessness, and an undersupply of housing, the state legislature and governor have intervened to address its housing crisis, setting a goal to produce 2.5 million housing units by 2030.[5]

Outlined in the State Constitution, California is a "home rule" state, meaning that local governments have significant authority to make local land use decisions, with some important exceptions. California cities are either general law cities, which have more limited authority to regulate land use due to the fact that they are statutory creatures of the state and therefore governed by the California Government Code, or charter cities, which have more, but not

total, authority to act independently. California has been experimenting with various types of state intervention in land use planning and processes for decades, but the pace and scale of these interventions have accelerated in the past 10 years through a combination of planning frameworks, direct rezoning, process reform, and aggressive enforcement.

California's approach to determining how many units each region and locality must plan for is the Regional Housing Needs Allocation (RHNA), which requires regional councils to allocate State-determined housing targets to local jurisdictions. Municipalities must then develop and adopt a compliant Housing Element demonstrating that they have the zoned capacity and have mitigated or removed governmental constraints to meet these allocations. Originally a weak planning exercise, legislative reforms in 2017 and 2018 transformed Housing Element law into an enforceable tool with real implications for housing production.[6]

In addition to a robust planning framework, California has leveraged direct zoning reforms to incent and compel local jurisdictions to align their housing production with state-level housing goals. A series of pieces of legislation creating ministerial approval for accessory dwelling units (ADUs) has created a strong market for the housing typology.

California has also implemented top-down process reforms to streamline residential development approvals. Crucially, legislation such as the Streamlined Ministerial Approval Program (SB 35 passed in 2017 and SB 423 passed in 2023)[7] has mandated ministerial, by-right approval pathways for qualifying affordable and mixed-income housing developments, bypassing discretionary public hearings and exempting eligible projects from environmental review under the California Environmental Quality Act.

Key lessons from California:
California provides an example of a large, complex state with a strong history of local devolution that has empowered local governments to make decisions—some of which have worsened the housing crisis. State lawmakers over the last decade have sought to utilize various forms of state preemption to strengthen existing planning frameworks, cut process barriers, and engage in direct ad-hoc preemption. The effects of State actions are ongoing, but some evidence has shown significant benefits from these efforts, particularly for subsidized multifamily affordable housing and some direct rezoning (ADUs).

Florida

Florida is experiencing in-migration from high-cost states, including California and New York; between 2019 and 2023 an additional 195,000 renter households were added to the state.[8] This influx and the ensuing pressure on the housing market is concentrated in certain geographies and housing typologies: there are housing shortages in high-demand cities, like Miami and Tampa, and for extremely low-income rental units.[9]

Florida's land use history is characterized by ebbs and flows in terms of the role of the State. Under the Growth Management Act (GMA) of 1985, Florida maintained one of the country's

most top-down planning regimes, requiring State-approved local comprehensive plans and concurrency infrastructure mandates to limit sprawl.[10] In the 2010s, the State delegated land use authority back to local jurisdictions in the hopes of stimulating market growth.[11] Despite the stated intention, the devolution of power led to a fragmented planning environment with very little oversight and relatively little new housing production.[12]

In 2023, a sweeping legislative change—referred to as the Live Local Act—was passed. Subsequent bills have modified the 2023 Live Local Act, with 2026's HB 1389 referred to as "Live Local Act 4.0;" however, they all follow from the original transformational legislation. One major element of this suite of legislation is the zoning preemption, which mandates administrative approval for multifamily developments on land zoned for commercial, industrial, or mixed use if the development has at least 40 percent of units designated as affordable for 30 years.[13] It is too soon to tell the causal impact of the 2023 legislation, but interviewees shared how the change in the regulatory landscape has created both immense opportunity for developers and considerable uncertainty about what is allowed.

Key lessons from Florida:
Florida has taken a different approach to its housing shortage than California. Instead of relying on State actions that compel local jurisdictions to align with state housing goals, Florida has demonstrated how a tailored override could be leveraged to remove red tape and, theoretically, allow for much more housing to be built quickly.[14]

Maryland

For decades, Maryland has relied heavily on planning, coordination, and financial incentives rather than direct preemption.[15] Unlike California or Oregon, Maryland generally sought to influence where growth occurred without broadly overriding local zoning authority. More recently, however, worsening housing affordability has pushed the State toward a more interventionist posture. Maryland is therefore a case where a planning-first tradition has begun, somewhat reluctantly, to adopt targeted preemption.

The state's foundational framework, the Neighborhood Conservation and Smart Growth Act of 1997, created Priority Funding Areas (PFAs). Rather than overriding local zoning authority, the State directed infrastructure grants and loans to these PFAs to encourage higher-density, mixed-use development.[16] The State directed monetary "carrots" to jurisdictions that complied with more strategic state housing goals.[17] To further bolster planning capacity amid rising market pressures, the State mandated in 2019 that local governments include a Housing Element within their comprehensive plans.

In addition, the state successfully passed the Transit and Housing Opportunity Act in 2026. Taking effect in October 2026, this targeted preemption law overrides local zoning to allow mixed-use development near qualifying transit stations, while explicitly exempting single-family residential zones.[18]

To track progress, Maryland mandates Local Government Annual Reporting, where municipalities submit aggregate housing and PFA development data to the Maryland Department of Planning.[19] Jurisdictions found to be out of compliance risk losing PFA subsidies and infrastructure funding, and formal land use disputes must go through the State-administered Board of Zoning Appeals before they can be escalated to county circuit courts.

Key lessons from Maryland:
For decades, the State relied heavily on planning, coordination, and financial incentives to influence where growth occurred, without broadly intervening in local zoning authority. More recently, however, housing market pressures have led state-level actors to pursue tailored overrides.

New Jersey

New Jersey is the most densely populated state in the country and one of the least rural—with few major cities; the "State of Suburbs," as *The New York Times* has christened it.[20, 21] The state has 564 municipalities, and each municipality retains substantial authority over zoning, master planning, and development approvals.[22] Originating in 1975 and reinforced with judicial enforcement mechanisms in 1983, the Mount Laurel doctrine is the critical legal framework that declared exclusionary zoning unconstitutional under the New Jersey Constitution, prohibiting municipalities from using land use regulations to lock out low- and moderate-income families.[23] The doctrine's primary impact has been on affordable housing and mixed-income developments. Mount Laurel has shaped New Jersey's land use regime for the last 50 years, but it has also precipitated a push and pull between the judicial, legislative, and executive branches of government related to implementation.[24]

Recently, Assembly Bill (AB) 4/AB 50 (2024) was enacted; it included the formation of the Affordable Housing Dispute Resolution Program. The program includes a review panel, populated by an odd number of affordable housing land use experts. The first iteration of the panel consisted of seven retired judges.[25] Their charge is to resolve conflicts over affordable housing obligations more efficiently, as well as enforce compliance with the Mount Laurel doctrine. The program offers mediation opportunities for advocates, developers, and municipalities to discuss concerns related to municipal obligations and processes.[26]

For jurisdictions found to be out of compliance with their comprehensive plan—or if their zoning is found to be contrary to the State's goals—the court can remove the jurisdiction's land use authority, enacting a Builder's Remedy.[27] This resolution only pertains to the projects in question—not all similar projects proposed in the city. In practice, this means municipalities that do not plan for affordable housing risk losing control over where and how development occurs.[28]

Key lessons from New Jersey:
New Jersey exemplifies a state model that has historically relied on the courts to enforce local affordable housing production. A multi-decade interbranch fight between the judicial branch, which sought to enforce housing requirements, and the legislative and executive branches,

which mediated or undermined those requirements, has impeded the impact of Mount Laurel and exemplified the challenges inherent in relying on judicial action alone to propel land use reform.[29] The recent creation of the Affordable Housing Dispute Resolution Program and the introduction of new statewide zoning bills signal a shift toward streamlining compliance administratively and adopting targeted legislative overrides over local land use decisions. Recent research suggests that the combination of a statewide framework, clearer rules, streamlined procedures, and stronger enforcement has resulted in the overwhelming majority of New Jersey municipalities now moving forward with creating new affordable homes—including many municipalities that historically had resisted their obligation.[30]

Oregon

Interviewees described the Land Conservation and Development Act, enacted in 1973, as the cornerstone of Oregon's planning framework. The Act created 19 statewide land use planning goals, including Goal 10, which requires local governments to plan for housing needs across income levels. It also requires local governments to adopt comprehensive plans consistent with those goals and created the Land Conservation and Development Commission (LCDC) to review local plans and oversee compliance.[31]

Urban growth boundaries (UGBs) are central to this framework. UGBs, which surround the perimeter of every city in the state (aside from Portland Metro, which is regionally defined), distinguish urban and developable land from rural land and are intended to ensure that cities can accommodate future growth while limiting sprawl. The UGBs require coordination across local jurisdictions and agencies.[32] Portland Metro plays a particularly important role by managing the shared UGB for the greater Portland area, which includes 24 surrounding municipalities across three counties.[33] Some have critiqued UGBs for constraining housing supply, while others have said they prevent sprawl and allocate the state's resources efficiently.

To modernize this system, Oregon has shifted from merely planning for capacity to enforcing production; HB 2003 (2019) created the Oregon Housing Needs Analysis (OHNA) to set municipal production targets, while a 2023 executive action established an annual state production goal of 36,000 homes.[34]

Rather than overriding its planning system, Oregon uses tailored preemption to reinforce it. Landmark legislation like HB 2001 (2019) required cities over 10,000 residents to allow duplexes, and cities over 25,000 to allow multifamily 'missing middle' housing—such as triplexes and fourplexes—by-right in residential areas.[35] More recently, SB 1537 (2024) has mandated temporary flexibility for zoning codes like setbacks and heights, notably exempting cities that were already meeting their state housing targets.[36]

To track progress, OHNA requires jurisdictions with over 10,000 residents to submit annual aggregated reports tracking both the volume and speed of housing production.[37] Crucially, land use disputes are handled by the Land Use Board of Appeals (LUBA), a dedicated administrative court created in 1979 that keeps land use appeals out of the general court system and penalizes

frivolous litigation.[38] To assist with compliance and oversight, SB 1537 also established the Housing Accountability and Production Office (HAPO), which launched in 2025.[39] When jurisdictions fail to comply with State requirements, Oregon can impose penalties, including requiring the local government to enter into a binding Housing Acceleration Agreement with the State.[40]

Key lessons from Oregon:
Oregon's approach demonstrates how a robust, decades-old comprehensive planning framework can be updated with explicit production targets and administrative dispute resolution (LUBA) to ensure local accountability. By pairing strict boundaries (UGBs) with targeted upzoning (HB 2001) and dedicated enforcement tools, the State effectively limits sprawl while compelling local jurisdictions to accommodate infill development.

4. Findings

Organization of Power

Local governments play a central role in planning and development decisions across all of the states examined, but they do so within a broader set of constraints and incentives established by state law, regional institutions, and the courts. The more meaningful distinction, therefore, is not between state and local control, but in how these different levels and institutions interact and the degree to which local discretion is constrained.

California is a home rule state where local jurisdictions have authority to make land use determinations within their boundaries. Over the past several years, the State has increasingly been exercising its preemptive authority through tailored overrides, even over charter cities, which historically have had more authority than general law cities to make land use determinations. The state legislature has done so by adopting findings in preemptive legislation declaring that housing is an issue of statewide importance.[41]

Maryland concentrates authority primarily at the county level. Historically, the State has wielded power through financial carrots, technical assistance, and state goals—redirecting state infrastructure funding to Priority Funding Areas, rather than directly overriding county zoning ordinances.

Land use power in New Jersey is fragmented across 564 municipalities, but local authority is constrained by the Mount Laurel doctrine rather than a strong executive planning agency. Municipal discretion in affordable housing development is bounded primarily by trial courts and State-appointed dispute panels, which enforce regional affordable housing obligations through the threat of the Builder's Remedy.

Florida represents a shift from centralized state oversight under the 1985 Growth Management Act to local deregulation under the 2011 Community Planning Act. More recently, the State has

reasserted power through direct legislative preemption—such as the Live Local Act—bypassing local municipal zoning and public hearing processes for qualifying developments.

Lastly, two of the states have formal regional governance structures that play a role in planning for housing. California relies on regional councils of governments (COGs) to distribute State-determined housing allocations (RHNA) to local jurisdictions. Oregon requires local jurisdictions to operate within 19 statewide planning goals and urban growth boundaries (UGBs).

Planning Mandates

All states included in this study have some form of comprehensive planning, but the strength and purpose of those systems vary considerably. California and Oregon have the most structured and powerful State-led frameworks for coordinating growth across jurisdictions. Other states rely more heavily on local discretion.

Maryland has an extensive planning structure but its state-level plans have historically functioned primarily as guidance not directives. The State has used infrastructure spending and technical assistance to influence where growth occurs, without requiring jurisdictions to accommodate a particular number of homes.

Florida's system has changed over time—with strong comprehensive planning from the 1980s through 2011. Florida's 1985 Growth Management Act created a strong state oversight role, but the 2011 Community Planning Act sharply reduced that role. Local governments must still prepare comprehensive plans, including Housing Elements, but interviewees described the current process as flexible, lightly reviewed, and weakly enforced. With this approach, Florida has produced a substantial number of housing units per capita. These examples demonstrate that states are wielding Housing Elements in different ways, to different effect.

New Jersey presents a distinct model because its housing planning requirements are tied primarily to an enforceable affordable housing obligation rather than to a broader statewide growth management system. Municipalities must adopt Housing Elements and fair-share plans that provide a realistic opportunity to meet their share of regional affordable housing needs, as required by the Mount Laurel doctrine and the New Jersey Fair Housing Act. The State also maintains a statewide development plan, but because that plan does not override local zoning or impose production requirements, it has played a more limited role.

Across the study states, the central distinction is therefore not whether comprehensive planning exists, but whether plans establish measurable housing obligations, whether the State reviews local implementation, and whether failure to carry out the plan has meaningful consequences.

Comprehensive planning is widespread across the study states, but its influence depends on how closely it is tied to implementation. Interviewees shared that planning systems are most impactful when they establish clear housing obligations, require local governments to translate those

obligations into zoning and regulatory changes, and give the State a meaningful role in reviewing compliance.

Tailored Overrides

State preemption through tailored legislative or executive intervention represents a direct mechanism for overcoming municipal opposition and regulatory friction. Across the study states, tailored overrides generally fall into two categories: process reforms that streamline administrative procedures—such as establishing ministerial approvals, capping permit review timelines, and exempting projects from discretionary environmental reviews—and substantive overrides that directly alter local zoning rules regarding density, height, setbacks, and parking. A central distinction emerging across state models is whether tailored overrides are applied broadly to market-rate residential development or reserved conditionally for housing that includes deed-restricted affordable units.

In states like California and Florida, tailored overrides have been heavily leveraged to bypass local discretion in favor of income-targeted housing production.

California's SB 35 and SB 423 have established a streamlined, ministerial approval pathway that exempts qualifying projects from discretionary public hearings and environmental review under the California Environmental Quality Act. However, eligibility for this preemption is strictly contingent upon meeting specified affordable housing thresholds and prevailing wage standards for most housing typologies.

Similarly, Florida's Live Local Act executes a broad preemptive override of municipal zoning, height, and density restrictions in commercial, industrial, and mixed-use zones, but limits this intervention exclusively to developments that restrict at least 40 percent of residential units for households earning up to 120 percent of Area Median Income (AMI) for a minimum of 30 years.

Conversely, some states have also enacted tailored overrides that apply unconditionally to market-rate housing supply.

Oregon stands out for using direct legislative upzoning to expand market-rate capacity, most notably through HB 2001 in 2019, which mandated that municipalities permit missing middle housing typologies—such as duplexes, triplexes, and fourplexes—by-right in single-family residential zones without imposing affordability covenants. Oregon reinforced this framework through SB 1537 in 2024, granting temporary administrative flexibility on local design standards like setbacks and heights, while incorporating an explicit exemption clause that relieves jurisdictions already meeting their state housing targets from mandatory adjustments.

California has similarly applied market-rate overrides through its ADU statutes, which compel municipalities to approve secondary units ministerially, as well as SB 79 (2025), which mandates transit-oriented upzoning across market-rate residential areas. Maryland has recently adopted a market-rate preemption strategy through the Transit and Housing Opportunity Act of 2026,

overriding local density caps and eliminating parking minimums near qualifying rail stations to spur transit-oriented mixed-use development. Ultimately, tailored overrides function either as surgical bypasses to incentivize deed-restricted affordable housing or as baseline structural overrides to unlock broader market-rate supply.

Measurement and Reporting

Interviewees highlighted the need to measure a local jurisdiction's progress toward housing goals, and most of the study states are embarking on an effort to collect and analyze data on their housing targets.

Oregon and Maryland have relatively new processes that require local jurisdictions to aggregate their housing permitting and production data and report to the State. Oregon has an additional layer, requiring local governments to submit project timeline data so that the State can identify bureaucratic bottlenecks in the process and direct the local government to address them.

New Jersey and California require project-level data to be submitted by local jurisdictions, though New Jersey has limited the scope to only requiring data on affordable housing units, not market rate. California stands alone among study states by requiring disaggregated, project-level data for all development, regardless of funding source.

Measurement and reporting are what allow states to distinguish between planning on paper and progress in practice. The states in this study vary in the frequency, scope, and granularity of the data they collect—from Florida's limited reporting structure to California's project-level system for all housing development. Interviewees suggested that more robust systems provide states with a clearer picture of whether jurisdictions are meeting housing goals, where implementation is falling short, and which regulatory or administrative barriers may be slowing production.

Dispute Resolution

Land use disputes in Florida and land use disputes related to market-rate housing in New Jersey are primarily resolved through the trial court system, as are California disputes that cannot be resolved through the Housing Accountability Unit.[42,43] Consistently, interviewees described these lawsuits as time-consuming and expensive and ultimately decided by judges with limited land use experience. And though not all disputes end up in court, most interviewees were frustrated with this process. On the other hand, some interviewees noted that the inefficiency and cost of the process actually was a feature—not a bug—of these lawsuits. That is, the idea of having to settle these disputes in court is such a deterrent that even the threat of litigation can sometimes motivate a local jurisdiction to comply: "I wonder if the system was created to lead to quicker resolution and settlements … especially for the smaller towns that have less resources to fund that type of litigation."[44]

In Maryland there is a two-pronged system in which project-level disputes are resolved in traditional courts and larger, planning-level disputes are solved in a specialized court system. In Oregon—and recently in New Jersey for affordable housing disputes—there is a specialized hearing board. These boards are populated with land use experts (former lawyers, judges, and city planners, for example) and were developed to ensure quick and fair resolution. This is similar to the HAU process in California, as it relies on neutral experts and is an administrative—not judicial—function. Oregon's board, called LUBA, is well-established and was cited by interviewees as an effective way to resolve issues.[45] The purview and scope of the New Jersey board is more limited than that of Oregon's, but it may have a meaningful impact on a state that has traditionally relied heavily on its court system.

The design of the dispute resolution process shapes both the speed and consistency of land use enforcement. States that rely primarily on general courts often face costly, time-consuming litigation, while specialized boards such as Oregon's LUBA offer greater subject-matter expertise and more predictable outcomes. Hybrid systems, like those in Maryland, attempt to separate broader planning disputes from project-level appeals, while New Jersey's new affordable housing review process may reduce its historic dependence on traditional litigation.

Consequences for Noncompliance

Loss of local land use authority emerged from the research as the most impactful penalty for noncompliance. The states in our study use this tool in different ways.

In California, jurisdictions that fall out of compliance may become subject to a Builder's Remedy, under which all qualifying projects are treated as by-right until compliance is restored.

New Jersey's Builder's Remedy is narrower because it is site-specific: courts override local zoning only for the individual property involved in the lawsuit, rather than suspending local control townwide for all qualifying projects.

Florida follows a project-specific model under the Live Local Act, where a local government that unlawfully denies an eligible development can lose its authority to deny that project, and developers may also seek compensation in civil court.

Oregon uses a broader set of interventions. A noncompliant jurisdiction may face a freeze on all local development approvals—including market-rate units—creating immediate economic pressure to remedy the violation, or the State may reroute planning and approval decisions to a State-appointed body.

Maryland relies more heavily on fiscal consequences than on direct removal of local authority. Because its planning system has historically been structured around incentives, noncompliant jurisdictions may lose access to Priority Funding Area benefits or face limitations on state infrastructure funding. Courts may also strike down local zoning, but such intervention is less central to Maryland's overall framework.

The comparison underscores that consequences vary both in severity and scope. Some apply only to a disputed project, while others affect all qualifying development or the jurisdiction's broader authority to make land use decisions. States also differ in whether noncompliance triggers an automatic consequence or requires litigation or administrative action. Across the cases, however, the strongest accountability systems are those in which the consequence directly addresses the source of noncompliance by limiting a jurisdiction's ability to continue using local discretion to delay or prevent housing development.

5. Policy Implications

In the states studied, State action was essential to increasing zoned capacity for housing and/or effectuating needed process reforms to move housing more quickly through the system. As documented above, these State actions can take many forms, including comprehensive planning strategies, tailored overrides of zoning and process reforms, and accountability mechanisms for noncompliance. In the past decades, the challenges of leaving housing policy mainly to local discretion have become clear. The vantage point of the State as a higher level of government—one which understands and is responsive to local concerns, but which can take a broader view of the housing crisis and potential solutions—is essential to addressing housing challenges. In this section we don't suggest one "right way" for states to exercise their authority to address the housing crisis. Rather we identify several different types of actions that states may take to facilitate housing production.

State-required target setting and planning have the potential to compel local governments to plan and zone for more housing, so long as they include enforcement "teeth."

State-required target setting and planning can be effective ways to compel local governments to plan and zone for more housing if they are paired with "teeth" at the state level in the form of penalties for noncompliance. In California, New Jersey, and Oregon, the State sets numeric targets for housing needs and mandates a structured process by which local governments are compelled to plan for those targets through mechanisms like California's Regional Housing Needs Allocation (RHNA), New Jersey's Department of Community Affairs fair-share calculations for affordable housing, and Oregon's Housing Needs Analysis (OHNA).

After the State creates and hands down housing targets to local jurisdictions, those jurisdictions should develop plans to meet those targets. It is not enough for local jurisdictions to state that they will facilitate the needed housing; nor is it enough for them to guess which policies might unlock housing production in their communities. Local jurisdictions should first go through an evaluatory process to identify the binding constraint (or constraints) in their areas. That is, they should assess what is currently limiting the amount of housing development in their cities

or counties. Is it that the City has zoned too much of its land as single-family only? Is it that the parking requirements for multifamily developments are so high that most projects fail to pencil and are thus unattractive to developers? Is it that the impact fees in the city are too high, impacting project feasibility? Whatever the constraint, local governments must understand what is holding their cities back before they can attempt to solve for how to meet housing targets. There are a number of tools and methodologies to identify a jurisdiction's binding constraints; the State should support local jurisdictions in pursuing these evaluations.

Regardless of which constraints are identified in the evaluation process, a strategy to increase housing development will likely include changes to the local zoning code. Zoning is the key tool that cities have to encourage and effectuate housing. Put simply, local jurisdictions need to zone for enough housing and not wield zoning to unreasonably limit development.

As discussed above, the impact of the zoning changes will hinge on the local context and other factors impacting development. Cities around the country have had success with different policy levers. Upzoning single-family zones to include developments up to eight units (or what is known as missing middle upzoning) has been impactful in cities with large single-family lots and pent-up demand. Transit-oriented development (TOD) upzoning has proven impactful in cities with dense, well-developed public transportation networks. Reducing parking minimums has worked to unlock development in cities that have the economic conditions to support large-scale developments. The details of these policies can be difficult for local jurisdictions to manage, however. The State can play a role by developing a set of ready-made strategies that local governments can adopt.

Additionally, for planning mandates to be effective, they must be paired with enforcement tools. In California, jurisdictions that fail to adopt a compliant Housing Element lose certain aspects of control over land use and are at risk of lawsuits and fines. If cities in Oregon do not plan for enough housing, the State requires them to enter into a Housing Acceleration Agreement to increase their zoned capacity in residential areas or make other changes to support housing production.

Tailored overrides can expand capacity and cut process barriers, but their blunt nature can limit local customization.

Tailored legislative and executive overrides provide state leaders with an immediate tool to expand housing capacity and dismantle local administrative hurdles. To maximize the efficacy of tailored overrides while minimizing unintended local friction, state policymakers should design preemptive statutes with clear administrative relief valves and tiered thresholds. State preemption can establish a baseline standard for housing production—such as ministerially allowing ADUs or middle housing typologies by-right—while granting temporary exemptions or design flexibility to jurisdictions that actively meet their State-assigned housing targets. Furthermore, state leaders must decide strategically whether to apply tailored overrides broadly across market-rate development to lower baseline production costs or to reserve preemptive relief conditionally for

projects that include deed-restricted affordable housing. Tailored overrides can set nonnegotiable legal floors for local housing approvals while incentivizing municipalities to proactively update their own land use plans.

Good data are needed at the state level to understand what interventions are working.

State governments need high-quality data collection and analysis process to measure the impacts of State and local actions, as well as jurisdictions' progress toward housing goals. State reporting portals should track real-time indicators, such as building permit issuance, construction starts, and certificate of occupancy data, alongside local zoning capacity and other policies that influence housing production. By monitoring tangible policies, practices, and performance metrics, state agencies can better understand where local administrative bottlenecks persist, and adjust implementation support before a jurisdiction falls too far behind its long-term housing targets. These data can also help jurisdictions assess their own progress and adjust policies to better align with state housing goals.

Projects that conform to zoning should be able to move forward by-right.

States can, and should, require local governments to eliminate uncertainty in their review processes by ensuring that there is by-right approval for projects that conform to local zoning. Throughout the research process, we heard examples of local governments and residents trying to stop development by any means possible. One interviewee put it well, "My wife is playing bridge at a local country club in Chevy Chase, Maryland, where all the rich people live, and every one of those women are going to chain themselves to their trees in front of their houses when the bulldozers come in to tear down their neighbor's house and put a duplex, God forbid, in their neighborhood."[46]

By codifying rationalized planning processes, states can help to ensure that compliant projects are not caught up in costly delays. In California, SB 35/423 allowed "qualified multifamily infill projects to go through a simplified and expedited housing approval process in jurisdictions that are not on track to meet their housing production goals."[47] The Live Local Act expanded what housing is approved by-right in Florida, and though it may be too early to see the exact impact of Live Local on housing production, early numbers suggest that hundreds of developments have already taken advantage of the law.[48]

Improved judicial processes can help move housing projects forward more expeditiously.

Our research indicates that dispute resolution is a critical component of an effective land use regime. For some states, the primary dispute that delays new housing development is at the individual level—essentially local actors suing to stop development that may (or, many times may

not) impact them personally. In other states, the primary disputes that delay new construction are between local jurisdictions and the state government—with local entities failing to meet state-level goals and the State intervening to force compliance.

Moving land use disputes out of the general court system and into an administrative review setting can produce faster, more consistent, and less costly decisions. States that have not already established a dedicated review process should consider creating one to improve the efficiency and reliability of land use adjudication.

Enforceable penalties for local jurisdictions that fail to comply are essential.

There are cities around the country that have pioneered local zoning innovations, accelerated permitting programs, and alternative regulatory models that have expanded their housing stock well ahead of their peers.[49] However, there are many cities that are not hitting the targeted development set by the State. When local governments fail to meet their targets, and thus fail to comply with State directives, there need to be real consequences. As one interviewee stated, without these accountability mechanisms, lower jurisdictions "will try to delay and delay and delay [new development], if they have the ability and creativity and resources to do so."[50]

States have several options for enforcing compliance. One effective intervention is to limit or suspend local land use authority—by overriding a local decision for a specific project; by requiring local governments to enter into binding agreements with the State to increase zoned capacity; or more generally, by leveraging a Builder's Remedy approach and allowing developers to build certain housing by right on any residential parcel. Another type of intervention is to condition or withhold state funding when jurisdictions fail to meet their obligations or by fining noncompliant jurisdictions directly. A third option is to make it possible for noncompliant jurisdictions to be sued or to use the power of the state attorney general to pursue action against cities that fail to meet their planning obligations.

6. Conclusion

State action has a substantial impact on land use planning and zoning in local communities. Through in-depth case studies, we identified six key decision points within a state land use regime that shape outcomes on the ground: how authority is organized; how the state approaches comprehensive planning; when and how it uses tailored overrides; how it measures and reports progress; how land use disputes are resolved; and what consequences jurisdictions face when they fail to comply. Across these dimensions, our research identifies recurring themes and a set of policy recommendations that states seeking to expand housing supply should consider. States across the country are testing promising ideas, and there is much to be gained from learning from one another as communities work to address their housing crises.

Appendix A

Our Approach

In this analysis, we paired desk research with qualitative expert interviews to compile case studies of states doing interesting work in land use in recent years. Our desk research involved a comprehensive analysis of the existing land use governance structures. We reviewed statutory texts, government reports, and academic literature to understand the legal, theoretical, and historical contexts shaping each state's approach to development authority and preemption. We then went through a preliminary interview process, speaking to people who understand the landscape of land use throughout the United States to identify the states on which to focus. Ultimately, we selected five states as case studies: California, Florida, Maryland, New Jersey, and Oregon (listed and discussed alphabetically throughout).

Following this foundational research, we conducted semi-structured qualitative interviews between March and August 2025. While we utilized a consistent core interview protocol across all conversations to allow for cross-state comparison, each interview also included targeted, state-specific inquiries derived from our desk research.

The interview cohort comprised recognized land use experts from across the study states, as well as experts with a more holistic view of the cross-state landscape. We engaged a diverse range of scholars, policymakers, and practitioners capable of analyzing both the statutory framework of land use regulations and their practical implementation at the local level. Table A1 summarizes interview participants by state focus and professional affiliation.

Table A1 | Interview Participants

	PUBLIC SECTOR	NONPROFIT	ACADEMIC OR LEGAL EXPERT	TOTAL
California	0	3	1	**4**
Florida	0	3	1	**4**
Maryland	5	1	3	**9**
New Jersey	1	3	0	**4**
Oregon	2	1	1	**4**
Multi-state perspective	0	0	1	**1**
Total	**8**	**11**	**7**	**26**

Following the interviews, all audio recordings were transcribed, cleaned, and systematically coded for qualitative analysis. Key emergent themes included the influence of local politics on land use decision-making and the role of the judiciary in resolving development disputes. Where transcript analysis revealed outstanding questions, we conducted follow-up consultations with participants to clarify complex statutory or procedural nuances.

We then synthesized these findings into the narrative case studies presented. Each state profile evaluates several critical dimensions of housing governance: a baseline description of the state's current land use power structure and recent evolutions within it; specific examples of proactive state planning efforts; the application of state preemption; and, finally, the accountability mechanisms employed to ensure local compliance with State-mandated housing goals.

Appendix B. Case Studies

Florida

Florida is experiencing in-migration from high-cost states, including California and New York; between 2019 and 2023, there were an additional 195,000 renter households in the state.[51] This influx and the ensuing pressure on the housing market is concentrated in certain geographies and housing typologies: there are housing shortages in high-demand cities, like Miami and Tampa, and for extremely low-income rental units.[52,53]

Florida's land use history is characterized by ebbs and flows in the State's role. Prior to the 1980s, land use was left to the local jurisdictions.[54] When in-migration resulted in a population boom, the State initiated a strategy to conserve and protect natural lands and limit growth to population centers through the Growth Management Act (GMA) of 1985.[55] The GMA was effective at protecting natural resources, but in 2011 the State delegated considerable land use control back to the local jurisdictions in the hopes of bolstering the market.[56] This shift did not result in the envisioned amount of new housing development, however.[57] In 2023, Florida passed a sweeping preemption in the form of the Live Local Act—which essentially overrides local zoning in nonresidential areas for developments with an affordability component.[58]

Comprehensive Planning

The GMA required all local governments to adopt comprehensive land use plans that align with state and regional goals.[59] They were to include a Housing Element[60] outlining plans to expedite permitting processes and reduce costs and timelines to encourage affordable housing development needed approval by the State.[61] In developing the Housing Element, the localities were required to plan for both the existing and the anticipated population growth of the area; interviewees suggested that if this had been done adequately, Florida would not be facing a "housing shortage in the places where people want to live."[62]

The GMA also required "concurrency"—a provision mandating that any proposed development provide new infrastructure (including transportation and other public facilities) simultaneously with the new housing. Concurrency forced developers not just to build housing but to account for the impact of that new housing on local communities.[63] With the GMA, Florida's approach to land

use was one of the most top-down in the country—though its goal was to *curb*, not encourage, development.

The GMA was slightly modified in the 1990s,[64] but it was overhauled in 2011 (HB 7207, or the Community Planning Act – CPA)—almost completely erasing the State's role in land use planning.[65] The CPA aimed to reduce the friction in development for the private market—shortening entitlement and review processes, and essentially, removing the State as a barrier. As Zachary Jellson succinctly states, "CPA moves Florida back to a time before growth management and potentially back to unbridled growth."[66] Florida's top-down, limited growth approach had been supplanted by a bottom-up free-for-all. The aim was to unleash the development and economic potential that the GMA had tempered. In reality, the CPA resulted in a pattern of development that did not match the housing needs of the state.

In another pivot in 2023, the overseeing body for land use became the newly established FloridaCommerce.[67] FloridaCommerce is a key entity responsible for planning the state's economic, community, and workforce development, as well as reviewing local governments' comprehensive plans. FloridaCommerce is also the point of contact for planning assistance to local jurisdictions, but one interviewee reflected, "They do offer assistance to local governments. But we don't communicate with them very often, and there's a lot more that they could be doing. I don't think that local governments see them as a resource."[68]

In 1975, Florida established a comprehensive planning process, in which every local jurisdiction must make a plan to address housing needs, but it is locally determined, very flexible, and has little to no oversight or support from the State. As one interviewee put it, "There's very little effort to check if folks are using the right data… It is basically like an unfunded mandate to do comprehensive planning without a lot of teeth."[69]

Tailored Overrides of Process and Zoning

Florida's comprehensive planning efforts have been overshadowed in recent years by its preemptive actions, namely the Live Local Act (2023), which requires local governments to administratively approve eligible affordable projects in areas zoned for commercial, industrial, or mixed use. The 2023 bill has subsequently been revised each year to address gaps and loopholes in the original legislation.

To be considered an eligible project, a multifamily and mixed-use development must have designated at least 40 percent of its residential units as rental units for households at or below 120 percent AMI for at least 30 years. While these projects must still comply with basic local property standards (e.g., stormwater infrastructure and architectural design), their density, height, floor area ratio, and parking requirements are explicitly preempted by state law and bypassed via mandatory administrative approval.[70] Live Local does not have a statewide set of uniform standards, however. Instead, it pegs these development standards to what is already allowed in a locality. For example, rather than establishing a single density for the entire state, Live Local ties the allowable density for eligible developments to the highest density permitted anywhere

in the locality.[71] Interviewees suggested that this explains why there has been relatively more development in areas with higher existing development standards—and much less development in restrictive localities.

The Live Local Act, according to our interviewees, made sweeping changes to the land use landscape of the state and made development by-right the norm for much of the geography. At the time of the interviews, there was still considerable confusion about the provisions of the Act and how it would be implemented. Interviewees were sure about the broad strokes, however. "The key thing I understand is that for certain land use categories, such as commercial and mixed use, if a developer wants to come in and bring in affordable housing, that's a preemption of local zoning, and they can go ahead and build affordable housing."[72] Or, as another put it, "Whatever it was, a donut shop or an empty parking lot—they're allowing affordable housing to get built."[73]

Interviewees shared that the Live Local Act has faced considerable pushback. Some local jurisdictions are frustrated by what they see as State overreach. Some developers and local governments have reacted to unclear definitions and specifications in the bill (though, to address this, lawmakers have since amended the Live Local Act to clarify eligible project uses).[74] Counties have also pushed back against the Act as it creates significant property tax exemptions for affordable housing projects on land that could otherwise be used for more profitable commercial or industrial uses.[75] Lawmakers have tried to address this, too, by allowing certain counties or local governments to opt out of some of the property tax exemptions if they can prove they do not have an affordable housing shortage.[76]

These amendments did not assuage all critics, though. One interviewee reflected, "I think there was an acknowledgement early on that Live Local was kind of throwing everything in the kitchen sink at this issue, and that there would have to be refinements on the land use planning side. I think we were hopeful it would mean that there might be some clawing back of the preemptions that have occurred initially, but instead, it's just kind of been a double creep on local government planning."[77]

Measurement and Reporting

Under the Live Local Act, the state government is now required to complete a series of recurring reports on the status of affordable housing development and policies in Florida.[78] Originally, local jurisdictions had no requirement to report their development data to the State. Recently, however, SB 1730 (2025) has imposed a reporting requirement for projects using Live Local.[79] Grassroots efforts, like the Live Local Dashboard by the Florida Housing Coalition,[80] have also cropped up to track the proposed development spurred by Live Local.

Prior to Live Local, Florida localities were required to report on development through the Evaluation and Appraisal Review (EAR) process, although the State did not monitor the reported data. Interviewees described the process as relatively ineffective because reporting methods varied across jurisdictions and there was little State oversight.

Dispute Resolution and Consequences for Noncompliance

Florida's recent approach relies less on traditional accountability mechanisms than on preemption itself. Rather than creating a strong monitoring system to ensure local plans translate into housing production, the State has increasingly made certain housing types administratively approvable by-right. When a local jurisdiction fails to approve these projects, developers pursue remedy through the courts. If the local jurisdiction is found to be noncompliant with the Live Local Act, their ability to quash the project is removed and the development can move forward. Developers can also sue in civil court for compensation.

Like in Oregon, Florida does have a nonjudicial body that is charged with settling land use disputes. The Florida Land Use and Environmental Dispute Resolution Act (FLUEDRA) required a way for governments and private actors (usually developers) to mediate land use disputes outside of the court system.[81] Interviewees, however, barely mentioned FLUEDRA and suggested that litigation in the court system is a much more common way to resolve land use disputes between the government and nongovernmental actors.

Maryland

In Maryland, more than 75 percent of the population lives on unincorporated county land, a characteristic that shapes the state's governance structure: land use authority is concentrated primarily at the county level.[82] The State allows counties to adopt home rule charters and exercise broad zoning, building, and housing authority. A notable exception exists in Montgomery and Prince George's Counties, where regional growth and planning are managed by a distinct, State-created entity: the Maryland-National Capital Park and Planning Commission (M-NCPPC).[83]

Maryland is useful for understanding a different state pathway on land use reform. For decades, the State relied heavily on planning, coordination, and financial incentives rather than direct preemption.[84] Unlike California or Oregon, Maryland generally sought to influence where growth occurred without broadly overriding local zoning authority. More recently, however, worsening housing affordability has pushed the State toward a more interventionist posture. Maryland is therefore a case where a planning-first tradition has begun, somewhat reluctantly, to adopt targeted preemption.

Comprehensive Planning

Until recently, Maryland relied on state planning efforts with very little state preemption.[85] Interviewees pointed to the Neighborhood Conservation and Smart Growth Act of 1997, a critical framework that aimed to limit low-density sprawl and commercial strip development while encouraging higher-density, mixed-use development. One of the law's key tools was the creation of Priority Funding Areas (PFAs), which required local governments to identify priority growth areas and submit them to the Department of Planning for review and approval.[86] The State then directed grants and loans for public sewer, water, schools, and housing to these designated

areas. Counties could still approve residential and commercial development outside PFAs, but those projects were generally ineligible for state infrastructure funding.[87]

This reflects the broader logic of Maryland's approach—rather than directly limiting local authority, the State used funding to encourage local jurisdictions to plan for growth in particular places.

Maryland has since modernized this framework through its eight Sustainable Growth Planning Principles, which have consolidated the State's prior planning goals into a clearer set of priorities focused on land, housing, economy, equity, resilience, place, ecology, and transportation. These principles guide state planning and development policy by shaping comprehensive plans and development decisions.[88]

Interviewees described how Maryland has tried to strengthen its housing planning capacity as housing has become less affordable and market pressures have increased. Since 2019, local governments have been required to include a Housing Element in their comprehensive plans.[89] The Maryland Department of Planning is primarily responsible for reviewing these plans, providing technical assistance to local governments to help them complete them, and helping them create models and guidelines for implementation.[90] The Department of Planning often collaborates with the state's Department of Housing and Community Development (DHCD), which is Maryland's main housing finance and community development agency. DHCD administers the State's funding programs and provides data and needs assessments to inform local Housing Elements.

In 2020, DHCD contracted with the National Center for Smart Growth and Enterprise Community Partners to prepare the Maryland Housing Needs Assessment & 10-Year Strategic Plan.[91] The plan recommends different policy interventions for different regions of the state based on local housing needs. The plan does not have built-in enforcement mechanisms, and a number of our interviewees saw this as a boon: "The plan doesn't mandate us to do anything. It's more guidance and best practices and sort of a snapshot of where housing is now in Maryland, and it identified a lot of needs in different areas, which I think was really good."[92]

Together, these tools have improved Maryland's ability to plan for growth, coordinate infrastructure, and identify housing needs—but they have not explicitly required local governments to produce a certain number of housing units. Maryland's experience shows the limits of planning and incentives when they are not paired with binding production requirements. The State built a strong planning framework, but worsening affordability pressures have pushed policymakers toward more explicit targets and tailored overrides.

Tailored Overrides of Process and Zoning

The Maryland Housing Expansion and Affordability Act of 2024 was a major law intended to increase housing production and affordability by reducing local land use barriers to certain residential development. It requires counties and municipalities to allow greater residential density for qualifying projects, particularly developments that include affordable housing and projects

located on land owned by the State, local governments, or nonprofit organizations. The law also establishes limits on how local jurisdictions may use zoning and other development regulations to restrict eligible projects, while generally leaving local governments responsible for administering development reviews and applying other applicable requirements.

The proposed Housing for Jobs Act of 2025 would have required state agencies to calculate regional housing gaps based on jobs-to-housing ratios, as well as mandated that local jurisdictions approve most qualifying housing projects in areas experiencing job growth. The bill did not pass, however; the shift in power from the counties to the State generated sufficient controversy to kill the legislation.[93]

In 2026 the state passed the Transit and Housing Opportunity Act to preempt local zoning rules and allow mixed-use development near qualifying rail stations. The law, which went into effect on October 1, 2026, will also reduce local barriers to transit-oriented housing by removing parking minimums and unlocking State-owned land for housing.[94]

Measurement and Reporting

Maryland requires local jurisdictions to go through the Local Government Annual Reporting process and submit a report to the Maryland Department of Planning (MDP).[95] Local jurisdictions compile the data for all housing developments in their area and report that to the State. Note that this is a key difference from the Annual Progress Report data in California, where project-level details (not aggregate data) are reported. MDP then compiles and analyzes the data to gauge how well local jurisdictions are doing to meet their housing goals. This includes placement of new housing in PFAs.

Dispute Resolution and Consequences for Noncompliance

Interviewees said that Maryland has generally used financial carrots—as opposed to sticks—to influence land use decisions. PFAs target state funds to areas where the state prioritizes growth; if development occurred within a PFA, the project was eligible for subsidies. Therefore, dispute resolution and consequences for noncompliance were not major factors in the Maryland land use regime.

For disputes that require formal resolution, complainants—such as developers or neighboring property owners—generally proceed through a two-stage process. They must first bring the dispute before the State-administered Board of Zoning Appeals. Only after exhausting that administrative process may they seek review through the county circuit courts.

If a local jurisdiction is found to be out of compliance, the State remedy is to remove the carrots mentioned above. The jurisdiction may lose its PFA funding, for example, or experience limits to its infrastructure funding. Courts can also remove some of the land use authority from local jurisdictions that are out of compliance, by striking down local zoning.

New Jersey

New Jersey is the most densely populated state in the country and one of the most rural—though it has few major cities; the "State of Suburbs," as *The New York Times* has christened it.[96, 97] The state has 564 municipalities, and each municipality retains effectively sole authority over zoning, as well as substantial authority over master planning and development approvals.[98]

The primary artifact of the land use regime in New Jersey is the Mount Laurel doctrine. Originating in 1975 and reinforced with judicial enforcement mechanisms in 1983 (Mount Laurel II), the doctrine is a critical legal framework that declared exclusionary zoning unconstitutional under the New Jersey Constitution, prohibiting municipalities from using land use regulations to lock out low- and moderate-income families. While the doctrine specifically targets affordable housing, its planning and accountability framework dictates broader municipal land use policy, directly enabling large-scale, market-rate residential projects by requiring towns to adopt higher-density inclusionary zoning, where a majority of market-rate units are built to subsidize the required affordable set-asides. Mount Laurel has shaped New Jersey's land use regime for the last 50 years, creating a push and pull between the judicial, administrative, and legislative oversight functions in the state.[99]

Comprehensive Planning

New Jersey municipalities are required to adopt and periodically update master plans that include a Housing Element and fair-share plan.[100] These requirements are rooted in the *Mount Laurel doctrine*, as well as the New Jersey Fair Housing Act (NJFHA in 1985), which established municipalities' constitutional obligation to provide a realistic opportunity for the development of their fair share of the region's affordable housing needs and required them to create plans to meet those needs.[101] NJFHA also established a Council on Affordable Housing (COAH) to calculate and distribute the state's affordable housing obligations across jurisdictions. COAH represented an important shift of the oversight and planning powers out of New Jersey's judiciary and into an administrative body. In 2009, however, one of Governor Chris Christie's first acts in office was to freeze the responsibilities of COAH and move its planning function to the Department of Community Affairs (DCA). Its oversight function was moved back to the trial court system.[102]

DCA now provides statewide calculations of regional housing needs and municipal affordable housing obligations. DCA's calculations are nonbinding, but they provide municipalities, developers, and advocates with guidance and a shared starting point for determining local obligations.[103] One interviewee mentioned that the authority of the DCA largely depends on the political will of the administration, "They can wax and wane on how powerful they are, depending on the administration, depending on what resources they have."[104] Municipalities may still perform their own calculations based on the methodology provided in the law, but interviewees shared that doing so is technically demanding, and municipalities vary significantly in their capacity to comply. One interviewee described the methodology as "wildly complex… It is hard to do and requires a lot of input. You need a lot of data, and you need to really understand it in order to do

it well and do it accurately. And so not every town has the inclination nor capacity to do that… So a lot of towns just opted to take the DCA number and said, 'Looks good to me. Let's just move forward with that.'"[105]

Tailored Overrides of Process and Zoning

Aside from zoning overrides emanating from the courts through Mount Laurel II, New Jersey has adopted relatively few broad preemption measures. This seems to be changing, however. Recent ADU legislation went in front of the 2025 legislature.[106] Policymakers have also advanced legislation to allow religious and nonprofit organizations to convert certain eligible properties into inclusionary affordable housing developments.[107] A bill making office-to-residential conversions by-right is advancing as well.

These proposals suggest that New Jersey is beginning to consider more direct State intervention, a marked change from how the State's land use authority has been wielded, with the noted exception of the Mount Laurel framework.

Measurement and Reporting

With the enactment of a 2024 statutory change, there is now a requirement for local jurisdictions to report on housing progress annually to the State: the Affordable Housing Monitoring System.[108] The reporting must be done at the unit level, including resident information and income certification details. Data are uploaded through a purpose-built and State-maintained software platform. Only affordable housing is included; there is no reporting requirement for market-rate housing.[109]

Dispute Resolution and Consequences for Noncompliance

Recently, AB 4/AB 50 (2024) was enacted; it included the formation of the Affordable Housing Dispute Resolution Program. The program includes a review panel, populated by an odd number of affordable housing land use experts. The first iteration of the panel consisted of seven retired judges.[110] Their charge is to resolve conflicts over affordable housing obligations more efficiently, as well as enforce compliance with the Mount Laurel doctrine. The program offers mediation opportunities for advocates, developers, and municipalities to discuss concerns related to municipal obligations and process.[111] One interviewee described the program as a quasi-judicial process: "It's designed to be a mediation process… So anybody is able to file, whether that's us or somebody who lives or works in town, or somebody who represents a different interest, whether you're a builder or whoever, anybody can file an objection."[112] Early evidence suggests that AB 4/AB 50 is working; disputes that previously could take years to resolve through litigation have been resolved in a matter of months under the new statewide process.[113]

Since Mount Laurel II, if a jurisdiction is found to be out of compliance with their comprehensive plan—or if its zoning is found to be contrary to the State's goals—the court can supersede the

jurisdiction's land use authority, enacting a Builder's Remedy.[114] Unlike the Builder's Remedy in California, this resolution only pertains to the projects in question—not all similar projects proposed in the municipalities. In practice, this means municipalities that do not adequately plan for affordable housing risk losing control over where and how development occurs.[115]

Oregon

Oregon is geographically diverse, with populations concentrated in metro areas such as Portland and Salem, and agricultural and forested land in other areas of the state. Oregon offers the strongest example of a State-led planning system among the case study states. Although local governments retain land use authority, that authority operates within a statewide framework of planning goals and urban growth boundaries. The state's recent housing reforms build on this system by shifting from planning for capacity to holding jurisdictions more directly accountable for taking actions within their control to facilitate housing production. The State has increasingly tried to connect its longstanding planning framework to housing production, while improving coordination among state agencies and regional actors (e.g., the Councils of Government).[116]

Comprehensive Planning

Interviewees described the Land Conservation and Development Act, enacted in 1973, as the cornerstone of Oregon's planning framework. The Act created 14 statewide land use planning goals,[117] including Goal 10, which requires local governments to plan for housing needs across income levels. It also requires local governments to adopt comprehensive plans consistent with those goals and created the Land Conservation and Development Commission (LCDC) to review local plans and oversee compliance.[118]

Urban growth boundaries (UGBs) are central to this framework. UGBs, which surround the perimeter of every city in the state (aside from Portland Metro, which is regionally defined), distinguish urban and developable land from rural land and are intended to ensure that cities can accommodate future growth while limiting sprawl. The UGBs require coordination across local jurisdictions and agencies.[119] Portland Metro plays a particularly important role by managing the shared UGB for the greater Portland area, which includes 24 surrounding municipalities across three counties.[120] Some have critiqued UGBs for constraining housing supply, while others have said they prevent sprawl and allocate the state's resources efficiently.

Recently, Oregon has updated the comprehensive planning process. HB 2003 created the Oregon Housing Needs Analysis (OHNA), which established housing production targets for municipalities and is modeled in part on California's RHNA process.[121] The Office of Economic Analysis within the Department of Administrative Services developed the methodology and production targets for OHNA, while Oregon Housing and Community Services monitors local governments' progress toward those targets. Beyond setting targets and tracking progress, the OHNA framework requires cities to actively remove housing barriers, rather than just maintain

zoned capacity. Instead of immediate penalties like California's Builder's Remedy, Oregon uses State-led audits to help underperforming cities comply, holding heavy enforcement—such as LCDC overriding local zoning with a pro-housing model code—in reserve for deliberate inaction.

In 2023, Governor Tina Kotek also created the Housing Production Advisory Council and set an annual—if aspirational—production goal of 36,000 homes across affordability levels.[122]

Oregon has long required local governments to plan for housing capacity, but its newer reforms set state-level goals and explicitly measure whether those plans produce enough housing. As one interviewee put it, "Oregon is living in a trickle-down world. And like a former Representative would always say, nothing good trickles down. You have some cities [with]...policies in the policy toolkit that are... surgical about what kind of development, what kind of housing you are incentivizing and enabling. And then there are the jurisdictions that are just like, 'But how?'"[123] The newer requirements are proving a struggle for low-resourced jurisdictions.

Tailored Overrides of Process and Zoning

Oregon's recent preemption efforts have included selectively overriding local zoning restrictions. For example, HB 2001 (2019) has required smaller cities to allow duplexes by-right and larger cities to allow duplexes, triplexes, fourplexes, and townhomes in residential areas. By the end of 2022, all 56 affected jurisdictions had complied.[124]

Interviewees reported that Oregon has used direct preemption relatively sparingly—at a rate of about one case per legislative cycle. The State has generally used overrides to reinforce its planning system, rather than replace it. For example, SB 1537 (2024) has mandated that local governments have temporary flexibility in their codes, setting aside requirements like setbacks and height limits. Notably, there was an exemption clause in the bill: jurisdictions that were already granting flexibility on land use regulations could continue if they could demonstrate that their approach produced similar results.[125] Interviewees shared that the State relies on its planning framework, statewide goals, UGBs, and the accountability mechanisms to ensure that local plans translate into housing production.

Measurement and Reporting

The new OHNA requires local jurisdictions with more than 10,000 residents to report on housing goals annually. The process is similar to other study states' reporting structures. It consists of an annual, aggregated report on permitted and produced units. State analysis is conducted to identify jurisdictions that have fallen behind their production targets and where process bottlenecks are occurring.[126]

Dispute Resolution and Consequences for Noncompliance

Oregon's dispute resolution system is unique among study states (though New Jersey has recently created a similar board for preliminary disputes). If there is a dispute over a land use decision, opposing parties can bring the case to the Land Use Board of Appeals (LUBA). The Legislature created LUBA in 1979 to remove land use appeals from the general court system and create a more consistent forum for interpreting land use decisions.[127] LUBA hears approximately 200 appeals of local land use decisions annually—not just about housing, but any land use decisions.[128] By having a separate court, Oregon has created a system that streamlines land use decision-making. Interviewees suggested that the LUBA is a critical piece of Oregon's land use governance.[129]

Oregon has also taken steps to discourage bad faith or delay-oriented appeals. Municipalities may have to pay attorney fees if a case is found to have an improper motive.[130] One interviewee shared that these actions have been effective: "It's really had a chilling effect on that kind of [frivolous] litigation."[131] Additionally, to assist local governments in understanding and complying with state housing laws, Senate Bill 1537 (2024) established the Housing Accountability and Production Office (HAPO) in 2025.[132] A core statutory function of HAPO is evaluating and investigating alleged housing law violations by local governments. By providing warning notices and voluntary compliance options—backed by stronger enforcement tools if necessary—HAPO creates off-ramps from costly litigation, helping municipalities and developers resolve disputes collaboratively.

When a jurisdiction is found to be out of compliance with state housing-planning requirements, the state may intervene by limiting local land use authority. Enforcement focuses on overriding noncompliant local rules rather than freezing development, empowering LCDC to mandate state housing model codes, enforce by-right ministerial approvals, or potentially withhold state shared revenue until the municipality complies.

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RESEARCH

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NATIONAL HOUSING CRISIS TASK FORCE

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LAND

The Public Land Dividend: Putting State and Local Land to Work for Housing Supply and Lasting Affordability

ABSTRACT

State and local governments own large amounts of well-located, underused land that could help ease housing shortages, but very little of it reaches the housing market. The barrier is largely institutional, rooted in how that land is held and governed. In the United States and internationally, holdings are dispersed among many agencies and jurisdictions, so no single actor can see or manage them holistically, and most disposition rules steer public agencies toward one-time sales rather than lasting public benefit.

This Policy Download argues that governments can earn a larger and more durable return—the public land dividend—by managing their land holdings as a portfolio rather than parcel by parcel. It sets out a framework organized around four pillars—know what you have; decide as a whole; retain what you build; and close the gap—and draws on emerging practices to describe approaches that governments at any level can adapt to their own legal and political circumstances.

NATIONAL HOUSING CRISIS TASK FORCE

ABOUT THIS PAPER

The Public Land Dividend: Putting State and Local Land to Work for Housing Supply and Lasting Affordability

Research for the National Housing Crisis Task Force's National Housing Agenda

Prepared by

Lincoln Institute of Land Policy

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This paper was produced by the Lincoln Institute of Land Policy in partnership with the National Housing Crisis Task Force.

The Task Force supported the creation of seven papers, which together span the building blocks of our housing system: data, regulation, land, capital, construction, operational sustainability, and governance. This paper addresses land, and the entire collection can be found at nationalhousingcrisis.org/HousingWhitePapers.

PUBLICATION NOTES

Research independence

While the Task Force commissioned this collection, it does not formally endorse its findings; the views expressed are those of the authors. Task Force members and co-chairs, who participate and are quoted in their individual capacities rather than on behalf of their organizations, bring a range of professional and lived experience to their work and may not agree with every statement in every paper, but remain committed to working together on solutions to the housing crisis.

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1. Introduction

Not enough housing is being built in the United States. Estimates of the national shortfall vary widely with method and definition, from roughly 1.5 million to 5.5 million homes. The most widely cited figures estimate the shortfall to be nearly 4 million homes.[1] That deficit runs deepest in metropolitan areas where jobs and opportunity are concentrated, but the problem is not confined to expensive large cities: Many smaller and midsized regions, older industrial cities overcoming decades of population loss, and rural communities whose housing stock can be overwhelmed by a single employer's expansion face housing shortages as well. In many of these places, land remains one of the top constraints to closing the supply gap—specifically, land that is both suitable for housing and well served by the infrastructure that housing depends on, from transit to utility service. Even in still-declining industrial cities with abundant available land, developers and policy leaders often struggle to remediate and reuse that land for housing.

Yet much publicly owned land is suitable for new housing development. States, cities, counties, and the many agencies and authorities they charter hold parking lots, vacant parcels, aging facilities, surplus school and transit sites, and other properties that were often acquired and improved with public money and now sit underused or unused. According to a 2024 assessment by the Lincoln Institute of Land Policy's Center for Geospatial Solutions, more than 276,000 acres of undeveloped government-owned land in transit-accessible urban areas across the country could support between 1.9 million homes at modest densities and 6.9 million at urban densities.[2] That figure covers only undeveloped land; when underutilized sites and vacant public buildings are included, the potential is larger still. State and local governments hold an overwhelming share: more than 52 acres for every acre of developable federal land.[3] Federal land also runs on a separate legal and political track, governed by its own disposal statutes and agency missions, and much of it lies far from the places where housing demand is greatest.[4]

The reason so little of this land and so few of these underutilized sites are used for housing has less to do with how much governments own than with how they own it. In practice, no single agency has a complete picture of what a state or region collectively holds, so no one can weigh the competing claims on a given parcel against the housing needs of the wider area. The statutes that govern how surplus public property is sold usually reward the quickest sale at full market value over the patient work of turning land into homes; this bias toward revenue is embedded in municipal land disposition law across the country.[5] Decisions that look reasonable for any one agency, taken one parcel at a time, add up to a pattern that serves the public poorly.

Local governance challenges and fragmented decision-making prevent suitable public land from being repurposed for much-needed affordable housing, but these challenges can be overcome. When surplus and developable public land is managed as a portfolio, developed for housing, and then retained—instead of held for outdated uses or sold off piece by piece—it produces an ongoing public benefit. This compounding return, the public land dividend, anchors affordability for generations, appreciates as an asset the public still owns, and preserves the flexibility to meet future needs. Realizing it depends on a better inventory of public land and stronger coordination

among agencies and governments. This paper's Public Land Portfolio Framework organizes that work into four pillars.

2. Why Public Land Is Different

The distinct value of public land lies in three features that private land does not share. First, a public owner can price its land for public purposes rather than sell it to the highest bidder, converting the land's value into a subsidy for public benefits; a private owner would discount its land only if compensated in some other way. Second, a significant share of state and local public land sits in infill locations near jobs, schools, and transit, where the market has already priced private land out of reach for affordable development.[6] Not every public parcel is well situated, but suitable sites can open high-opportunity neighborhoods to households that the private market would otherwise price out. Finally, public land can serve as a long-term public asset, generating decades of benefits that a one-time sale forecloses.

The Public Land Dividend

That third feature is the source of the public land dividend: the enduring value a community receives when its publicly owned land is managed as a portfolio rather than parcel by parcel, and when public entities retain ownership of that land, directly or through a community land trust, as it is converted to affordable housing. Keeping land in public ownership preserves an asset that tends to appreciate, maintains affordability restrictions through vehicles like ground leases, and leaves a government room to adapt the site to needs that emerge later. Depending on how a deal is structured, retention can also generate ongoing revenue while keeping the land in public hands, even if that revenue does not match what an outright private sale would generate. On any single parcel, a government generally chooses between pricing the land affordably and leasing it closer to market value to generate income—but with a whole portfolio it can pursue both, so the public benefit compounds over time.

The dividend itself is measured in lasting public benefit. For example, the Fairfax County Redevelopment and Housing Authority in Virginia owns a 10.8-acre site next to George Mason University that held 46 affordable townhomes. In 2021 the authority leased the site to private developers at a nominal rate for 99 years, a land contribution worth an estimated $12 million. The lessors have since added density and built 240 affordable homes for families and seniors alongside more than 300 market-rate student apartments; the buildings are privately owned and accrue local property taxes, while the authority keeps title to the land. Structured this way, land activation becomes a municipal fiscal health strategy as well as a housing one.[7]

Public land disposition law that treats surplus land, underutilized sites, and vacant public buildings as best suited to sell to private buyers has for decades separated public land and assets

from the communities that relied on that land and those buildings, at times contributing to the displacement of residents.[8] Managing public land as a retained portfolio for affordable housing, by contrast, can help prevent this displacement. Land kept in public hands for long-term affordability creates more options for residents, and pairing retention with community engagement, tenant protections, and right-to-return commitments can turn a historical driver of displacement into a source of stability.

The dividend also includes environmental payoffs. Because much state and local public land sits on infill locations accessible via roads, transit, and utilities, such projects use already-paid-for infrastructure, eliminating the vehicle travel that would be generated by urban-edge development and that would create greenhouse gas emissions.[9] Reuse paired with a portfolio's conservation ambitions brings compounded gains: Retaining flood-prone or ecologically valuable parcels as open space treats conserved land as natural infrastructure that provides flood control, groundwater recharge, and cooling—letting a jurisdiction advance affordability and climate resilience through the whole land portfolio, rather than trading one against the other.[10]

The Scale—and Its Limits

National estimates of public land suitable for housing are large and, as mentioned, include federal lands governed by separate disposition rules that are often beyond the control of state and local governments. However, limiting a similar analysis on public lands in Colorado to only state and local parcels, finds 7,796 parcels totaling 39,328 acres of undeveloped land—enough to support about 305,000 to 453,000 homes. These estimates represent the highest total development potential rather than a pipeline of actual units that could be built; the inventory actually developable for housing narrows once real-world constraints are applied, including contamination, topography, existing uses, parcel size, title problems, and infrastructure gaps. Adding some of these variables to the Colorado data finds that about 14,870 acres meet basic suitability measures for housing use. That total could still support about 144,000 to 237,000 homes, enough to fill the state's current estimated housing shortage of about 106,000 homes.[11] A parallel example comes from Ireland, whose Land Development Agency screened publicly owned sites nationwide and found that a large majority carried significant constraints, with only a fraction housing-ready in the near term (for more about Ireland's approach, see "Ireland's Land Development Agency" on page 99).[12]

Research and practitioner experience point to the same need for rigorous public land inventories that assess which parcels can realistically be developed and at what costs. Public land is only part of the answer to the widespread affordable housing crisis, so using it well means pairing it with a broader housing agenda, from zoning reforms that allow more homes to be built to the subsidies that deep affordability still requires.

Because not all public land is suited to housing, a useful first step after holdings are inventoried is to sort them into four broad categories according to the public benefit each parcel can best serve. Undeveloped or lightly used parcels in places already served by transit and infrastructure

are the best candidates for housing—that includes surface parking lots, underused government facilities, and vacant infill lots.[13] Other land is worth keeping open and undeveloped if its greatest value is cultural or ecological; for example, if it provides nature-based solutions for flooding and heat. Such land is not itself a housing resource, but it can support housing by generating replacement value that steers development toward better sites.[14] Still other publicly owned parcels in active, essential use, such as operating facilities, depots, and yards, are unavailable today, but may become surplus later. Also, some sites can offer a dual benefit, accommodating housing as well as parks, green infrastructure, or community services. Boston's Brooke House at Olmsted Village, for example, pairs 127 affordable senior apartments with healthcare and childcare on a former hospital campus—one site serving housing, health, and community needs.[15]

3. Fragmentation and Its Consequences

Well-located public land is valuable yet underused. One major, often overlooked reason is fragmentation (see "Grounding the Framework in Data"). That is, control over public land is divided among so many agencies and governments that no single actor can see what "the public" collectively owns, match it to where housing is needed, or act on it as a whole. Other barriers matter too, but fragmentation often shapes outcomes.

Fragmentation as a Fundamental Challenge

When control over public land is dispersed among many agencies and governments, none of which is positioned to manage the whole inventory, the difficulty in realizing a shared public benefit like housing is rarely that any one owner refuses to build on or repurpose their land. Each agency uses its land for its own mission, often sensibly so. Instead, the difficulty is that well-located land held by agencies whose business is not housing rarely gets used for housing, even if housing would be the best public use, because no one can see the full inventory, weigh the competing claims, and reallocate accordingly. Land can be fully used for one purpose and remain underused from the standpoint of a region's housing needs, and fragmentation prevents that mismatch from being reconsidered.

Grounding the Framework in Data: Colorado

Our 2026 statewide assessment of public land in Colorado, developed with the Center for Geospatial Solutions, applied a multi-criteria suitability score to publicly owned parcels, weighing proximity to transit and services, environmental constraints, infrastructure availability, and climate risk before examining how ownership is distributed.

In this analysis, most "presumptively suitable" land for housing is owned by local government. The small share owned by the state is split among eight state agencies, ranging from the Department of Transportation to the Department of Military and Veterans Affairs to state universities—none of which include housing in their mission. These figures likely understate the fragmentation challenges, since the data do not show which departments within local governments hold the land.

Fragmentation primarily takes two forms: interagency and interjurisdictional. *Interagency fragmentation* occurs within a single government, when land is dispersed among departments and authorities with different missions, budgets, capacities, and incentives, and with no shared inventory to reveal what the government collectively holds. Some of the best-located land ends up with agencies whose primary business is not housing (including transit authorities, school districts, and utilities) and that have little reason or capacity to develop it for housing. *Interjurisdictional fragmentation* arises because housing markets are regional but land decisions are local. A county, a transit district, and a dozen municipalities may each own useful parcels within the same region, but no entity has the information or the authority to match those sites to the region's needs.

Related to these two primary forms are spatial and informational fragmentation. *Spatial fragmentation* describes holdings broken into parcels too small or too scattered to build on, sometimes held by several public owners. If no single parcel is developable on its own, a usable site exists only if the pieces can be brought together.

Finally, *informational fragmentation* arises when ownership and control are split. Here, no one holds a complete, current picture of what the public collectively owns, which parcels are genuinely suitable for housing, or which agencies would must assemble or trade a given site. That deficit is both a product of the other forms of fragmentation and what makes them durable: A government cannot act on land it cannot fully see, which is why the framework begins with the public land inventory.

Additional Barriers

Fragmentation is not the only barrier to realizing a public land dividend. Some large single owners—e.g., a transit agency controlling a contiguous 50-acre site, a state university with a surplus campus—face obstacles of cost, capacity, and political will rather than dispersed control. While dismantling fragmentation should be a clear priority, policymakers must also take on the legal, capital, and capacity barriers that often accompany it.

Disposition law often steers public bodies away from creative, long-term strategies for their land holdings. Most statutes governing the sale of surplus public property were written to protect taxpayers by requiring sales at fair market value or to the highest bidder, which makes below-market transfers for affordable housing legally difficult. In Chicago, for instance, if a city council committee does not act on a proposed sale of public land within 60 days, the highest bid is deemed recommended by default; in Houston, Texas, the price for developable city land may never be set below the market value fixed by the city council.[16] All of the values these rules encode (revenue maximization, competitive bidding, and administrative neutrality) are reasonable in isolation, but applied to every surplus transaction they add up to a systematic bias against achieving long-term public benefits like affordable housing.

A growing number of jurisdictions have begun to rewrite their disposition laws, however. For example, California's Surplus Land Act, first enacted in 1968 and substantially strengthened in 2019, requires most local agencies to prioritize affordable housing before disposing of surplus property to a private buyer; an agency must first offer the land to affordable housing developers and other public entities and negotiate in good faith, and it may convey the land below market value to make the project work.[17] As a city, Washington, DC, goes further for larger projects: Since 2015, when the city disposes of surplus property for a development of 10 or more units, 20 to 30 percent of them must be affordable, depending on proximity to transit, and the mayor may reduce that share only when the deal finances a significant public facility.[18]

Even once a suitable site is identified, capacity and execution gaps often become binding constraints. The hard part is rarely the construction, which private developers handle routinely; instead, most agencies lack in-house capability for the disposition and deal work that come first. Preparing a site for housing requires land valuation, site analysis, and due diligence expertise; an agency may also need to structure a ground lease, run a fair developer selection, and ensure the transaction delivers enough value, whether that value is public, in the form of affordability, or monetary. Assembling the capital stack is the developer's job, not the landowner's; the government's task as landowner is to dispose of or lease the land on terms that secure the value it is owed and, in some cases, to steward the asset over decades. Further, this preliminary work is often unfunded: Although disposition for housing can generate value over time, most agencies lack the discretionary funds for the due diligence and third-party legal work needed just to begin.[19] California shows how these gaps can slow even a state-level effort: After a 2019 executive order directed the state to prioritize surplus land for affordable housing, the Department of General Services identified 92 state properties suitable for housing but by early 2022 had offered only 19 for development, a pace the state auditor attributed partly to inaccurate inventories and thin staffing.[20] The next section returns to this gap in its discussion of public asset corporations and municipal property advisors.

Political opposition to repurposing public land for housing can come from multiple directions at once: conservation advocates wary of development, neighbors resistant to density, fiscal watchdogs skeptical of forgone revenue, and agencies reluctant to give up land they may want later. Early, meaningful engagement with the residents a project will affect can therefore be as important as the technical and financial work. The retention tools in this framework are designed

to help reconcile these competing interests. For example, shifting some land use decisions to a regional scale can ease local opposition. Washington State's Growth Management Act has done this by establishing Urban Growth Areas and requiring localities to plan for regionally allocated housing targets, effectively moving some of the politics of density from the individual parcel to the regional level.[21]

Slow, multistep approval processes can further stall even well-aligned deals. In Denver, Colorado, the Division of Real Estate works with various executive agencies to negotiate partnership structures for public land, yet every conveyance must still be separately approved by the city council, including a donation to a nonprofit selected for that express purpose.[22] Among the most common reasons public land projects stall is that the government needs too much time to negotiate internally and clear each approval—and that length of time is often out of step with the timelines private financing requires. That uncertainty is priced into deals and reduces investor appetite for public land projects.

4. The Public Land Portfolio Framework

This framework treats government land holdings as a single portfolio to be managed for lasting public benefit, rather than as a collection of parcels to be disposed of individually. Its aim is to convert scattered, underused land into a durable engine of housing affordability while acknowledging other public benefits that land can realize—such as conservation, climate resilience, recreation, and civic use. A government can adopt the framework through legislation, an executive order, or administrative policy; the right instrument will depend on the legal and political circumstances. As a general matter, inventory mandates, disposition standards, and new financing authorities tend to require legislation, while sequencing and procurement reforms can often proceed administratively, though the details vary by state.

The framework rests on four pillars, each named for the function it performs:

- **Know What You Have** makes the portfolio visible, closing the information gap that fragmentation produces;
- **Decide as a Whole** coordinates decisions among the agencies and jurisdictions that fragmentation divides;
- **Retain What You Build** keeps the land and its benefits in public hands for the long term; and
- **Close the Gap** bridges what public land makes possible and what it costs to build.

Two core ideas are shared by all four pillars. The first is executive leadership. Overcoming the inertia of fragmented ownership ultimately depends on an executive—such as a governor, a regional leader, or a mayor—who decides to prioritize the work and aligns the authorities and incentives of the agencies involved. Who actually controls the land determines who that specific executive will be—for example, a mayor can direct city departments but not an independent school district, a transit authority, or state-owned parcels—so this leadership works best at the

level where the relevant land is held. Where it does not reach, an executive can still convene other owners: In the case of Atlanta's Affordable Housing Strike Force, the mayor brings the school district and the regional transit authority to the table alongside city agencies. Because executives change, the most durable efforts institutionalize this leadership, embedding the work in statute, standing entities, or interagency agreements so that a portfolio approach can outlast any single administration.

The second idea is the dynamic portfolio. Public land is a set of holdings whose composition changes over time. A government can assess every parcel it acquires according to the four categories described earlier before defaulting to any single use, and it should expect the portfolio to shift, as it acquires new sites and as it steers housing away from land that climate change is rendering untenable, including through managed retreat.[23] Ireland's experience is instructive: Its Land Development Agency assembles public land and, when the market falters, acquires stalled private projects, treating the two as complementary strategies to meet the nation's housing needs through different market cycles (see the box on "Ireland's Land Development Agency" on page 99).

Pillar I: Know What You Have

Most local jurisdictions in the United States cannot specify with confidence what land they own. Holdings accumulate across departments and authorities that keep separate records for their own purposes, so the public's collective portfolio exists only as scattered pieces with no overarching organization or inventory. The remedy to this single most common initial obstacle to reuse is to create comprehensive, cross-agency inventories of public land, updated on a regular cycle, and accessible enough that agencies, developers, and the public can use them. These can be created by local, regional, or state governments.

Three strategies make this pillar work.

Require an inventory. An inventory requirement is increasingly common, imposed by statute in some places and by executive order in others. At the federal level, the recently enacted 21st Century ROAD to Housing Act requires Community Development Block Grant grantees to maintain a publicly accessible, searchable database identifying undeveloped land owned by the jurisdiction, which could help close information gaps across the country. Florida similarly requires every county and city to inventory all publicly owned land suitable for affordable housing—not just surplus land—and to update that inventory at least every three years.[24] In Vermont, Governor Phil Scott's September 2025 executive order directed state agencies to catalog underused properties suitable for housing, an effort that has already revealed roughly 140 candidate sites, from a former prison to a Job Corps center.[25] At a more local level, King County, Washington, has kept a standing inventory of county-owned sites, with annual status reports, since the 1990s.[26] In Atlanta, Georgia, Mayor Andre Dickens also created an Affordable Housing Strike Force in 2022 to identify available public land for housing in all city agencies.[27]

This type of mandate delivers little, however, without money and expertise, so the most effective versions pair the requirement with a funded, shared data platform and technical assistance. For example, the Lincoln Institute's Center for Geospatial Solutions and its Who Owns America initiative offer replicable methodologies for the cross-agency, parcel-level data integration that these inventories require.[28] Since September 2025, CGS has collaborated with the Colorado Department of Local Affairs to develop a full inventory of the state's public land and property holdings.

Screen for suitability. Multi-criteria suitability screening turns a parcel inventory from a list into an assessment of which sites can realistically be developed and at what cost. This screening takes the housing-ready category and ranks parcels by feasibility so leaders can focus on the most promising sites. Several recent efforts offer replicable models: In Flagstaff, Arizona, the city inventoried all buildable and underutilized land, applied environmental screening criteria such as wetlands, floodplains, and steep slopes, and scored 50 priority "opportunity sites" using infrastructure gap analysis that flags where water, sewer, and road capacity would need to be extended.[29] The Southern Maine Planning and Development Commission took a similar approach, layering transit access, sewer and water availability, and proximity to services into a single suitability score. Environmental constraints pulled scores down, whereas parcels near municipal centers scored highest.[30] Finally, CGS's inventory of Colorado land parcels resulted in an interactive geospatial tool that allows users to filter parcels by location, agency owner, share of developable land, flood risk, and other social, environmental, and built-environment indicators. It includes filters to exclude parcels from housing consideration based on disaster risk and other characteristics, as well as a housing suitability indicator to identify presumptively viable housing sites with utility connections and developable land.

Aggregate ownership data regionally. Regional data aggregation adds a public ownership layer to the shared land use data platforms that some regions already maintain, revealing interjurisdictional fragmentation in a central place. Much of this infrastructure already exists: San Francisco's Bay Area Spatial Information System (BASIS) platform, for example, run by the Association of Bay Area Governments and the Metropolitan Transportation Commission, standardizes land use, zoning, and development pipeline data from the region's local jurisdictions into a single system that steers long-range regional planning.[31] What these platforms often lack is a comprehensive layer showing which public agency owns which parcel—that is, the information needed to see interjurisdictional fragmentation and act on it. That layer is within reach: California's nonprofit Protected Areas Database already maps the holdings of more than 1,000 public agencies and nonprofits, albeit only for conservation lands, and CGS's Who Owns America effort is assembling parcel-level ownership data of just this kind.[32] This pillar calls for bringing that ownership picture into regional platforms where regional planning decisions are made; these are typically maintained by metropolitan planning organizations or councils of governments.

"Know What You Have" is also the remedy for spatial fragmentation and supports spatial assembly by revealing which parcels can be combined. An inventory that records adjacency, flagging small parcels that become viable only when combined with nearby holdings, can show

how scattered fragments might be assembled into buildable sites. Knowing who owns what and what sits next to what often determines whether a parcel is written off or built on.

Ireland's Land Development Agency: Seeing the Whole Before Acting

Ireland created the Land Development Agency in 2018 and placed it on statutory footing through the Land Development Agency Act 2021.[33] Section 52 of the act requires the agency to prepare a report on relevant public land, drawn from a statutory Register of Relevant Public Lands that maps the holdings of public bodies, and to update it at least every two years.[34] A companion provision, Section 53, makes the inventory binding: A public body cannot dispose of relevant public land unless it first offers the land to the agency, so well-located public sites cannot quietly pass out of public hands. Together, the register, the report, and this right of first refusal amount to a national effort to see the whole of the state's developable public land before deciding how to use it.

The results are as notable for their candor as for their ambition. The first report, in 2023, identified 83 state-owned sites that could accommodate about 67,000 homes over the medium to long term. The second, in 2025, examined additional towns and identified 102 sites in total, but it classified only 32 of them as "least constrained" and therefore capable of delivering 11,000 to 15,000 homes within about seven years, with the remainder facing significant hurdles.[35] The agency's chief executive framed the report as debunking the notion that abundant public land is simply waiting to be built on. This process helps build a shared inventory that distinguishes what is ready from what is merely owned. Ireland's experience also illustrates the dynamic portfolio: Alongside assembling public sites, the agency now acquires stalled private developments when financing dries up, treating the two as complementary.

Pillar II: Decide as a Whole

A complete inventory is only the starting point; once that is assembled, a government must decide how to use what it owns. As discussed above, a failure of fragmented public land management is that these decisions are often made one parcel at a time, by whichever agency happens to hold title, without reference to the broader portfolio or region. With this approach, governments can instead make land allocation decisions collectively through three strategies.

Prioritize what you already control. State, regional, and local governments can use the suitability screening described in the previous section to identify housing-ready sites they own, then adopt principles for deciding which to develop first. For example, prioritizing infill on more central housing-ready sites before turning to land at the urban edge could be a principle. These principles guide decisions rather than dictate them; a large site at the urban edge could offer the more catalytic opportunity, for instance, particularly if infrastructure has already reached it and its size allows for denser, mixed development rather than piecemeal sales.

Four tools can help turn these priorities into action:

- *Right of first refusal policies* let designated affordable housing entities acquire surplus public land before it reaches the open market, so mission-driven buyers are not outbid at the outset.

A government can build this priority into a standing rule for an entire agency's surplus land, as Washington State has done for its regional transit authority (see "Sound Transit's 80/80/80 Policy").

- *Land banks* allow a government to keep a site not yet ready for disposition off the disposal market and reserved for housing while infill parcels are assembled or financing is lined up—ideally under a timeline that thwarts indefinite warehousing. The United States has a substantial body of enabling law to draw upon: As of 2026, 20 states and Puerto Rico have land bank–enabling legislation, and more than 300 land banks and land-banking programs operate nationwide.[36] Most were built to return vacant and tax-foreclosed property to use, but the same power applies to housing: Unlike agencies bound by fair-market-value and highest-bidder rules, land banks can acquire, hold, and convey property on flexible, often below-market terms to mission-driven developers and community land trusts. States are increasingly using that approach for affordable housing; Colorado's Proposition 123, approved by voters in 2022, funds a land-banking program that helps local governments and nonprofits acquire and hold land for affordable housing.[37]
- *Public asset corporations* give public entities operational capacity to overcome coordination barriers and responsibly reuse underutilized and surplus properties, including through disposition and financing. Entities like Atlanta's Urban Development Corporation and Cincinnati's Port Authority leverage their land assemblage authorities, use their bonding authority to finance new uses, and can quickly achieve housing outcomes using their local assets. While they all take slightly varying forms, these organizations share similar capacities, as discussed further in the next section.
- *Conditioning money and approvals* on housing outcomes lets governments steer existing programs toward portfolio priorities without new appropriations. California's Prohousing Designation is a leading example of this approach: Jurisdictions that go beyond state law to accelerate housing production earn priority processing and bonus points when they compete for state housing and infrastructure funds, including the Affordable Housing and Sustainable Communities and Infill Infrastructure Grant programs.[38] State and local governments can use a similar lever for their own holdings, rewarding agencies that put their housing-ready sites to use and conditioning discretionary subsidies or approvals on good-faith participation. The same lever can reward cooperation itself: Because enabling legislation alone rarely compels separate agencies or jurisdictions to coordinate, funding preferences for those that share inventories, trade sites, or align disposition across their boundaries create a concrete incentive for collaboration.

Sound Transit's 80/80/80 Policy: Housing First on Surplus Land

When Washington voters approved a major expansion of the Puget Sound region's transit system in 2016, state law directed the agency to put its surplus land to work for affordable housing. Under the resulting policy, commonly called "80/80/80," Sound Transit must offer at least 80 percent of the housing-suitable surplus property it disposes of to qualified public, nonprofit, and mission-driven developers, and at least 80 percent of the homes built on that land must be affordable to households earning no more than 80 percent of area median income.[39] The agency can convey the land at a discount or at no cost, and in May 2024 its board approved a $20 million contribution to the Washington State Housing Finance Commission's Land Acquisition Program to seed a revolving loan fund that helps developers acquire land near stations even where the agency itself owns none.

The policy has performed well: As of Sound Transit's first-quarter 2026 reporting, the agency had offered 96 percent of its housing-suitable surplus property to qualified affordable housing entities, and 100 percent of the resulting units met the income targets. The regional pipeline stands at roughly 3,900 homes in total, of which more than 2,800 are income restricted. The revolving fund's first award, made in 2025, supported the acquisition of a site near Everett Station for a project expected to deliver more than 80 affordable homes.[40]

The case shows how a standing rule, rather than case-by-case decisions, can commit an entire agency's surplus pipeline to affordable housing: By giving mission-driven developers first claim on housing-suitable land and fixing the affordability terms in advance, it turns the byproducts of transit construction into homes near transit.

Reallocate land to the right use and the right hands. Much fragmentation is a coordination problem: One agency holds land it does not need while another body or developer needs exactly that parcel. The remedy is to transfer ownership or control of the land to the actor best placed to put it to its best use, whether through an exchange between agencies or a simple transfer to a body better equipped to act, such as a public asset corporation or a capable entity at a higher level of government. Created in 2022, Atlanta's Affordable Housing Strike Force built an environment in which such exchanges could happen, treating the collective land of all City agencies as a shared pool. In one instance, the City and Atlanta Public Schools executed a land exchange, balanced with a cash payment: The district took a 1.5-acre city parcel adjoining one of its elementary schools, consolidating the campus, and the City took a two-acre vacant lot the district owned. That lot, a onetime homeless encampment at 405 Cooper Street, subsequently opened in 2026 as the Beacon, a 112-unit supportive housing complex built through the City's rapid housing program.[41]

Reallocation also needs safeguards for land that a government wants to protect. When a housing use would take conservation-priority land, a no-net-loss standard lets the exchange proceed without sacrificing protected open space. For example, Massachusetts's Public Lands Preservation Act, signed into law in 2022, requires a public body that disposes of or changes the use of land protected under Article 97 of the state constitution to provide replacement land of equal or greater value, or cash of at least 110 percent of fair market value spent within three years

on comparable land.[42] The mechanism is new and limited to constitutionally protected land, so it is a promising model rather than a proven one.

Decide at a scale that can cross boundaries. Because housing markets are regional while land decisions are local, the actor best placed to match housing-ready and conservation-priority sites to regional need is often a state, regional body, or interlocal agreement rather than any single jurisdiction. But few regional bodies are equipped to act on that; Greater Portland's Metro is a rare exception. The country's only directly elected regional government, it asked voters in 2018 to approve a $652.8 million affordable housing bond and now distributes those funds to its three counties and two dozen cities through intergovernmental agreements, each keyed to a locally adopted plan that Metro reviews and approves. One-tenth of the bond feeds a regional site-acquisition program that buys land for affordable housing in the parts of the region that need it most, assembling publicly owned sites near transit and services that a range of developers, including small community-based ones, can then build on. The bond is on track to produce an estimated 5,600 homes, above its original goal of 3,900.[43]

Most regions have no such authority, so the realistic division of labor is narrower: A regional body assesses and brokers, a state authorizes and empowers, and localities execute. The Lake Tahoe region, which straddles California and Nevada, illustrates this coordination function: The Tahoe Regional Planning Agency, a bistate agency created by an interstate compact, does not acquire or develop land; rather, it enables housing by streamlining its regional environmental review and adjusting development-rights rules for deed-restricted affordable homes near town centers. The state supplies the land and the authority. Using California's 2019 excess-lands order, the California Tahoe Conservancy designated surplus state parcels near the South Lake Tahoe "Y" area for housing, and a local developer and a local community land trust are building Sugar Pine Village, a 248-unit affordable community whose long-term affordability the land trust holds, and its first 68 homes opened in 2024.[44] If such regional coordination is wholly out of reach, every government can still pursue interagency coordination within its own jurisdiction.

Pillar III: Retain What You Build

The public dividend depends on retention. Land developed for housing and then sold reverts to the market—and, often, loses much of its affordability and public value. This pillar therefore identifies methods for keeping public land in public or community hands as it is developed, so that affordability is durable and the asset can provide long-term benefits. Retention also prevents the portfolio from refragmenting, because land assembled and improved at public expense stays under public control rather than dispersing back into private ownership, one sale at a time. Successful retention rests on three strategies: building capacity, choosing terms that prioritize public benefit rather than price, and using the right instrument.

Build capacity to hold and manage. Land retention requires specialized expertise that many public entities lack, such as structuring leases and other instruments, assembling financing, and managing an asset over a long horizon. The public asset corporations introduced in the previous

section are the clearest model for hosting that expertise (see "Atlanta's Urban Development Corporation" below).[45] They typically support the full spectrum of housing development, from acquiring land and deploying financing—often through bond authority and owning and operating revolving loan funds—to managing development and providing asset management. They also coordinate activities among agencies, codifying processes that limit fragmentation.

Which organization can best play this role will vary by place and by which institution already has some combination of these skills. An assessment of local stakeholders' legal authority, staff capacity, and political backing can show which offers the most flexibility. A well-resourced housing authority can play the role, as seen in Atlanta and Chattanooga; or a resilience authority or other special-purpose body may similarly combine land and capital with development capacity. Smaller jurisdictions that cannot support a dedicated corporation can borrow capacity through a regional entity serving several localities, a shared municipal property advisor, or philanthropy that seeds a regional advisor within a council of governments.[46] The aim is to match the vehicle to where the talent already is, not to insist on a single institutional design.

Atlanta's Urban Development Corporation: Building the Capacity to Retain

Atlanta offers an early and closely watched attempt to build the institutional capacity that retention requires. The City's Affordable Housing Strike Force, convened in 2022, inventoried public land and identified several hundred acres with housing potential. The City and Atlanta Housing (the City's public housing authority and the parent organization of the new entity) then established the Atlanta Urban Development Corporation in 2023 as a subsidiary of Atlanta Housing, a public asset corporation of the kind this pillar describes.[47] The corporation received a $4 million city seed grant and manages a revolving housing production fund of roughly $38 million drawn from a larger municipal housing bond issuance.[48] It then translated the inventory from the Strike Force into an actual development pipeline and now provides low-cost, subordinate financing to mixed-income projects on public land without relying on the federal low-income housing tax credit.[49]

This model borrows from social housing abroad, using revenue from market-rate units to cross-subsidize affordable ones and aiming for durable affordability and continued public ownership of the land. As of mid-2026, the corporation had seven public land projects in active procurement or community engagement, including the Midtown Fire Station site (282 units projected, 2026 construction start), three Atlanta Public Schools sites, and the Mall West End redevelopment (approximately 893 mixed-income units, 271 of which will be affordable, with a development partner selected). The program should be regarded as a model under construction rather than a proven one; no project had broken ground as of mid-2026.

Choose partners and prices for public benefit. Retaining land also means choosing partners for more than price. Authorizing public owners to select developers on qualitative criteria—the depth and durability of affordability, design quality, community benefit, and track record—lets governments pursue goals a highest-bidder process would ignore. It also means being able to convey land below market value, which ordinary surplus-disposition rules make difficult but which a growing number of states now expressly permit for affordable housing. For example,

North Carolina lets municipalities and counties lease land by private negotiation to developers of low- and moderate-income housing, provided at least a fifth of the units are reserved for low-income households where the project also serves other incomes.[50] Texas likewise lets a local government assemble and convey land to a developer of low- or moderate-income housing on terms it sets to maintain the public purpose.[51] Washington State, too, allows any public body to transfer, lease, or dispose of surplus property at low or no cost for affordable housing serving households at or below 80 percent of area median income.[52] Each of these examples carves affordable housing out of the fair-market-value default described earlier and allows a public owner to choose a mission-driven partner over the highest bidder.

Retain public benefits in the long term. Long-term land retention runs along a spectrum, from full public ownership and development to public land leased to a developer or community land trust to shared-equity homeownership that keeps a share of appreciation in community hands. In every form, however, the goal is the same: to keep the public benefiting from the asset over time, here through durable housing affordability and stability. One important instrument for retaining land is the long-term ground lease, under which a public owner leases land to a developer while keeping the title, typically for 99 years, and uses the lease to hold affordability, maintenance, and lender protections in place. The instrument is well established: Ground leases are already routine in affordable housing finance, and cities like San Francisco retain them on the low-income housing tax credit deals they support as a matter of course. Where the instrument is less known, model long-term leases with tested provisions for resale restrictions, affordability, and lender protections can help smaller jurisdictions adopt what larger ones have tested; the community land trust field has refined these documents for decades and remains a good source for such model agreements.[53]

Pillar IV: Close the Gap

When a government conveys land for housing at or below its value, it lowers the cost of building affordable homes, and that discount brings another form of public equity into the affordable housing deal.[54] This subsidy is real and can be sizable, as land is a significant share of development cost for affordable housing. While cheaper land also contributes substantially to closing the capital gap, it rarely closes this gap on its own; deeply affordable housing still needs favorable rules, captured value, and capital. Pillar IV sets out three strategies that close the remaining financing gap: clearing the regulatory path, capturing the value public ownership already holds, and supplying capital while simplifying access to it.

Clear the regulatory path. Housing on public land often runs through the same approval, zoning, and fee processes that other housing development projects go through, and that is where much of the cost and delay can accrue. The advantage of public ownership is that a government can clear the path by rezoning the site, clearing its title, and completing entitlements up front, before a developer is chosen, so that neither approval risk nor a clouded title is priced into the deal. Atlanta's development corporation, for example, secures rezonings on its sites before going to

market.[55] States can go even further on their own land: California's excess-sites program routes entitlements through the Department of General Services rather than via local governments. Because state property is not governed by local zoning, the state runs its own approvals and has fast-tracked projects from application to approval in under five months, well below the usual local timeline.[56]

Capture the value that is already public. On private land, value capture means recovering for the public some of the appreciation a public action confers on a private owner. On public land the premise is simpler, because the value is already public; the task is to direct it. Contributing that value to a project, such as through a discounted conveyance or a ground lease, lowers costs and adds public equity to the deal, which can strengthen its financing and help mobilize private capital rather than leaning on subsidy alone.[57] Public ownership also opens a second channel where public investment or nearby development lifts land values, in the more familiar sense of land value capture. An agency can then capture a share of that increment through tax-increment financing or special assessments and direct it into affordability. Because value comes from the surrounding appreciation rather than from the affordable homes themselves, this tool works best when there is real uplift to capture. For instance, Atlanta's Beltline dedicates a share of the increment from its tax-allocation district to an affordable housing trust fund, and Chicago's Neighborhood Opportunity Bonus lets downtown developers buy additional density, with the proceeds funding investment in underserved neighborhoods.[58]

Supply the capital and keep it simple. Even with cheap land and favorable rules, deeply affordable housing needs subsidy, and how that subsidy is delivered matters as much as its amount. Fragmented financing is itself a cost: A Terner Center analysis found that each additional public funding source a project must assemble adds roughly four months to its timeline and about $20,460 to its per-unit cost.[59] The solution is to pool capital and simplify access to it. Los Angeles County's new Affordable Housing Solutions Agency, a regional body created in 2022 and funded by the county's Measure A sales tax, opened its first round in late 2025 as a one-stop shop offering roughly 10 coordinated financing products in place of the usual scramble across programs; demand reached 127 applications requesting some $1.5 billion for more than 11,000 homes. Its first awards, in April 2026, committed about $100 million to 10 developments and roughly 550 below-market units.[60]

There are also drawbacks to consider in leveraging public land. Public land can subsidize housing, but its capacity to do so is finite, and every additional requirement loaded onto a single site—such as deeper affordability, prevailing wage, sustainability standards, community benefits—reduces that capacity. Whether a given requirement is truly an added cost also depends on the deal. Prevailing wage, for instance, is triggered by many public subsidies and often impacts low-income housing tax credit deals, as public subsidies are often layered in as gap financing. A project already subject to prevailing wage laws does not incur it anew simply because it sits on public land. But when public involvement itself triggers a requirement, the cost is additive, and it can exceed the value of the land in some markets. Each issue is defensible alone but, stacked without additional capital, it can push an otherwise sound project beyond feasibility. The remedy is to review requirements and streamline where possible, choose among

goals, or pair mandates with the capital to meet them, and to simplify the financing stack rather than add to it—the logic behind the one-stop models now emerging.[61]

Hawaii's By-Right Approvals and Retained Leaseholds

Hawaii, where land is both scarce and expensive, has developed two tools that together let the state use its regulatory and ownership authority to close the gap between the costs to build housing and how much local households can afford. Haw. Rev. Stat. § 201H-38 allows the state housing agency to exempt qualifying affordable housing projects from a wide range of state and county land use rules, provided that most of the units (50 percent plus one) are affordable to households earning up to 140 percent of area median income. It also puts the county council's decision on a fixed clock rather than leaving it open-ended, a bounded process that is itself a form of cost relief.

The second tool is the long-term, 99-year leasehold, under which the state develops housing while retaining the underlying land. In 2023, Hawaii enacted Act 97, which established a 99-year leasehold pilot within the Hawaii Community Development Authority and authorized a single demonstration project on state land, with planning funds appropriated.[62] The pilot is an early test of a broader vision, promoted as ALOHA Homes, that would build low-cost leasehold condominiums, projected to cost roughly $400,000 for a two-bedroom unit (versus about $600,000 for a fee-simple equivalent) by removing land cost from the purchase price.[63]

Projects using the by-right statute must pay prevailing wages, so part of the cost relief the exemption provides is offset by higher construction costs—a reminder that even powerful state tools operate within real fiscal limits, and that regulatory relief and labor policy need to be designed together rather than in isolation.

5. Conclusions and Recommendations

This new framework for using public lands to advance affordable housing calls for public bodies to create a public land dividend by:

- inventorying their existing public land and asset holdings and identifying those holdings that are particularly well-suited for housing;
- making decisions about how to reposition each parcel of land to achieve the greatest public benefit;
- increasing public value through long-term land retention; and
- closing the financing gap using administrative, regulatory, and financial powers.

Underlying these recommendations is the question of which level of government, and which agency within it, should lead this work. In truth, there is no single "right" level; the work belongs wherever the authority, capacity, and executive will already exist, and in most places that means a division of labor. States authorize and empower, regional bodies assess and broker where they

can, and localities execute. Each place can identify its own lead by weighing the capacity of its existing entities, where executive leadership is willing to prioritize public land, and the skills each pillar demands. The main contributions of each level follow.

States are well-positioned to:

- require agencies and localities to inventory the public land they own, and to fund the shared platform that makes the requirement workable;
- reform surplus-land statutes to prioritize housing and permit below-market conveyance or lease—as California, North Carolina, Texas, and Washington have done in different ways—and authorize and capitalize public asset corporations;[64]
- grant by-right approvals and preemptions that lower cost, as Hawaii has done; and
- empower regional bodies to coordinate land decisions across local lines.

Many of these steps require legislation, and the enabling environment differs from state to state, so the sequence and form will vary.

Regional organizations, including metropolitan planning organizations and councils of governments, are well-suited to:

- build the regional inventory, with an ownership layer that no single locality maintains;
- convene the interlocal agreements that match housing-ready sites to regional need, as greater Portland's Metro has done through its regional housing bond and site-acquisition program; and[65]
- house or support regional finance, as Los Angeles County has begun to do through LACAHSA.[66]

Many regional bodies are advisory and lack executive authority to compel action, so their contribution often depends on the political will of their member governments and on a trusted intermediary that can broker among them.

Local governments can:

- require an audit of the land they and their agencies own, as with Boston's "Welcome Home" audit of its own parcels;[67]
- join or help establish a public asset corporation, such as Atlanta's decision to build a dedicated corporation;
- keep title to land through long-term ground leases, as Fairfax County's housing authority has done;[68]
- select developers on mission-aligned terms; and
- use value-capture tools to fund financing gaps.

While public entities must lead this work, they cannot succeed without civil society and philanthropy, which often fund the early work that public budgets rarely cover, like creating public

land inventories, providing capital for housing finance, and building the cross-partisan coalitions that durable land reform requires.

Fortunately, public land for housing has drawn support across the political spectrum. Democratic-led California and Washington have rewritten their surplus-land laws to prioritize housing and permit below-market conveyance, while Vermont's Republican governor launched a statewide inventory of public land for housing by executive order and Montana's Republican supermajority passed four major housing reform bills in 2023, legalizing duplexes statewide and easing accessory dwelling unit rules.[69] Neither public land reuse nor housing supply reform need divide along party lines.

The tools described here are not new—governments already know how to inventory property, lease land, and finance construction. What has been missing is a way to combine these tools to prioritize patient public value over the quick return of a market-rate sale. The framework is the remedy for places ready to address fragmentation of both landownership and disposition and to turn scattered public holdings into sources of lasting public benefit.

None of this in isolation will solve the housing crisis. Public land is one resource among many: even used well, it will only house a minority of the families who need more affordable homes. But it is a resource that governments already own, one they paid for long ago and too often leave idle while the case for building grows more urgent. Managing that land as a portfolio and keeping it in public hands as it is developed critically turns a one-time asset into a lasting one. The longer land is held and well used, the more it returns, in homes, affordability, and stability, often in fiscal value retained, and in the equity and resilience that public ownership can protect.

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RESEARCH

FOR THE

National Housing Crisis Task Force

National Housing Agenda

Data: Building a Robust Housing Data System for the 21st Century
(New America)

Regulation: The Role of States in Planning for Housing in the 21st Century
(Terner Center for Housing Innovation at UC Berkeley)

Land: The Public Land Dividend
(Lincoln Institute of Land Policy)

→ **Capital: Financing Cost-Rental Housing**
(Harvard Joint Center for Housing Studies)

Construction: Catalyzing Factory-Built Housing
(Terner Center for Housing Innovation at UC Berkeley)

Operational Sustainability: Built to Last
(NYU Furman Center)

Governance: Remaking Housing Federalism for a New Era
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NATIONAL HOUSING CRISIS TASK FORCE

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CAPITAL

Financing Cost-Rental Housing: A Low Cost-of-Capital Approach to Supporting Below-Market Rents

ABSTRACT

Housing in the US is increasingly unaffordable to low- and middle-income households, leading to a movement to make housing more affordable through innovations in public finance aimed at mixed-income and workforce housing. An understudied approach is pairing below-market-rate debt financing with rents set at the cost of operating the building. This financing tool is common in European housing systems and has been adopted in previous US programs. It is an approach with trade-offs: tenants are directly exposed to increases in operating cost, deeper affordability requires additional subsidy, and project oversight can be tricky. But compared to the existing American affordable housing toolkit, no policy offers the same level of simplicity, scalability, and availability. This paper proposes a new package of housing finance policies. Its central proposal is a new debt product provided and insured by the federal government and allocated and awarded by states, allowing housing with rents set at cost to directly access high leverage debt at or even below the Treasury's own borrowing rate. This product would be open to public, nonprofit, and limited-profit actors and could be used for new construction, rehabilitation, and acquisition. Finally, this paper simulates the program's potential performance across 18 major American cities, using publicly available hard cost, income, and operating expense data.

NATIONAL HOUSING CRISIS TASK FORCE

ABOUT THIS PAPER

Financing Cost-Rental Housing: A Low Cost-of-Capital Approach to Supporting Below-Market Rents

Research for the National Housing Crisis Task Force's National Housing Agenda

Prepared by

Joint Center for Housing Studies
Harvard University

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This paper was produced by the Joint Center for Housing Studies of Harvard University in partnership with the National Housing Crisis Task Force.

The Task Force supported the creation of seven papers, which together span the building blocks of our housing system: data, regulation, land, capital, construction, operational sustainability, and governance. This paper addresses capital, and the entire collection can be found at nationalhousingcrisis.org/HousingWhitePapers.

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PUBLICATION NOTES

Research independence

While the Task Force commissioned this collection, it does not formally endorse its findings; the views expressed are those of the authors. Task Force members and co-chairs, who participate and are quoted in their individual capacities rather than on behalf of their organizations, bring a range of professional and lived experience to their work and may not agree with every statement in every paper, but remain committed to working together on solutions to the housing crisis.

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1. Introduction

As Harvard's Joint Center for Housing Studies routinely documents, affordable housing challenges in the US have grown in both scale and breadth over the course of the last decade (JCHS 2026a, 2026b). A record number of 22.7 million renters are housing cost burdened, including 12.1 million paying more than half their incomes for rent. While the incidence of these housing cost burdens is highest among lowest-income households, the growth in cost burdens has been greatest among renters earning between $45,000 and $74,999 annually, among whom the share with cost burdens more than doubled from 24 percent to 49 percent from 2001 to 2024.

The problem of housing affordability is not confined to the rental market. With the sharp run-up in home values during the pandemic and subsequent surge in interest rates, the share of renters who can afford to buy the median-priced home has dropped sharply. Given prevailing interest rates, a prospective homebuyer needed an annual income of $120,800 to qualify for the median-priced home as of the end of 2025, an income level that only 16 percent of renters could meet (JCHS 2026b). Since 2021, when only $77,900 was needed to qualify to purchase the median-priced home, more than 8 million renters have been priced out of the homebuying market.

With the growth of the problem, there is increasing recognition that the scale of public efforts to help households afford housing is woefully inadequate. Most rental subsidies are aimed at those earning less than 50 percent of area median income (AMI), but even among this group only 28 percent of households eligible for assistance are able to secure it (HUD 2025a). Meanwhile, assistance is rare among those earning 50 percent to 80 percent of AMI, with only 8 percent receiving support. Support for low- and moderate-income homeownership is also limited. The primary federal financial support for homeownership is through tax deductions for mortgage interest payments, but households claiming this benefit are disproportionately high-income, with 80 percent of this benefit going to households earning $200,000 or more (Joint Committee on Taxation 2025). And while downpayment assistance is offered through some two thousand programs at the state and local levels, this assistance reaches only a small number of eligible homebuyers each year (Visalli et al. 2023).

In light of these circumstances, a more robust federal response in support of affordable housing is needed, and this response would ideally address the needs of a broader range of incomes and would support both renting and homeownership. But there is little political appetite for a large increase in housing spending. This is perhaps most clearly illustrated by the recently enacted 21st Century ROAD to Housing Act, which passed with nearly unanimous bipartisan support but included no new funding. Thus, in conceiving of a new, broad approach to supporting affordable housing, a key consideration is that it not come with a substantial public expenditure.

A further challenge in designing a new program is the need to tailor it to work in a wide variety of market contexts. Income levels and development costs vary widely across the country so that the amount of subsidy needed to achieve a target level of affordability varies as well.

Finally, another important goal for any new program is that the financing structure be as simple as possible. The Low-Income Housing Tax Credit (LIHTC) program, which has been the country's principal supply-side subsidy for affordable housing since 1986, is notorious for requiring complex layers of capital to achieve the program's mandated affordability targets. The complexity of the capital stack makes it both difficult and costly to build LIHTC-funded developments and to remain in compliance.

In this paper, we propose an affordable housing finance program with the following overarching goals in mind:

- Availability: It is widely available, meaning the program can scale to serve a broad range of households commensurate with the scale of the affordability problem, including being open to various forms of tenure and ownership;
- Affordability: It delivers moderate affordability, meaning that housing costs that are achieved are within reach of low- and moderate-income households; however, to achieve scale, the depth of affordability likely cannot be within reach of very low-income households without additional operating subsidies; and
- Simplicity: The capital stack and affordability requirements are not complex, meaning the capital stack is easy to assemble and compliance is not difficult or costly.

We argue that below-market-rate, long-term permanent debt coupled with cost-based rents offers the promise of meeting these ambitious goals. In order to economize on the public cost of the program, the loans would leverage the federal government's own cost of borrowing and apply additional subsidies to buy down these rates only to the extent needed to achieve an initial affordability target. To avoid the need for ongoing operating subsidies, developments would charge rents based on actual operating costs including debt service and adequate reserves. Finally, the program would be implemented at the state level so it can be tailored to variations in both market conditions and policy goals.

An important limitation of this approach is that in most cases the level of subsidy would be sufficient to achieve affordability only for moderate-income households earning 60 to 100 percent of AMI. For this reason, the program is intended as a complement to existing programs, not a replacement. The program would expand opportunities for the Housing Choice Voucher program by providing more housing options that accept vouchers. The program would also likely see rents decline over time relative to AMI, since debt service payments, representing a significant portion of costs, would stay constant over its 40-year lifespan and then be paid off.

Following this introduction, the paper makes the case for why the cost of capital is a key lever for making homes more affordable and discusses public policy approaches that reduce this cost. The following section discusses approaches to rent setting in affordable housing programs and presents the cost-rent approach as an alternative that addresses several challenges with existing methods. The paper then presents lessons from precedents from the US and abroad and extracts a framework of key programmatic elements to consider in drafting a new approach to financing affordable housing. We then present a proposed program that provides low-cost debt in

support of housing by employing a cost-rent approach that provides flexibility for states to tailor to different market circumstances and policy goals. The final section provides a summary of the recommendations and key conclusions.

2. Achieving Affordability by Lowering the Cost of Capital

There are several ways to subsidize housing development to make it more affordable for residents. Operating subsidies, such as that used in the Project-Based Section 8 program that was created by the Housing and Community Development Act of 1974, close the gap between 30 percent of a renter's income and an estimate of a fair market rent. This approach to subsidizing new construction has not been employed in any new program since, in part because of the high budgetary cost of the program. Currently, the most common means of subsidizing housing development is through the Low-Income Housing Tax Credit program (LIHTC), which provides an equity investment that reduces the amount of debt financing required, but where the return is provided largely through tax benefits rather than cash flow from the project. LIHTC has proven to be an effective means of subsidizing developments, although most projects require a layering of additional subsidies on top of the tax credit itself to meet program affordability targets, increasing the complexity and time needed to have developments come to fruition. The cost of developing or purchasing a property can also be lowered through grants. However, aside from the HOME program, which has many competing uses and has very limited annual funding, there are not significant sources of federal grant funding. The other principal vehicle for subsidizing the cost of housing is very low-cost debt that covers most of the financing, an approach little used in recent decades despite offering a number of benefits. To explore the potential of below-market-rate debt to support affordability, it is helpful to first review the sources of capital for a housing development and what drives the cost of capital.

Why is Capital Expensive?

Housing is financed with a mix of debt and equity. Lenders provide the debt, repaid on a fixed schedule and holding the first claim on the project's income. Equity investors provide the rest, are paid only after the lenders, and absorb the first losses if the project falls short. Because equity is repaid last and carries the risk of losses, investors bear greater responsibility for oversight and so seek a higher return on it than lenders charge on debt. The return on equity incorporates two components: a competitive return that capital can earn where it is deployed and compensation for the real risk that the investment is not repaid as planned. The first return is set by the market, because capital can move to any asset, so housing must offer returns in line with the alternatives, whatever its social value. The second return to cover investment risk is also important, but there are a variety of options for how to cover these risks that may be more cost effective.

A development's cost of capital is the blended cost of its debt and equity, weighted by how much of each it carries. While interest rates on long-term multifamily loans backed by the Federal Housing Administration are around 6 percent annually today, the total cost of capital, including the returns required by equity investors, is much higher. Market-rate equity investors expect returns in the mid-teens, which on a total-return basis pulls the blended cost of a conventional deal toward 9 or 10 percent.

Rising interest rates raise the cost of capital by increasing the interest rate on loans as well as the required returns on equity. But as rates climb, lenders also extend smaller loans relative to a project's total cost, so developers must cover more of these costs with equity. Because equity is the most expensive part of the capital stack, this larger equity share pushes the blended cost of capital higher still, raising the overall cost of building the housing.

Public debt issued by the federal government carries the lowest cost, as the full faith and credit of the US government is viewed as being essentially risk-free. This capital is generally used to make investments with wide social benefits. A strong case can be made for below-market housing as worthy of being supported with public capital. Like roads or utilities, it produces value for the wider economy. This happens by supporting a stable workforce, leading to economic growth, and by promoting the health and welfare of residents. The public sector, which benefits from that value, can bear the risk normally borne by private capital (with appropriate mechanisms to cover these risks) and supply the same capital at a far lower cost. In fact, this is the approach used in a number of new financing programs aimed at mixed-income housing being adopted across many states and localities (Hornung and Shroyer 2025).

The Impact of Lower-Cost Capital on Affordability

To appreciate the potential of low-cost debt to support greater housing affordability, consider the following illustration.[1] In the examples that follow we will examine the total cost of capital financing a development, which represents either 100 percent debt financing at the stated rate or a rate reflecting the blended returns needed to support both debt and equity from a property's cash flow. We will assume that debt is amortized over a 40-year period, which also contributes to affordability by stretching principal repayment over time. This length of term is already common in affordable lending programs such as the FHA 221(d)(4) program.

Figure 1 shows the monthly rent per unit needed to support the total cost of capital covering the full development cost at varying rates. Each scenario assumes a 40-year amortization period, operating expenses of $8,000 per unit per year, a 95 percent occupancy rate, and a debt service coverage ratio of 1.15, which provides a cushion for replacement reserves and shortfalls in property income or unexpected expenses.[2]

Against a national median family income of $96,120 for a family of three for FY 2026, a household at 60 percent of this median earns $57,672 and can afford $1,442 a month at a 30 percent rent-to-income ratio. A $300,000 unit financed at a 1 percent cost of capital rents at $1,620,

about 67 percent of the median, and a $400,000 unit at 1 percent lands near 80 percent of the median. The same $400,000 unit at 6 percent, roughly the interest rate of a conventional loan, needs $3,366 a month, only within reach of a household earning $134,640, or 140 percent of the median. In short, the rent nearly doubles as the cost of capital moves from 1 percent to 9 percent.

Figure 1 | Monthly Rents Needed to Cover Total Development Costs (TDC) at Different Costs of Capital

COST OF CAPITAL	$200,000	$300,000	$400,000	$500,000	$600,000	$700,000	$800,000
0 percent	$1,206	$1,458	$1,711	$1,963	$2,215	$2,467	$2,719
1 percent	$1,314	$1,620	$1,926	$2,232	$2,538	$2,844	$3,150
2 percent	$1,435	$1,801	$2,168	$2,535	$2,901	$3,268	$3,634
3 percent	$1,568	$2,002	$2,435	$2,869	$3,302	$3,735	$4,169
4 percent	$1,714	$2,220	$2,725	$3,231	$3,737	$4,243	$4,749
5 percent	$1,869	$2,453	$3,037	$3,620	$4,204	$4,788	$5,371
6 percent	$2,034	$2,700	$3,366	$4,032	$4,698	$5,364	$6,030
7 percent	$2,206	$2,959	$3,711	$4,463	$5,215	$5,968	$6,720
8 percent	$2,385	$3,227	$4,069	$4,910	$5,752	$6,594	$7,435
9 percent	$2,569	$3,503	$4,437	$5,371	$6,304	$7,238	$8,172
10 percent	$2,758	$3,785	$4,813	$5,841	$6,869	$7,897	$8,925

Note: Rents are estimated to cover the monthly payment on a 40-year amortizing loan for the full development cost at a 1.15 debt service coverage ratio, plus $8,000 in annual operating expenses and a 5 percent vacancy rate.

That single reduction in the cost of capital arguably does more than other potential reforms to reduce the cost of development. At a $400,000 development cost and a 6 percent cost of capital, cutting development cost by $100,000 through regulatory reform, construction efficiencies, or land donation saves about $670 a month on rent, while cutting the cost of capital from 6 percent to 1 percent saves about $1,440 or more than twice as much. In a high-cost market at $600,000 per unit, the same drop in the cost of capital swings the rent by about $2,160 a month. The higher the development cost, the more the cost of capital matters.

While Figure 1 above demonstrates that a lower cost of capital can greatly reduce the rental income needed to support the property, it also shows that in cases of very high development costs and/or very low area median incomes, this lever may still not be sufficient to support desired levels of affordability. To illustrate the degree of affordability attainable, **Figure 2** shows the share of the national median income for a family of three at which a two-bedroom apartment would be affordable (defined as 30 percent of income going toward rent) for a given development

cost per unit (using the same financing assumptions as above). As development costs climb, a lower cost of capital becomes increasingly important in achieving affordability at 80 percent of median income. At $300,000 per unit, a cost of capital of 2 percent or less is needed. At $400,000 only a 1 percent cost of capital achieves this level of affordability. At $500,000 and above, it is not possible to reach 80 percent of median income at even 0 percent capital.

Figure 2 | AMI Needed to Affordably Cover Total Development Costs (TDC) at Different Costs of Capital

COST OF CAPITAL	$200,000	$300,000	$400,000	$500,000	$600,000	$700,000	$800,000
0 percent	50%	61%	71%	82%	92%	103%	113%
1 percent	55%	67%	80%	93%	106%	118%	131%
2 percent	60%	75%	90%	105%	121%	136%	151%
3 percent	65%	83%	101%	119%	137%	155%	173%
4 percent	71%	92%	113%	134%	156%	177%	198%
5 percent	78%	102%	126%	151%	175%	199%	224%
6 percent	85%	112%	140%	168%	196%	223%	251%
7 percent	92%	123%	154%	186%	217%	248%	280%
8 percent	99%	134%	169%	204%	239%	274%	309%
9 percent	107%	146%	185%	224%	262%	301%	340%
10 percent	115%	158%	200%	243%	286%	329%	371%

Notes: The income needed to afford rent for each development cost and cost of capital is based on the rents reported in Figure 1. Incomes are calculated as the level needed to spend 30 percent of income on these reported rents, divided by the US median family income for a family of three for FY 2026 ($96,120) as reported by the US Department of Housing and Urban Development.

In addition to documenting the impact of the cost of capital on affordability, this illustration is also intended to highlight that in crafting a finance program, it is important to recognize that one size will not fit all markets. Consequently, a program ought to allow for flexibility both in the cost of capital and in the level of affordability achieved to accommodate variations in market context.

Still, the inability to support significant affordability even with low costs of capital and at moderate development costs is sobering. However, to the extent that the loan program could be used to support the acquisition and rehabilitation of existing housing, the required per-unit costs for a given affordability level would be more feasible across a broader range of markets. The low-cost debt could also be combined with other public subsidies, such as housing vouchers, land donations, property tax exemptions, or grants to increase the level of affordability that is achievable. If the goal is to create a simple approach that does not require layering of subsidies, there are clearly limits to how far low-cost debt can go on its own in some market contexts.

3. How Public Policy Can Lower the Cost of Capital

The Cost of Debt

There are two broad ways policy can reduce the cost of debt for housing. The first is by reducing the risk premium charged on the loan by mitigating or absorbing the risk of losses. The most direct means of absorbing these risks is by using capital raised with the full faith and credit of the government, bringing the loan rate close to the government's own rate of borrowing. In fact, the federal government runs 129 such credit programs today, providing $1.9 trillion in assistance across sectors (Williams and Deal 2026). Alternatively, the government can cover the risk of loss for loans originated by private lenders, which reduces the risk premium and thus the interest rate on the loan, but still means the cost of capital is at the rate needed to attract private capital. In either case, the government assumes real risk. Insurance premiums and guarantee fees can offset expected losses, but the adequacy of those payments depends on the buildings actually performing and not defaulting. However, even debt near the government rate cannot by itself deliver deep affordability. To achieve greater affordability, the second way of reducing the cost of debt is by providing a subsidy to bring the interest rate below the government's own rate of borrowing. This is more expensive, scored on budgetary impacts, but can be scaled to deliver affordability targets.

Existing federal policy lowers the cost of capital for multifamily housing in a variety of ways. The most common approach is through mortgage insurance, offered by the Federal Housing Administration (FHA) and supplemented by security guarantees offered by Ginnie Mae. In the case of FHA, a borrower works with an approved lender, the lender originates the mortgage, and FHA insures the mortgage. Ginnie Mae guarantees timely payment to investors on securities backed by these loans. Products such as FHA's 221(d)(4) are attractive on paper but not widely adopted because FHA's review is slow and comprehensive. Because the loans are privately funded, the interest rate is also well above the federal government's own borrowing rate. The lender adds a servicing fee, and FHA charges an annual mortgage insurance premium (MIP) on the loan balance to cover the cost of the guarantee.

Another way in which the federal government helps reduce the risk premium on multifamily loans is through guarantees provided by Fannie Mae and Freddie Mac—generally referenced as Government-Sponsored Enterprises (GSEs). The guarantee acts much like mortgage insurance in absorbing the risk of default in exchange for a premium paid to the GSEs. In the case of the GSEs, private lenders originate the loans which the GSEs purchase and pool into securities that they guarantee payments on. Because they are chartered by the federal government, the GSEs' guarantee is viewed by the market as having the backing of the federal government and so they are able to access capital at close to the risk-free rate. With default risk covered by this guarantee, investors accept a marginally lower interest rate and allow loans to be larger relative

to cash flows and property values, expanding borrowing capacity. But the interest rate on these loans is well above the government's own cost of borrowing.

Another approach to reducing borrowing costs is the FHA-Housing Finance Agency Risk-Sharing program, or Section 542(c), created by Congress in 1992. In this program, a state or local housing finance agency originates and underwrites the loan and enters into an agreement with FHA to share any losses on the loan, most typically split evenly. Because the agency carries part of the risk, HUD demands less of its own review than it does under programs like Section 221(d)(4). In the program's original and continuing form, the housing finance agency funds the loan by issuing its own bonds. The borrower then pays the agency's bond rate plus a small premium, which sits above the rate the federal government pays to borrow.

A second form of risk share, added to this program in 2014, lowered the rate further. The Federal Financing Bank (FFB), an arm of the Treasury Department, purchased the insured loan directly. Under the FFB structure, the borrower's rate generally runs about 100 basis points above the 10-year Treasury rate (Williams et al. 2025). FFB Risk Share has been stopped and started due to changes in political winds. The first Trump administration suspended the program in 2018. The Biden administration reinstated it in September 2021, later extending it indefinitely. The second Trump administration once again terminated the program in January 2026.

Each approach outlined so far lowers the rate paid by the borrower closer to the federal government's own borrowing rate, but none go below it. Originating loans at rates below the government's own cost of borrowing requires some form of subsidy to make up the difference. This can be done in two ways. First, the federal government can issue the debt itself and hold the loan at the subsidized rate, absorbing the cost as the lender. Under this approach, the interest subsidy is the amount lent by the federal government minus the present value of scheduled borrower repayments, discounted at Treasury rates. A complete credit subsidy estimate would also account for expected defaults, recoveries, fees, and more. Second, a private lender can originate the loan at the market rate, and then the government pays the lender the spread between the market rate and the subsidized rate. The US federal government has used both approaches in the past. Under HUD's Section 236, the federal government used private lenders to originate the loan (insured by the FHA) and paid the rate down through annual budget appropriation. Under USDA's Section 515, the government lent to sponsors directly at the below-market rate.

Importantly, the use of subsidies in both of these approaches must be accounted for as a government expenditure. The Federal Credit Reform Act of 1990 governs how the budget records this subsidy. For a direct federal loan, the Act records the cost up front, in the year the loan disburses, as the net present value of the loan's expected cash flows discounted at Treasury rates. In cases where the government subsidizes the interest rate paid on a private loan, the subsidy cost would be the net present value of the payments made over the life of the loan, again discounted at the Treasury rate. But because the market interest rate is above the government's borrowing rate, the subsidy cost would be higher than on direct loans. In both cases, Congress

must appropriate the funds needed to cover the subsidies before the loan can be made. Significantly, the Act scores only the subsidy, not the loan principal, as a cost to the government.

The Cost of Equity

There is a strong history of public policy facilitating debt for various forms of investment. As the riskier part of the capital stack, equity has less often been provided by the public sector. If the government provides high-leverage, low-cost debt, the share of equity needed is reduced, lowering the overall cost of capital. This alone can help bring rents below market rate. But if the goal is to build a housing finance system structurally capable of deeper affordability and to ensure socially minded ownership, public policy must shape the type of equity participating in these deals as well. Since equity investors command higher returns than lenders, lowering the cost of equity investment can play an important role in making housing more affordable. However, since equity investors absorb a significant amount of risk, these policy approaches must be willing to have the government assume some of that risk.

The first way public policy can reduce equity returns is the simplest and riskiest: it can provide 100 percent of the needed capital through debt. While this method is straightforward and cost-effective, the lender bears all of the financial risk of the project. Having the property owner hold some portion of equity has the benefit of creating an incentive to carefully manage the property to preserve the value of this equity investment.

Another way in which the cost of equity can be reduced is by having the public sector provide some or all of the equity at a lower rate than private investors would require, thus lowering the overall cost of capital. In recent years a growing number of cities and states have begun acting as the equity investor themselves to reduce the overall cost of capital and to obtain a controlling ownership interest in the property. Some have set up revolving funds that lend public capital into mixed-income developments owned by their housing agencies, with the public fund standing in for at least a portion of the private equity a conventional deal would typically carry and repayments cycling back to finance the next project.[3] Others, mainly public housing authorities, reach a similar position by acquiring existing buildings with bond financing.[4]

Alternatively, a profit-motivated investor can be attracted to public-spirited investments and still earn a competitive return subsidized by the government. The Low-Income Housing Tax Credit (LIHTC) works this way, with investors contributing equity to an affordable housing development in exchange for annual federal tax credits that reduce their tax liability dollar-for-dollar. Investors claim the credits over 10 years (along with tax deductions from depreciation and other tax advantages over the life of the investment) and must keep the property in compliance for at least 15 years or face recapture, which gives the program strong ongoing oversight. Financial returns for equity investors may also come through the tax code in the form of tax deductions. Under Section 236 and the broader accelerated-depreciation regime before 1986, equity investors were allowed generous depreciation write-offs as passive losses against their ordinary income. That structure financed a large construction boom, though many projects were not viable on their own

rents because they were built mainly to deliver the tax losses (GAO 1978). Congress curtailed the structure with the passive-loss rules in the 1986 Tax Reform Act.

Finally, a mission-oriented private investor may accept a return below what private equity would otherwise require in pursuit of their mission without a direct government role. Universities, hospitals, and pension funds have capital to invest and may have reason to support affordable housing that benefits their constituents or their neighborhoods. The US has little track record of these investors taking an equity position at returns significantly below market rate. The investments tend to be priced close to what they could earn on comparable bonds. However, more favorable expected returns on equity can be obtained in conjunction with the public sector absorbing risk through a guarantee or a first-loss position that largely shields the private investor from losses.

Each of the last three approaches lowers the cost of equity but differs in how risk is assigned. Where the public sector provides the equity, it bears all of the risk. In the case of LIHTC, private investors bear the risk, facing both recapture of tax benefits if properties do not maintain compliance and the risk of losing any residual value upon the end of the compliance period. In the case of mission-driven investors, they often still bear the risk but expect to be compensated for this. Only when the public sector absorbs the risk are these private investors generally willing to accept lower returns.

The three approaches also differ in their cost to the government. Direct investment by the government offers a lower cost than incentivizing investments by private investors, who must still earn a market rate of return. The cost of guarantees may seem cheaper because they do not include the principal itself, but they also do not support deep affordability. Incentives to private investors through the tax code also raise costs through the complexity of the transactions, although by sitting off-budget as a tax expenditure they are less visible.

4. Options for Setting Rents in Affordable Developments

Another consideration in designing a new approach to financing affordable housing is how affordable rents are determined. In today's US subsidized housing developments, rent levels are set based on either area median incomes in the case of LIHTC, resident-specific incomes in the case of public housing, or levels linked to market rents such as in historical programs like project-based Section 8.[5] There are three challenges with this approach.

First, with rents tied to income levels (either area median incomes or tenant-specific incomes) rather than being determined by the financial needs of the development (including for debt service, operating expenses, and reserves), projects are subject to financial stresses over time to the extent that income growth does not keep pace with costs. Developments may also experience financial stress if the rents are linked to tenant incomes and the resident population

becomes lower-income over time. While the approach of setting rents on the basis of income levels protects renters from rents that grow faster than incomes, it can come at the expense of a development's financial health.

Second, programs specifying rents tied to area income levels face the challenge of not being feasible in all market environments when the available subsidy by itself is not sufficient to achieve the target affordability level. This is common in the LIHTC program, where in many markets the LIHTC equity contribution by itself is not sufficient to achieve the program's required affordability mandates. As a result, many layers of additional subsidy are often required to meet the income and rent requirements, contributing to the complexity and cost of these deals.

Lastly, establishing resident eligibility based on income, such as in the LIHTC program, along with setting tenant rent contributions based on individual tenant incomes, such as in Project-Based Section 8 or Public Housing, generally requires that each resident's income be certified annually, raising the cost of administering these programs. There is also some evidence that setting rents based on incomes can create an incentive for residents to restrain incomes to avoid rent increases or becoming ineligible for the subsidy (Olsen and Zabel 2015).

The Cost-Rent Approach

A different approach to rent setting that is common in Europe and has been applied in a number of contexts in the US is to employ cost rents. Under a cost-rent approach, rents are calculated to cover the development's actual costs: debt service, operating expenses, a capped return on owner equity, and contributions to reserves for maintenance and major replacements. Rent is set to cover these costs and no more. Where the cost of capital is low and fixed and operating expenses are well managed, these rents can remain affordable and stable over long periods.

The virtues of setting rents based on costs must be weighed against the risks this approach presents, especially for residents. First, since rents are set based on costs and not tenant incomes, they may not be affordable for lower-income households. The issue of initial affordability needs to be addressed at the time of development along with the degree of subsidy provided to a development. But in addition, because the rent rises when operating costs rise, a cost-rent tenant bears increases in operating expenses such as utilities, insurance, and maintenance, and in any given year the rent can grow faster than the tenant's income. However, debt service, the largest part of the rent, is fixed, so only the operating portion can rise. And to the extent that rents begin at below-market levels, even a year in which they grow faster than income still leaves the resident paying less than the market alternative would require.

A cost-rent approach also changes how affordability evolves over the life of a development compared to standard AMI-based rent setting. Because debt service is the largest component of development cost and is fixed in nominal terms, it declines in real terms as incomes rise. The rent required to cover costs and adequate reserves therefore tends to grow more slowly than market rents, falling relative to income over time. Once a loan gets repaid, it drops out of the calculation

entirely, leading rents to fall further.[6] Rents fixed to an income benchmark do not decline this way. They have a roughly constant relationship to income growth. The affordability reached under cost rent in a development's early years may be shallower and more volatile than an income-based approach. The margin below prevailing market rents thus tends to widen as the development matures.

Because rent levels no longer depend on a household's income, the administration of this rent scheme can also save costs. To the extent that eligibility is determined only on move-in and annual rents are not tied to tenant incomes, resident incomes need to be documented only when a tenant moves in.

A very low cost of capital and a cost-based rent work as a pair. A program that adopts one without the other would fail to deliver affordability and scale. Although a subsidized loan lowers the revenue a development must collect to cover itself, the savings reach tenants only when the rent is set to the development's costs instead of to the market. Cost-based rents, in turn, stay low only where capital is cheap, because a rent built from a development's costs is affordable only when those costs are low.

Cost rent also allows for a more flexible program design. Rather than specifying a target rent level, the development is simply prohibited from charging rents that are above actual costs, including the below-market-rate capital provided. In markets where a target level of affordability is not achievable, the government has two options. It can provide additional subsidies to achieve the desired affordability level—such as more public equity or operating subsidies for tenants, as with a housing voucher. Or it can modify the affordability target to be feasible within the range of the low-cost debt. By allowing affordability to depend on a project's actual cost and loan rate rather than on a fixed share of area median income, one program can serve both expensive and inexpensive markets. It works for new construction and for the acquisition and rehabilitation of older buildings, whether the result is rental housing or limited-equity ownership.

In addition to concerns about who bears the risk of rising operating costs in a cost-rent scheme, a key challenge of such an approach is how allowable costs are established. Approaches that rely on annual actual measures of costs for all developments would themselves be complex and costly. An alternative is to rely on rules of thumb about costs that may not apply in all circumstances. It is also important that allowable costs include adequate reserves for maintenance and major replacements over time so properties are well maintained in the long run. Finally, in times when costs are growing faster than incomes, there has to be the will to increase rents in the face of tenant stresses. Precedents from the US and abroad show both that cost rents can work in practice and which pitfalls to avoid.

5. Precedents for Housing Programs Featuring Low-Cost Financing and Cost Rents

The core argument of this paper is that scalable, affordable housing can be built if public policy lowers the cost of capital below market rates and passes the savings along to tenants through setting rents at cost. This approach has precedent in American history and is the cornerstone of many European social housing systems. But these systems differ in important ways, resulting from a few key design elements. In the sections below we present brief summaries of five key precedents from the US and abroad (summarized in **Figure 3**) and then outline key design elements falling into four broad categories.

Figure 3 | Design Features of Five Low-Cost Financing Programs

	AUSTRIA (LPHA)[7]	DENMARK[8]	IRELAND[9]	SECTION 236[10]	SECTION 515[11]
Years Active	Early 1900s–present	1919–present	2021–present	1968–1973	1962–2011
Production	~1M units, 17% of stock	~560K units, 20% of stock	~6,500 units	~540K units	~533K units
Debt Product (loan-to-cost, rate, term)	Provincial public loans (30–40%, ~1%, 30–40 yr) + bank loans (30–40% LTC)	State-guaranteed mortgage (86–90%, variable, 30 yr) + municipal loan (8–12%, 0%, 50 yr)	CREL: cost rental equity loan (≤35%, 1%, 40 yr) + HFA loan (~45%, 3.75%, 40 yr); STAR: private debt	FHA-insured mortgage (90–100%, 1%, 40 yr)	USDA direct loan (up to 100%, 1%, 50 yr, later 30 yr)
Subsidy Source	Tax-funded (earmarked taxes + wage levy)	Municipal and state budgets	National Appropriation	National Appropriation	National Appropriation
Equity (share of cost, return)	LPHA (10–20%, 3.5%)	None	CREL: state equity (≤20%). STAR: owner equity (limited return) + state equity	Private investors (10%, 6% + tax benefits)	Limited-profit owners (8% return)
Tenant Contribution (share of cost)	Refundable (5–10%)	Refundable (2%)	None	None	None

continued

Figure 3 | Design Features of Five Low-Cost Financing Programs *(continued)*

	AUSTRIA (LPHA)[7]	DENMARK[8]	IRELAND[9]	SECTION 236[10]	SECTION 515[11]
Rent Setting	Cost rent	Cost rent	Cost rent (25% + below market)	Cost-based floor and ceiling	Cost-based (30% of income with Rental Assistance)
Affordability Level	Low to moderate	Low to moderate, open to all	Moderate	Moderate	Low to moderate
Tenant Subsidy	Sub-national allowance (Wohnbeihilfe)	National allowance (boligstøtte)	None for Cost Rental	Rent Supplement, Section 8	Section 521 Rental Assistance
Funding Allocation	Sub-national	Municipal	National	National	National allocated to sub-national
Ownership	Limited-profit associations	Nonprofit associations	CREL: nonprofits + state; STAR: private	Nonprofits, co-ops, limited-dividend	Nonprofit & limited-profit
Affordability Term	Permanent (limited-profit lock)	Permanent	40-yr minimum	Ends with mortgage	Ends with mortgage
Oversight	Sector auditor + regional regulator	Municipal regulator	National tenancy board (RTB)	National agency (HUD/FHA)	National agency (USDA RHS)

Case Studies

Austria

Austria has run a cost-based rental sector for over a century through its limited-profit housing associations (LPHA), governed by a federal Limited-Profit Housing Act that caps returns and audits conduct (Koessl 2022; Pittini et al. 2021). LPHAs own about two-thirds of Austria's social housing, and municipalities, primarily in Vienna, own the remainder (Reinprecht 2014). This section focuses on the LPHA model, which operates nationwide and is responsible for almost all of Austria's new social housing production (Koessl 2025). Provincial governments set income eligibility at levels that cover approximately 80 percent of the population. Once qualified, residents may stay as long as they like without needing to recertify eligibility over time. Rents are regulated to cover costs, calculated per square meter for each building with no cross-subsidy between developments owned by the same LPHA. The cost-rent formula has nine components: the loan repayment, up to 3.5 percent on LPHA equity, ground rent, a maintenance fund,

administration, service charges, a reserve fund capped at 2 percent, the VAT, and use value, calculated per square meter for certain amenities (Pittini et al. 2021).

A typical development's capital stack has four layers. Regional governments lend 30 percent to 40 percent of total development cost at a fixed rate of around 1 percent over 30 to 40 years. This is financed through regional housing-promotion funds drawn from a 1 percent federal payroll tax shared by workers and firms intended to support housing. Low-cost bank loans account for another 30 percent to 40 percent of the capital stack, with these loans often funded through tax-advantaged housing bonds. The LPHA contributes 10 percent to 20 percent in equity, often coming in the form of land contributions or from their own balance sheet. Finally, tenants in some areas make a refundable contribution, totaling 5 percent to 10 percent of total development costs. Regional governments lend to tenants who cannot afford the contribution (Pittini et al. 2021).

Upon loan payoff, the debt service component of rents is replaced by a fairly low statutory base rent per square meter, with the income generated from these payments building equity for future investment. As the public loans amortize, the repayments fund the next generation of regional lending, now covering about two-thirds of new public loans (Pittini et al. 2021). LPHAs are allowed to invest only in affordable housing and so any equity accrued by loan amortization remains within the system to both limit rents and to provide equity for new developments. The result is roughly a million homes housing 17 percent of Austrian households, with affordability that never expires for homes owned and operated by LPHAs. The limited-profit lock keeps each association charging cost rents and drops a building's rent to a low base once its loans are repaid (Koessl 2022).

Several features of the Austrian model make direct translation to a US context difficult. In Vienna, the city both owns a significant amount of land it can dedicate for social housing and uses zoning to restrict certain parcels of land for social housing development (Koessl 2025). LPHAs have accumulated equity over a century, meaning that their revolving loan funds are well endowed and grow based on their existing portfolios. Regional governments also provide housing allowances for tenants whose incomes fall short of the cost rent, with eligibility and amounts set province by province, and a separate rent allowance for private tenants (Reinprecht 2014). However, because cost rents are already low, allowances cover only about 5 percent of rents paid in Austria, among the lowest rates in Europe (Pittini et al. 2021).

Denmark

Denmark's social housing sector comprises over 500 nonprofit housing associations and approximately 560,000 dwellings (Pittini et al. 2021). Municipalities play a central role in siting developments and overseeing their operations. There is universal eligibility for the population and no income certification. Since 1984, tenants have held the majority of seats on the board of each development, which is responsible for adopting the annual operating budget. In one case study, the cost rent was broken into six components: net capital expenditure, fixed expenses such as property taxes and insurance, variable maintenance, a provision for future maintenance,

extraordinary expenses, and other operating costs. In a 96-unit development completed near Copenhagen in 2019, capital cost accounted for two-thirds of the monthly rent (Pittini et al. 2021).

The capital stack has three layers. A private mortgage institution lends 86 to 90 percent of development cost on a 30-year adjustable-rate loan that is funded by state-guaranteed covered bonds. The municipality then provides 8 percent to 12 percent of costs as an interest-free loan over a 50-year term. Tenants make a refundable deposit of 2 percent. The housing association does not pay the mortgage directly. Rather, it pays 2.8 percent of the original acquisition cost each year, indexed to inflation, while the state services the loan and covers the difference between that payment and the actual debt service. When rates fall below the cap, the state is the one to recover the difference, as it did through the low-rate years before 2021. And when rates rise, the public sector also covers the difference (Turnbull 2025).

Once the mortgage gets fully repaid, rents do not fall, meaning that the nonprofit owner gets to continue to charge the same rent. Two-thirds of that surplus goes to the National Building Fund and one-third to the local disposition fund, which finance renovation and new construction. Denmark stabilized rents in 1966 because amortized developments had become so cheap that newer ones could not attract tenants (Turnbull 2025). Affordability therefore does not expire with the mortgage. A national housing benefit (paid monthly and set by household income, size, assets, and rent) is provided to three-fifths of nonprofit tenants but gets capped at 60 percent of the rent. Because municipalities must provide the benefit to the tenants directly, and it will not cover the newest, highest rents, they tend to direct those households into older, cheaper developments (Turnbull 2025).

Ireland

Ireland offers the most recently created model of deploying very low-cost debt in exchange for regulated rents. The Affordable Housing Act of 2021 created cost rental as a legal tenure, delivered by approved nonprofit housing bodies, the state Land Development Agency, and local authorities. This cost-rental approach was deliberately developed based on the Austrian model. Prior to the establishment of this program, Ireland provided affordable rental housing exclusively for low-income tenants, similar to American public housing (Norris et al. 2026). In contrast, cost-rental developments are aimed at households with moderate incomes earning less than €66,000 in Dublin and €59,000 elsewhere, roughly 100 percent of the median household income. However, tenants cannot pay more than 35 percent of net income on rent, which creates a floor for eligible incomes. Once tenancy is established, residents may stay for as long as they like and are not subject to further income tests. The national Housing Agency reviews which costs can be recovered. The rents charged must be at least 25 percent lower than comparable market rents (Citizens Information Board 2026).

The state's Housing Finance Agency provides a 40-year senior loan, fixed at 3.75 percent for the first 30 years (Byrne 2024). The state also provides up to 55 percent of development costs for approved housing bodies through what is called a Cost Rental Equity Loan, which combines

a state loan with 1 percent interest, repaid after 40 years with a state equity share of up to 20 percent (Department of Housing 2023; Byrne 2024). Since 2023, the state has also offered the Secure Tenancy Affordable Rental (STAR) program, which extends similar support to private developers and the Land Development Agency, a national state housing developer set up in 2018. STAR provides government equity at zero interest, recovered as a share of market value when the property sells or leaves the program, in exchange for a 50-year affordability commitment (Housing Agency 2026).

HUD Section 236

The HUD Section 236 program, created in 1968 and wound down in 1973, followed a similar model of providing very low-cost debt as the principal means of building rental housing affordable to moderate-income residents. Approximately 540,000 units were produced through Section 236 during this seven-year window (HUD 2025b). Under this program, a private lender originated a 40-year FHA-insured mortgage, which HUD bought down to an effective 1 percent rate with an interest reduction payment funded annually. (The program was the successor of Section 221(d)(3), which had a similar structure but had the federal government purchase the full loan, generating large federal expenditures that became one reason for its termination.) The loan covered 90 percent of development costs for limited-dividend sponsors and 100 percent for nonprofit sponsors. Limited-dividend sponsors raised the additional 10 percent equity through syndication of this ownership stake to pools of private investors. The program provided annual cash returns at 6 percent, but investors earned far more through the tax code, taking advantage of now-defunct accelerated depreciation rules. The GAO found that this produced after-tax returns of 15 percent to 25 percent on initial investment, against a 14 percent median for comparable multifamily developments, and judged these high returns for a broad class of passive investors as the main reason Section 236 drew investors and drove production (GAO 1978).

Rents were set based on tenant incomes subject to a floor (or basic) rent and a ceiling rent that corresponded to two different estimates of cost-based rents. All rents had to recover operating costs, reserves, and equity returns (if built by a for-profit sponsor). The floor rent covered debt service payments at the 1 percent subsidized rate plus these other operating expenses. The ceiling rent was set to cover operating costs plus debt service at what would have been the unsubsidized rate of the FHA-insured mortgage (Olsen 2003). Tenants were charged rent of 25 percent (later increased to 30 percent) of their income, but rents were subject to this floor and ceiling rent (Schwartz 2006).[12] However, the development itself could only retain the basic rent. All income generated above that amount was remitted to HUD, which then would return money for capital improvements (von Hoffman 2016).

Several problems showed up over the following decades. Because rents recovered actual costs, tenants absorbed every rise in operating expenses during the high inflation of the 1970s, and Congress added operating subsidies to maintain affordability. Default rates were higher than expected (Schwartz 2006). This happened partly because inflated costs put strain on the projects and partly because investors lost interest in carefully managing them after accelerated

depreciation benefits elapsed (von Hoffman 2016). HUD tied project affordability to the 40-year mortgage, which let owners convert units to market rents if they prepaid (which they could do after 20 years) or once the loan matured, producing waves of displacement, which HUD had to counter by providing expensive voucher assistance (Schwartz 2006).

USDA Section 515

In 1962, the US Department of Agriculture (USDA) began supporting the development of affordable rental housing through the Section 515 program. Unlike Section 236, this program did not involve a private lender. The principal subsidy was in the form of a low-cost loan originated directly by the USDA with federal appropriations used to reduce the effective rate to 1 percent with a 50-year amortization. Rents were set with the same basic floor and ceiling as in Section 236 (Schwartz 2006). The resulting debt service on the 1 percent loan was low enough that cost-based rents remained well below prevailing rural market rents (NRHC 2011). As with the Section 236 program, limited-dividend owners raised equity by syndicating the projects' depreciation losses to passive investors and earned a cash return that was capped at 8 percent (7 CFR 3560.68(a)). Renters with incomes up to 80 percent of AMI were eligible, although many residents had much lower incomes (Schwartz 2006).

In order for these lower-income residents to afford the cost-based rents, USDA attached Section 521 rental assistance to roughly three-quarters of projects, limiting the lowest-income tenants to 30 percent of income, and creating much greater financial stability for the properties. As in Section 236 and as in Austria's and Denmark's systems, Section 521 rental assistance has to cover only the difference between 30 percent of tenant income and the already subsidized rent (Schwartz 2006). At its peak, from 1979 to 1985, the program financed about one thousand properties a year, each averaging fewer than 30 units; these properties are often the only purpose-built affordable rental housing in their communities (NRHC 2011). The program financed more than 500,000 units in total before new construction lending ended around 2011. As under Section 236, the affordability restrictions were set only by the mortgage. As the 50-year loans mature, the restrictions expire with them, removing the housing from the subsidized stock. The program still exists to this day, although no new homes have been built in over a decade (HUD 2025b).

Lessons from Precedents

Funding: What Is the Source of Funding for Required Subsidies? How Is It Allocated?

A key political challenge with a program grounded in the provision of below-market loans is that subsidies are needed to achieve these rates, and there must be ongoing support for this public spending. These subsidies are perhaps most commonly funded through annual appropriations,

a method that has proven difficult to sustain over time. The Section 236 and USDA 515 programs were both funded with annual appropriations, which contributed to their being discontinued. The HOME program is currently one of the only federal housing programs funded through annual appropriations, but funding for this program was cut in half between 2010 and 2013 from $2.7 billion to $1.3 billion and has stayed near this level since.[13]

However, the subsidy may be funded in a variety of other ways. A dedicated tax stream could be developed whose purpose is to fund the housing program, reducing competition with other funding priorities. This approach is used in Austria and has proven long-lasting. Tax expenditures are a third source where capital provided by private investors benefits from tax credits or deductions; since these do not appear as an annual budget item, this funding source has proven to be more sustainable. This approach is a hallmark of the LIHTC program and was also an element of the Section 236 and 515 programs. A fourth source of subsidy is revenue from fees charged on specific activities which arguably bear some connection to housing needs but are not widely borne and so can be more politically feasible. Examples of this approach include fees levied on Fannie Mae, Freddie Mac and the Federal Home Loan Banks that are used to fund affordable housing programs (FHFA 2025).

One way to minimize the amount of subsidy required is to leverage the lower interest rates when borrowing is backed by the full faith and credit of a government agency, particularly the federal government. However, while loans at government cost with no effective subsidy could cost-effectively be made widely available, they would support only modest levels of increased affordability. Below-market-rate loans requiring subsidies would support greater affordability, but the need for subsidy to achieve these rates means these loans will need to be capped and rationed, whether first-come, first-served or through a point system such as the one used in the LIHTC program by states.

Sources and Return on Equity

In four of the five precedents examined, equity investments play an important role in the capital stack and are subject to regulated returns to reduce the overall cost of capital. In Austria, LPHAs are able to tap accumulated equity from portfolios of investments accumulated over generations, an advantage a new American program would not share. In the case of its own new program, Ireland addresses this constraint by including an equity contribution that earns only a 1 percent return repayable after 40 years. Absent a significant source of social equity, a new program in the US may have to sacrifice affordability initially with the goal of building equity in the system over time.

Affordability: What Is the Minimum Threshold? Does It Expire and Can the Housing Be Sold?

A critical program element is what level of affordability is mandated. The European programs generally have broad eligibility of half or more of the population. This approach also aligns with

having rents based on costs as there will be less mismatch between what eligible households can afford to pay and the rent levels needed to sustain the property with such broad eligibility. In the US, both the Section 236 and 515 programs relied on rent supplements to maintain affordability for eligible households up to 80 percent of AMI, particularly as residents had incomes well below this eligibility ceiling. In the European case, it is also true that rent supplements are often available to support lower-income residents in these developments.

Another important consideration is whether there is a time limit on affordability requirements. In most US affordable housing finance programs, affordability and eligibility are required as part of loan terms and so expire upon payment of the loan. This expiring affordability creates significant affordability challenges for residents upon maturity or prepayment. In Austria, the organizations eligible to receive public funding are mandated by charter to use their resources only for affordable housing, and so the expiring use issue is avoided. However, there are other avenues for ensuring permanent affordability through covenants recorded against the property or through public ownership of the land with lease terms for the property.

Stewardship: What Types of Ownership Structures Are Supported? How Does Oversight Ensure Operational Sustainability?

The housing systems in Austria and Denmark rely on nonprofit organizations with a dedicated affordable housing mission to own and operate the affordable housing. The Section 236 and 515 programs were open to both nonprofit and for-profit owners (subject to limits on allowed returns on equity), while in Ireland state-sponsored and nonprofit enterprises are eligible. The lesson here is that a range of organizations may be included in the program as long as all are held to the regulatory requirements.

Ensuring that housing is adequately maintained over time is a critical design element in its own right, as is ensuring effective management. In a cost rent system, the allowance for maintenance and improvement reserves as well as operational risk must be sufficient to accommodate the development's needs over time. However, even if program structures allow for adequate funding of maintenance, it is possible that owners may not be incentivized by long-run financial gains to effectively manage properties. A cost-rent standard that sets revenue high enough to include funding of maintenance and improvement reserves addresses the maintenance issue. The long-term success of the cost-rent system in Austria provides a strong example of how cost rents can be both affordable and effective at supporting well-maintained and well-managed housing over time.

In Austria, regional or federal governments conduct annual financial audits of the housing associations and oversee the quality of the homes, and there have been few problems of quality. In the US, the Section 236 program was marked by financial defaults and poor maintenance, which resulted in the FHA taking over troubled properties. This experience highlights the importance of better design of the cost-rent approach and stronger incentives for effective management.

6. Proposal for a Federal Cost-Rental Housing Loan Program

The following recommendation aims to meet the goals of a financing system that is simple, affordable, and widely available. The proposed program is primarily concerned with balancing availability and affordability. It widens availability by tapping into government's ability to borrow at near risk-free rates; it deepens affordability by identifying sources of subsidy to reduce borrowing costs even further. The need for subsidies to achieve affordability targets reduces the ability to scale the program, but starting from the government's risk-free rate extends the scale of the program further than it otherwise could reach. A key feature of the program is that subsidies can be adjusted to reflect development costs, rent levels, and affordability goals in different market contexts.

We first describe how the lending program would be structured at the federal level and then consider how it might be adopted at the state or city level, although the financial capacity of governments at these different levels will influence the cost and scalability of the program. The loans could be used for rental or owner-occupied housing, and applied to new construction or acquisition, and so the program meets the goal of supporting a broad range of housing types and scales.

Debt Product

The program would offer 40-year, fixed-rate loans at or below the Treasury rate, with a floor of 0 percent. As in the Section 236 program, loans would cover 100 percent of development cost for nonprofit and public sponsors and 90 percent for limited-profit sponsors. The loans would also include coverage for credit risk either through an FHA insurance product or a risk-sharing arrangement with an HFA. The proposal is neutral about the exact form the debt product takes, as long as the loan meets these terms, but the following are some approaches that could be used to deliver this product.

To achieve these low interest rates, the program would leverage the relatively low cost of federal debt combined with the level of subsidy needed to write down the interest below market levels (the potential source of subsidy is discussed in the next section). The lending for this program could be done by reforming or repurposing existing federal and state programs described in the "Cost of Debt" section. The most direct way is for HUD to lend funds borrowed from the Treasury, as USDA did under the Section 515 program. Budget scoring would be the present value of the gap between the loan rate and the federal borrowing rate of the same term, plus expected losses from default in excess of credit coverage included. Congress would need to grant HUD this authority, and the agency would need increased staffing for implementation. Other options could use existing lending arrangements (like risk share or 221(d)(4)) and add a federal payment that covers the gap between the lender's rate and the program's rate, as HUD did under Section 236.

The larger the lender's spread over the Treasury rate, the larger the subsidy payment would need to be.

Subsidy Source

Ideally, the subsidy would not depend on annual appropriations, which would make funding more stable, and its source would have some connection to affordable housing. A revenue source that meets both of these criteria is the 10-basis point fee that is charged on loans held by Fannie Mae and Freddie Mac that was instituted in 2011 and has been extended through 2032 as part of the Infrastructure Investment and Jobs Act (Stegman 2021; CBO 2024). The Urban Institute estimates that the fee generated $4.5 billion for the federal government in 2020 (Stegman 2021). Using the assumptions listed in Figures 1 and 2, we estimate that at the average national median family income of $96,120 and a per-unit development cost of $300,000, this level of subsidy could finance 50,000 units annually, assuming direct federal lending. Below, we refine that estimate specifically for a set of large American cities that face high construction costs. This additional fee will expire in 2032 but could be extended and repurposed to support low-cost lending for affordable housing. The fee has a modest impact on homeowner affordability and leverages the financial benefits created for the GSEs by the federal government for public purpose. Of course, if this approach is not adopted, a fallback could be to rely on annual appropriations, with the risk of shifts in political support over time. Another type of dedicated tax could also be created as in Austria, but that approach seems quite unlikely to gain support in the US.

This proposal is similar to others that have been made in recent years, including the National Housing Crisis Task Force's proposal to modify and expand the FFB Risk Sharing program as well as a proposal by the Lafayette Square Institute to create a federal financing program through the Treasury Department to extend loans at near the government risk-free rate for multifamily housing (National Housing Crisis Task Force 2024; Williams and Deal 2026). But the proposed program would include several innovations, described in the sections that follow, relative to existing affordable housing programs.

Allocation and Affordability Targets

State and local HFAs would administer the allocation of the program. They would select projects, award the subsidy, and enforce the affordability requirements. Similar to the LIHTC program, each state would be allocated a portion of the total available federal subsidy according to a formula, similar to the ones used by the HOME and CDBG programs, designed to take into account both the population and the cost of development relative to incomes in each state. If a lender other than HUD makes the loan, HUD would pay the lender the spread between the lender's rate and the program's target rate for the life of the loan. The HFA would administer this contract.

Awards and allocations could be granted on a flexible, first-come, first-served basis or through a competitive QAP process, tailored to the state's priorities and market context. The state could determine how to allocate this subsidy to specific projects to achieve an interest rate between zero percent and the government risk-free rate. In recognition of the different market contexts in each state, the program would allow states to determine the affordability targets according to their own policy goals. States may also determine whether to prioritize new construction or acquisition and rehabilitation and whether to support homeownership approaches that entail some form of permanent affordability. The federal rules would specify a minimum degree of affordability to be achieved to be eligible for the program. We propose establishing the minimum as 80 percent of AMI for rental properties and 100 percent of AMI for limited-equity homeownership projects (such as community land trusts or limited-equity cooperatives). These affordability targets would both cap the initial rent or sales prices of the property to be affordable at this level and apply to resident eligibility on move-in, but there would not be any ongoing income test for continuing residents.

Required Equity and Limited Profits

The proposal calls for a simple capital stack of 90 percent low-cost debt and 10 percent equity for limited-profit sponsors or 100 percent low-cost debt for nonprofit or public sponsors. The requirement for an equity contribution serves several purposes. First, it provides a degree of skin in the game on the part of the development sponsor so they have an incentive to maintain the properties over time to preserve their equity. Second, it provides a portion of the capital stack with a variable rate of return to support greater affordability or greater production. A target of 10 percent equity was chosen based on the Section 236 precedent, but the amount could be adjusted in consideration of the degree of risk sharing sought and the impact of overall capital costs.

A key part of the precedents discussed above is that returns are allowed on owner equity, but these returns are capped to maintain affordability. For example, in Austria the cash return on initial LPHA equity is capped at 3.5 percent, while in the Section 236 program it was capped at 6 percent, with additional returns coming from the tax code. We propose a 6 percent capped return on limited-profit sponsors' equity. We expect this equity to come from sponsors themselves, from mission-driven investors like foundations, universities, and hospitals, and from land contributions. If there is not sufficient interest from investors at a 6 percent return, HFAs could increase the return, tie it to a certain spread above Treasury rates, or introduce additional profits through the tax code. States would also be able to set a lower rate of return on equity as a lever that could be used to achieve affordability targets and incentivize socially motivated investments by public or private entities. States might also require higher levels of equity investment, including contributions of land from local governments, as a means of achieving greater affordability or supporting more developments. However, to avoid increasing the complexity of individual deals, any additional sources of equity would have to conform to the regulatory requirements of the loan program.

Rent Setting

Rather than regulate rents by tying them to income levels, rents would be set based on the financing and operating costs of the development, the allowed return on equity, and adequate reserves for maintenance and improvements. The exact formula chosen for calculating eligible costs is a crucial implementation detail that would require further research and consultation with potential lenders and sponsors. The administering HFA could use each property's audited costs, a standard cost allowance, or a fixed formula to set rents. The approach used in Austria provides a particularly useful model of a process for setting rents that has proven safe and effective over time (Koessl 2022).

This approach to rent setting has several advantages. It simplifies property management, since owners no longer need to certify incomes each year or set rents based on individual tenant income. We propose that tenant incomes be documented upon move-in to ensure compliance with targeted affordability goals but that incomes do not need to be documented in subsequent years. This policy will also help support a broader range of income mixing in developments, which is a hallmark of European housing systems. Charging cost rents protects developments from shortfalls in income during periods of inflation when costs outpace incomes. While this does increase financial risks for tenants, to the extent that this cost basis is able to produce rents below market rates, as it does in Austria, tenants will still have the benefit of rents below market levels even in years when an annual increase is greater than income gains. In fact, as simulations shown below illustrate, even in the high-inflation environment of the US in recent years, cost-based rents would have grown more slowly than incomes, according to HUD AMI data, in most of the markets simulated. Lower-income tenants may also be protected to the extent that these developments are able to attract voucher-holding residents who would be protected from this inflation.

Project Ownership

Where the financing instrument sets the depth of affordability and the process for setting rents, eligibility for this financing has the potential to be broad without diluting its public purpose. The financing can be used to support rental, limited-equity cooperatives, and community land trusts, and it can fund both new construction and the acquisition and rehabilitation of existing buildings. There would be no restriction on the types of entities eligible for financing, and eligible entities could include public-sector entities, nonprofit organizations, limited-equity cooperatives, and private sponsors, as long as they agree to the affordability and oversight restrictions required by the financing.

Permanence

The program would be designed to avoid the expiring use problem that has plagued previous low-cost financing efforts by ensuring that the housing remains permanently affordable. The model for this is the State of Vermont's requirement that LIHTC developments remain affordable in perpetuity (Abraham 2024). This is done by requiring that the property's deed record the affordability restrictions and that the state or its designee be given the right of first refusal, allowing it to purchase the property on any sale. The limits on profit would apply to the sale so the initial equity would be returned to the owner, but the owner could not extract any gain beyond the dividends paid over the life of the existing loan. The experience from other countries suggests that maintaining housing under affordability restrictions in perpetuity has the potential for supporting even greater affordability. In Austria, after the public loan is paid off, rents fall to a low base rent. Of course, achieving this result is predicated on having contributed to investment in maintenance and replacements at an adequate level over the life of the loans.

Oversight

The risk of poor management can be addressed by proper regulatory oversight, including conducting annual financial audits and periodic physical inspections as well as granting the regulator the authority and capacity to step in and take over a troubled property. As stewards of the program at the state level, HFAs would be given responsibility for oversight of properties to ensure proper and effective management. Because costs are passed through to rents, the regulating entity would also need rules on allowable costs, related-party contracts, procurement, and more. Under LIHTC, much of this work falls onto equity investors, whose tax credits depend on the property staying in compliance. Section 236 serves as a cautionary tale for sponsors with no equity contribution: the GAO found that nonprofit sponsors, which borrowed 100 percent of cost, defaulted more often than limited-dividend, profit-oriented sponsors (GAO 1978). Once again, many international models, like Austria's and Denmark's, have long, successful histories of adequate and effective oversight.

Complementary Programs

The low-cost loan program can also be supplemented by complementary programs to support greater affordability or other policy goals. As noted above, an obvious complement are housing vouchers that cover the difference between 30 percent of renters' income and a regulated rent limit. With the goal of supporting deeper affordability and providing housing options for voucher holders, developments financed through the program would be required to accept Housing Choice Vouchers. The virtue of the cost-rent system is that these rents are below market rates, lowering the programmatic cost of a voucher program. In the case of for-profit owners, income tax incentives could also be provided to lower required returns from rents. For instance, investors

in the Section 236 and 515 (prior to 1986) programs also received accelerated depreciation benefits. Affordability can also be supported through public land donations or by land use regulations that favor affordable housing development, such as those employed in Austria (Koessl 2025). Public or nonprofit ownership may also enable abatements from local property taxes to reduce operating expenses (Hornung and Shroyer 2025). Public grant programs may also support incorporation of more energy-efficient systems to reduce operating costs as well as carbon emissions.

Significantly, the program is intended to complement the LIHTC program by serving other income levels and supporting more diverse housing types and scales. It is not intended to work in conjunction with LIHTC, as the regulatory approaches to eligibility and rent setting are quite distinct.

Application for Limited-Return Homeownership

As noted, the loan program can also be used in conjunction with limited-return homeownership, such as community land trusts or limited-equity cooperatives. For example, consider the case of a limited-equity cooperative. In such a case, a resident would be expected to make an equity contribution and would use an individual loan to purchase their share of the home. In addition, they would pay a monthly rent to the land trust or cooperative for common and shared expenses, such as land rents and collective operating costs. When the homeowner wishes to sell the home, the resale price would be limited by an agreed-upon formula while still allowing the resident to share in gains in value and also recoup any initial equity investment and paydown of principal on their loan. A variety of approaches could be determined to set the resale price, such as by providing a fixed rate of return on the homebuyer's original equity investment or a return determined by changes in home prices generally.

Implementation at State or Local Levels

The general approach outlined above—where a government agency uses its strength in the financial markets to provide financing at the lowest possible cost and some source of public subsidy is used to write down the interest rate to as low as 1 percent—can be replicated at lower levels of government. In Colorado, the State Affordable Housing Fund created by Proposition 123 dedicates 0.1 percent of state income tax to support affordable housing.[14] Part of this funding is used for below-market mezzanine loans as well as grants to support affordable housing. Through a sequence of ballot initiatives, the City of Seattle created the Seattle Social Housing Developer with a dedicated funding stream from a payroll tax paid by employers on employee compensation above $1 million.[15] The public agency recently acquired its first property, which is an existing privately developed apartment building completed in 2019. Neither Colorado nor Seattle follows the cost-rent model combined with limited profits for equity investors proposed here, but they demonstrate that states and cities do have the capacity to generate subsidies and tap borrowing

capacity in support of affordable housing; such programs could employ the cost rent, limited-profit approach in pursuit of flexible affordability targets aligned with market conditions and policy goals.

Simulations of Affordability Achieved and Program Costs

To examine the degree of affordability that such a loan program could achieve in different market contexts, we have simulated the potential of this program across 18 large cities. The simulation uses a set of assumptions about development and operating costs, built from publicly available data, that are directly comparable across the markets. When possible, deliberately conservative assumptions are chosen so as to not overstate the efficacy of the program. The markets used in the simulations all have higher costs and AMIs than national averages, so the costs of the program would likely be lower in most places in the country. The simulations are run for three estimates of development cost tiers—low, median and high—to show the sensitivity of the findings to these assumptions. Details of the simulation are presented in the Appendix, with the key results summarized here.

The simulations find that the proposed program is financially viable in all 18 markets, although the depth of subsidy required varies significantly. In some markets, like Austin, the market can nearly support 80-percent-of-AMI new construction at the low end of total development costs without subsidizing the cost of capital below the 30-year Treasury. In areas like this, where supply is plentiful, policymakers could direct the program toward deeper affordability. For example, using the same variables in the simulation, at a 1 percent cost of capital in Austin, the median cost estimate supports units at roughly 62 percent of AMI, priced at $1,878 for a two-bedroom.

Conversely, in a high-cost market like San Francisco, a developer would need a cost of capital below 1 percent to make 80-percent-of-AMI units pencil at the low end of its development cost range. High-cost markets like San Francisco often have a severe undersupply of units, especially new construction in this missing-middle range, so deep subsidy may be warranted for shallower affordability. Chicago is another city likely requiring deeper subsidy: despite medium development costs compared to the other markets, its comparatively low AMI results in lower rents than in peer cities. Here, because new construction is difficult to finance, public officials may elect to incentivize acquisition strategies. A public agency could purchase and rehabilitate housing in a neighborhood at risk of gentrification: if this were done for $300,000 a unit, the units could be rented at 80 percent of AMI, all for a cost of capital of 2.36 percent.

Under the Federal Credit Reform Act of 1990 (FCRA), the federal government records the estimated cost of a direct loan in the year it is made. The estimate reflects expected repayments, defaults, recoveries, and fees, which are then discounted at Treasury rates, and are revised as loan performance and rates change over time. Administrative expenses are budgeted separately. The calculations below estimate only the interest-subsidy component, assuming scheduled repayments in full and excluding administrative expenses. Because the subsidy in the proposed program comes entirely from the interest rate, the government knows the full budgetary impact of

a unit on the day the loan closes, and the unit then stays affordable for 40 years without a further appropriation. For simplicity, we discount all repayments at the average 30-year Treasury rate for 2026, 4.95 percent, calculated from the Treasury Daily Par Yield Curve through August 20. The Office of Management and Budget scores new programs by discounting each year's cash flow at that year's zero-coupon Treasury rate using the Budget's projected rate path, so actual scored costs would differ slightly.

By taking the median income, operating expense, and development costs across all 18 markets, we can estimate the cost of a representative deal in a major American city. This composite market has a three-person AMI of $121,800, meaning that a two-bedroom rent at 80 percent of AMI would be $2,436. The median annual operating expense is $11,129. **Figure 4** takes the median low, midpoint, and high cost estimates across the 18 cities.

If Congress appropriated $4.5 billion from the revenue derived from the 10-basis point fee on GSE originations toward this program, we can estimate how many 80-percent-of-AMI units could be produced in this composite market, as seen in Figure 4: roughly 60,000 at the low end of the cost range and 20,000 at the midpoint. To avoid overstating the program's efficacy, all units are assumed to be built by public or nonprofit sponsors, who would receive the 100 percent loan. If built by a limited-profit sponsor, at 90 percent loan to cost, the budgetary impact would be lower. At the high-end cost estimate, this composite development would not pencil with 80-percent-of-AMI rents without a land contribution or other local grant or equity. These 18 metros include many of the most expensive places to build in the country, so it is likely that a true national average would result in a number closer to the low end.

Figure 4 | Program Viability in a Composite Major Market at Low, Midpoint, and High Cost Estimates

	LOW COST OF DEVELOPMENT	MIDPOINT COST OF DEVELOPMENT	HIGH COST OF DEVELOPMENT
TDC /unit (1,000 gsf)	$327,206	$470,588	$613,971
AMI affordable at 1% cost of capital	65 percent	79 percent	94 percent
Federal Budget Cost Per Unit for 1% Loan	$154,440	$222,115	$289,791
Cost of capital for 80 percent AMI	3.18%	1.07%	Not feasible
80-percent-of-AMI units achievable with $4.5 billion	59,686	20,569	Not feasible

One of the central concerns with a cost-rent approach is that it exposes tenants to changes in operating costs. In a LIHTC development, rents are capped at a share of AMI, so they rise alongside area incomes. Under cost rent, rents follow the actual cost of running the building, so an increase in insurance, utilities, or maintenance gets passed through to tenants. The high inflation of 2021 to 2023 offers a useful test of how much this matters in practice. Hard cost and operating expense data for 12 of the markets in our simulation extend back to 2020, so we can observe how a development built in that year would have fared.

The results show both the trade-offs and strengths of the cost-rental approach. Operating expenses in these markets grew faster than incomes over the period. In some places, tenants would have felt this directly. In Honolulu, incomes dipped in 2021 just as operating costs rose, and for the next few years a cost-rent tenant would have paid more relative to AMI than a tenant in a traditional affordable unit. But this was a temporary pressure. Because debt service takes up the largest share of the cost, and it stays fixed for the life of the loan, only the operating portion of the rent rises with inflation. As incomes caught up, rents steadily fell relative to AMI. Across the 12 markets, a unit that started at 80 percent of AMI in 2020 would have been affordable at roughly 70 percent of AMI by 2026 (**Appendix Figures A4 and A5**).

7. Summary and Conclusion

In this paper, we proposed a system of financing affordable housing that is simple, widely available, and supports affordability. Drawing on precedents from the US and abroad, the proposed program attempts to balance the goals of availability and affordability. It widens availability by tapping into government's ability to borrow at near risk-free rates; it deepens affordability by identifying sources of subsidy to reduce borrowing costs even further. The need for subsidies to achieve affordability targets reduces the ability to scale the program, but starting from the government's risk-free rate extends the scale of the program further than it otherwise could reach.

The simplicity of the approach is achieved in large part by trying to keep the sources of capital to a minimum. The proposed approach would rely on low-cost debt for 90 or 100 percent of the required capital, with socially motivated equity accounting for the remaining 10 percent for limited-profit sponsors. The simplicity of the capital stack, however, does have a significant drawback, which is that, given differences across markets in development and operating costs as well as income levels, there is not a "one-size-fits-all" approach to the level of affordability that can be achieved. The program addresses this challenge with two features. First, it allows the target level of affordability to vary across states to align with market conditions and policy goals, with a minimum level specified at 80 percent of AMI for rental and 100 percent of AMI for limited-equity homeownership developments. Second, the program requires the use of cost rents based on operating costs and a capped return on equity to ensure that projects are financially feasible

under different market contexts. This is an approach used under the Section 236 program and in Austria's highly successful limited-profit housing sector.

A significant concern with the proposed program is that even with the commitment of significant subsidies, the level of affordability achieved is arguably modest, with most markets initially limited to achieving rents affordable at 60 to 100 percent of AMI for new construction; these rents would then fluctuate with operating expenses over time. However, there are several factors that may mitigate this drawback. First, states may opt to reduce the rate of return and/or increase the amount of social equity included in the capital stack (such as through land donations or grants) to achieve greater levels of affordability without complicating the financing scheme. Second, a focus on acquisition and rehabilitation of existing housing with lower costs per unit would allow for deeper affordability. Third, developments may be required as part of the program to accept Housing Choice Vouchers and would thus provide a source of good quality housing for renters who struggle to secure housing in the private markets (Ellen et al. 2025). Lastly, it is also important to consider the potential of these developments to support increasing degrees of affordability over time. With debt accounting for the most significant portion of ongoing costs and this cost being fixed for 40 years, cost rents would be expected to fall in real terms over time. It is by this means that rents in the developments in Austria and Denmark are substantially below market rates. Further affordability will also be supported by increasing the equity holdings of housing organizations participating in the program as debt is paid off over time, allowing the social equity portion of future developments to be larger. This is also a feature of the affordable housing systems in Austria and Denmark which have been developed over much of the last century.

Using the national illustration, with development costs at $300,000 per unit and the national median AMI, $4.5 billion in subsidy could produce approximately 50,000 units each year. Given the need for affordable housing in the millions of units, a program at that scale may seem insufficient. But if this housing is sustained over time, the scale will become more substantial, much as the LIHTC program through its now 40-year history has now supported more than 4 million housing units.[16] And if the program is successful, its scale could be expanded to build up the housing stock even more quickly.

Appendix: Simulations of Affordability Achieved and Program Costs

To examine the degree of affordability that such a loan program could achieve in different market contexts, we have simulated the potential of this program across 18 large cities. The simulation uses a set of assumptions, built from publicly available data, that are directly comparable across the markets. When possible, deliberately conservative assumptions are chosen so as to not overstate the efficacy of the program. The markets used in the simulations all have higher cost (and AMIs) than national averages, so the costs of the program would likely be lower in most places in the country.

The simulation below is for a hypothetical new construction multifamily development, entirely of two-bedroom units at 1,000 gross square feet each. The AMI rents are calculated using HUD's annual Multifamily Tax Subsidy Projects (MTSP) Income Limits. The total development cost per unit is calculated from a variety of sources. These estimates are not expected to be perfectly calibrated to market conditions, but by employing a low, median and high cost estimate we shed light on the sensitivity of the simulated outcomes to these cost assumptions. We use the global construction consultancy Rider Levett Bucknall's 2026 Q1 low and high per-square-foot hard construction cost estimates for multifamily housing; these estimates cover 18 markets (Rider Levett Bucknall 2026). No source publishes market-specific soft cost data, so a flat 25 percent increase is added onto all hard cost assumptions. Land cost is highly variable depending on the development. A recent working paper from the Federal Housing Finance Agency uses FHFA data to estimate land value for the entire country, including at the county level (Davis et al. 2019). We use this data to sort each market into land price tiers ranging from 10 percent to 25 percent of TDC. Operating cost data come from CohnReznick, an accounting, tax, and advisory firm, which publishes annual LIHTC operating costs for every county in the country.[17] We pull LIHTC operating cost data for the county that contains the largest city in each market. LIHTC properties likely have higher operating costs than other multifamily buildings, which makes this assumption on the conservative side. **Figure A1** lists the 18 markets and key elements of the assumptions used in the simulations.

Figure A1 | Income and Cost Assumptions Across 18 Markets

CITY	3-PERSON MTSP AMI	2BR RENT @ 80% AMI	HARD COST $/SF (LOW / HIGH)	SOFT COST $/SF @ 25% OF HARD (LOW / HIGH)	FHFA LAND TIER, LAND $/SF (LOW / HIGH)	2026 OPEX
Austin	$121,000	$2,420	$185 / $275	$46.25 / $68.75	15%—$40.81 / $60.66	$9,609
Boston	$154,300	$3,086	$290 / $390	$72.50 / $97.50	20%—$90.62 / $121.88	$17,465

continued

Figure A1 | Income and Cost Assumptions Across 18 Markets *(continued)*

CITY	3-PERSON MTSP AMI	2BR RENT @ 80% AMI	HARD COST $/SF (LOW / HIGH)	SOFT COST $/SF @ 25% OF HARD (LOW / HIGH)	FHFA LAND TIER, LAND $/SF (LOW / HIGH)	2026 OPEX
Charlotte	$105,700	$2,114	$215 / $365	$53.75 / $91.25	10%—$29.86 / $50.69	$7,196
Chicago	$109,400	$2,188	$220 / $490	$55.00 / $122.50	10%—$30.56 / $68.06	$11,618
Dallas	$109,000	$2,180	$190 / $280	$47.50 / $70.00	10%—$26.39 / $38.89	$9,625
Denver	$129,600	$2,592	$225 / $400	$56.25 / $100.00	15%—$49.63 / $88.24	$11,347
Honolulu	$138,600	$2,772	$310 / $520	$77.50 / $130.00	20%—$96.88 / $162.50	$12,186
Las Vegas	$95,000	$1,900	$215 / $510	$53.75 / $127.50	10%—$29.86 / $70.83	$7,424
Los Angeles	$149,900	$2,998	$270 / $440	$67.50 / $110.00	20%—$84.38 / $137.50	$12,122
Miami	$122,600	$2,452	$190 / $290	$47.50 / $72.50	15%—$41.91 / $63.97	$11,272
Minneapolis	$118,400	$2,368	$245 / $435	$61.25 / $108.75	10%—$34.03 / $60.42	$10,706
Nashville	$104,500	$2,090	$215 / $375	$53.75 / $93.75	10%—$29.86 / $52.08	$8,587
New York	$152,700	$3,054	$255 / $500	$63.75 / $125.00	25%—$106.25 / $208.33	$13,843
Phoenix	$101,200	$2,024	$200 / $295	$50.00 / $73.75	10%—$27.78 / $40.97	$8,894
Portland	$115,500	$2,310	$350 / $450	$87.50 / $112.50	15%—$77.21 / $99.26	$10,986
San Francisco	$189,100	$3,782	$420 / $700	$105.00 / $175.00	25%—$175.00 / $291.67	$20,280
Seattle	$148,000	$2,960	$290 / $495	$72.50 / $123.75	15%—$63.97 / $109.19	$10,920
Washington	$149,500	$2,990	$220 / $370	$55.00 / $92.50	20%—$68.75 / $115.62	$12,896

Figures A2 and A3 display a range of financially viable outcomes across the 18 cities. Using Rider Levett Bucknall's low and high hard cost assumptions, with the above assumptions for soft

cost and land added in, we produce a range of potential development costs, represented by the colored bands. The dot for each city is the midpoint for each band.[18] The simulated development costs are directionally accurate but not intended to capture outliers—the reader is encouraged to follow the slope of each band to test the viability at different costs. For both figures, each city's specific AMI is used in the calculations.

The Y axis on Figure A2 shows the cost of capital repaid over 40 years. For the 100 percent debt-financed version of the program, open to public and nonprofit sponsors, this is the rate needed for the development to set initial rents at 80 percent AMI and then trend with operating expenses. For-profit sponsors, with their 10 percent equity requirement and limited return, would need a slightly deeper subsidy (although with a lower budgetary score) to realize the cost of capital on the figure. As is common in affordable lending today, loans are underwritten to a 1.15 debt service coverage ratio (DSCR) with an assumed 5 percent vacancy rate. A cost-rental program could, theoretically, support lower DSCR than typical affordable housing lending as rents will include reserves for maintenance and improvements, but we use this common ratio to be conservative.

Figure A2 | Cost of Capital Needed for 80 Percent AMI Housing Across 18 Markets

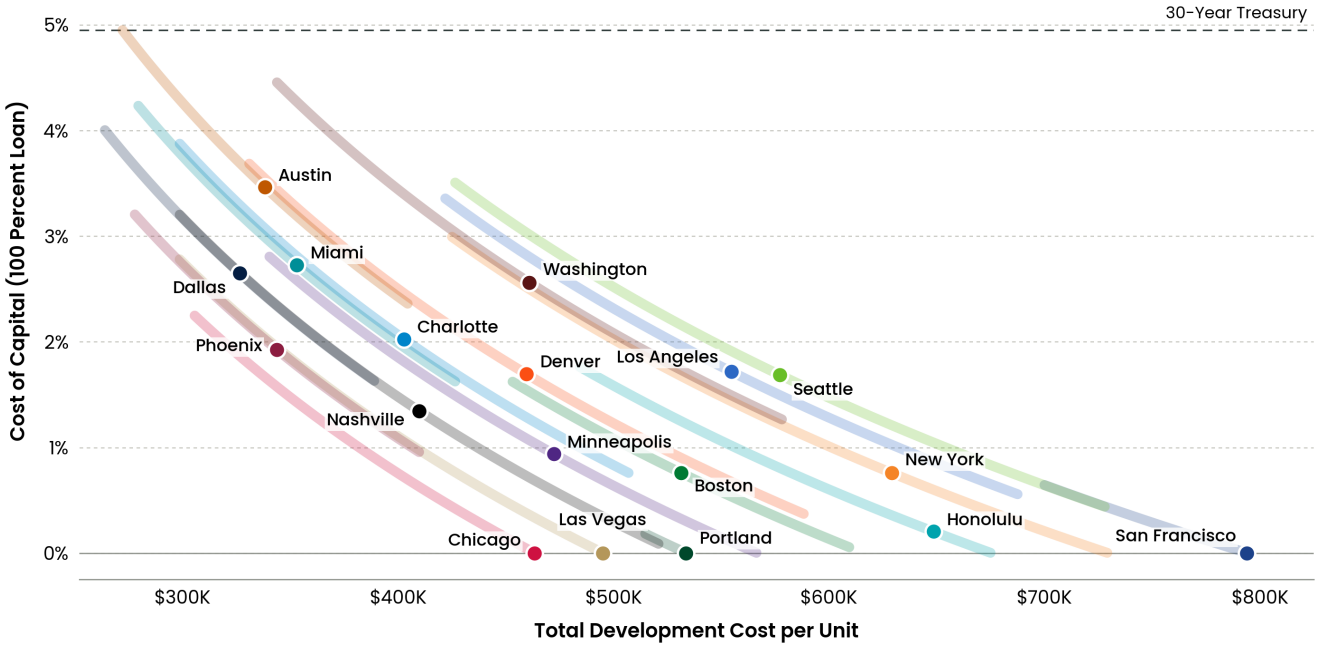
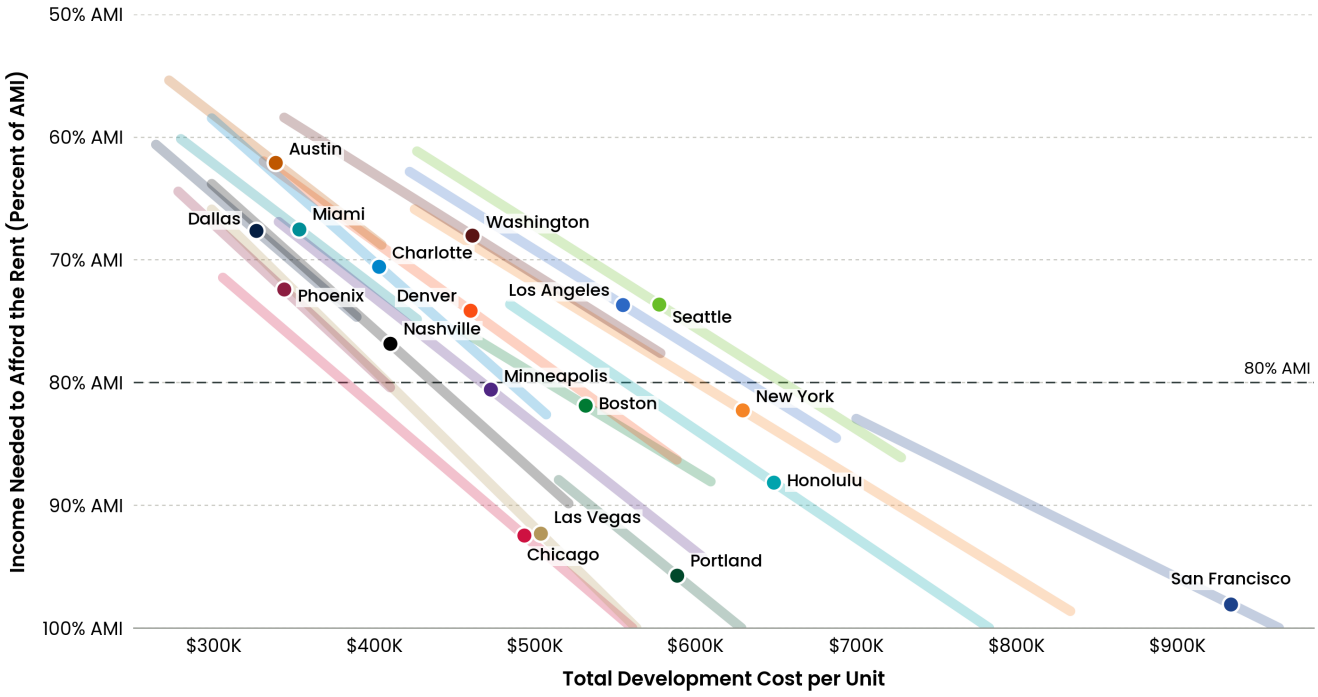


Figure A3 | AMI Achieved with 1 Percent Cost of Capital Across 18 Markets



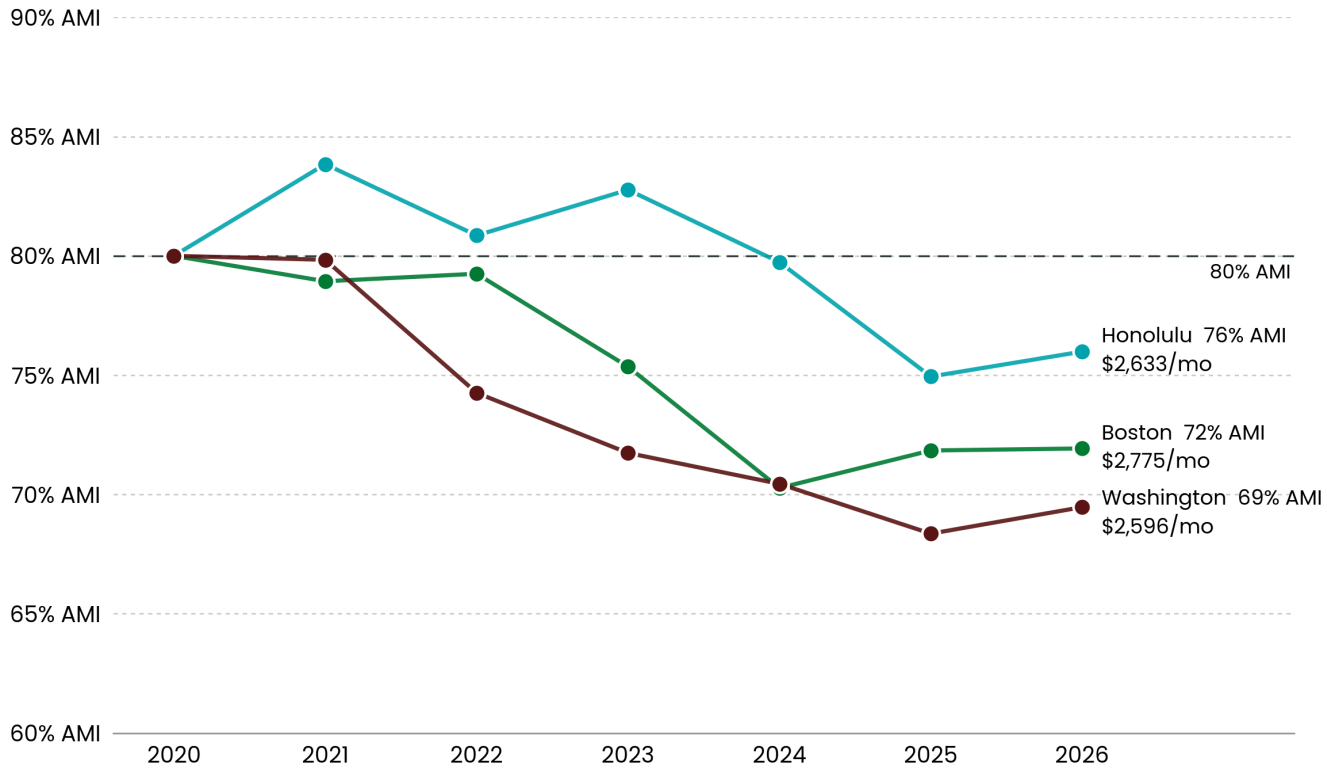
2020–2026 Retrospective

All key data sources for the simulation extend back to 2020, allowing us to observe how the program would have fared in response to changing market conditions, including importantly the high rate of inflation that occurred over this period. Many Sunbelt markets were added to Rider Levett Bucknall's database only in 2025 and 2026, leaving only 12 markets (predominantly high-cost) with complete data for a retrospective analysis.[19]

The time-lapse sequence allows us to compare how a tenant in a cost-rental development would have fared during this period. **Figures A4 and A5** simulate the rent burden that tenants in Honolulu, Boston, and Washington, DC would have experienced under this program. To model this, we use the same set of assumptions as above applied to cost, AMI, and operating expense data for each year. For each of these three cities, we simulate rent growth for a development built in 2020, meaning that the initial rents are set at 80 percent AMI in that year and trend exactly (while debt service remains fixed) with changes in CohnReznick's operating expenses. This simulation shows both the trade-offs and strengths of the cost-rental approach. In Honolulu from 2020 to 2024, inflation in operating expenses outran AMI growth, leading to worsened affordability than if the units were traditional affordable housing rents and capped at the AMI threshold. On the other hand, Boston and Washington (alongside Honolulu, by 2025) saw AMIs outpace operating expenses, which results in a gradual deepening of affordability relative to AMI. Of course, rents would still be increasing annually during this time, and the post-COVID period saw HUD employing new methods to calculate AMI that resulted in higher estimates, raising rents tied to AMI.

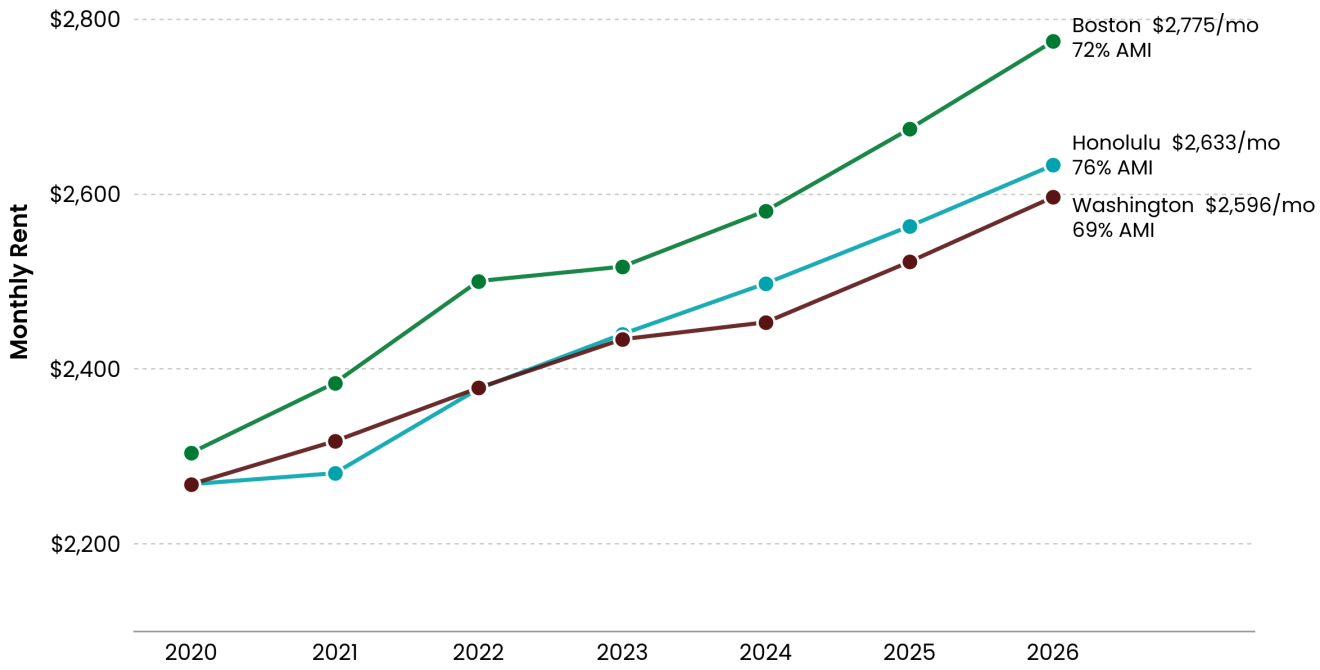
Tenants without vouchers in LIHTC developments thus also face the risk that rent will grow faster than income: their individual rent burden would increase if their income lagged behind increases in AMI.

Figure A4 | How Cost Rent Would Have Tracked AMI Across Three Markets



Note: 2025 and 2026 operating expenses are estimates, grown 7 percent a year from 2024 actuals.

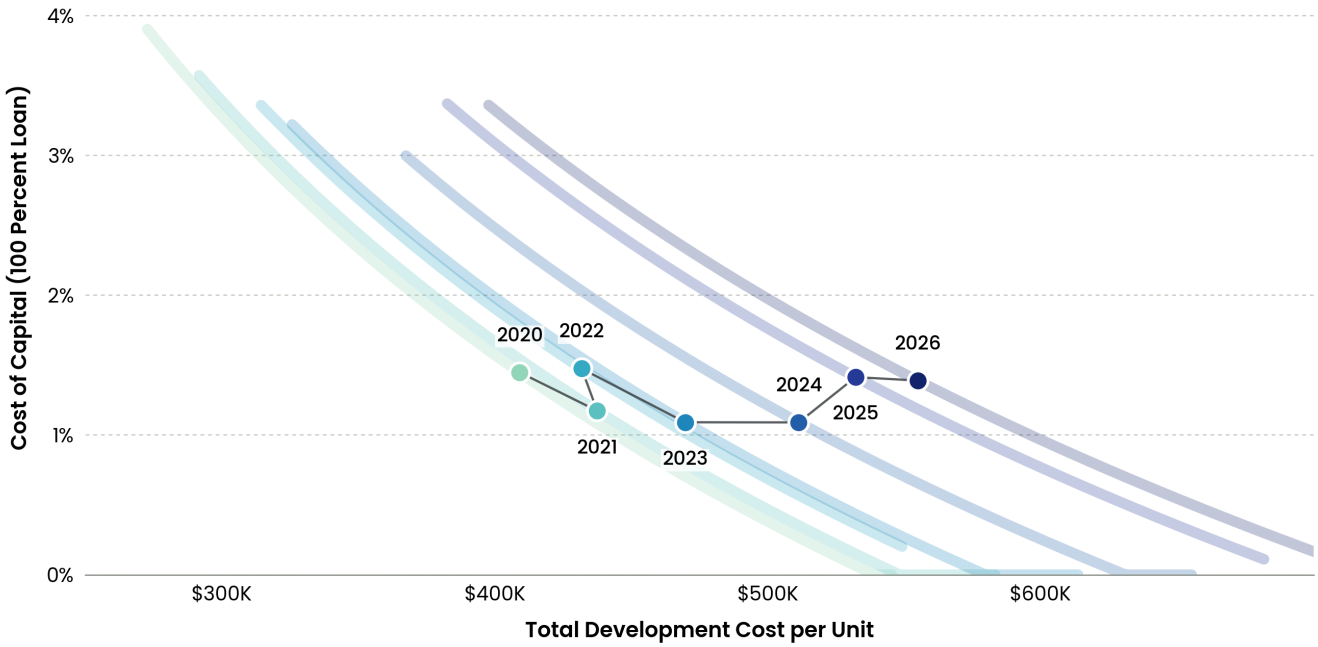
Figure A5 | How Rent Would Have Increased Under Cost Rent Across Three Markets



Note: 2025 and 2026 operating expenses are estimates, grown 7 percent a year from 2024 actuals.

We can also use the time-lapse data to observe how the program would have fared overall. Using the same median, composite approach for AMI and costs as used to calculate the budget scoring, **Figure A6** shows how the program would have absorbed the increases in development and operating costs over time. From 2020 to 2026, development costs in the composite market rose 36 percent, income limits rose 41 percent, and operating expenses rose 54 percent. From 2020 to 2021 and 2022 to 2023, the subsidy required to build an 80 percent AMI unit would have increased due to inflationary pressures. From 2024 to 2026, income limit growth outpaced construction cost growth, and the cost of capital the composite market could support rose from 1.09 percent to 1.47 percent, easing the subsidy the program required. Operating expenses grew faster than incomes throughout the period.

Figure A6 | Cost of Capital to Build 80% AMI Housing, Median of 12 Markets



Note: 2025 and 2026 operating expenses are estimates, grown 7 percent a year from 2024 actuals.

However, as previously explained, the budgetary cost of this program is set by the government's own rate of borrowing, so the most relevant comparison is the spread between the cost of capital in Figure A6 and the Treasury rate. The larger the spread between the two, the greater the subsidy required. Figure A6 shows that the cost of capital to deliver 80 percent AMI housing in the composite market stayed between 1.09 percent and 1.39 percent across the entire timespan, fluctuating based on the growth in incomes versus development and operating costs. During that same timespan, the average 30-year Treasury rate rose from around 1.5 percent to over 5 percent.

Notes and References

Notes

1. Later in the paper we consider examples of actual development and operating costs from different market contexts.
2. For the $8,000 annual operating expense assumptions, see Fang and St. Pierre (2025).
3. Housing Opportunities Commission of Montgomery County, "Housing Production Fund," n.d., https://www.hocmc.org/about-us/innovations/housing-production-fund/.
4. Philadelphia Housing Authority, "Philadelphia Housing Authority Announces $302.5 Million in Guaranteed Revenue Bonds," press release, August 18, 2025. https://www.pha.phila.gov/philadelphia-housing-authority-announces-302-5-million-in-guaranteed-revenue-bonds/.
5. There are several nuances to rent setting in public housing. The calculation of income includes a number of exemptions and the public housing authority may charge a minimum rent. For details on this process, see HUD, "How is my rent calculated in Public Housing?" https://files.hudexchange.info/resources/documents/How-Is-My-Rent-Calculated-in-Public-Housing.pdf. Tenants may also opt to pay a flat rate related to market rent levels (Finkel and Lam 2008).
6. Or new debt can be added to fund necessary improvements, although the level of financing needed should be less than initial development costs and would also be offset by accumulated reserves.
7. Koessl 2022 (Production, Debt Product, Equity, Rent Setting, Affordability Level, Funding Allocation, Affordability Term, Oversight); Pittini et al. 2021 (Debt Product, Equity, Tenant Contribution); Reinprecht 2014 (Years Active, Subsidy Source, Tenant Subsidy, Ownership).
8. Turnbull 2025 (Production, Debt Product, Subsidy Source, Equity, Tenant Contribution, Rent Setting, Affordability Level, Tenant Subsidy, Ownership, Affordability Term); Pittini et al. 2021 (Funding Allocation); Vestergaard and Scanlon 2014 (Years Active, Oversight).
9. Affordable Housing Act 2021 (Years Active, Rent Setting, Affordability Term); Citizens Information Board 2026 (Rent Setting, Affordability Level, Tenant Subsidy, Ownership, Oversight); Department of Housing 2023 (Debt Product, Subsidy Source, Equity, Funding Allocation); Housing Agency 2026 (Debt Product, Equity, Ownership); Byrne 2024 (Debt Product); Kelly 2026 (Production).
10. GAO 1978 (Years Active, Debt Product, Equity, Rent Setting, Affordability Level, Ownership, Oversight); HUD 2025b (Production, Debt Product, Subsidy Source, Tenant Subsidy, Funding Allocation, Affordability Term).
11. HUD 2025b (Years Active, Debt Product, Subsidy Source, Rent Setting, Affordability Level); HAC 2022 (Production, Tenant Subsidy, Ownership, Affordability Term, Oversight); NRHC 2011 (Debt Product, Tenant Subsidy, Ownership); 7 CFR 3560.63 (Debt Product); 7 CFR 3560.68 (Equity); 7 CFR 1940.575 (Funding Allocation).
12. Thus, if tenant incomes were very low, they would be charged the floor rent even if it were more than 30 percent of their income. In the event that tenants' incomes were very high and they could afford more than the ceiling rent at the 30-percent-of-income standard, they would be charged only the ceiling rent. Tenants whose incomes supported rents between the ceiling and the floor would pay 30 percent of their income.
13. For further information, see Urban Institute, "How Has Federal Spending on Place-Based Programs Changed over Time?" May 28, 2026, https://www.urban.org/data-tools/spending-federal-place-based-programs.
14. For information on the State of Colorado Housing Affordability Fund sources and uses, see Colorado Department of Local Affairs, "About Proposition 123," https://cdola.colorado.gov/about-proposition-123.
15. For information on the Seattle Social Housing Developer funding and operations, see the organization's website, https://seattlesocialhousing.org/.
16. See ACTION Campaign, "Low-Income Housing Tax Credit: Impact on the United States," updated February 2026, https://rentalhousingaction.org/wp-content/uploads/2026/03/ACTION-NATIONAL-FEB-2026.pdf.

17. CohnReznick has not published 2025 nor 2026 operating cost data. We assumed 7 percent annual inflation, in line with the 2020–2024 average.
18. In Figure A2, Chicago, Portland, and San Francisco's midpoints are all below a zero percent Cost of Capital. At a 1 percent loan, the midpoint of estimated development costs could support rents at 93, 96, and 98 percent of AMI, respectively.
19. The 12 markets: Boston, Chicago, Denver, Honolulu, Las Vegas, Los Angeles, New York, Phoenix, Portland (Oregon), San Francisco, Seattle, and Washington, DC.

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RESEARCH

FOR THE

National Housing Crisis Task Force

National Housing Agenda

Data: Building a Robust Housing Data System for the 21st Century
(New America)

Regulation: The Role of States in Planning for Housing in the 21st Century
(Terner Center for Housing Innovation at UC Berkeley)

Land: The Public Land Dividend
(Lincoln Institute of Land Policy)

Capital: Financing Cost-Rental Housing
(Harvard Joint Center for Housing Studies)

→ **Construction: Catalyzing Factory-Built Housing**
(Terner Center for Housing Innovation at UC Berkeley)

Operational Sustainability: Built to Last
(NYU Furman Center)

Governance: Remaking Housing Federalism for a New Era
(New Localism Associates)

NATIONAL HOUSING CRISIS TASK FORCE

NATIONAL HOUSING CRISIS TASK FORCE

CONSTRUCTION

Catalyzing Factory-Built Housing: Policy Themes Across Four State Ecosystems

ABSTRACT

The United States faces a persistent housing shortage, driven in part by rising construction costs, labor shortages, and slow-moving innovation in the building sector. Factory-built housing (FBH) offers a potential pathway to reduce costs and shorten timelines, but scaling the industry requires coordinated state-level policy action.

The report builds on prior Terner Center research identifying seven key policy themes for FBH in California: building code reform, process streamlining, financial risk reduction, demand aggregation, workforce development, funding stream modifications, and public education.

It examines whether the themes identified for California hold across different market contexts by comparing Colorado, Virginia, and Michigan—three states with distinct geographies, housing needs, and levels of FBH market maturity. Drawing on semi-structured interviews with industry, government, and academic stakeholders in each state, the research finds that the original policy themes remain broadly relevant, even as each state prioritizes and implements them differently based on local conditions. While all four states show growing awareness of the barriers to FBH adoption, none has yet pursued a fully coordinated policy strategy.

The report concludes that states seeking to build a sustainable FBH market should focus on four interlocking priorities: removing regulatory and process barriers, unlocking financing, coordinating demand, and investing in workforce development and public perception to support long-term market growth.

NATIONAL HOUSING CRISIS TASK FORCE

ABOUT THIS PAPER

Catalyzing Factory-Built Housing: Policy Themes Across Four State Ecosystems

Research for the National Housing Crisis Task Force's
National Housing Agenda

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About this series

This paper was produced by the Terner Center for Housing Innovation at UC Berkeley in partnership with the National Housing Crisis Task Force.

The Task Force supported the creation of seven papers, which together span the building blocks of our housing system: data, regulation, land, capital, construction, operational sustainability, and governance. This paper addresses construction, and the entire collection can be found at nationalhousingcrisis.org/HousingWhitePapers.

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PUBLICATION NOTES

Research independence

While the Task Force commissioned this collection, it does not formally endorse its findings; the views expressed are those of the authors. Task Force members and co-chairs, who participate and are quoted in their individual capacities rather than on behalf of their organizations, bring a range of professional and lived experience to their work and may not agree with every statement in every paper, but remain committed to working together on solutions to the housing crisis.

Institutional statement

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1. Introduction

The United States is grappling with an acute housing crisis, marked by a deficit of millions of homes that has driven affordability to historic lows across both coastal and inland communities.[1] This shortage is driven in part by unfavorable project development economics; construction costs are rising because of labor shortages around the country, volatile supply chains, and the slow pace of innovation in the construction sector.[2,3]

Industrialized construction (IC) has emerged as a potential lever to lower these costs by shifting production away from variable on-site conditions to controlled factory environments that increase productivity and reduce waste.[4] IC refers to a broad spectrum of practices that apply the ideas and methods from the manufacturing industry to housing design and construction.[5] A subset of IC is factory-built housing (FBH)—the subject of this paper—where substantial portions of a residential building are built off-site and installed on-site. FBH includes both volumetric modular (entire units that are built off-site), as well as panelized construction (walls or floors that are built off-site and assembled on-site). This report does not address the U.S. Department of Housing and Urban Development (HUD) Code homes, which are also factory-built but governed by a separate, federal building code.

Research from the Terner Center for Housing Innovation (Terner Center) highlights that IC and FBH have the potential to reduce hard costs by 10–25 percent and construction timelines by 20–50 percent when the right conditions are met: experienced construction teams, standardized designs, and a stable demand pipeline.[6] To facilitate these outcomes, states and regions can implement coordinated policy actions to remove key barriers and build a sustainable FBH market.[7]

Purpose of This Report

The purpose of this report is to identify strategies to address construction-related bottlenecks in the United States that inhibit housing production, with a particular focus on FBH and recent research findings related to FBH. In March 2026, the Terner Center published Potential Pathways to Scale Innovative Construction Methods in California, outlining key policy themes and potential policy actions that the State of California could take to support FBH. These themes and actions emerged from focus groups and interviews with more than 65 experts, including market-rate and affordable housing developers; general contractors; off-site manufacturers; architects; investors; lenders; representatives of the Building Trades Union and Carpenters Union; state and regional government staff; building code experts; and representatives from companies using 3D printing, artificial intelligence, and other emerging technologies.[8]

These initial research findings serve as the basis for comparison across additional states to assess how relevant and applicable the themes and ideas are in other markets. Because these policy themes were developed primarily for multifamily FBH, consideration for how the policy

themes could be applied to single-family or accessory dwelling unit (ADU) FBH typologies was also taken into consideration in this report.

The states selected for this comparison are Colorado, Virginia, and Michigan. Results from this effort validate that the previous policy findings are widely applicable across the study states and housing typologies, despite varying market dynamics. By validating the cross-cutting policy priorities and developing an understanding of individual state-level needs, this paper proposes a framework to assess the challenges to scaling FBH and address construction-related bottlenecks across the United States.

With this in mind, the guiding research question for this effort is: *Which of the previously established policy themes emerge across study states as impactful for FBH production, and how do state-specific dynamics influence this?*

Approach

To answer the research question, we conducted in-depth interviews and developed case studies for each of the study states (see Appendix A for details).

Selection of Comparison States

Colorado, Virginia, and Michigan were chosen as states for comparison based on their varied geography, housing costs, housing needs, and perceived maturity of the FBH industry (see Table 1). This diversity allowed the researchers to assess the bounds of transferability for the preestablished policy themes from California. The specifics of these dynamics are discussed in each state case study.

Table 1 | Selection Criteria for the Study States

	CALIFORNIA	COLORADO	VIRGINIA	MICHIGAN
Geography	West	Mountain West	Mid-Atlantic	Midwest
Housing costs	Extreme. Some of the highest housing costs in the United States.	High. Affordability stress in Denver metro, Boulder, and mountain resort corridors.	Moderate-High. Growing affordability deficits, particularly in Northern VA and Richmond metros.	Moderate-Low. Generally affordable, but facing entry-level housing shortages in urban centers.
Housing gap[9]	851,700 homes	90,600 homes	102,800 homes	91,600 homes
Maturity of FBH market	High	Medium	Low	Low
Most common market segment(s) for FBH	Multifamily, ADU, single-family	Multifamily, ADU, single-family	Primarily single-family	Multifamily, single-family

Semi-Structured Qualitative Interviews

For each state selected, semi-structured interviews were conducted with key representatives who could provide an overview of the statewide IC and FBH markets. Two representatives per state were selected through professional networks and previous Terner Center and Terner Labs project work and included academic researchers, city and state government staff, project finance professionals, manufacturers, and general contractors. Additional interviews were conducted based on referrals from the initial interviewees. A list of the interviewees is detailed in Appendix A.

The interview questions centered on the seven key policy themes from the recent Terner Center report on industrialized construction.[10] These policy themes represent California's most significant barriers to FBH and potential approaches to building a FBH ecosystem, given its specific market conditions, and serve as the basis for comparison with the other three states.

Analysis and Coding of Interview Transcripts

When the interviews were completed, the transcripts were reviewed and coded based on a top-down approach, matching what interviewees said with the previously developed policy themes and recommendations. Where needed, additional desk research was conducted to verify or supplement facts, statistics, or specific policies discussed in the interviews.

Based on this methodology, a summary of the major findings from the research process was produced for each study state.

Previously Identified Policy Solutions to Support Industrialized Construction Scaling
Attend to fragmentation in the building code and uncertainty in enforcement through building code reform: Interviewees suggested strengthening a preemptive state building code for FBH, utilizing third-party inspectors, expanding technical assistance, and standardizing component certifications to eliminate friction caused by decentralized enforcement and rigid local regulations.
Increase consistency and replicability through reforms to standards and processes: To reduce administrative bottlenecks and project delays, the research suggested that California could expand preapproved designs and permitting "shot clocks,"[11] provide transparent upfront requirement decisions, and allow construction to begin before an Assessor's Parcel Number (APN) is assigned.
Reduce financial risk and liability to encourage industry growth: To mitigate perceptions of risk that prevent traditional lenders and insurers from entering the FBH market, interviewees suggested creating state programs to absorb said risk. Ideas included: a loan guarantee program, a revolving loan fund, and state bonding for FBH factories in case of mid-project failure.
Address the uncertainty of project pipelines through demand aggregation: The research found that an unstable demand pipeline was a key barrier to scaling the industry; put simply, when demand is uncertain, factories fail. Interviewees suggested that incentivizing FBH methods for state-owned projects or certain housing types (e.g., public university housing or permanent supportive housing), establishing regional purchasing commitments, and supporting new factory upstarts could generate a more stable demand stream to support the growth of a FBH market.
Develop a strong workforce now and for the future: To ensure that there is a sufficient and trained workforce for FBH, interviewees suggested integrating IC concepts into existing training programs and supporting targeted recruitment initiatives to attract new talent to the advanced construction sector. Labor unions may be a natural ally for training the next generation of FBH workers.
Modify existing funding streams to reflect the realities of factory-built housing: One key barrier involves the mismatch between bank payment schedules (usually based on a percent of project completion or project construction milestones) with factory cash-flow timelines (usually requiring investments prior to construction). To align these timelines, stakeholders proposed working with banks to develop FBH products that update state disbursement schedules. At the state level, agencies can support FBH by modifying scoring criteria to support adoption and introducing nonfunding incentives like density bonuses and tax abatements for FBH projects.
Address negative perceptions of risk through education and data: To overcome market skepticism among lenders, insurers, and local officials, interviewees suggested establishing standard performance metrics, fostering robust data-sharing networks, and developing educational materials to increase overall industry exposure to modern IC practices.

2. Results

While geographic, economic, and housing dynamics vary across the states, the previously identified policy themes and recommendations from California remain broadly relevant in Colorado, Virginia, and Michigan. In response to the nationwide housing crisis that has been exacerbated by increased construction costs, all four states are turning to FBH to expand affordable and middle-income supply.

Interviewees agreed that the themes described above accurately reflected the gaps in their local markets, and no additional themes emerged during research. However, while there is agreement on the policy themes and an increasing awareness of the barriers to making FBH more widely scalable, there has not been major coordinated action to tackle the identified challenges in any state. Such coordinated action was highlighted by the interviewees as essential to developing a unified state vision to overcome barriers to FBH. Table 2 summarizes feedback from the interviews around what has already been done and potential policy opportunities that could help build a coordinated approach.

Table 2 | A Comparison of Current State Policies and Policy Opportunity Areas

POLICY THEME	CALIFORNIA	COLORADO	VIRGINIA	MICHIGAN
Increase certainty through building code reform	UNDERWAY: Preemptive building code for FBH[12]	UNDERWAY: Preemptive building code for FBH	UNDERWAY: Adoption of state-level inspection process	*Topic was not addressed in interviews*
Increase consistency and certainty through other process reforms	UNDERWAY: Streamlined permitting at the state level[13]	UNDERWAY: Streamlined permitting at the state level	UNDERWAY: Commission to review process reforms; preapproved plans	UNDERWAY: By-right permitting for preapproved housing types
Reduce financial risk and liability to encourage industry growth	UNDERWAY: State backstop financing program[14]	UNDERWAY: Direct funding and incentives to FBH manufacturers OPPORTUNITY: Reinsurance program or revolving loan fund	OPPORTUNITY: Evidence on cost-competitiveness	OPPORTUNITY: Evidence on cost-competitiveness

Note: "Underway" means that this is a current project or policy being pursued by the State. "Opportunity" means that this was identified by interviewees as something that is important but is not a current policy.

continued

Table 2 | A Comparison of Current State Policies and Policy Opportunity Areas *(continued)*

POLICY THEME	CALIFORNIA	COLORADO	VIRGINIA	MICHIGAN
Support pipeline certainty through demand aggregation	OPPORTUNITY: Purchasing commitment or the prioritization of FBH for certain housing types	OPPORTUNITY: Use of state-owned land for FBH developments	OPPORTUNITY: Demand aggregation with federal agencies	OPPORTUNITY: Redevelopment of vacant parcels
Increase long-term industry certainty by developing a strong workforce pipeline	OPPORTUNITY: Establishment of FBH training programs	*Topic was not addressed in interviews*	UNDERWAY: Coordination with the Central Appalachia Working Group workforce development plan	OPPORTUNITY: Support to transition manufacturing workforce to construction
Modify existing funding streams to reflect FBH realities	UNDERWAY: Review of state funding programs for alignment with FBH[15]	UNDERWAY: Current programs' allow for factory deposits OPPORTUNITY: Alignment of financing timelines across programs	OPPORTUNITY: Alignment of financing timelines across programs	*Topic was not addressed in interviews*
Address negative perceptions of risk through education and data	OPPORTUNITY: Discussions around establishing a testing and education facility	*Topic was not addressed in interviews*	UNDERWAY: Coordination through the Central Appalachia Working Group	*Topic was not addressed in interviews*

Note: "Underway" means that this is a current project or policy being pursued by the State. "Opportunity" means that this was identified by interviewees as something that is important but is not a current policy.

A comparative discussion of the similarities and differences in approach is organized by policy theme below:

Building Code Reform

Interviewees from Colorado and California reported that fragmented building codes—that is, building codes that differ between neighboring jurisdictions—can significantly undercut efficiencies promised by IC methods. Colorado, like California, has a fragmented patchwork of local building code requirements for all types of residential buildings; recent efforts by the state government have created a state-level building code for factory-built structures that preempts local requirements and inspections.[16]

However, interviewees from Virginia and Michigan did not emphasize building codes as a major barrier to FBH. This could be due to Virginia's long-standing Industrialized Buildings program administered at the state level since 1972[17] and Michigan's delayed code adoption cycles.

Other Process Reforms

Beyond codes, states are targeting permitting bottlenecks via other process reforms such as statutory "shot clocks" and preapproved designs.[18] Interviewees in Michigan and Virginia also discussed having public agencies and private developers fund site predevelopment, including civil engineering work (grading, drainage, etc.) and utility connections. The predeveloped site would then be sold to a housing developer, reimbursing the predevelopment investment. The developer could drastically compress construction timelines and lower overall costs. This idea was not discussed in California or Colorado; however, the idea of standard foundation designs was discussed in previous Terner Center research in California.[19]

Financial Risk and Liability

There are several high-profile examples of failed IC companies over the last decade, which has led to a perception of high increased risk and uncertainty in the industry and that has made financing agencies wary of investing or lending to such projects. Reducing financial risk for FBH and thereby increasing access to funding from private entities was also cited as a top priority by interviewees. Without access to capital, the industry cannot scale.

While there was overarching, cross-state consensus on the need to establish compelling financial benefits for FBH to attract investors, states diverged on how to do this. Ideas that emerged through the interviews included revolving loan funds,[20] expanding state-backed loan guarantees,[21] and having state bonding support for FBH companies.[22]

Demand Aggregation

Interviewees across all of the states reported that uneven and unpredictable demand is a major hurdle for FBH; uncertain demand can lead factories to close and leave the entire market unstable. Demand aggregation—the pooling of resources across multiple actors to make bulk purchases—has been suggested as a strategy to create more certainty in the market.

Representatives from every state cited demand aggregation as a top priority, so as to build a pipeline of FBH projects that can sustain the factory ecosystem and overcome the cyclical nature of construction and project-level risks. While some states look to public sector leverage—such as Virginia tapping into the work of nearby federal agencies and Colorado utilizing publicly owned land—others, like California, discussed partnering with public and private portfolio owners to secure steady project volume.

The amount of demand needed to kickstart the market and the types of projects that could be aggregated might also vary by state, depending on the amount of housing needed and number of factories in place to meet the demand. Interviewees suggested that a lack of action on demand aggregation might be due to the lack of maturity and proven track record, which has led state actors to be hesitant in incentivizing, coordinating, or requiring FBH.

Interviewees also shared that this is a relatively complex policy recommendation that could benefit from regional collaboration and research to understand the level of demand aggregation needed to sustain a state or regional FBH market and the best housing types for FBH. This complexity is a barrier to states taking action on aggregating demand and should be a topic for future research.

Workforce Development

Interviewees agreed that scaling the industry requires specialized training and that there are not enough people with the requisite skillset. Academic institutions and industry partners in Virginia, for example, have developed a broad IC workforce development plan in coordination with institutions from West Virginia, Pennsylvania, Tennessee, Kentucky, and Ohio—building multi-tiered, regional educational pathways from public schools through community colleges. Interviewees referenced tension with traditional construction unions based on the perception of job displacement, though this may vary by region and union.

Modification of Funding Streams to Reflect FBH Realities

The two topics most cited by interviewees were: 1) the need for incentives to help overcome the potential cost premium for early adopters, and 2) allowing for factory deposits to be paid prior to construction. The need for incentives underscores the lack of a clear economic competitiveness for FBH across the states and a need to understand how and when FBH can be best deployed and most immediately cost-competitive with traditional construction.

Factories often require a deposit to begin production, which conflicts with the way that typical construction projects are financed (i.e., based on a percentage of on-site construction completion to reduce risk to financing institutions).[23] Adjusting contracts and repayment schedules to align with this reality would significantly reduce financial friction. California's Affordable Housing and Sustainable Communities (AHSC) program and Colorado's Proposition 123 and Innovative Housing Incentive Program (IHIP) have made modifications to their programs

to allow factory deposits to be paid with their funding. The deposits are then paid back when the traditional financing payments come in. However, the other study states have not yet implemented such funding mechanisms, due mostly to the level of IC and FBH market maturity and awareness. Ideally, a long-term solution to this issue would be to adjust payment schedules with banks.

Data and Perceptions

Lingering stigma and industry skepticism about the technical and financial viability of FBH continue to hinder the sector nationwide. Interviewees from markets like California and Colorado encouraged a focus on performance tracking and benchmarking to prove the economic viability of FBH to lenders and insurers. Michigan and Virginia have directed their efforts toward consumer education and correcting negative perceptions, specifically working to untangle the confusion between modular industrialized construction and the often-stigmatized HUD Code manufactured housing.

3. Findings from the Study States

Colorado: A Reemerging FBH Market

Colorado's housing crisis is a widely recognized issue in the state. The State of Colorado estimated in 2023 that 34,100 homes per year will need to be built over the next decade to address the state's housing gap. However, the rate of new construction is falling due to higher interest rates and affordability gaps, making housing production a focus for the State.[24]

The FBH market was relatively strong in the early 2000s[25] until the market collapsed in the wake of the Great Recession, leading to FBH manufacturer closures. Recently, however, there has been increased state government focus on how to increase the supply of missing middle housing,[26] which has, in turn, reestablished interest in FBH. This has motivated factories and developers to reinvest in the FBH market in Colorado, predominantly in multifamily projects and ADUs.

Governor Jared Polis has been a champion of FBH and has passed policies to encourage FBH manufacturing,[27] including ADUs,[28] and faster permitting and inspections for FBH.[29] This support has led to the Colorado market reaching a "tipping point" in its use of FBH—more factories have entered the market to produce housing, there is public awareness, and the state government has begun to shift its focus to securing demand to sustain the market.[30]

There is a steady FBH market for ADUs and multifamily housing in the mountainous, more remote regions and increased focus on creating a competitive market in the rest of the state, especially in the Front Range near Denver and Boulder.[31] With this recent momentum and coordination,

Colorado interviewees hoped to see more factories producing at full capacity and to have FBH play a role in increasing housing supply.

FBH Policies Currently Underway

Increase certainty through building code reform

Colorado has more than 300 unique building codes across the state.[32] Although the state recently adopted the newly written standards for off-site construction developed by the International Code Council (ICC) and the Modular Building Institute (MBI)—Standards 1200 and 1205[33,34]—Colorado's government also created a preemptive statewide code for FBH components with the passage of SB25-002 in 2025.[35] This bill created a state Advisory Committee on Factory-Built Structures that has developed the FBH regional codes. These codes preempt local codes for FBH and simplify the design criteria for conditions such as wind and snow loads, reducing code compliance variation and allowing manufacturers to more easily sell their FBH products throughout the state. This streamlining is intended to allow factories to achieve the scale needed to realize the efficiencies promised by FBH.

Increase consistency and certainty through other process reforms

The new requirements are also expected to make the state's factory certification program much more effective at reducing inspection times. Although the factory certification program has been in place for many years, the benefits of the program were limited by specific local requirements that slowed inspections, whereas now inspections of FBH components will be done at the state level through the Colorado Division of Housing.[36]

Reduce financial risk and liability to encourage industry growth

Making the FBH industry financially feasible is also a top priority in Colorado. In recent years, more emphasis has been placed on attracting new factories to the state with the Innovative Housing Incentive Program (IHIP) and Proposition 123.[37] These programs together represent a $55 million initiative that funds Colorado factories through per-unit incentives, working capital grants, and factory development loans. The program is designed to support new and existing FBH manufacturers in Colorado to expand the FBH market.

Modify existing state funding streams to reflect FBH realities

Proposition 123's funding can also be used to cover the preconstruction deposit that factories participating in IHIP might need to begin production. The deposit is then paid back when the project receives its construction funding. This is a high-risk loan that the Colorado government would like to restructure for future projects.[38] Most traditional lenders typically do not cover deposits because their financing is based on the percentage completion of a project, but by

providing a deposit funding source, IHIP reduces one major source of financial insecurity for factories and developers.

Policy Opportunities Identified by Interviewees

Reduce financial risk and liability to encourage industry growth

Interviewees noted that potential improvements to tackling financial risk could include larger mechanisms such as a reinsurance program or a revolving loan fund.[39] Additional improvements to IHIP might also be needed, depending on its success. Critics have argued that IHIP subsidies are funneling money into factories that would otherwise have failed to compete and likely will not be able to compete when the funding phases out.[40] For example, while Colorado-based factories are cost-competitive in the Mountain region market, factories in more urban areas struggle to compete with factories in Idaho and New Mexico.[41] However, if IHIP subsidies help establish manufacturers and fund investments that increase cost-competitiveness, this level of competition could be fruitful for Colorado and the surrounding region. Interviewees noted that IHIP should consider how and when to phase out factory incentives so that factories plan to be self-sustaining and cost-competitive.

Support pipeline certainty through demand aggregation

Because Colorado has placed heavy emphasis on developing in-state factories, a key priority is to ensure steady demand for FBH to sustain those factories. Although there has not been a coordinated statewide effort for demand aggregation, ideas that surfaced in the interviews included developing FBH on state lands using coordinated State requests for proposals that call for FBH, as well as testing how a mix of large projects and infill housing using FBH can balance factory demand.[42]

Modify existing state funding streams to reflect FBH realities

Because existing state incentives are often optimized for traditional construction timelines and permanent debt execution, interviewees acknowledged that they might need to reconfigure programmatic guidelines, schedules, and compliance monitoring to match the financing timelines of factory-built developments.[43] For example, coordinating a potential revolving loan fund with established long-term tools, such as Low-Income Housing Tax Credits (LIHTC), could ensure that public dollars flow smoothly from initial off-site fabrication to permanent placement without administrative bottlenecks or conflicting rules.

Virginia: Steady Progress Toward a FBH Market

Virginia is increasingly facing issues with affordability, housing quality, and adequate housing supply. Virginia's state capital, proximity to Washington D.C., corporate headquarters, and

academic institutions provide steady growth and demand in urban and surrounding suburban areas. Despite this, housing production has stagnated in recent years, with the number of annual housing permits in Virginia averaging around 50 percent of its mid-2000s rate.[44] Obtaining the necessary permits in metropolitan areas can take up to a year, and the labor force is shrinking, particularly in areas once dominated by tobacco or coal.[45]

As part of her Affordable Virginia plan, Governor Abigail Spanberger incorporated language to streamline permitting for FBH and established the Commission on Unlocking Housing Production tasked with finding ways to cut administrative red tape for housing development.[46] Governor Spanberger recently signed additional bills into law focused on housing supply and affordability,[47] mostly targeted toward stimulating the production of affordable housing.

Momentum is steadily building across Virginia to leverage FBH solutions, which have mostly been used for single-family homes with some increased interest in multifamily—although there are few factories actively producing either housing type within state lines. Currently, Virginia's IC and FBH sector remains small but is growing through regional collaboration, as documented in the Expanding Industrialized Offsite Construction (IOC) in Central Appalachia: IOC Implementation Plan.[48] Despite this progress, the State continues to face pushback from construction industry stakeholders and consumers concerned with potential construction sector job losses, negative perceptions regarding the quality of FBH, and how to develop a FBH offering in a state with high variation on "affordable" price points.

FBH Policies Currently Underway

Increase certainty through building code reform

Virginia has focused heavily on harmonizing its regulatory framework to dismantle process-related barriers to the use of FBH. In 1972, the Virginia Department of Housing and Community Development (DHCD) established its Industrialized Building Program. The program moved code review for factory-built structures to the state level—allowing Compliance Assurance Agencies (CAAs), who are approved third-party inspectors, to inspect factory construction and DHCD to issue a seal that notes to local inspectors that the factory-built components have already been approved.[49] The program also established uniform construction safety standards for all State inspections under the Industrialized Building Safety Regulations (IBSR), which leverage pre-approved standard design plans for factory-built housing, off-site modular structures, and ADUs.[50,51] The Industrialized Building Program is one of the longest-standing factory-built housing programs, and was used to inform ICC/MBI Standards 1200 and 1205 for off-site construction,[52] which are also now in use in Virginia.

Increase consistency and certainty through other process reforms

The Commission on Unlocking Housing Production has been established to identify administrative, regulatory, and statutory barriers that delay residential construction—with the

IBSR being a central element of these process reforms. By conducting design reviews and factory inspections through State-approved CCAs so that DHCD can issue a statewide registration seal, the Industrialized Building Program bypasses redundant local design checks, which reduces approval timelines and creates a predictable environment for manufacturers and developers. Additionally, localities have produced preapproved plan libraries for ADUs, single-family homes, and small multifamily projects.[53]

Increase long-term industry certainty by developing a strong workforce pipeline

As part of the Central Appalachia Working Group's (a regional interdisciplinary team of industry, education, and economic development professionals) strategy to encourage workforce development and build capacity, academic and industry organizations in Virginia have been pioneering a collaborative, multi-tiered educational framework.[54] It begins by introducing basic STEM and construction concepts as early as elementary school to combat industry stigmas. Recognizing that modern modular manufacturing requires skills in advanced technology, automation, and precise engineering, institutions like Virginia Tech's Center for Economic and Community Engagement and the Myers-Lawson School of Construction are designing specialized curricula. In addition, the Central Appalachia Working Group is developing module-based training programs for older students and adults in partnership with community colleges and trade organizations. This framework is intended to recruit and retain the workforce that might be transitioning from other industries like coal or tobacco, while also stimulating job growth in modern construction fields.

Address negative perceptions of risk through education and data

To combat negative perceptions, the Central Appalachia Working Group's plan establishes data-driven marketing campaigns and outreach initiatives targeting local governments, financial institutions, and the public, including in Virginia.[55] These efforts aim to displace mid-20th century stigmas around "manufactured housing" by showcasing modern case studies and safety and quality standards.

Policy Opportunities Identified by Interviewees

Reduce financial risk and liability to encourage industry growth

Interviewees noted that there is still much work to be done to prove that FBH projects across residential typologies are financially competitive or predictably save money compared with site-built projects. When that is demonstrated, large-scale developers and builders would likely adopt FBH practices. Interviewees emphasized the need to bring costs down to a level where fewer capital sources would be needed to fund larger multifamily projects, perhaps in the form of an incentive; however, there has not been coordinated action on this.[56]

Additionally, interviewees discussed the idea of public or private economic developers delivering sites that are fully predeveloped (meaning all grading, utility hookups, and civil engineering are completed in advance) so that those parcels can be sold off and on-site construction can begin almost immediately.[57] This model could accelerate delivery timelines, but would require upfront investment to complete the site work that would be recouped upon sale.

Support pipeline certainty through demand aggregation

Demand aggregation in Virginia arose as a future priority to attract factories to the state and increase FBH capacity. The State has not funded factories directly, because, as one interviewee said: "The factories need demand. They don't need handouts."[58] Given this sentiment, there has been a focus on demand aggregation that leverages Governor Spanberger's new affordability goals, as well as the state's proximity to federal agencies like the Department of Defense (DoD) and the Federal Emergency Management Agency (FEMA). The DoD has been considering using FBH for their barracks for several years,[59] and with the recent Defense Innovation Unit (DIU) Barracks Resilience Through Industrialized Construction program (BR-IC)[60] and the Naval Facilities Engineering Systems Command's (NAVFAC) recent request for Industrialized Construction Projects for Barracks and Child Development Centers,[61] this might be gaining momentum. Although this large investment in FBH would not directly solve Virginia's housing issues, it would potentially allow experienced factories to produce for the Virginia market once the military projects are completed. Similarly, FEMA deploys emergency housing, albeit to different code standards than permanent housing, across the country. This housing could be built by current or future FBH providers in Virginia at a consistent rate and stored until it needs to be deployed.[62]

Modify existing state funding streams to reflect FBH realities

Misalignment of FBH financing and traditional construction financing continues to be an issue in Virginia, particularly for the deposit to begin factory work prior to construction. One interviewee explained, "If we want [FBH] to grow, we have to totally restructure the way that we fund projects [because] the way that the factory needs its money versus the way that the general contractor needs its money are two different time tables."[63] No action has been taken yet, but it has been identified as a significant barrier.

Michigan: A High-Potential FBH Market

Michigan's housing market is defined by a critical supply deficit that has driven up costs and strained the state's workforce, in addition to an aging building stock that requires significant reinvestment. Over the past decade, residential construction has failed to keep pace with job growth, resulting in middle-income and first-time buyers being priced out of employment hubs like Grand Rapids, Ann Arbor, and metro Detroit. There is now a focus on increasing housing supply across the state, particularly near employment hubs.

As part of the effort to increase housing supply, Detroit Mayor Mary Sheffield has announced a plan to build 1,000 new single-family homes in her first four years in office. To catalyze this sector of housing development, the City is identifying the preliminary site work and public utility coordination needed for residential housing development, expediting permitting, improving digital permitting systems, and establishing preapproved single-family home designs.[64] There are more than 60,000 vacant lots owned by the Detroit Land Bank Authority that are in need of redevelopment;[65] interviewees noted that development of these parcels presents a major opportunity, especially for FBH.[66]

There has been some movement to test FBH for redevelopment, led by the City of Detroit and the Gilbert Family Foundation, mostly for single-family homes and small residential projects. Their efforts have concentrated on pilot projects,[67] and there has been no statewide plan to scale the approach, given the lack of mature market players in the area. Though multifamily FBH developers, such as Ginosko Modular,[68] are pushing the market forward, most of the FBH projects and producers are focused on single-family homes.[69]

Michigan's government would like to attract larger manufacturers to the state to meet its growing housing needs. Interviewees described the state as well-positioned to host manufacturers due to the amount of unused factory space and qualified manufacturing workforce. Overall, there is support of FBH, but more market facilitation and leadership is needed.[70]

FBH Policies Currently Underway

Increase consistency and certainty through other process reforms

Interviewees reported that process streamlining is critical to scaling FBH in Michigan, where fragmented handoffs between disparate organizations have caused project delays and left FBH developers navigating an opaque, unpredictable review process.[71] To eliminate these bottlenecks, the state has increasingly leaned into administrative coordination. As one interviewee noted, "At the state level, we have seen things in process with the legislature around… site plan, review, efficiencies, [and] different… preapproving models that then could be either statewide or municipality wide."[72] The proposed Michigan Housing Readiness Package streamlines permitting for duplexes and ADUs.[73] By shifting away from local approval processes and aligning regulatory standards at the state level, particularly for single-family homes and ADUs, Michigan interviewees hoped to see progress toward streamlining.

Policy Opportunities Identified by Interviewees

Reduce financial risk and liability to encourage industry growth

There are concerns about the cost-competitiveness and additional risks associated with FBH in Michigan. Because FBH is in its early stages of adoption, there is more work to be done to demonstrate that FBH can compete with traditional construction. Tax incentives, property tax

reforms, incentives for predevelopment work, and getting appraisers to properly value FBH all surfaced as potential interventions that policy could address. Interviewees also suggested using government research and development (R&D) funding to fill the potential cost gap between FBH and traditional construction until economies of scale are reached and the perceived risk of using new methods is mitigated.[74]

Finally, due to the fact that infill development in Detroit often requires demolition or significant remediation of existing properties, interviewees noted that the cost of single-family home site predevelopment (e.g., connecting properties to utilities and sewage, remediating in-ground pollution) has been a barrier to development, costing between $45,000-70,000 per site depending on the level of disrepair. Interviewees suggested that the abandoned parcels be redeveloped, either by the Detroit Land Bank Authority or the City of Detroit, to a level where construction could begin immediately after purchase, or to at least align infrastructure and housing planning.[75]

Support pipeline certainty through demand aggregation

Interviewees noted that demand aggregation will be essential for creating a sustainable FBH market, particularly for the single-family home and duplex markets. They suggested the need to aggregate demand across the state, and potentially the Midwest region, to attract factories and achieve economies of scale. This could be done by partnering with the state and local land banks to coordinate development of abandoned or empty lots with a set of proven FBH providers who can quickly deploy preapproved designs on the lots.[76] This streamlined demand aggregation process could help lower the cost of development, make more lots economically feasible to developers, and reduce the potential gap funding needed for early projects.

Increase long-term industry certainty by developing a strong workforce pipeline

Interviewees noted the potential of strategies to transition the traditional automotive manufacturing workforce into FBH roles.[77] By framing these opportunities as secure, high-tech manufacturing positions (such as operating robotic assembly lines), officials could provide stable employment while driving regional growth. The primary challenge lies in effectively messaging these initiatives so local communities see the economic benefits and begin this transition.

4. Conclusion

This cross-state analysis confirms that the policy themes identified in previous research are relevant and transferrable across states and building typologies, with local context dictating how each state proceeds with implementation. In adapting this framework to additional states, special attention should be paid to existing strengths, knowledge bases, and historical trends. Regional economic assets, legal governance frameworks, geography, and local labor and skills will shape the rollout of housing policy.

Based on these findings, states will need to make progress across all policy themes to achieve a sustainable FBH market. However, actions in four key areas—which include combinations of the seven policy themes—can be taken immediately to start building and facilitating FBH market development. First, states must remove regulatory and process barriers so that it is easier for the housing sector to choose FBH. Second, states must unlock financing and, third, use that financing to support coordinated demand that will stimulate and sustain a FBH market. Finally, states must plan for the future FBH marketplace by developing the wider workforce ecosystem and combating negative perceptions of FBH. These steps should be implemented in concert, but they also build on one another as market maturity increases.

Detailed recommendations for each step are:

Remove Regulatory Process Barriers

Fragmented regulatory processes—such as building code compliance reviews and inspection—are confusing, prevent factories from scaling products across jurisdictions, and have the potential to significantly increase time and cost. Because of this, states will need to reassess and modify the regulations currently in place to create streamlined regulatory pathways for FBH to reach scale. Actions states should consider in this step include:

- Allowing manufacturers to use preapproved plans statewide or the State providing preapproved plan sets for single-family homes, small multifamily buildings, and ADUs.
- Implementing a preemptive state building code for all FBH typologies.
- Moving permitting inspection of FBH components to the state level and allocating funding to train local jurisdictions on state FBH code to reduce friction between state and local approvals for off-site and on-site works.

Examples of success: Michigan,[78] Virginia,[79] California,[80] and Colorado[81] have all successfully proposed or implemented streamlined design and permitting processes for ADUs, which are often factory-built. California and Colorado have also both taken steps to streamline building codes for FBH projects beyond ADUs. Colorado enacted SB25-002,[82] and California has proposed AB 1815,[83] which both create state-level building code preemption for FBH projects. This will streamline and standardize the design criteria for FBH across the states, in addition to clarifying the state-level inspection process, which will both help achieve economies of scale in FBH components and expedite the permitting and inspection process for all types of FBH.

Unlock Financing

Financing for FBH is constrained because traditional lending and construction insurance are built around site-built construction milestones rather than factory production schedules. This structural misalignment is compounded by lenders' perception of FBH as high-risk—particularly regarding potential factory insolvency and transit liabilities—and the financial instability

manufacturers face due to unpredictable project pipelines and high fixed overhead costs. Some potential solutions for states to implement to overcome these challenges are:

- Adjusting eligible uses of funds in existing funding programs to reduce friction with IC projects, such as allowing upfront deposits, earlier drawdowns, and preassembled teams.
- Offering direct financial incentives, lower mortgage rates, or improved finance mechanisms to manufacturers or developers that use FBH.
- Allocating additional points in competitive funding programs for primary FBH outcomes, such as construction speed and per-unit costs (e.g. Low-Income Housing Tax Credit Qualified Action Plan scoring).
- Allowing state agencies to reinsure FBH manufacturers or establish a state-backed loan guarantee program for FBH projects to reduce risk for developers and general contractors and attract private capital to fund FBH projects.

Examples of success: Colorado's Proposition 123 program allows for funds to be used as a loan to cover the factory deposit for IHIP recipients, and California's Affordable Housing and Sustainable Communities (AHSC) program has made modifications to allow factory deposits to be paid with AHSC funding. California's proposed AB 2185 goes further to direct major California housing and financing agencies to update their regulations and funding guidelines to better support factory-built housing, intending to make it easier for FBH projects to secure state loans, tax credits, and affordable housing grants.[84]

Aggregate Demand

Demand aggregation—pooling together housing orders to create a predictable, large-scale pipeline for FBH—is vital because off-site construction requires high fixed capital expenses to achieve manufacturing efficiency. Without a guaranteed, steady pipeline, manufacturers face financial instability from irregular order cycles, driving up per-unit costs and preventing the industry from scaling. Demand aggregation strategies should promote the housing types needed in a given geography (single-family, multifamily, etc.), as well as the types of FBH most likely to become cost-competitive with scale. Examples of demand aggregation strategies include:

- Increasing demand through encouragement or requirements for the use of FBH for certain housing types (i.e. disaster relief housing).
- Encouraging or requiring FBH to be used for a proportion of housing built on public land or as student housing for state colleges and universities.
- Coordinating a multiyear purchasing baseline between public or private housing providers and FBH providers.
- Establishing or empowering regional housing authorities to aggregate demand across local jurisdictions through joint RFPs.

Examples of success: Although there are not specific state-level actions being taken in this area, the DIU's BR-IC program[85] is a compelling example of how to execute on aggregating demand for

a standardized building type to drive economies of scale and overcome market fragmentation in the housing delivery process. While the factories set up for this effort might not be able to meet FBH needs for a diversity of building types, the lessons learned will be valuable to states and regions hoping to enact their own demand aggregation efforts.

Plan for the Future

FBH has suffered from recent high-profile failures, market confusion with the unfairly stigmatized HUD Code home market, and pushback from local workforce. To be successful in the future, states must make a range of ecosystem-building investments now, which include education, data collection, and workforce training. These types of programs and policies can help facilitate a self-sustaining FBH marketplace and further strengthen demand. The research pointed to a number of efforts in this area, which could include:

- Leveraging existing or creating new workforce training and education programs specific to FBH that include off-site and on-site training.
- Supporting recruitment and training for the IC workforce by ensuring that educational programs are available and provide funding and incentives for IC providers to participate.
- Adopting standard language for IC and FBH in policy and industry communications to reduce market confusion and protect against negative perceptions.
- Establishing robust data collection, data-sharing, and benchmarking metrics for IC sector performance to help states identify where and when projects are most successful and create a feedback loop for improvement.

Examples of success: The Central Appalachia Working Group's implementation plan is an example of how broad, cross-cutting workforce and market education efforts can help build FBH capacity.[86] FBH proponents in California also recently attempted a budget request for an off-site construction testing facility, which brought together academic, industry, and workforce development organizations to determine how such a facility could work. Although the funding request was unsuccessful, it will likely be resubmitted in future California budget requests and this collaboration could be modeled in other states.

Although no single state has implemented a complete policy framework for FBH yet, leaders in industry and academia broadly agree on the core priorities needed for success. This creates a clear opportunity for states to build unified, actionable strategies that expand housing supply. Achieving this requires both proactive interstate collaboration to share regulatory best practices and strong in-state leadership to execute action plans tailored to local needs. Ultimately, with coordinated public and private effort, states can overcome existing barriers, build a stable FBH ecosystem, and deliver scalable solutions to the housing crisis.

Appendix A: Methods

This report's findings come from a series of interviews conducted from April to May 2026 with off-site manufacturers, state and regional government staff, and academic experts. To select interviewees, we employed purposeful sampling, creating a list of industry experts from across IC who would be able to provide a broad market overview for their state. Two interviews were held per state, for a total of six stakeholders interviewed. The interviews lasted approximately 60 minutes and were conducted virtually (on Zoom), audio recorded, and transcribed.

Table A1 | Summary of Interviews

INTERVIEW DATE	INTERVIEWEE BACKGROUND	STATE REPRESENTATION
April 14, 2026	Academic (IC)	Virginia
April 14, 2026	Academic (housing policy)	Virginia
April 27, 2026	State Government	Colorado
April 30, 2026	Project Finance	Michigan
May 14, 2026	City Government	Michigan
May 14, 2026	IC Manufacturer & General Contractor	Colorado

The interviews followed a semi-structured interview guide that covered the interviewee's role in the IC industry, an overview of their state's housing crisis and housing market, ranking of the California policy themes that related most to their state, and detailed discussion on why they selected those policy themes over others. The researchers also asked follow-up questions, including what specific market dynamics have led to the state's approach or why a policy theme from California would not work in their geography. The researchers selected this methodology to efficiently capture respondents' perspectives on multiple policy themes and to establish a method to prioritize policies for each state within its context.

The interview guide included questions about whether a policy theme was worth pursuing, how it could be implemented, and participants' perspectives on its feasibility and value. Policy themes were limited to those established in the Terner Center's 2026 report, but interviewees were also prompted to propose their own new policy theme, if they had a new idea outside of the initial Terner Center findings.

Analysis

Once interviews were completed, the transcriptions were coded in Zotero according to the seven policy themes from the Terner Center's 2026 report, in addition to the following additional codes:

- "Background"—to establish relevant context and background to the housing market or FBH market.
- "Barriers"—for barriers to FBH specific to each state.
- "Future Solutions"—for new solutions surfaced by the interviewee that were specific to their state market dynamics.

Content in each code was then grouped together, summarized in the Results section, and then compared to the findings within each policy theme for California.

Scope and Limitations

The scope of this paper is limited to only four states, which are not necessarily representative of the entire United States, although they do represent a variety of market dynamics and geographies. The research also used purposeful sampling instead of random sampling, which could skew results, especially given the small number of interviewees. Additional interviews and research would be needed to develop a detailed FBH policy roadmap for each state.

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RESEARCH

FOR THE

National Housing Crisis Task Force

National Housing Agenda

Data: Building a Robust Housing Data System for the 21st Century
(New America)

Regulation: The Role of States in Planning for Housing in the 21st Century
(Terner Center for Housing Innovation at UC Berkeley)

Land: The Public Land Dividend
(Lincoln Institute of Land Policy)

Capital: Financing Cost-Rental Housing
(Harvard Joint Center for Housing Studies)

Construction: Catalyzing Factory-Built Housing
(Terner Center for Housing Innovation at UC Berkeley)

→ **Operational Sustainability: Built to Last**
(NYU Furman Center)

Governance: Remaking Housing Federalism for a New Era
(New Localism Associates)

NATIONAL HOUSING CRISIS TASK FORCE

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OPERATIONAL SUSTAINABILITY

Built to Last: Designing a Financially Sustainable, Long-Term Operating Model to Maintain the Nation's Aging Housing Stock

ABSTRACT

The nation's housing stock is aging but guaranteeing the long-term operational sustainability of these existing homes is critical. This paper defines "operational sustainability" to include three interlocking goals—affordability, financial sustainability and habitability and it analyzes how the nation's aging housing stock is set-up to perform against those goals in the long-term. The white paper has three sections. The first section analyzes the operational challenges faced by lower-income **homeowners**, who are experiencing increases in operating costs including utilities, mortgage costs, insurance and others. This section then lays out why current policy tools are not well-equipped to offset those costs, leading to deferred maintenance especially among lower-income homeowners. The second section looks at the operating model of the nation's affordable **multifamily rental buildings**, finding that rental income may be declining in real terms while operating costs escalate. In addition, this section then describes the nation's three largest operating subsidy programs, showing that they both do not reach all "naturally occurring" affordable housing and where they are deployed may not be providing sufficient resources to offset shortfalls between rents and operating costs. The final section then discusses potential policy solutions to ensure the operational sustainability of older rental housing and owner-occupied homes targeted at lower-incomes.

NATIONAL HOUSING CRISIS TASK FORCE

ABOUT THIS PAPER

Built to Last: Designing a Financially Sustainable, Long-Term Operating Model to Maintain the Nation's Aging Housing Stock

Research for the National Housing Crisis Task Force's National Housing Agenda

Prepared by

NYU Furman Center

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This paper was produced by the NYU Furman Center in partnership with the National Housing Crisis Task Force.

The Task Force supported the creation of seven papers, which together span the building blocks of our housing system: data, regulation, land, capital, construction, operational sustainability, and governance. This paper addresses operational sustainability, and the entire collection can be found at nationalhousingcrisis.org/HousingWhitePapers.

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PUBLICATION NOTES

Research independence

While the Task Force commissioned this collection, it does not formally endorse its findings; the views expressed are those of the authors. Task Force members and co-chairs, who participate and are quoted in their individual capacities rather than on behalf of their organizations, bring a range of professional and lived experience to their work and may not agree with every statement in every paper, but remain committed to working together on solutions to the housing crisis.

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1. Introduction

Investing in the preservation of older homes is an important and effective supply strategy because it ensures the country is not losing homes through the back door even as new construction adds homes through the front door. Guaranteeing the maintenance and long-term operational sustainability of these existing homes is critical.

The nation's housing stock is aging. In 2024, according to the U.S. Census, the median year a structure was built was 1980.[1] Nearly 7 million households are living in housing defined as moderately or severely inadequate by the U.S. Department of Housing and Urban Development (HUD).[2] This group includes roughly 3 million homeowners and 4 million renters.

According to the Joint Center for Housing Studies at Harvard University, for homeowners, the median age of an owner-occupied home climbed to 42 years old in 2024, up from 31 in 2005.[3] Homeowners also spend more to maintain older housing units. For homes built before 1980, owners on average spent 24 percent more on improvements compared to owners of homes built since 2010, and average per owner maintenance spending was 76 percent higher.[4]

Rental units have also never been older. Rental units had a median age of 45 years in 2023, up from 36 in 2003.[5] Older rental units tend to also be in worse condition. More than 11 percent of the renters living in units built before 1940 lived in moderately or severely inadequate conditions, compared to 5 percent of renters who lived in units that were built after 2000.[6]

Operating a unit of housing – whether it is a single-family homeowner maintaining the home they occupy or an owner of a multifamily property managing a rental building – tends to require that policymakers focus on at least three interlocking goals:

Table 1 | Operational Sustainability Goals

GOAL	DESCRIPTION	APPLICATION TO SINGLE-FAMILY	APPLICATION TO MULTI-FAMILY
Affordability	Protecting against homeowners or renters being overly burdened by housing costs.	A homeowner should not be so cost-burdened that they spend more than 30% of their post-tax income on housing costs (including mortgage principal and interest, taxes, utilities, maintenance and insurance).	A tenant should not spend more than 30% of their income on rent and utilities.

continued

Table 1 | Operational Sustainability Goals *(continued)*

GOAL	DESCRIPTION	APPLICATION TO SINGLE-FAMILY	APPLICATION TO MULTI-FAMILY
Habitability	Ensure the home is well maintained, in good condition and essential services are provided.	The homeowner must be able to cover both regular day-to-day maintenance and to invest in capital improvements or emergency repairs of larger systems that provide essential services.	The owner must be able to maintain all of the buildings' units in a state of good repair and must be able to capitalize the building to invest in system-replacement.
Financial Sustainability	The owner has the resources to properly maintain the building over time while covering operating costs and debt service. This is typically a more challenging goal in the long-run.	For a homeowner, financial sustainability requires ensuring the costs of homeownership and associated annual expenses remain manageable as a relative percentage of the homeowner's post-tax income so they are not at financial risk and do not defer maintenance.	The owner has enough revenue to properly maintain the building over time as operating costs climb and the owner has sufficient net operating income to cover government taxes and fees and provide a fair return on the equity directly invested by owner(s) or indirectly by covering a mortgage.

This white paper has two sections. **Section 1** looks at how homeowners are meeting these goals, analyzing challenges to the owner-occupied single-family stock. This section then discusses existing programs meant to support homeowners, and the extent to which they enhance the operational sustainability of segments of the owner-occupied stock that are older and that are owned by lower-income homeowners, where the affordability challenges are most acute. **Section 2** looks at how the nation's income-restricted, affordable multifamily rental buildings are measuring up against these goals. This section then discusses potential policy solutions to ensuring the operational sustainability of rental housing targeted at lower-incomes where operating incomes and subsidies have struggled to keep up with rising operating costs.

2. Operational Sustainability for Single-Family Homes

Homeownership's Operating Model

This white paper does not focus on the initial transaction costs associated with the purchase of a home.[7] Instead, the paper targets affordability and long-term financial sustainability, and thus we focus on ongoing operating costs owners pay with post-tax income, which includes ongoing mortgage costs and other annual non-mortgage expenses.

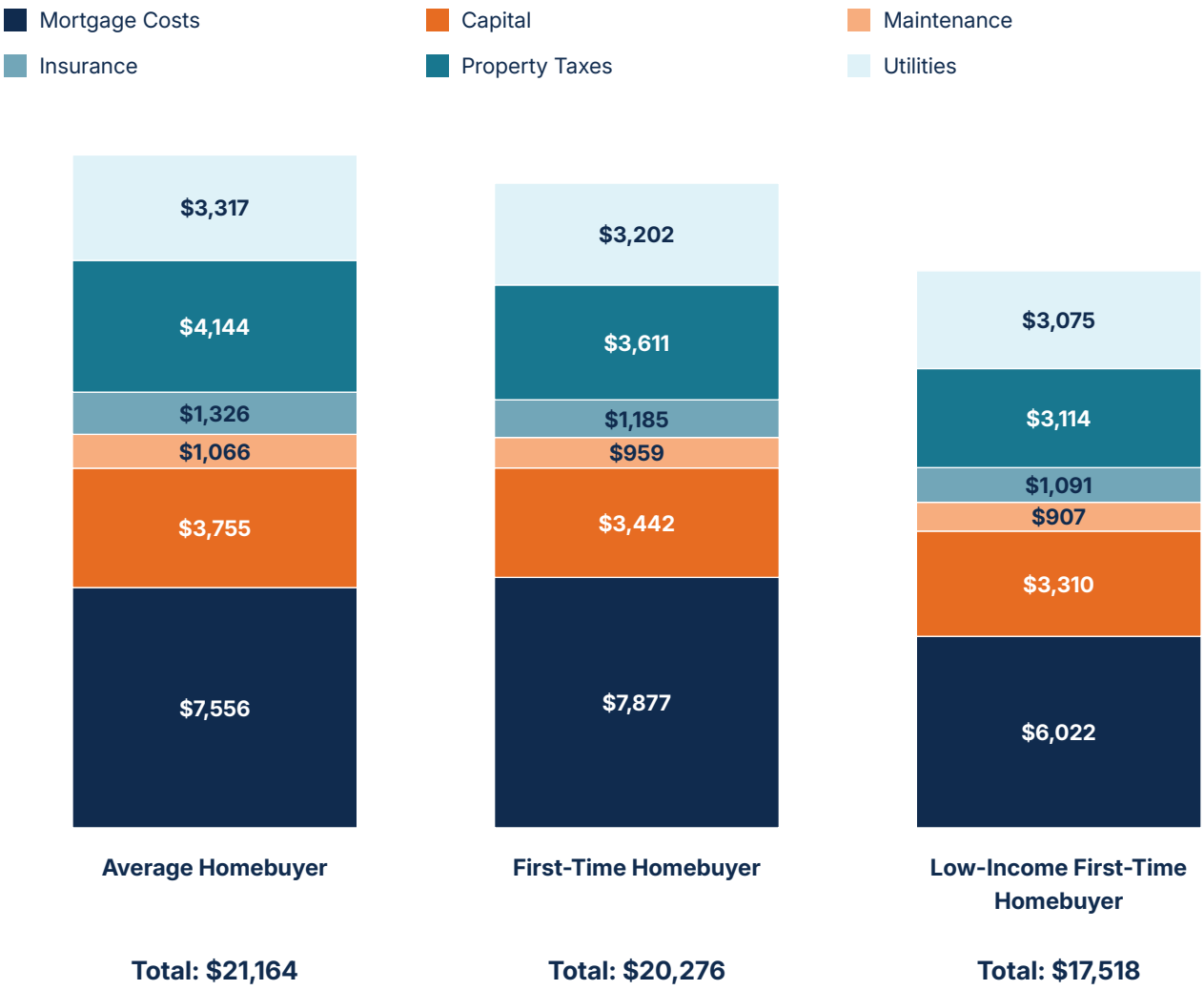
A number of studies have found that non-mortgage costs in particular pose significant challenges to sustaining homeownership among low-income households. One study that surveyed lower-income homeowners across multiple states, found that half of the respondents faced unexpected costs, and roughly one-third had to pay for home repairs they could not afford.[8] Another paper studying low-income homeowners in Denver, Colorado found that many were worried about affording utilities (nearly 80 percent of their sample), as well as home maintenance, repairs, and property taxes.[9]

In 2023, using a proprietary Fannie Mae dataset that included loans from 2020, researchers evaluated how each cost component associated with homeownership contributed to ongoing operational sustainability across three different types of borrowers—average homebuyers, first-time homebuyers and low-income first-time homebuyers.[10] The paper estimated "ongoing housing costs for an existing home" within five categories:

- **Utilities:** Includes water, electric, gas, fuel oil or other fuel, and trash collection.
- **Property taxes:** Includes all real estate taxes, special assessments, school and county taxes.
- **Insurance:** Includes homeowners insurance.
- **Ongoing maintenance:** Includes more routine maintenance activities like minor plumbing or electrical work, landscaping, painting, extermination and others.
- **Larger capital improvements:** Includes major improvements or remodeling and investments in roofs, heating systems or other system replacements.

The paper also used proprietary Fannie Mae data to calculate annual mortgage costs in the first seven years of homeownership.[11] Figure 1 below shows a breakdown of the annual "operating model" based on the paper's estimates from 2020 for each type of homeowner:

Figure 1 | Annual Present Value of All Ownership Costs



There are important takeaways from Figure 1. First, low-income first-time homebuyers only pay 14% less in costs annually relative to other first-time home-buyers. Second, $2,352 of the $2,757 (or 85%) of the difference in costs between low-income and other first-time homebuyers are attributable to mortgage costs and property taxes, which presumably reflect differences between the properties' values or purchase prices. Other ownership costs are essentially fixed regardless of income, suggesting that these costs of homeownership do not vary significantly based on income. As a result, we would expect the ratio of operating costs to purchase price will be higher for low-income buyers, which would impact the owner's ability to borrow based on the value of their home.

In addition, the average annual income of a first-time homebuyer in the dataset was $89,436; but for the low-income first-time homebuyer the average annual income was $49,932. The average first-time homebuyer, then, is paying 22.7% of their *pre*-tax income towards homeownership costs, while the average low-income first-time homebuyer is paying 35.1% of their *pre*-tax income towards those costs. As a result, low-income homebuyers are more cost-burdened, and are especially at risk when assessed against our affordability metric.

These findings suggest that, in order to achieve the goals of affordability, habitability and financial sustainability, policy interventions should, at least in part, be targeted to address operational sustainability for lower-income homeowners.

Recent Increases in Operating Costs

Importantly, this study uses data from 2020, and since then homeowners have faced increases across many of these cost categories, often above the rate of inflation and faster than incomes are growing. Recent Census figures suggest median monthly owner costs for homeowners climbed to $2,035 in 2024 ($24,420 annually), with increases being driven largely by mortgage costs and insurance fees.[12] For the 25 percent of homeowners with the lowest incomes, median monthly housing costs increased in nominal terms by 25 percent between 2019 and 2023, which was almost double the 13 percent rate of growth in median annual incomes for this same group.[13]

Some of the increase in cost of homeownership is also a result of mortgage cost increases due to changes in interest rates and higher sales prices. But even for homeowners who own their home without a mortgage, costs are rising. Indeed, water and sewer bills have increased by more than 24.1% between 2019 and 2024.[14] From November 2022 to November 2025, premiums for homeowners' insurance increased by more than 27% in nominal terms.[15] Median annual residential property tax payments for the lowest-income homeowners also increased by more than 24% from 2019 to 2023.[16]

Deferred Maintenance Among Homeowners with Lower Incomes

For lower-income homeowners the costs of homeownership and associated annual expenses now take up a higher percentage of their post-tax income, and many homeowners do not have sufficient residual income remaining after paying housing costs each month. Lower-income homeowners who lack residual income and savings are also more likely to defer maintenance and skip repairs, even as their homes and critical building systems are aging. Indeed, lower-income owners were more likely than other owners to report small amounts of spending on their homes, or to report spending nothing at all. For example, 46 percent of homeowners with incomes in the lowest quintile reported spending less than $500 on home improvements or maintenance in 2023.[17]

Larger capital investments may simply be out of reach for many low-income homeowners with higher cost-burdens, especially because the cost to make the same structural repairs also grew by about 14.1% in real terms between 2022 and 2024.[18] Over time, deferring maintenance and capital improvements will lead to lower quality housing and habitability concerns. Research has linked poor housing quality to worse health outcomes.[19] Deterioration in housing quality also erodes household wealth by depressing property values and limiting owners' ability to borrow against or sell their homes, and it may have spillover effects into a neighborhood, leading to a higher concentration of complaints, abandonment and an overall loss of housing units.[20]

For Low-Income Homeowners, Current Policy Tools Are Not Well Equipped to Offset Increases in Operating Costs

There are a wide range of existing policy tools designed to help ensure the ongoing operational sustainability of homeownership. The two largest programs are federal tax expenditures that let homeowners deduct home mortgage interest payments[21] and state and local real property taxes[22] they pay each year from their taxable income when calculating their federal income tax liability. In total, the Joint Committee on Taxation estimates that, for Fiscal Years 2025 through 2029, providing the mortgage interest deduction tax benefit will cost the federal government more than $261.1 billion and the state and local real property tax deduction will cost $298.4 billion.[23]

The home mortgage interest deduction, though, is targeted at wealthier homeowners. The academic literature consistently finds that "groups that are on the homeownership margin (the poor and the young) are rarely able to use the deduction given the recent increases in the standard deduction, even when they are owners."[24] Likewise, the state and local real property tax deduction is also targeted at taxpayers who itemize, so it tends to benefit wealthier homeowners who live in states and municipalities with higher local tax burdens.[25] In other words, both programs are not targeted at the lower-income homeowners who may be struggling to pay annual operating costs with post-tax earnings.

Other federal housing programs are means-tested and targeted at lower-income homeowners but the amount of funding available is small relative to the need and annual appropriations levels do not adjust with inflation in the cost category targeted by the program. For example, the Low-Income Home Energy Assistance Program (LIHEAP) provides a block grant to states to administer programs that help low-income households pay for heating and cooling costs, and emergency or general repairs of heating equipment in limited circumstances.[26] Funding for LIHEAP has not kept pace with inflation in home energy costs. In Fiscal Year 2019, regular block grant appropriations were $3.65 billion, and that level of funding has remained flat even as costs have increased. Indeed, regular block grant appropriations were $3.6 billion in Fiscal Year 2026, after the allocation was level at $3.7 billion each of Fiscal Year 2024 and 2025.[27] As a result, according to some estimates, only 15 percent of the households that were eligible for LIHEAP received funding from the program in 2025.[28]

The federal government also provides funding for "home repair" through the Community Development Block Grant (CDBG) program, the HOME Investment Partnership Programs (HOME), and the US Department of Agriculture's (USDA) Section 502 and 504 programs and others.[29] However, local governments often have other priorities they fund with CDBG and HOME dollars. And again, funding levels for these programs do not adjust each year with inflation or to account for changes in the operational sustainability of the nation's housing stock. In many cases, annual appropriations for these programs have been cut in nominal terms even as costs have escalated.[30] The federal government does also provide limited funds for specific projects, including weatherization assistance, lead-based paint remediation and the abatement of other health hazards.

Federal, state and local governments intervene in the operational sustainability of homeownership in other ways. For example, the federal government regulates and supports the residential mortgage market and some of the benefits of those regulations are targeted at low-income homeowners. Indeed, the federal government has promoted the thirty-year fixed rate mortgage utilizing some combination of the Federal Housing Administration, the government-sponsored enterprises, securitization and other interventions in the mortgage market for almost one-hundred years.[31] State Housing Finance Agencies (HFAs) and local governments also have programs that provide downpayment assistance or other subsidies to lower-income buyers.[32]

Since the 1940s, state insurance commissioners have also had the task, under federal law, of regulating the process by which insurers set rates for homeowners', property and casualty insurance.[33] Regulatory approaches to the rate-setting process, though, vary considerably by state.[34] Most states also offer "Fair Access to Insurance Requirements" plans for homeowners who struggle to obtain property and casualty insurance on the regular market but these policies typically provide less coverage and are still costly.[35]

Another example of a program within the federal income tax code meant to offset homeowners' operating costs is the deduction for mortgage insurance premiums, which lapsed for a period of time but was reinstated in 2026 for homeowners with adjusted gross household incomes less than $109,000.[36] Local governments may also provide assistance to low-income homeowners struggling with property tax, water and sewer bills.

But taken together, these programs and regulatory structures that are meant to preserve older owner-occupied homes and help homeowners pay operating costs over time are fragmented, not always well-targeted to the nation's low-income homeowners and the funds available do not keep pace with rapid inflation in costs, worsening the financial standing of many homeowners with stagnant incomes. As a result, after a period of rapid inflation, these homeowners are struggling against all three of our metrics—affordability, financial sustainability and habitability.

3. Operational Sustainability for Affordable Multifamily Rentals

Crafting a financially sustainable operating model for housing where rents remain affordable for low-income households is a delicate balancing act. If the operating model cannot balance these goals when serving lower-income households, renters may find rents are unaffordable, or owners will struggle to sustain the building's finances and maintain the habitability of units.

Unlike other real estate, operators serving low-income households cannot generate as much rental income to cover rising operating costs, especially if incomes for tenants of lower-means are not increasing at the rate of inflation, without impacting the affordability of the unit. In an inflationary environment, these tenants may also already be struggling to pay rent, leading to lower collections.

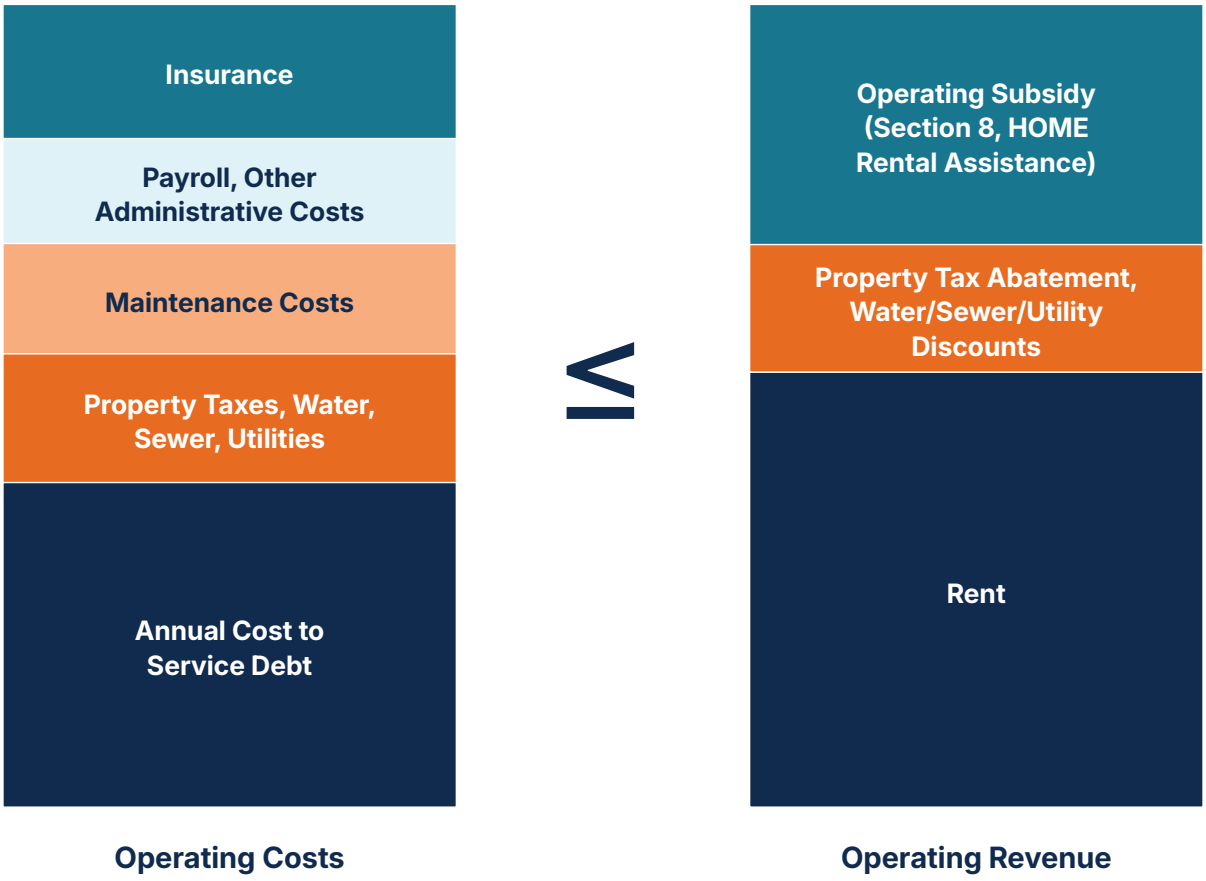
The federal government has established a range of methods to support some of these properties in periods of high inflation by calculating the extent to which operating subsidies must grow to cover escalating costs and declining real rental income. For some programs, like the public housing program, there is still a structural operating deficit despite the presence of an estimate on how much costs have grown. For other programs, like the LIHTC and Section 8 programs, the funds appropriated for operating subsidies, and the reliance on a mixed-income model, have historically helped ensure owners can pay the median buildings' operating costs even as costs escalate, though this is not consistent across all markets.

Affordable Housing's Operating Model

Building owners operating multifamily rentals need income to cover operating costs that are subject to market dynamics such as the cost of labor, fuel, utilities, maintenance, insurance, and administrative costs. Income also must cover costs imposed by the government like property taxes, water and sewer fees. Residual income after some of these operating costs is often called "net operating income" (NOI) and those funds are used to pay debt service. Any remaining funds represent a return to investors. NOI also determines a building's market value and if a building's NOI is constant in inflation-adjusted terms, the building's value will also be constant.

In other words, the long-term operating viability of a multifamily affordable housing project requires that a property's operating revenue (which includes **rents** and **other subsidy sources**) will cover operating costs, including **annual costs to service its debt**. Importantly, the owner

must make sure the cost of operations each month (as shown on the left bar) is less than the amount of revenue each month (as shown on the right bar):



If an owner cannot increase the amount of income it generates from rent or other operating subsidies are insufficient to cover increases in operating costs then the owner cannot compensate for the impact of inflation on the expense side, and other negative consequences—including deferring maintenance or an owner failing to pay debt service or government-imposed levies like taxes—may quickly follow.

This prompts a series of important considerations for the nation's aging affordable housing rental stock: (1) On the revenue side, how have rental incomes and operating subsidies changed over time?; (2) On the cost side, how have costs changed over time?; and (3) How has the nation's operating subsidy programs and other interventions sought to fill these gaps?

The largest source of revenue for a multifamily rental project is typically tenants' monthly rents. **Section 2** covers the compounding challenges facing the rental income variable in the equation.

Many affordable housing programs then provide support so buildings can operate and continue to serve lower-income renters even if rental income is not increasing to keep pace with inflation.[37] But, the amount of subsidy provided must increase to cover increases in operating costs and to cover the growing shortfall in rental income.

There are two ways subsidies can be delivered. First, if the government provides a partial or full property tax exemption, or discounts on utility, water, or sewer service charges, those policy interventions help defray costs and reduce the need for additional revenue to cover those expenses. Second, various levels of government will provide flexible operating subsidies (in the form of rental assistance or direct outlays of money to cover operating costs) to account for the shortfall. **Section 3** covers the challenges facing the operating subsidy variable in the equation using the three largest federal affordable housing programs—Section 8 project-based assistance, the Low-Income Housing Tax Credit (LIHTC) and public housing.

On the expense side of the equation, there are a range of challenges impacting the operational sustainability of the City's aging multifamily rental housing. First, costs have changed significantly over time, as we also discuss in **Section 3** when we cover each operating subsidy program. Second, many affordable housing properties are built and preserved using debt products because of a lack of up-front cash to finance the project's construction and operations. As a result, many of these owners are expected to make continuous mortgage payments but they may have unsustainable debt loads that are also impacting the buildings' net operating income. **Section 4** briefly covers the challenges facing the debt service variable in the equation on the cost side.

Finally, **Section 5** provides additional detail on the operating model of "naturally occurring" affordable housing properties serving low-income renters, where a lack of subsidy makes navigating periods of high inflation in operating costs more challenging.

Income from Rents

Today, many multifamily housing operators serving lower-income renters are essentially facing three compounding challenges when it comes to rental income. The personal income of low-income renters are declining in real terms, and so for income-restricted properties rental income is not keeping pace with inflation, while rent collection, in general, remains lower than pre-pandemic baselines. These challenges lead to declines in rental revenue in real terms.

Challenge #1: Incomes for individual lower-income renter households are not increasing at a rate similar to incomes overall or relative to operating costs

Adjusting for inflation, there have been more significant declines in real income for lower-income renters. Between 2019 and 2023, across all households, nominal income grew and, though it roughly kept pace with inflation, real income growth did still decline 0.02 percent per year.[38]

However, among low-income renters during this same time period, real income growth declined 1.5 percent per year.[39]

This matters for operators of affordable housing and other multifamily rental buildings serving lower-income households. If the incomes of a building's tenants are not keeping pace with inflation, they are likely also not keeping pace with escalations in operating costs. In naturally occurring affordable housing where rents are allowed to increase irrespective of a tenant's income, an owner may try but be unable to increase rents because the market will not bear it and an existing tenant cannot afford to pay it. Regardless, an owner struggling to keep up with operating costs will push to increase rents to the extent they can, which may cause severe rent burdens, threaten affordability or cause a tenant to move if the tenant ultimately cannot afford the new rent.

For income-restricted affordable housing, this challenge may also be exacerbated by the way programs are designed. Operators of affordable housing underwrite their properties with an expectation that they will be able to generate more rental income each year based on having a specific mix of incomes, and income growth, within a building.

For example, to qualify for the Low-Income Housing Tax Credit (LIHTC) program, projects must meet one of three tests, each of which sets aside a percentage of units to be affordable to tenants making between approximately 50% to 60% of the area median income at lease-up.[40] Because real income among low-income renters have declined even as real income among other households has increased, the same tenant who at lease-up a decade ago had an income that was 50 percent of AMI might now have an income that is 30 percent of the present-day AMI. Indeed, the LIHTC stock increasingly has tenants who are extremely low-income, falling far-below the income thresholds. From 2015 to 2023 the share of tenants with incomes at or below 30% of the area median income increased from 44.5% to 57.2%.[41] Of course, many of these extremely low-income households may also be utilizing vouchers that ensure the total amount of subsidy per unit exceeds what would be generated based on the unit's income limit.

Still, without a voucher, the amount of rent a unit will generate is now less than the owner or lender might have expected and the operating model likely anticipated the tenant's income would keep pace with general inflationary trends for incomes across the metropolitan area. Indeed, many properties may have been underwritten to assume the property would generate more rental income as the area median incomes increased.

Challenge #2: Affordable housing owners are only be able to charge rents at 30% of a resident's gross income

In affordable housing, when incomes are declining in real terms and tenants are not vacating the unit, the amount of rent that can be charged is also declining when adjusted for inflation. After all, the rent an owner can charge is set as a percentage of a resident's income based on program rules. If we take a hypothetical example, if a renter in a rent-restricted property had an annual income of $30,000 in 2022 and then their income was still $30,000 in 2023, their rent would stay

consistent at about $9,000 annually even though the annual inflation rate from 2022 to 2023 was 4.1%.

During periods of rapid inflation, the amount of rent an owner can charge for a unit in the nation's affordable housing stock declines in real terms unless personal incomes of the renters in the building keep pace.

Challenge #3: Owners are not collecting as much of the rent charged.

Finally, many owners of affordable housing have been struggling to collect the rent each month. The COVID-19 pandemic had a significant impact on renters, and rent collection rates declined significantly in the immediate term. One study of 2,500 rental property owners in ten cities found that the share of landlords that reported collecting 90 percent or more of the rent charged annually fell from 88.9% in 2019 to just over 60 percent in 2020.[42] Another ongoing study covering the period between March 2020 and August 2026 that uses property management software covering 59,420 units has found that, nationally, rent collection rebounded only slightly from a low in September 2020 of 80.6% of rental payments being made on time to 83.2% in August 2026.[43] Another study using Yardi data found that, on average, affordable housing operators collected 88.6% of the charged rent nationwide in May 2026.[44]

There are two important items to keep in mind when evaluating this data. First, there is significant variation in collection rates by market. In the worst ten markets in Yardi's study, collection rates ranged from 66.8% to 79.4%, while the best ten markets had collection rates between 95.6% and 97.3%.[45] But most importantly, a typical rule is to underwrite a collection and vacancy loss factor of around 5% to 7%, and so even if rent collection rates have rebounded since pandemic-era lows, many owners are still potentially collecting a lower percentage of the rent charged than owners had anticipated when they underwrote their operating models.

Income from Subsidy Programs, Increases in Operating Costs

On the revenue side, when affordable housing owners struggle to generate rental income, the expectation is that subsidy programs will provide the resources to address the shortfall so owners can sustainably pay operating costs. But, some of the major federal subsidy programs do not always adjust to account for increases in costs and losses in rental income. In this section of the paper, we evaluate three of the largest federal subsidy programs.

Section 8 Project Based Assistance Properties

The Section 8 program is the largest rental assistance initiative in the United States. The program provides rental assistance to low-income households through tenant-based vouchers, which are allocated to individual households that can choose where to use them, and through project-based assistance, in which subsidies are tied to specific housing units within designated buildings.

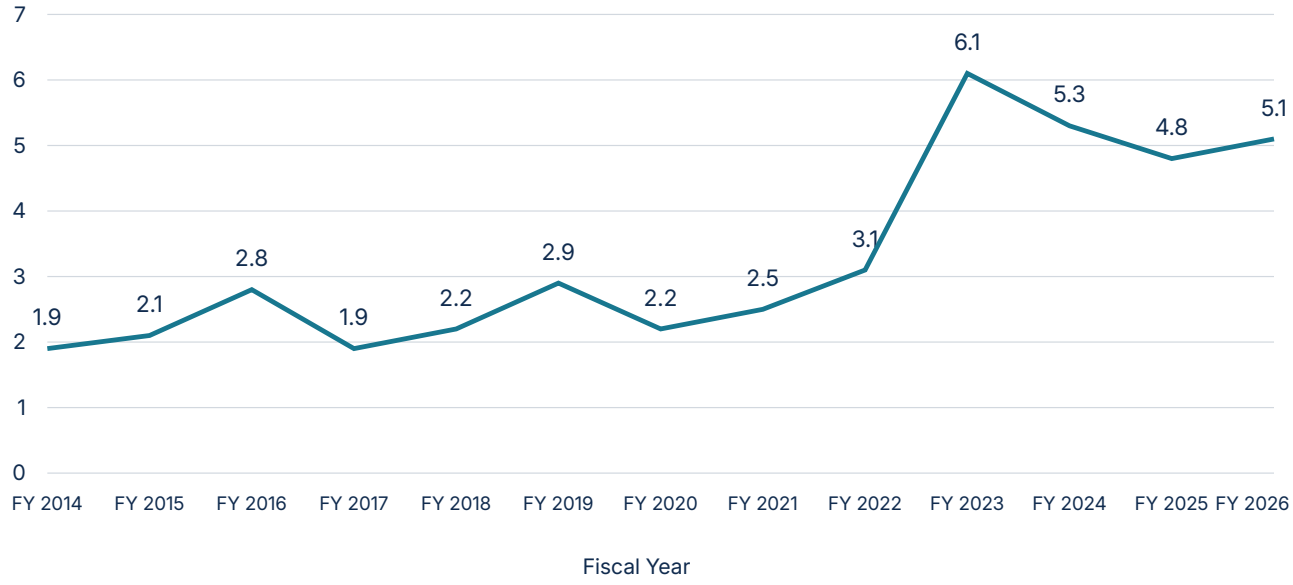
As an operating subsidy, rental assistance is often a critical source of revenue, particularly for properties where a large share of units receive assistance. Most project-based assistance comes in the form of project-based vouchers (PBVs) administered by a public housing authority (PHA) or using the project-based rental assistance (PBRA) program.

For most of the buildings that use PBVs or PBRA (including Rental Assistance Demonstration buildings and other PBV contracts), HUD calculates Operating Cost Adjustment Factors (OCAFs) for each state each year to ensure the rents paid upon renewal (inclusive of HUD's subsidy portion) are keeping up with any increases in the cost to operate the buildings.[46] This is a key factor for ensuring rental assistance will allow for the long-term financial sustainability of the building, and it protects tenants from rent increases they cannot afford.

HUD's calculation of OCAFs takes into account nine separate operating cost categories within a geographic area and it then produces a weighted average factor that can be used to determine how much costs have changed over the course of a year. The nine categories are wages, employee benefits, property taxes, water/sewer/trash, property insurance, goods, fuel oil, electricity, and natural gas.

When aggregated across cost categories, the nationwide OCAFs have seen a rapid acceleration in the last four years. From Fiscal Year 2014 to Fiscal Year 2022, the OCAF ranged from 1.9 to 3.1. In Fiscal Year 2023, it rose to 6.1; and the OCAF has remained at historically elevated levels each year over the last three fiscal years at 5.3, 4.8 and 5.1:[47]

Figure 2 | Annual Operating Cost Adjustment Factors Calculated by HUD



Some of these changes reflect adjustments HUD has made to its methods for calculating OCAFs. For example in Fiscal Year 2023 and 2025, HUD made adjustments to the input it uses to calculate the rate of change in the property insurance market.

Some literature has advocated for additional changes to the OCAF process, including an effort to estimate changes in costs in more refined geographies (e.g. by metropolitan area or region), or to use actual, audited financial data from owners who participate in the voucher program, so HUD can validate whether they are producing an accurate estimate.[48]

Regardless, because the Section 8 program is designed to adjust with inflation in rents and operating costs, the overall appropriations from Congress for the program have grown over time. For example, in Fiscal Year 2019 the tenant-based rental assistance and project-based rental assistance programs received $36.4 billion in total appropriations from Congress.[49] By Fiscal Year 2025, funding levels for the two programs had increased by 45%, with the total appropriations exceeding $52.9 billion.[50]

Still, these changes to appropriations levels for the Section 8 program do not mean the program is serving more low-income households. Indeed, the number of subsidized units available under these programs grew by only 7%, from 3.85 million to 4.12 million, even as appropriations grew by 45%.[51] In other words, escalating costs and inflation in fair market rents, not adding households, was responsible for the growth of the program and the limited availability of Section 8 means most owners serving low-income renters cannot depend on this subsidy to pay escalating operating costs.

Low-Income Housing Tax Credit Properties

To cover the operational sustainability of LIHTC projects, each year, Novogradac publishes the "Low-Income Housing Tax Credit Income and Operating Expenses Report" which consolidates project-level data from nearly 193,000 rental units at more than 1,700 properties across the nation.[52] Among these properties, pre-tax and pre-debt service expenses (which covers administration, repairs and maintenance, utilities, payroll, management fees and insurance), were up 10.5% in 2024 relative to 2023 and totaled $7,657 per unit. At the same time, the median increase in project incomes in 2024 relative to 2023 was 8.7% and totaled $12,385. The net operating income of $4,729 was an increase of 5.9%, which indicated that these properties had stabilized after NOI had decreased by 0.1% when combining 2021 and 2022.[53]

But, it's important to keep in mind that there can be substantial variation across different markets and there was substantial variation by cost category:

- Insurance is the cost category that has seen the most substantial increases. Insurance costs were $821 per unit per year, more than 10.7% of the overall operating budget, and they had increased by 17.8% in 2024 relative to 2023, and by 287.1% since 2016.[54]

- Repairs and maintenance has also been growing as a cost category. This category now costs $1,986 per unit per year, which represents an increase of 13.8% in 2024 relative to 2023 and by 99.6% since 2016.[55]
- Other expenses were below the rate of increase of expenses generally. For example, utilities increased by 9.6% between 2023 and 2024.[56]

The median LIHTC building, in general, appears to be maintaining a healthy net operating income to pay debt service, property taxes and other government levies (if applicable) and to provide a rate of return to investors despite rapid escalation in certain cost categories. There are likely three reasons these projects are more stable financially. First, LIHTC projects can increase rental income from the share of units that are not income-restricted in high-demand markets where the buildings are mixed-income. But, the ability to increase rents in market-rate units to cross-subsidize the operation of income-restricted units is not universal across markets, and in many projects, there are very few market-rate units or commercial elements to the project that can be used to generate income. For example, the median rental income for LIHTC properties in metropolitan areas is $3,500 higher annually compared to a unit in a nonmetropolitan area, which leads to higher net operating incomes in metropolitan areas. Properties in the Northeast (which are dominated by New York City) and in the West (which includes California) also receive significantly more rental income compared to LIHTC properties in other regions.[57]

Second, for the income-restricted units in the project, LIHTC owners can also sometimes adjust rents, even if the unit is income-restricted, as the area median income increases, including on vacancy. Third, LIHTC properties also tend to layer on other operating subsidies, including Section 8 vouchers.[58]

Still, in an environment where certain unavoidable costs like insurance and utilities are increasing significantly, buildings with different income mixes or in weaker markets, where the market rate units cannot generate more income, will struggle unless policy interventions can bend the curve on some of those costs.

Public Housing

The public housing program's operating model differs from the Section 8 and LIHTC programs. The public housing program exclusively serves households with very-low incomes, and tenants' rents adjust based on incomes. As a result, in 2025, HUD reported that the average tenant rental payment per household for public housing was $439 per month, or $5,268 per year, which was up by only $17, or about 4%, from 2024.[59]

Needless to say, these low rent levels and the slow growth over time in rental income makes it difficult for public housing authorities to cover operating costs. Public housing does not pay property taxes, but it does still pay other operating costs and HUD tries to estimate the total operating costs for the program each year. The statute governing the program splits the estimate for operating costs into three categories:

- **Project Expense Level (PEL):** This category includes the costs associated with administration, management, maintenance, protective services, leasing, occupancy, staffing, and other expenses, such as insurance. HUD benchmarks an estimate of what these operating costs should be to the actual costs of Federal Housing Administration projects for which it has data.[60]
- **Utilities Expense Level (UEL):** This category includes the actual costs charged to the public housing authority for utilities, including electricity, water, gas and sewer, and it is based on reporting from the public housing authority.[61]
- **Other costs:** Public housing authorities also charge other fees as "operating costs" including per unit asset management fees and centralized technology fees, as well as funds for HUD-mandated tasks like independent audits and resident participation activities.[62]

After totaling these operating costs across the public housing stock to produce an estimate, HUD calculates the amount that would be necessary to fund the gap between this estimate of expenses and the incomes generated by tenants' rents. This difference is meant to be the amount appropriated for the public housing operating fund.

However, in 19 of the last 25 years, Congress has appropriated less funding than public housing agencies were due under the operating fund's formula.[63] For example, in Fiscal Year 2026, Congress appropriated $4.687 billion for the program's Operating Fund and another $337 million in competitive shortfall funding.[64] But HUD's estimates from 2024, adjusted for inflation to March 2025 levels, suggested that appropriations of $5.720 billion and $580 million in competitive shortfall funding would have been necessary to fund the public housing stock's actual costs to operate and to make up for the prior year's shortfall.[65] In other words, using HUD's estimates, public housing authorities are facing a more than $1 billion annual structural operating deficit where incomes, including subsidy, are not sufficient to pay annual operating costs.

Debt Service

There are other factors that contribute to weak net operating incomes for affordable housing. For example, these projects are often over-leveraged with debt due to a lack of other direct capital and operating subsidies that could be used to finance ongoing operations, new construction or preservation work.

The total cost to develop or preserve affordable housing generally includes hard costs, such as building materials and labor; soft costs, such as financing, design, and taxes; and, if the property is being sold or acquired, the cost of land. Financing affordable housing requires a complex assembling of resources to fund these development costs at two stages: (1) the acquisition and construction phase and (2) when the property converts to its source of permanent financing. The financing packages will also provide funds for operating reserves to protect against the risk that the operating model will falter during the term of the loan.

Because direct sources of equity and operating subsidies are scarce, to finance affordable housing, most projects rely on a complicated capital stack that includes senior private debt

and then multiple layers of publicly subsidized debt products. As a result, once the property is operating, it must support higher debt service payments. Other papers in this series, in particular the paper that covers new methods of acquiring land and leveraging its value and the paper that covers the need to deploy simpler, cheaper capital to finance affordable housing, are also exploring levers that might help ensure the long-term operational sustainability of properties serving renters with low-incomes.

"Naturally Occurring" Affordable Multifamily Rentals

Most of the nation's lowest-income renters live in "naturally occurring" affordable housing that receives no operating subsidy. As a result, these properties struggle to secure sufficient operating revenues to cover increasing operating costs, which may lead to deferred maintenance impacting habitability and increases in rents impacting affordability.

Indeed, these buildings are often located in neighborhoods where the market cannot support rent increases and renters cannot afford to pay increases. These owners, unlike most subsidized, income-restricted properties, also pay property taxes, in some cases at an effective tax rate that is higher than other owners. These owners may not have enough of a mix of incomes, or any subsidy because Section 8 funds are limited. In these buildings, owners may be forced to raise rents to deal with a structural operating deficit, but they often cannot raise rents enough to cover all escalations in operating costs, which leads to deferred maintenance even as the buildings are aging.

Indeed, in 2023, there were 19.1 million renter households with very low incomes that would have made them eligible for rental assistance, but only 5.4 million households (28.3 percent) received it. Out of the remaining 13.8 million unassisted households, 8.5 million were severely cost burdened or lived in housing with severe structural inadequacies.[66]

4. Conclusion and Considerations for Policymakers

A systematic national approach to ensuring the long-term habitability and financial sustainability of the country's aging housing stock requires that policymakers consider four basic conclusions:

1. **Constraints on Revenue:** Low-income homeowners have limits on the amount of post-tax income they can afford to pay towards operating costs. Likewise multifamily rental owners who serve low-income renters or set-aside some or all of their units for renters based on income are limited in the amount of rental revenue they can raise and then pay towards the building's operations. If we raise rents or change the amount of post-tax income we expect these households to pay towards housing, we are putting the affordability goal at risk.

2. **Repair Needs Are Growing:** Against this backdrop of constrained revenue, the nation's housing stock is aging quickly and the repairs needed to ensure these homes remain habitable are escalating in cost.[67] If we don't craft an operating model that can ensure the long-term maintenance of these units, we are putting the habitability goal at risk.
3. **Other Operating Costs Have Escalated Rapidly:** Certain operating costs that owners and low-income homeowners are obligated to pay—like insurance, utilities and debt service—have grown, sometimes substantially, in recent years.
4. **This Leads to Narrowing Operating Margins and Fewer Financing Options:** Constrained revenues and escalating costs means many low-income homeowners now lack the residual income they need to put money towards ongoing maintenance or pay other costs, and they lack resources to qualify for a loan so they can invest capital in their home. Likewise, the net operating income for more multifamily rental buildings serving low-income renters may be declining in real terms, leading to declines in value, restrictions on the ability to secure capital to invest in the buildings, and less money being available to pay for maintenance or other operating costs. If we don't address the divergence between operating costs and revenues, we are putting the financial sustainability goal at risk.

In general, there are three tools identified throughout this paper for policymakers to focus on in this kind of operating environment:

Bend the Cost Curve:

Across all markets and building typologies, some cost categories are growing far above the rate of inflation year-over-year. For example, homeowners' insurance and property and casualty insurance have increased dramatically in cost, placing new burdens on operating margins for low-income homeowners and rental buildings. Likewise, utilities, interest rates and the costs associated with repairs and maintenance have been escalating across markets and building typologies.

Designing interventions to bend the cost curve will vary by cost category. Some of these cost categories, like insurance or repair costs, require an intervention in a market either through regulation or by changing the dynamics of the market. For example, to lower insurance costs, interventions might include encouraging investments to reduce risk of damage, investing capital in new captive insurance models to compete in the marketplace, or making changes that would lower the number of claims and the amount of judgments. State insurance commissioners may also have the opportunity to impact pricing by regulating the process by which insurers set rates.

In other cost categories, like utilities or property taxes, different levels of government may have even more control to reduce costs directly than they do in categories like maintenance or insurance. For these categories, policymakers might consider making changes that would directly target reductions in operating costs to low-income homeowners or rental buildings.

For example, policymakers might choose to adjust the way their property tax system works. Local jurisdictions typically have guidelines they use to assess the value of single-family homes and multifamily buildings, but not all systems are set up to ensure buildings with declining net operating incomes or homes with declining values are incurring lower property tax burdens as values decline. In some jurisdictions, these properties may be continuing to pay the same or even a higher effective tax rate when compared to other properties.

Similarly, state and local governments designing how electricity, gas, water and sewer rates are set may need to change their approach. For example, using residential rates rather than commercial rate classifications for multifamily buildings, or using income-graduated fixed charges rather than flat fee structures may help bend the curve on utility charges for certain types of homes and buildings.

Importantly, if, even after these interventions, annual cost increases remain elevated and continue to exceed the rate of increases in operating income, any one-time effort to bend the cost curve will be insufficient. Instead, the cost curve would need to continue bending more and more as real income continues to decline.

Funding Home Repair Programs

Home repair programs are typically under-resourced, but the evidence shows they are a useful tool for advancing habitability and affordability goals among lower-income homeowners. Increasing federal funding for home repair, including through existing block grant programs, changes to the mortgage market and by funding a new program authorized under the 21st Century ROAD to Housing Act, will continue to play a central role in advancing home repair services in lower-income neighborhoods.

But, investments from state and local governments and from the philanthropic sector have also had a meaningful impact in many jurisdictions. Some home repair programs also need to improve the way they coordinate the delivery of services and deploy data more effectively to ensure they are targeting investments in repairs strategically over time. The NYU Furman Center's Housing Solutions Lab has worked with more than 40 home repair programs across 14 local governments, and has developed a strong set of lessons for policymakers interested in working to strengthen these critical programs.[68]

Right-Size Operating Subsidies to Stabilize Buildings Over Time

Ideally, a program to provide operating subsidy—whether it is specific to a particular cost category like LIHEAP or more general like the public housing operating fund—would have three characteristics. First, it would be targeted to the owners who are unable to increase rental revenue or who do not have sufficient post-tax income to pay operating costs. Second, the amount of subsidy provided would adjust as the relationship between revenues and costs change. In other words, if incomes are only growing by 2% and costs are growing by 3%, access

to an operating subsidy program would be an intervention that might account for that gap and the program might adjust the amount of subsidy it provides to make up the difference until the operating model stabilizes.[69] Third, the operating subsidy program would not overpay, meaning it would both properly estimate the cost to operate that type of housing and not provide so much subsidy that it disincentivizes efficient operation of the building or provides an overly generous rate of return.

The federal programs outlined in this paper do not meet those standards. Some, like the mortgage-interest deduction, are not targeted. For others, like CDBG, HOME, LIHEAP and the public housing operating fund, the total amount of subsidy available each year has not increased in real terms even as the costs they are meant to pay have escalated far above the rate of inflation. Finally other programs, like Section 8 and LIHTC, do not properly account for variations in operating models based on differences across regions, housing markets and buildings' income mixes.

Local governments, states and the federal government all have a role to play. Policymakers should start by establishing a consistent method for collecting and analyzing data to understand which homeowners and multi-family rental buildings are facing tighter operating margins and repair needs. Then, designing interventions to address those operating needs may require that each level of government pull a lever they control. In some markets, that may mean designing programs at the local level to reduce water/sewer or property tax charges on an ongoing basis; in other markets it may mean changing state-level insurance regulations; and at the federal level it may mean adding resources and changing the design of existing programs or developing new sources of operating subsidy so they are properly targeted, still incentivize owners to invest in strategies to reduce costs, and ensure the amount of money available adjusts as operating costs increase.

As the nation's housing stock continues to age, every level of government will need to focus on these items so we preserve these homes and ensure they are affordable, financially sustainable and habitable in the long-term.

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RESEARCH

FOR THE

National Housing Crisis Task Force

National Housing Agenda

Data: Building a Robust Housing Data System for the 21st Century
(New America)

Regulation: The Role of States in Planning for Housing in the 21st Century
(Terner Center for Housing Innovation at UC Berkeley)

Land: The Public Land Dividend
(Lincoln Institute of Land Policy)

Capital: Financing Cost-Rental Housing
(Harvard Joint Center for Housing Studies)

Construction: Catalyzing Factory-Built Housing
(Terner Center for Housing Innovation at UC Berkeley)

Operational Sustainability: Built to Last
(NYU Furman Center)

→ **Governance: Remaking Housing Federalism for a New Era**
(New Localism Associates)

NATIONAL HOUSING CRISIS TASK FORCE

NATIONAL HOUSING CRISIS TASK FORCE

GOVERNANCE

Remaking Housing Federalism for a New Era

ABSTRACT

The housing crisis requires a clearer understanding of what we call "Housing Federalism," including *what* reforms are necessary, *who* delivers them and *how* they are then coordinated, diffused and scaled across the country.

The U.S. housing system is highly federated, comprising a financing and consumer protection regime (which has historically been disproportionately federal) and a land use regime (which historically has been quite local, although that varies state by state).

The balance of responsibility for housing, however, is now changing. The federal government has in some ways become an unreliable partner, undermining certain functions while retaining and expanding others. States and localities are stepping up their actions to boost housing production and alleviate their housing shortages. Financial institutions, start-ups, established companies and philanthropies are experimenting with new ways to build, finance and operate housing.

This white paper describes the evolution and potential future of Housing Federalism. The paper argues for restoring the federal government's role as a valued, trusted and indispensable partner. But it also contends that states, localities and the private and civic sectors must realize their full potential as catalysts of housing production and preservation. To that end, it recommends a series of governance reforms at the state and local levels to enable collaborative efforts within government and across sectors, align with metropolitan housing markets and, most importantly, create a National Housing Solutions Exchange to accelerate the diffusion of innovative practices and policies, taking the "best to the rest."

NATIONAL HOUSING CRISIS TASK FORCE

ABOUT THIS PAPER

Remaking Housing Federalism for a New Era

Research for the National Housing Crisis Task Force's
National Housing Agenda

Prepared by

New Localism Associates

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About this series

This paper was produced by New Localism Associates in partnership with the National Housing Crisis Task Force.

The Task Force supported the creation of seven papers, which together span the building blocks of our housing system: data, regulation, land, capital, construction, operational sustainability, and governance. This paper addresses governance, and the entire collection can be found at nationalhousingcrisis.org/HousingWhitePapers.

PUBLICATION NOTES

Research independence

While the Task Force commissioned this collection, it does not formally endorse its findings; the views expressed are those of the authors. Task Force members and co-chairs, who participate and are quoted in their individual capacities rather than on behalf of their organizations, bring a range of professional and lived experience to their work and may not agree with every statement in every paper, but remain committed to working together on solutions to the housing crisis.

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1. Introduction

The United States is facing its worst housing crisis in 75 years. No longer limited to the coasts or to very low-income households, communities across the country are experiencing housing shortages and rising housing costs that make housing increasingly unattainable. The crisis is affecting diverse segments of the population: young households trying to buy a home for the first time, a broad mix of families and individuals struggling to rent apartments and homeless individuals and families desperate for temporary and permanent housing.

After years of neglect, elected officials in both political parties at all levels of government are scrambling to respond to voter unrest, making this an issue characterized by unusual bipartisan consensus. The crisis is generating a burst of policy and practice reforms to liberalize land use, expedite permitting, develop new construction methods, apply disruptive technologies and generate new pools of federal, state, local, private and philanthropic capital.

Amid this remarkable momentum, policymakers and practitioners are discovering that the housing crisis is exacerbated by a crisis of governance. Responsibility for housing is **federated** in the United States—meaning that different levels of government have different powers, authorities and capacities to address the housing crisis. The housing regulatory regime comprises a financing and consumer protection regime (which has historically been disproportionately federal) and a land use regime (which historically has been quite local, although that varies state by state).

In the twentieth century, in response to a series of crises, the federal government largely built the U.S. housing system we have today—institution by institution, policy by policy, program by program. The federal government played a dominant role, setting a common platform for the country, with data infrastructure, mortgage products, tax incentives, subsidized housing programs, safety net entitlements and market rules applying across the entire nation.

As the federal government's role expanded, states and localities followed by establishing special agencies and authorities, often with their own financial resources, to administer federal programs while also retaining primary responsibility for establishing state and local rules that determine what kind of housing gets built in which locations (e.g., zoning, land use and environmental ordinances, building codes, permitting requirements). The result is a combination of interrelated roles and fragmented programs and an unclear central nucleus for housing leadership.

The balance of responsibility for housing, however, is now changing. The federal government has in some ways become an unreliable partner, undermining certain functions while retaining and expanding others. States and localities are, meanwhile, stepping up their actions to boost housing production and alleviate their housing shortages. Financial institutions, start-ups, established companies and philanthropies are experimenting with new ways to build, finance and operate housing.

The moment requires a clearer understanding of what we call "Housing Federalism," including *what* reforms are necessary, *who* delivers them and *how* they are then coordinated, diffused and scaled across the country. To understand the future of housing governance, we must first

understand what each level of government is responsible for and how the different aspects of the housing delivery system fit together. The decentralized nature of the change compels us to use the full powers of a federated republic and imagine the mission, structure and capitalization of entities that can bring local innovations to nationwide scale and impact.

This paper will explore these issues in three sections.

In the first section, we will describe the role of the federal government within the system of Housing Federalism as it evolved from the 1930s through the present. To that end, we will define the five core platforms built by the federal government in the 20th century—credit and tax, program, regulation, data and safety net—and explain how these platforms informed state and local actions over multiple decades. After a period of drift and inaction following the Great Recession, the second Trump Administration is trying to reshape the five core platforms that have anchored the housing system for close to a century.

Second, we will describe how the roles of state and local governments are shifting at a time of crisis and disruptive governance. States and localities are scrambling to fill the vacuum created by changes at the federal level, not only instigating reforms in areas historically within their remit (e.g., land use) but also stretching themselves to reform fragmented and parochial forms of governance and provide new capital tools and market-inducing incentives. This is a messy transition period, remarkable for its energy and momentum but also largely uncoordinated and regionally uneven.

Finally, we will lay out a path for Housing Federalism. On one level, we argue for restoring the federal government's role as a valued, trusted and indispensable partner. But we also contend that states, localities, and the private and civic sectors must realize their full potential as catalysts of housing production and preservation. To that end, we recommend a series of governance reforms at the state and local levels to enable collaborative efforts within government and across sectors, align with metropolitan housing markets and, most importantly, accelerate the diffusion of innovative practices and policies, taking the "best to the rest."

The stakes are very high. There are clear benefits to a more invigorated state and local sector. It is likely to engender more innovation around multiple housing policies, practices and products and enable interventions to be more customized to distinctive regional conditions.

But the federal government performs certain roles and functions that, for a variety of reasons, cannot and should not be devolved. Unless designed and implemented carefully, devolution of some federal functions could exacerbate interregional and intraregional disparities given the sheer level of variance between state and local powers, market dynamics, philanthropic wherewithal and the impacts of partisan divisions.

Our message is clear: the nature and scale of the housing crisis and its broader implications for economic competitiveness, social mobility and political cohesion require a new governance and institutional architecture—a new Housing Federalism—that builds on 20th-century foundations while taking full advantage of 21st-century tools and possibilities.

2. The Role of The Federal Government

The architecture of Housing Federalism that exists today is an artifact of the twentieth century[1]. Beginning in the 1930s, a series of separate crises led the federal government to play an exceptionally strong role in housing, which has informed the federalist division of responsibilities that continue to this day.

In each successive decade through 2010, the Administration and Congress responded to the urgent housing crisis before them—the collapse of credit and construction during the Great Depression, the shortage of housing following the Second World War, the recognition of deep racial segregation during the 1960s, the overhaul of the tax code in the 1980s, the transformation of public housing during the 1990s, the subprime mortgage crisis and lax financial oversight that led to the Great Recession in 2008 and the impact of the COVID pandemic in 2020.

Each of these federal interventions was distinct, as was the role of housing in the crises that prompted them. Yet they established the federal government as central to housing solutions and put in place a series of institutions, rules, products, incentives and programs that applied nationwide and formed the foundation for a federalist system that has lasted to this day.

To implement these changes and to create the core of the federal housing system we know today, the federal government created five platforms that are inextricably linked. These five platforms are credit and tax, program, protection, data and research, and a safety net.

Credit and Tax Platform

The credit and tax *platform for housing* production enables homeowners to access affordable mortgage credit nationwide and developers of both for-sale and rental housing to access long-term, low-cost housing financing across the entire country. This platform has several distinctive elements.

- The Federal Housing Administration (FHA) provides federal mortgage insurance, enabling private lending to flow for single- and multi-family housing as well as VA and rural home loans. Separately, two government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, were created to enable banks to sell non-insured mortgages to a secondary market, to ensure readily available funding for mortgages market wide. A third enterprise, Ginnie Mae, created a secondary market for FHA.
- The federal tax code has a long history of favoring the housing sector.[2] The tax code was initially revised to favor home purchases, through the enactment of the mortgage interest deduction. Other incentives added over time include tax-exempt bonds, accelerated depreciation, capital gains relief and the enactment of the Low-Income Housing Tax Credit in 1986 to stimulate equity investment for affordable housing and Opportunity Zones in 2017.

Programmatic Platform

The *programmatic platform for housing* gives states and localities, whether urban, suburban or rural, a pool of resources to apply to the housing challenges of low- and moderate-income households. Over 5 million households currently receive some form of rental assistance from the U.S. Department of Housing and Urban Development (HUD) across public housing, Housing Choice Vouchers, and project-based rental assistance.[3] The Community Development Block Grant (CDBG), the HOME Investment Partnerships Program, Choice Neighborhoods, Section 202 for affordable elderly housing, Section 811 for housing for people with disabilities and Section 515 for rural housing all provide additional support for affordable housing production and preservation. In recent decades, HUD has also played a fundamental role in responding to natural disasters, with the creation of a special CDBG-DR program. Funding for these programs is subject to annual appropriations, and they have been consistently underfunded.

The Departments of Treasury,[4] Transportation,[5] and Energy[6] also have programs around community development financial institutions, transit-oriented development and energy efficient housing.

Protection Platform

The *protection platform* ensures that individual households are guarded against market abuse and discriminatory behavior.

- The Fair Housing Act of 1968 (and amendments in subsequent years) ensures that people are protected against housing discrimination based on race, religion, gender, disability, national origin, or familial status, irrespective of the state they live in.
- The National Manufactured Housing Construction and Safety Standards Act of 1974 establishes national standards for the design, construction and safety of manufactured housing. A subsequent act in 2000 established a dispute resolution program and the Manufactured Housing Consensus Committee.[7]
- The Real Estate Settlement Procedures Act (RESPA) of 1974 protects homebuyers from hidden costs and unfair practices during the settlement process.
- The Home Mortgage Disclosure Act of 1975 requires most mortgage lenders to collect, report and publicly disclose data about their home lending practices.
- The Community Reinvestment Act of 1977 creates an affirmative obligation for financial institutions to lend, invest and provide services in low- and moderate-income neighborhoods.
- The Residential Lead-Based Paint Hazard Reduction Act of 1992 mandates the disclosure of lead-based paint in residential properties built before 1978.
- The Consumer Financial Protection Bureau was established in 2010 with the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act. It protects borrowers from

predatory lending, manages mortgage complaints and ensures debt collectors do not use abusive tactics.

Data and Research Platform

The *data and research platform* ensures that the other federal roles are carried out with evidence and that public, private and civic practitioners can understand shifting market dynamics across the country. The data infrastructure is rich and varied. Some examples include the following:

- The Census Bureau collects a wide range of data on the size, age and type of American homes and housing units as well as home values, rents and mortgages, enabling an understanding of housing affordability dynamics for families, individuals and communities.
- The Census Bureau and the Federal Reserve tracks housing supply with information on building permits and housing starts.
- The Federal Reserve issues a Quarterly Report on Household Debt and Credit,[8] revealing aggregate housing debt, delinquency rates and mortgage origination.
- The Federal Housing Finance Agency publishes the House Price Index,[9] a metric measuring single-family home price appreciation based on data from mortgages sold to Fannie Mae and Freddie Mac.
- The National Institute for Building Studies (NIBS) provides information on changing building technology.

Beyond collecting and publishing data, HUD's office of Policy Development and Research, the Federal Reserve, the Federal Housing Finance Agency and the Federal Home Loan Banks commission and publish research papers that assess shifting housing and affordability trends.

Safety Net Platform

The *safety net platform for low- income households* entitles eligible families to health care coverage through Medicaid, food support through the Supplemental Nutrition Assistance Program (SNAP) and income support through the Supplement Security Income (SSI) Program. These entitlement programs help rent-burdened households cover necessary expenses. In some cases, Medicaid funds can also be used to defray the costs of social services, such as individualized case management, in Permanent Supportive Housing that serve homeless individuals.[10] In addition, the Earned Income Tax Credit (EITC) provides a federal tax credit for low-to-moderate income working individuals and families.

Recent Changes to the Federal Platforms

For decades, these federal housing platforms created a stable, though inadequate, national foundation that uniformly applied to the entire country. Equal treatment and common application were ensured by top-down statutory provisions, regulatory promulgation and enforcement and product design and delivery.

Since HUD's inception in 1965, the Department has been the focus of partisan disagreements, particularly during the 1990s when the Contract for America called for HUD's elimination and the 2000s, when extreme cuts were made in public housing programs.

Since 2025, federal actions have been a mix of the helpful (e.g., the expansion of the Low-Income Housing Tax Credit[11] and the recently adopted 21st Century ROAD to Housing Act) and unhelpful (e.g., increased costs of construction materials and labor, higher interest rates and rising gas prices due to the war with Iran, uncertainty over annual appropriations and the future of the GSEs[12], dramatic cuts to the federal workforce, reduced enforcement of fair housing laws and lack of enforcement of mortgage standards, rulemaking to deny mixed-status households access to federal housing assistance[13]). A brief review of how each of the federal housing platforms have fared during this period illustrates ways in which housing policy at the federal level is shifting—sometimes in response to congressional action and other times at the behest of a more erratic administration.

The federal *credit and tax platform for housing* not only remains intact but has been amplified in significant ways. The 2025 tax law increased the Low-Income Housing Tax Credit ("LIHTC") program and made Opportunity Zones, which have become a new source of equity investment in multifamily residential housing, permanent. FHA continues to be a powerful finance institution for single- and multi-family housing. Despite occasional calls for privatization, Fannie Mae and Freddie Mac continue to run an efficient secondary market. There are exceptions to this picture, including the treatment of Community Development Finance Institutions.[14] But the federal credit and tax platform for housing is mostly stable. The challenge is not so much dismantling of this architecture but its prescriptive and fossilized nature, which has pushed capital innovation for middle-income housing down to the state and local levels.

The federal *programmatic platform for housing* has been subject to a chaotic period of extreme funding uncertainty. Instability in federal funding—short-term funding freezes in January 2025,[15] radical budget reductions proposed for FY 2025[16] and 2026, short-gap appropriations[17]—put voucher assistance at risk. It also forced states and localities and their private and civic allies to rethink assumptions about federal support for affordable housing and rental assistance and consider local funding options to sustain core programs for the lowest-income households.

The federal *protection platform for housing* is under relentless assault. The Fair Housing Act of 1968, the Home Mortgage Disclosure Act, the Community Reinvestment Act and the Consumer Financial Protection Bureau have been mainstays of the more than half-century battle against racial housing discrimination and redlining, which persists in the country. These foundational pillars have been undermined by substantial reductions in workforce and radical shifts in policy.[18]

As a result, the federal government is not even monitoring the worrisome rise of "rent-now-pay-later" financing schemes that can make borrowers worse off with hidden fees and higher interest rates.[19] States and localities have just begun to consider the implications of these actions and the potential for oversight and enforcement at the non-federal level.

The federal *data and research platform for housing* is either being disrupted or reduced. Part of this is due to massive reductions in the federal workforce; for example, mass layoffs at the Consumer Financial Protection Bureau at the height of the Department of Government Efficiency (DOGE) process in 2025 almost inadvertently eliminated the team that sets average prime offer rates,[20] which could have frozen the mortgage markets. Staff reductions across multiple agencies continue to imperil the timely and reliable collection of data that affects the efficient functioning of multiple federal programs. On the research front, the Office of Management and Budget published a draft rule that would impose restrictions on the kinds of research that can be funded and give political appointees the final authority to deny federal funding for research deemed inconsistent with presidential priorities.[21] This could have large implications for housing research, given the historic interplay between racial discrimination and segregation in housing markets. Importantly, Congress has temporarily halted implementation of the rule, but vigilance is critical.

The federal *safety net platform* is being scaled back at unprecedented levels. The ability of low- and moderate-income households to afford housing is also affected by federal support for other necessities of daily life, including health care, food and energy. The 2025 tax law alone included nearly $1 *trillion* in cuts just to Medicaid, the federal health support program serving over 71 million people, partially offsetting the trillions of dollars in tax reductions for wealthy families and corporations included in the broader bill. The tax law similarly cut the Supplemental Nutrition Assistance Program, a federal program providing food-purchasing assistance for low- and no-income people, which serves roughly 42 million Americans to varying degrees, by $186 billion[22] over the next decade. These federal actions will be devastating for vulnerable populations, the places where they reside and the institutions and organizations (largely nonprofit entities) that deliver the social safety net.[23]

The changes to the historic federal platforms reflect the complicated relationship between the executive and legislative branches during the Trump Administration. On one hand, Congressional tax committees embraced Administration capital and safety net proposals with the enactment of the One Big Beautiful Bill Act in 2025. On the other hand, the Congressional appropriations committees rejected the deep cuts to vouchers and public housing that were proposed by the Office of Management and Budget (OMB). Still further, Congressional authorizing committees pushed the enactment of the bipartisan 21st Century ROAD to Housing Act,[24] advancing federal support for streamlining zoning, permitting and environmental reviews to build and repair homes faster. Yet no funds have been appropriated, yet, for the new law. Congressional leadership, in short, is neither clear nor consistent during this period of federal upheaval.

3. The Role of State and Local Governments

From the 1930s through the Great Recession, state and local governments developed housing policies and programs based on the assumption that the federal government's role would be relatively stable. The federal government was the clear leader, designing and offering a mix of capital resources that included direct project or tenant subsidies, tax-driven incentives, mortgage insurance and secondary market access. States and localities were the implementers in the system, taking their cues for project types and spatial investment from federal programs and incentives. They also greatly influenced the shape and pace of housing production, through land use and other regulatory regimes.

During the 20th century, states developed their own governance structures and financing mechanisms to administer both federal programs and their own state-funded programs. Starting in the 1930s, with the enactment of the United States Housing Act of 1937, states passed enabling statutes to create local public housing authorities (PHAs). These local authorities were largely created to develop and manage federally subsidized public housing but often were given additional powers and resources. There are approximately 3,300 PHAs in the United States; most are relatively small, with over 2,200 agencies managing 250 units or fewer, while medium to large authorities (1,001 units or more) make up only 5% of agencies but manage about 60% of the public housing stock.[25]

PHAs created a precedent for the hyper localization of federal program implementation, where housing is managed city by city, even though the housing market itself functions at the metropolitan scale. In subsequent decades, cities also began to create first redevelopment agencies and later local housing or community development agencies to manage Great Society programs and the CDBG and HOME block grants.

Beginning in the late 1950s, states started to create housing finance agencies (and sometimes other housing agencies) with the purpose initially of issuing tax-exempt bonds and, as the decades passed, administering subsidized federal funding through programs, including LIHTC, some Community Development Block Grant and HOME Investment Partnerships Program funds and the National Housing Trust Fund.[26]

Local governments have also played a role in creating resources for affordable housing. Localities, also depending on state devolution, often have their own funding and financing capabilities via General Obligation Bonds, sales taxes, tax exempt bond debt, trust funds, tax abatements, and public asset disposition.

The primary role of states (and, by extension, localities) is in the domain of land use and other regulatory provisions. It is long understood that all powers not enumerated in the Constitution as being within the purview of the federal government are reserved for the states. To this end, states set the rules (e.g., planning, zoning, building codes, municipal taxation) for a wide array of powers and tools that dramatically affect housing. The states, in turn, typically further delegate that authority to local governments.

Given state devolution, cities and municipalities are the units of government most commonly responsible for zoning and land use regulations, permitting requirements, impact fees and, occasionally, rent restrictions. Local governments, often with state permission, have also developed their own institutions to carry out federal programs.

In the aftermath of the Great Recession, Housing Federalism began to change. The shock of the housing-led economic downturn meant that the primary focus of federal policymakers was on preventing a repeat of the economic crisis by tightening standards and on dealing with the overhang of foreclosed properties now in federal possession. Between 2010 and 2024, legislative interventions were relatively reactive and limited. The Neighborhood Stabilization Program in the wake of the Global Financial Crisis and the eviction moratorium in the wake of COVID were responses to specific crises, rather than forward-thinking, systemic innovations.[27] As the U.S. population continued to grow, adding 80 million people since 1990,[28] programs built for a different time and different problems showed very little ability to adjust and adapt, and the accretion of rules and restrictions has made them less efficient over time.

In the absence of federal leadership and with the reality of increasingly fossilized federal programs, states and localities began experimenting with housing reforms in the mid-2010s. Focusing first on responsibilities firmly within their control (e.g., land use, permitting), state and local governments then gradually expanded into roles (e.g., capital, construction and technology innovation) historically left to the federal government. State and local governments, along with private and civic partners, also began to experiment with substantial governance reforms. With the worsening of the housing crisis and the advent of the second Trump Administration, state and local actions increased.

States and localities are now taking more of a leadership role in addressing the affordable housing crisis in the United States. The reforms and actions they are taking increasingly cut across a broad swath of policy and practice domains and, if continued and channeled, could form the basis for a new Housing Federalism in years to come.

State and local reforms can be organized into deregulation, capital investment and a plethora of governance reforms.

Deregulation

An increasing number of states, Democratic and Republican alike, are taking a deregulatory bent by allowing more types of housing to be built in more places, setting goals for how to get there, and making the process of building less burdensome. Many states have developed planning regimes to encourage or require local governments to zone for a certain amount of housing. Some states have also either retained certain land use regulatory authorities that haven't been devolved down to localities or exercised preemption over local governments.

California has led these efforts, passing over 300 housing and land use laws since 2016 and marking a historic shift away from local exclusionary zoning and toward a state mandated

approach.[29] States like Oregon, Washington, Montana and Maine have ended single family zoning statewide. States like Arizona, Arkansas, Colorado, Iowa, Maine, Massachusetts, Montana, Oregon and Washington, likewise, have followed California's lead in spurring rapid Accessory Dwelling Unit (ADU) construction.[30]

Localities have also gotten involved. Cities like Minneapolis, Arlington, Gainesville and Charlotte have effectively eliminated single-family zoning districts and legalized ADUs, along with duplexes, triplexes and even fourplexes, on single family lots.[31] Cities like Denver and San Diego[32] have speeded up permitting processes and other regulatory reviews.

Capital Investment

A growing number of states and localities are coupling land use and administrative reforms with the enactment of new, flexible capital sources, either to meet challenges that are outside the bounds of rigid federal programs or where federal funding is woefully insufficient given local demand.

In October 2025, for example, New York State Homes and Community Renewal announced the launch of the Housing Acceleration Fund, a $215 million program to speed up construction of mixed-income residential developments. Utah, for its part, approved low-interest construction loans to accelerate the construction of starter homes, with a goal of building 35,000 entry-level homes by 2028.

States and local governments are experimenting with the creation of revolving loan funds to catalyze middle-income and mixed-income development. Notable examples include Montgomery County, Maryland, Chattanooga, Chicago, and Atlanta.[33]

The increase of housing commitments at the local and metropolitan level, often explicitly shaped by enabling state action, is equally remarkable for their breadth and ambition.

Over 750 cities and counties have created Housing Trust Funds, using dedicated tax revenues or developer fees to fund local needs.[34] Cities and municipalities also increasingly use tax abatements or tax increment financing to make housing developments financially viable. The affordable housing sector now appears likely to expand its use of voter referenda campaigns, following the example of the transportation sector, which routinely uses voter referenda to increase local taxes for transit projects,

What distinguishes recent activity is the scale.

- The California legislature has placed an $11.25 billion bond measure on the ballot to fund the construction of affordable housing, including both rental and homeownership housing as well as housing for veterans[35].
- In April 2026, New York City Comptroller Mark Levine rolled out a $4 billion plan to use public pensions to speed up the construction of new homes[36] and shore up subsidized buildings at risk, while safeguarding pension returns.

- In 2025, Philadelphia approved $800 million in bonds for the H.O.M.E. initiative, with goals of both financing the building of new homes and preserving existing ones.[37]
- In 2024, Los Angeles County voters approved Measure A,[38] a permanent half-cent sales tax expected to generate more than $1 billion per year to combat homelessness and expand the production and preservation of affordable housing Unlike prior measures. Measure A dedicates a portion of its revenue—called the Local Solutions Fund—directly to every participating jurisdiction in the county to implement its piece of the regional plan to address the homeless and housing crises. It also provides ongoing funding to LA County's Affordable Housing Solutions Agency (LACAHSA).

Beyond raising their own capital, state and local governments are also working closely with philanthropy to unlock civic commitments. Local housing accelerator funds, or other commitments of concessionary public and/or philanthropic capital, have proliferated in the last several years. The Community Foundation for Greater Atlanta, a vanguard of this approach, launched two $100M commitments to finance the city's goal of building or preserving 20,000 units of affordable housing by 2030.[39] Significant other local initiatives include: The Partnership for the Bay's Future $500M loan fund[40], the Oregon Community Foundation's $100M Building Hope Fund,[41] Boston's $100M Housing Accelerator Fund,[42] Cleveland's $38M Housing Investment Fund,[43] and Invest Chattanooga's $20M Housing Production Fund.[44] All in all, well over $700M of concessionary state, local, and philanthropic capital has been committed to solve local housing crises in recent years.

Governance Reforms

As states and localities step up their housing activities, they are experimenting with a slew of governance reforms, both within government and across sectors and even jurisdictions. These reforms hold great promise and could fundamentally alter the strength of state and local action, if broadly adopted and adapted over the next decade. The reforms fall into several categories.

Reduce Fragmentation/Catalyze Collaboration

As they expand their housing efforts, states and localities are finding that responsibility for housing solutions is fragmented. Over many decades, state and local governments have created separate housing and community development agencies to address different aspects of the housing puzzle, often driven by different federal funding sources. Fragmentation can have multiple consequences, including leading to added housing costs as affordable housing developers seek to combine various sources of funding for projects.[45]

This is slowly beginning to change. In 2010, New York State Homes and Community Renewal (HCR) combined multiple agencies and public benefit corporations to become the state's umbrella affordable housing agency and housing finance entity.[46] In July 2026, California opened

a consolidated California Housing and Homelessness Agency, merging multiple departments and creating a one-stop shop for affordable housing.[47]

New governance models are also emerging to coordinate activities within local governments. In Atlanta, Mayor Andre Dickens entered office in 2022 with a clear goal of building and preserving 20,000 affordable housing units over eight years. To achieve this goal, he organized a Strike Force[48] to force local agencies that deliver or touch housing—public housing authorities, school districts, transportation agencies and other governmental entities—to work together on general policy shifts and the delivery of projects. Strike Force meetings prioritize action by focusing on progress towards the 20,000-unit goal and advancing projects that require deeper coordination and a resolution to challenges agencies are facing.

Cleveland, Denver and Houston, for their part, have established Housing and Homelessness Command Centers. These Centers apply disaster response and emergency management practices to quickly re-house individuals experiencing homelessness and connect them with needed supportive services. These Centers have yielded real results: communities have achieved "functional zero" homelessness, where the number of people exiting homelessness consistently exceeds the number entering homelessness.

Unlock Public Wealth

To ease the financing of housing development, cities and metropolitan areas are finding hidden sources of public wealth through their ownership of land and buildings. The practice of leveraging large public asset holdings has historically been quite common in Europe, less so in the U.S. In Copenhagen, Denmark, a public asset corporation redeveloped publicly owned land and buildings along the harbor front and then used revenues from sales and leases to finance a modern transit system.[49]

A growing number of states and localities are using the disposition of public assets to drive the production of affordable and attainable housing. In some cases, existing housing agencies are acting as master developers of large districts previously used for alternative purposes. New York State, for example, is converting former correctional facilities and psychiatric institutions for large-scale housing developments.[50]

In other cases, new public asset corporations are being created, explicitly modeled after European successes. In 2023, Atlanta created the Atlanta Urban Development Corporation (AUD) to drive efforts to develop underutilized land across the city, with power to implement a tax exemption for qualifying projects.[51] This quasi-public institution is acting more nimbly than typical city agencies—developers can submit any project in the city via a common intake form and the city government actively engages on how to help the project succeed, including with financing. This is simpler than the typical process of applying unsuccessfully for a slew of confusing subsidies.

Act at Metropolitan Scale

The bounded administrative geographies of most cities, suburban municipalities and counties have grown out of sync with metropolitan housing markets.

To counter hyper localism and better align the geographies of markets, communities are experimenting with new forms of metropolitan governance. The Los Angeles County referendum mentioned above provides resources for a new system of housing governance in a county with ten million residents spread across eighty-eight cities. The new system includes the Executive Committee for Regional Homelessness Alignment (ECRHA) (to enable county and city leaders to make collective decisions about housing); The Leadership Table for Regional Homelessness Alignment (to allow public, private and civic leaders to set measurable goals focused on reducing homelessness and expanding affordable housing production); and The Los Angeles County Affordable Housing Solutions Agency (LACAHSA) (a powerful new agency to fund, build and protect affordable housing). These changes have the potential to result in a new kind of metropolitan contract: shared goals, shared institutions, and shared money.

Other metropolitan areas are taking different paths to metropolitan housing action. Federal transportation laws, for example, mandate the creation of metropolitan planning organizations (MPOs). MPOs in places like Minneapolis/St. Paul already play a significant role in the housing arena as do regional planning organizations like the Metropolitan Area Planning Council (MAPC) in Boston. In California, regional Councils of Government (commonly coterminous with MPOs) play an important role in planning for housing growth through the Regional Housing Needs Allocation process.

Beyond formal consortia of governments, a few metropolitan areas are beginning to establish multi sectoral networks of institutions and leaders. The Regional Housing Coalition in Columbus, Ohio aims to support the housing effort of the region's 16 cities, 18 townships, nine villages, and dozens of civic and private sector entities—offering technical assistance on zoning and permitting, centralized market data, and coordinated policy advocacy. Its advisory board is comprised of government, business (Columbus Partnership, One Columbus), planning (the Mid-Ohio Regional Planning Commission), and nonprofit partners around a goal of 200,000 new homes, including 80,000 affordable units, over the next decade; it is backed by a $500 million housing bond Columbus voters approved in 2025.[52]

The Need for Diffusion and Scaling

State and local actions on housing over the past decade amount to a profound restructuring of Housing Federalism. In many respects, the housing system is shifting from one disproportionately driven by the federal government to an endeavor that is shared, but not always coordinated, among federal, state and local governments and the private and civic sectors. This has major implications for housing design, finance and delivery.

The resulting state and local activities hold great promise if several challenges can be met.

- The current burst of state and local actions has the potential to boost the production of housing. But the challenges of addressing the needs of very low- and extremely low- income households require resources that are almost impossible for state and local governments to provide on their own. State and local governments do not have access to the same fiscal powers and tools as the federal government. This is where defining and demanding a central fundamental federal role is essential.
- Innovations in one state or several municipalities do not make a national system. How does, for example, an innovative practice or policy reform or institution created in one first-mover city or metropolis ultimately travel across jurisdictional borders and become adopted or adapted by not just a few "fast followers" but by dozens if not hundreds of places?
- Even innovations that are common to multiple jurisdictions (e.g., Housing Trust Funds, growing philanthropic investments) will not reach their full potential unless the core elements of innovative practices and capital products are codified and normed, so they can be easily routinized.

Building a new Housing Federalism that can address these challenges is the focus of the next section.

4. Where This Heads

For all the momentum of the past decade, the new Housing Federalism is largely a work in progress and still in formation. The shift away from an overreliance on federal action gives states and localities greater agency while increasing the pressure to experiment and innovate.

Consider the following differences between the federal government and a state and local system:

- Federal decision makers are few, consisting of leaders in the executive branch agencies and key Congressional committees. State and local reformers are more widely distributed across sectors.
- Federal reforms are uniform in design and application; state and local reforms are customized to variations in place, markets and governance.
- Federal reforms mostly set standards and prescriptions; state and local reforms can be more experimental and focus pragmatically on what works.
- Federal reforms are often slow to materialize; state and local reforms can occur more rapidly and iterate more easily.
- The constituencies revolving around federal reforms are almost exclusively advocacy organizations; practitioner voices can emerge more strongly in state and local discussions with a focus on replicating or adapting what has worked in other places.

- Federal reforms are driven and implemented by Congress and executive agencies; state and local reforms can involve both governmental and non-governmental actors such as private and civic stakeholders and practitioners.

But there are substantial risks in relying solely on the actions of state and local governments to address the nation's housing crisis.

Certain functions of modern society are best suited to organization and funding by national governments. The federal government is uniquely equipped to generate revenue and to both borrow and print money.

The chaotic start to the Trump Administration in 2025 forced states and localities and their private and civic allies to run the policy equivalent of "fire drills" to determine the extent to which state and local resources could be used to compensate for federal cuts in housing vouchers, Medicaid and SNAP. The results clarified the essential nature of the federal government in providing these core functions for the most vulnerable people in our country. State and local governments simply do not have the fiscal wherewithal to take the place of the federal government in these fundamental areas of domestic policy without a radical increase in taxes.

The highest priority of Housing Federalism is to restore the federal government's role as a valued, trusted and indispensable partner and to ensure that the federal government continues to support policies that serve the lowest income and most vulnerable people while continuing to provide the backbone of the country's credit and tax platform—a role that states and local governments simply cannot perform on their own. This does not mean a return to the *status quo ante,* i.e., federal housing policies exactly as they existed before President Trump assumed power. We believe that federal housing policies need to be modernized to align better with the changing realities of housing challenges and that many housing programs and incentives forged largely in the 1970s and 1980s could be better tailored to meet the nation's current needs.

Stabilizing the federal role, of course, will provide a solid foundation for Housing Federalism. But we believe that for the foreseeable future, states and localities will need to play a leadership role by extending the most promising governance reforms across the entire country. Three reforms are paramount.

First, states and localities will need to practice a ***new kind of problem solving***. Responding urgently to the housing crisis requires localities and states to break down bureaucratic silos and stovepipes and integrate innovations in land use, capital, construction and operational sustainability. The coercive collaboration that Atlanta Mayor Andre Dickens has engendered—a multi-agency Strike Force that holds the city government accountable to numerical targets and tangible outcomes—can become a blueprint for cities, counties and states across the country. The same holds for Homelessness Command Centers. These governance innovations enable horizontal collaboration within local governments and inspire private and civic institutions to do the same.

Second, beyond horizontal governance, states and localities need ***new kinds of public institutions*** to design, finance and deliver housing. The history of Housing Federalism shows

that cities, counties and states began to create agencies and authorities in the 1930s, 1950s and beyond with the principal aim of implementing expanding federal programs and allocating expanding federal resources. We need public institutions that can move beyond serving as purveyors of federal resources, and instead mobilize capital, ideas, and civic energy in new and powerful ways.

One path to modernizing housing lies in recognizing that the public agencies we built to deliver federal programs often have more power and capital than they think. In Atlanta, as illustrated above, the public housing agency created a new subsidiary, the Atlanta Urban Development Corporation, with the mission to dispose of publicly owned land and buildings in the service of housing production. The Housing Authority of the City of Los Angeles (HACLA), for its part, is using access to low-cost, tax-exempt bonds to intervene in the market, acquire properties that the private sector can no longer support and shore up affordability for decades.

Third, beyond new institutions, states and localities need new kinds of entities and partnerships that can **design and deliver metropolitan-level solutions**. Across the United States, local governments are facing regional-scale crises with municipal-sized tools. Housing and homelessness have both outgrown the fiscal and institutional reach of any single city. Federal dollars that once underwrote affordable housing have thinned out, while expectations for local governments have only expanded.

Housing Federalism should align the metropolitan geography of housing markets and the local geography of most housing institutions and authorities. Shifting responsibility for housing strategy at a minimum from the local to the metropolitan scale can occur by adapting the public, private and civic models identified above. Federal support for these efforts may be forthcoming; the 21st Century ROAD to Housing Act offers competitive federal funding to regional planning agencies for planning related to affordable housing.[53]

The question for cities, counties and states is not what governance reform can advance housing success but how to ensure that these innovations can become a norm in the country just like public housing authorities and state housing finance agencies did in prior periods.

To that end, our recommendation is to create a bipartisan and independent **National Housing Solutions Exchange**. The primary mission of the Solutions Exchange would be to spread and diffuse best-in-class innovations invented in one community or state rapidly and effectively to other places.

The current system for doing so is a form of "phone call federalism." A mayor, county executive or governor reads about an innovative local or state practice or policy in the media or, more likely, hears about it at a convening held by national constituency organizations and decides to adapt the innovation for their community. The elected official returns to their respective community, informs their Cabinet and staff of the intriguing innovation and places a call to the innovative executive. Information is shared. Lessons are learned. Innovations are adapted. Progress is made.

There is much to admire about this process of spreading innovations from one place to another. It leverages the motivations of local and state elected leaders to solve problems that are of pressing

importance to their constituents. It embraces the propensity of elected leaders to gravitate to solutions that can be easily understood *and* packaged for political consumption. It is intimate and highly personal, building on the trust that often emerges between individuals who, irrespective of political party or ideology, hold the same job in different parts of the country. It is highly organic, naturally pairing leaders in communities that are facing similar challenges.

But phone call federalism is not a sufficient means of catalyzing innovations and diffusing solutions at a national level. Its allure (i.e., city leader to city leader, state leader to state leader) is ultimately limiting and constraining.

It is possible to spread an innovative practice from one "first mover" city to two or three "fast followers." In Chattanooga, for example, Mayor Tim Kelly adapted Atlanta's public asset corporation to create Invest Chattanooga, a "specialized public enterprise" focused on financing mixed-income housing developments driven by private developers. The inaugural leader of Invest Chattanooga is Matt Bedsole, who previously helped launch Atlanta's Urban Development Corporation. Spreading and adapting the Atlanta model to a much broader set of cities outstrips the capacity of individual places both to bottle their innovations and act as customized consultants to another community.

The National Housing Solutions Exchange would have several major functions:

A Diffusion Machine: The Solutions Exchange would gather, codify, spread and scale solutions at rapid speed. Whereas many constituency groups, think tanks and advocacy organizations based in Washington, D.C. have historically "looked vertically up" to the federal government as the arbiter of national purpose and investment, the Solutions Exchange would "look horizontally across" the country to spur transformative change. In carrying out its mission, the Solutions Exchange would work closely with practitioner-led organizations that engage in the diffusion of best practices across their networks (e.g., Enterprise Community Partners, Local Initiatives Support Coalition (LISC), Neighborworks America, The Housing Partnership Network, Inc., National Multifamily Housing Council, the Council of Large Public Housing Authorities). To carry out its diffusion mission, the Solutions Exchange would have its own research and evaluation capacity, ideally sourced through a network of regionally based research institutions.

The Solutions Exchange would also build upon the recently announced Bloomberg Philanthropies' initiative to bring three promising housing solutions—the Atlanta Housing Strike Force model described above, Austin's Accessory Dwelling Unit (ADU) reforms pushed by Mayor Kirk Watson[54] and San Diego's speedy permitting initiative pursued by Mayor Todd Gloria[55]—to up to 30 cities, with roughly ten local governments employing each one.

Just as regulations can cause bottlenecks in housing, institutional capacity is a less understood impediment. City and county governments, public housing authorities, and state and local housing finance agencies often lack the capacity to maximize the tools and authorities they already have. For example, Atlanta's Urban Development Corporation uncovered untapped powers from a 1937 Georgia Housing Authorities Law to provide tax exemptions for affordable housing and innovate building code regulations. The Solutions Exchange would need to contend

with capacity gaps that prevent cities from taking up the best practices by providing technical assistance either directly or through existing providers.

Collective Power: The Solutions Exchange could also help multiple communities aggregate their market and purchasing power as a means of creating new markets for innovative housing products as well as enhancing the ability of places to negotiate collectively with large financial institutions, production companies and technology providers.

The most relevant model is C40, the coalition of cities founded in 2005 to help drive climate solutions. This organization works with cities across the globe to structure climate projects that attract investment from development banks, institutional investors, and private financiers.

Other examples of collective power also exist. In 1987, a consortium of public housing agencies aggregated their market power to create a pooled insurance system. The HAI Group[56] is still governed by housing organizations today and offers a range of insurance products and services that are tailor-made for PHAs as well as complimentary risk management resources and training.

Intermediary models used in Europe to aggregate the collective market power of cities and metropolitan areas offer still other examples. Sweden's *KommunInvest*,[57] for example, started as a multi-municipality cooperative and has evolved into a platform for enabling small- and medium-sized cities to aggregate their market power, level the playing field with financial institutions and get green infrastructure and other projects routinely funded as part of broader pools.

These examples provide potential paths for states, regions and localities to address the housing crisis collectively. A Solutions Exchange would give individual cities access to objective expertise around investment options, precedent projects, and likely risks and returns. It would allow cities to create together new norms around project finance and even new investment vehicles for similarly designed projects. Perhaps most significantly, a Solutions Exchange would give collections of cities the market power to negotiate collectively with large financial institutions, pension funds and even technology companies.

Federal Policy Impact: The Solutions Exchange could provide a formal mechanism for informing federal housing decisions going forward. The Solutions Exchange would perform three essential roles:

Assess the impact of federal reforms on housing challenges experienced by states and localities;

Identify state and local innovations that could be scaled or supported via purposeful federal action; and

Identify reforms to federal programs to ensure better alignment with state and local innovations.

The creation of a Solutions Exchange would enable states and localities to play a more coordinated role in the design of federal housing reforms in the future, befitting the fact that states and localities (and their private and civic allies) are often the implementers in the housing system. It would also bring order to the historic process of scaling the best of state and local action via federal reforms. In many respects, The 21st Century ROAD to Housing Act is the latest

example of this since it advances a federal framework to support the zoning and land use reforms bubbling from states and localities.

There is a model for this. From 1959 to 1996, the Advisory Commission on Intergovernmental Relations (ACIR)[58] served "to strengthen the American federal system and improve the ability of federal, state, and local governments to work together cooperatively, efficiently, and effectively." The ACIR performed a series of practical functions including: convening federal, state, and local officials and private citizens to consider common problems; investigating the consequences of changes in the federal system; providing technical assistance to the executive and legislative branches of the federal government; and recommending changes in law, regulation, and practice to achieve a more desirable allocation of functions, responsibilities and revenues, and to improve relations among the levels of government.

5. Conclusion

The housing crisis is, in part, a governance crisis. To address the housing crisis, action will be needed at all levels of government: federal, state and local. Each level has a different set of powers, authorities and insights in the housing arena. Taken in coordination, these actions have the power to increase housing production, address housing needs at the lowest end of the income spectrum, combat homelessness and spread the best innovations across the nation via a new National Housing Solutions Exchange. A new Housing Federalism, forged in crisis, can be a signature and lasting effect of this period.

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